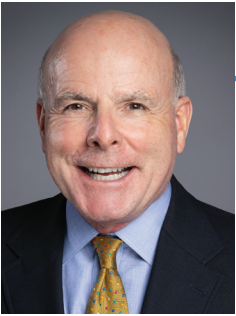




Popular Annual Financial Report

For the Year Ended December 31, 2020





From the Executive Director

On behalf of the Texas Municipal Retirement System (TMRS) Board of Trustees and staff, I am pleased to present you with this Popular Annual Financial Report (PAFR) for the year ended December 31, 2020. The PAFR provides a summary of TMRS membership, financial, investment, actuarial and Board information. The financial data was taken from TMRS' Comprehensive Annual Financial Report for the year ended December 31, 2020 (Report), which is available on our website at tmrs.com.

TMRS is a statewide public retirement plan that provides retirement, disability and death benefits to more than 205,000 Members and retirees of 895 participating cities. TMRS is funded by Member and participating city contributions and does not receive state funding. In 2020, TMRS paid \$1.5 billion in retirement benefits, an increase of \$98.5 million, or 6.8%, from \$1.4 billion paid in 2019.

The Plan is financially sound and well-funded. As of December 31, 2020:

- Our net investment return was 7.65%, exceeding TMRS' 6.75% actuarial return assumption
- Trust Fund investments totaled \$34.5 billion at December 31, 2020 — an all-time high

2020 was an historic year. The COVID-19 pandemic presented significant challenges, but TMRS met them all. Not one retiree or beneficiary payment was delayed, and Member service remained at high levels.

I thank the Board for their leadership and support. I appreciate the warm welcome from my colleagues and thank them for their commitment to our Members and participating cities.

Sincerely,

David B. Wescoe
Executive Director

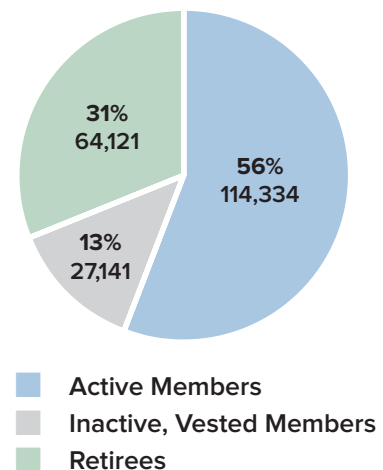
Plan Information

TMRS administers a cash-balance defined benefit retirement plan for eligible employees of participating cities. Members and participating cities continue to grow. At December 31, 2020, we had 205,596 Members and retirees from 895 participating cities.

Members are eligible to retire based on their city's vesting, age and years of service requirements. Generally, a Member vests after either 5 or 10 years of service and is eligible to retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age.

TMRS also administers a Supplemental Death Benefits Fund (SDBF), which provides a one-time death benefit for Members and retirees of participating cities that elect this benefit.

2020 MEMBERSHIP



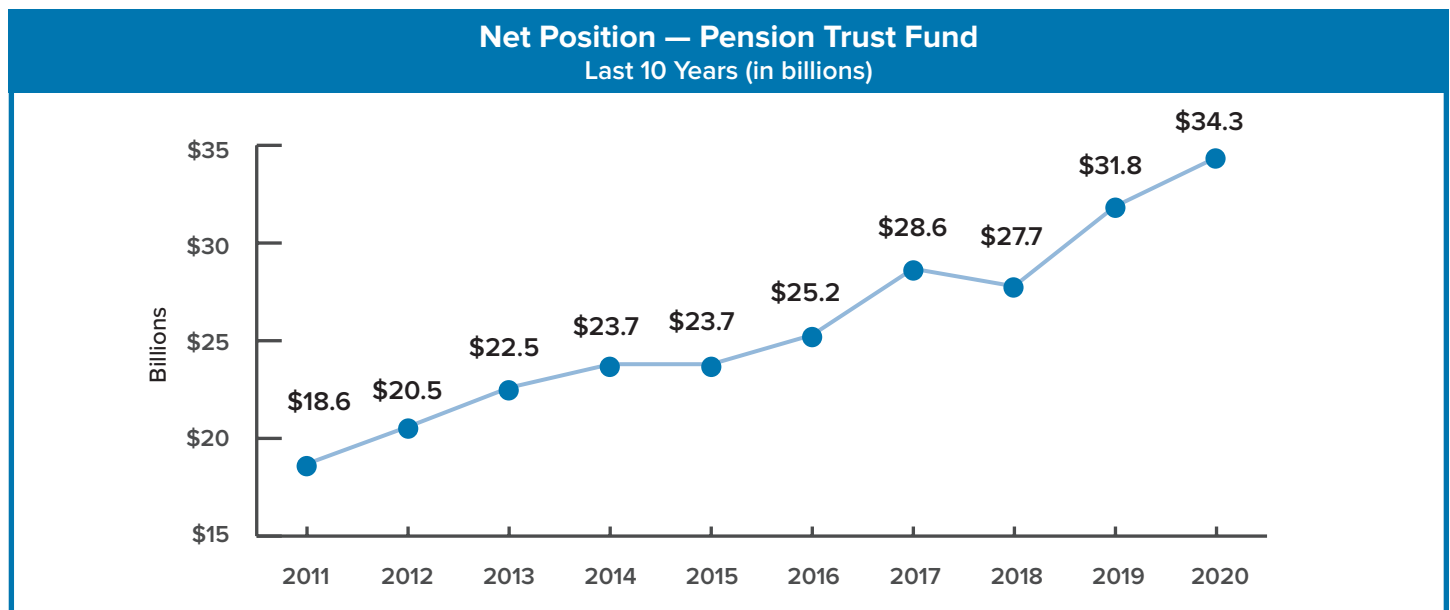
Financial Information

TMRS administers a Pension Trust Fund that provides monthly service and disability retirement benefits for the life of a retiree.

The following table presents TMRS' assets and liabilities for the years ending December 31, 2020 and 2019. The fiduciary net position is the difference between assets and liabilities and represents the funds accumulated for the payment of future benefits.

Fiduciary Net Position – Pension Trust Fund (dollars in millions)				
As of December 31				
	2020	2019	Increase (Decrease)	% Change
ASSETS				
Investments	\$ 34,522.3	\$ 31,871.2	\$ 2,651.1	8.3 %
Receivables and other assets	840.6	479.5	361.1	75.3
Capital assets, net	7.9	8.5	(0.6)	(7.1)
Total assets	35,370.8	32,359.2	3,011.6	9.3
LIABILITIES				
Payables and accrued liabilities	1,076.2	532.0	544.2	103.0
Funds held for SDBF	11.7	13.4	(1.7)	(12.7)
Total liabilities	1,087.9	545.4	542.5	99.5
FIDUCIARY NET POSITION	\$ 34,282.9	\$ 31,813.8	\$ 2,469.1	7.8 %

TMRS' net position has steadily increased over the last ten years from \$18.6 billion to \$34.3 billion. Our investment portfolio is the most significant component of the fiduciary net position. Contributions from Members and participating cities are invested in a diversified portfolio that includes equities, bonds and private investment funds. In 2020, investments increased in value by \$2.7 billion, or 8.3%.



The following table presents the changes in fiduciary net position for 2020 and 2019. Additions include Members' and participating cities' contributions and investment income. Deductions include benefits paid and operating expenses.

Changes in Fiduciary Net Position – Pension Trust Fund (dollars in millions) For the Years Ended December 31

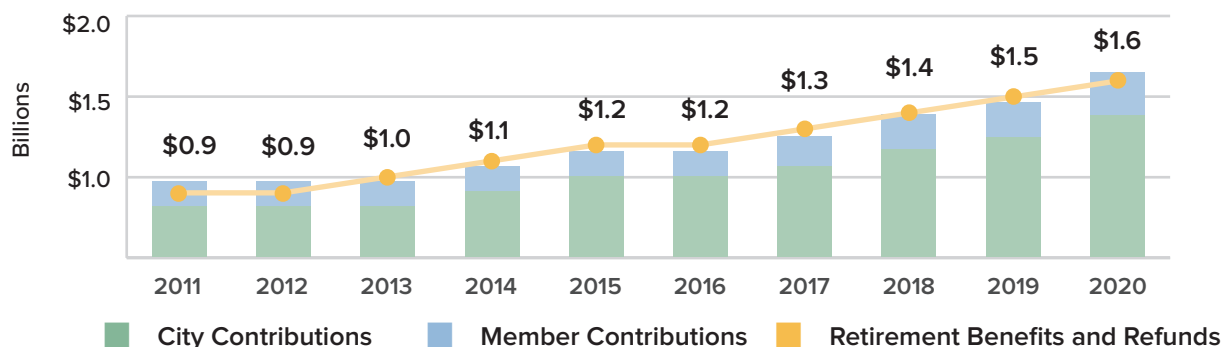
	2020	2019	Increase (Decrease)	% Change
ADDITIONS				
City contributions	\$ 1,191.7	\$ 930.2	\$ 261.5	28.1 %
Member contributions	479.2	453.6	25.6	5.6
Net investment income	2,414.5	4,279.5	(1,865.0)	(43.6)
Total additions	4,085.4	5,663.3	(1,577.9)	(27.9)
DEDUCTIONS				
Retirement benefit payments	1,544.0	1,445.5	98.5	6.8
Inactive Member refunds	56.0	62.7	(6.7)	(10.7)
Administrative expenses	15.6	24.2	(8.6)	(35.5)
Income allocation to SDBF	0.7	0.7	–	–
Total deductions	1,616.3	1,533.1	83.2	5.4
Change in net position	2,469.1	4,130.2	(1,661.1)	(40.2)
NET POSITION				
Beginning of year	31,813.8	27,683.6	4,130.2	14.9
End of year	\$ 34,282.9	\$ 31,813.8	\$ 2,469.1	7.8 %

Contributions. Participating cities and Members make contributions to TMRS. Participating cities' contribution rates are determined by our actuary to fund their cities' future benefits. In 2020, in addition to regular monthly contributions, participating cities also contributed \$214.4 million in lump sum contributions, compared with \$3.6 million in 2019. Members make contributions based on a percent of their compensation, 3%, 5%, 6% or 7%, as adopted by their city.

Investment Income. Investment income includes interest, dividends and the change in the value of the investment portfolio. Investment income is reduced by the expenses directly associated with managing the investment portfolio, resulting in net investment income. The change in net investment income is due to market volatility causing changes in the investment portfolio's value.

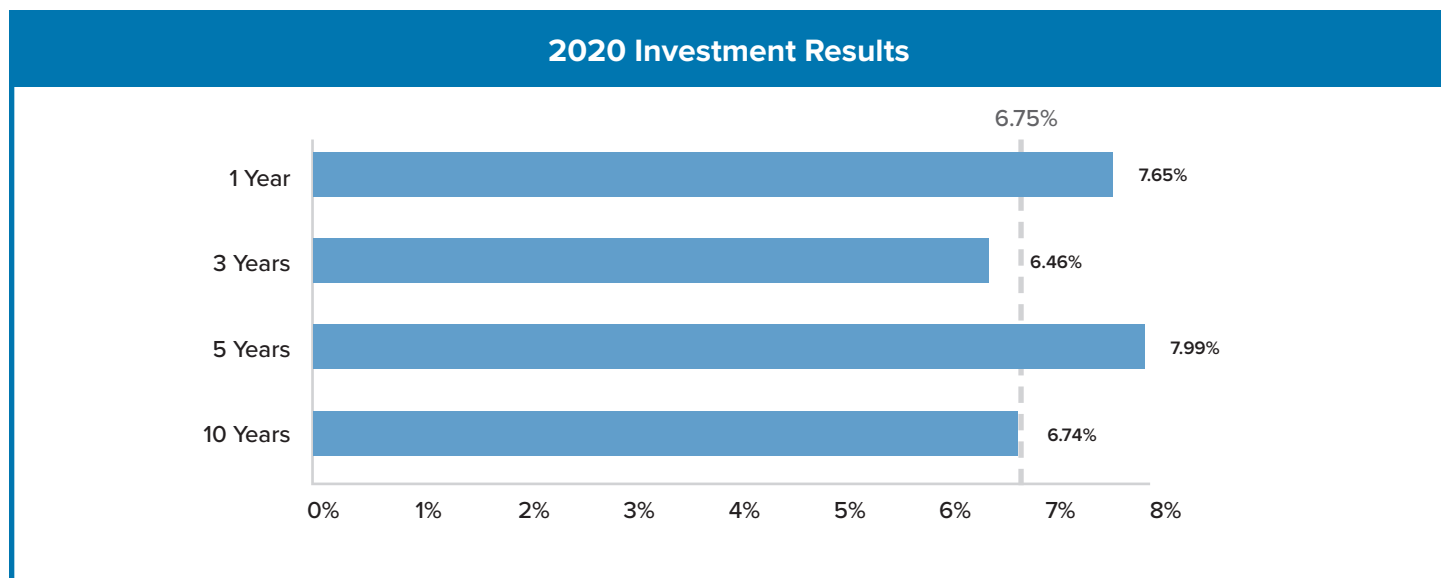
Benefit Payments. Retirement benefit and refund payments increased to \$1.6 billion because the number of retirees grew from 61,266 in 2019 to 64,121 in 2020.

Membership Activity — Last 10 Years

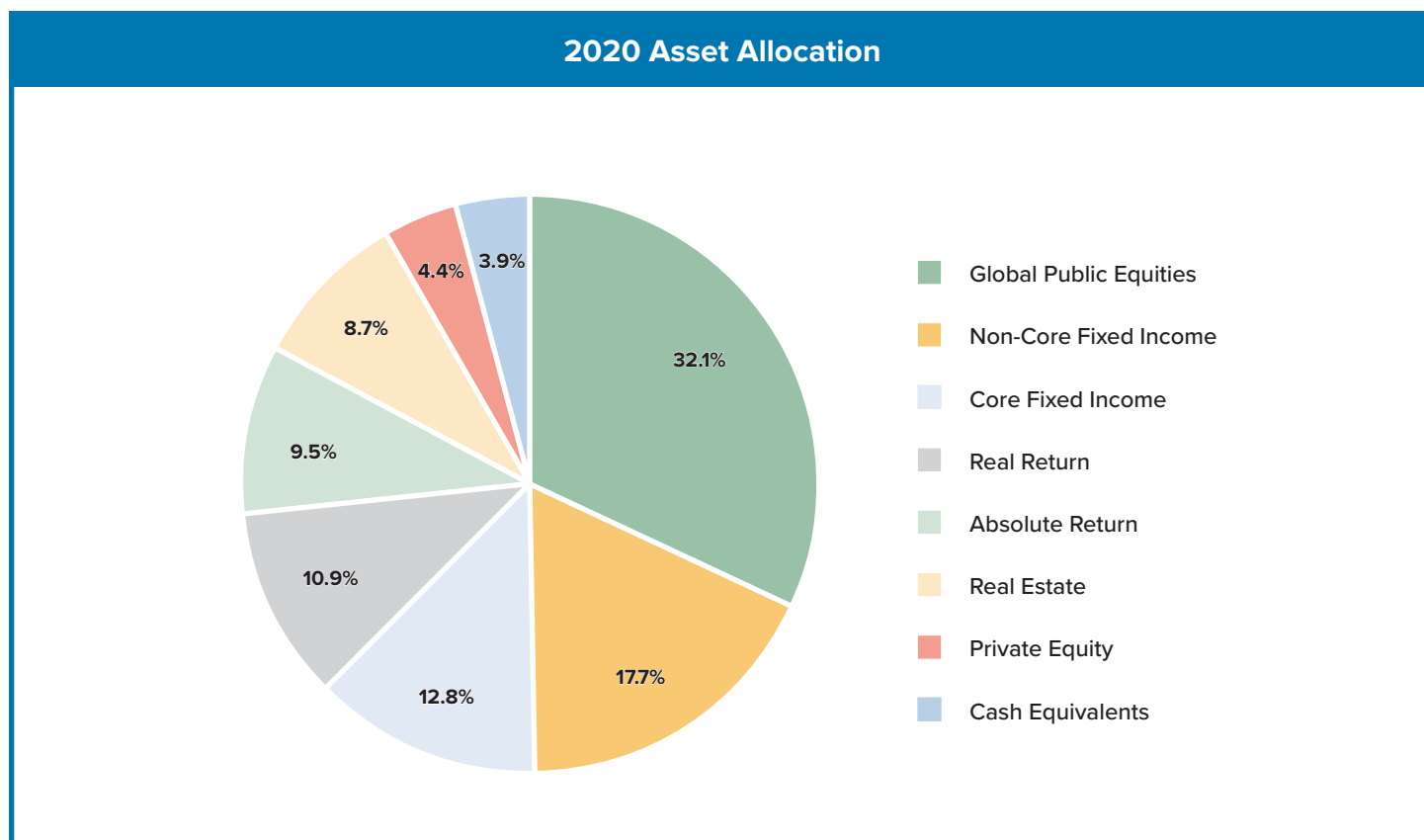


Investments

TMRS' 2020 net investment return was 7.65%, which exceeded our 6.75% actuarial return assumption. Trust Fund investments totaled \$34.5 billion, an all-time high, at December 31, 2020.



TMRS has a highly diversified portfolio of assets, with investments in public and private markets, across different asset classes. The TMRS Board of Trustees approves the strategic target allocation, with the objective of meeting or exceeding the 6.75% actuarial return assumption. TMRS' actual asset allocation as of December 31, 2020 is presented below.



Actuarial

The Board's independent actuary, GRS, performs an annual actuarial valuation for each TMRS participating city and calculates their annual contribution rate required to fully fund benefits. These contribution rates go into effect January 1 of the year following the date of the valuation. Participating city rate letters are available on our website at tmrs.com.

TMRS is one of the best-funded public pension plans in the U.S. and is well positioned to meet its commitments to current and future retirees. While every participating city has its own funded ratio, TMRS' composite funded ratio was 89.5% as of December 31, 2020.

The funded ratio, which compares the actuarial value of assets to anticipated future benefits, is considered a measure of the soundness of a retirement plan. Therefore, a plan with a 100% funded ratio is considered to have enough assets to cover all of its projected accrued liabilities.

Funded Ratio — Last 10 Years									
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
85.1%	87.2%	84.1%	85.8%	85.8%	86.3%	87.4%	87.1%	88.0%	89.5%

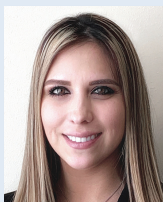
2020 Board of Trustees

TMRS is governed by a six-member Board of Trustees who are appointed by the Governor of Texas and confirmed by the Texas Senate. Board members serve six-year terms and have fiduciary oversight of TMRS. The Board receives counsel from staff, investment consultants and an Advisory Committee on Benefit Design representing various stakeholders.

Governor Greg Abbott appointed Anali Alanis and Johnny Huizar to the Board of Trustees in February 2020. In July 2020, he appointed Bob Scott and reappointed Bill Philibert. Ms. Alanis was reappointed in April 2021, and the Texas Senate unanimously confirmed these appointments in May 2021.



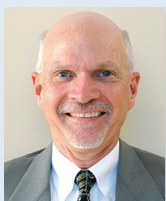
Bill Philibert, 2020 Chair
Director of Human Resources
and Risk Management
City of Deer Park



Anali Alanis
Assistant City Manager
City of Pharr



Johnny Huizar
City Manager
City of Pleasanton



David Landis, 2020 Vice Chair
City Manager
City of Perryton



Jesús A. Garza
City Manager
City of Victoria



Bob Scott
Assistant City Manager and
Chief Financial Officer
City of Carrollton

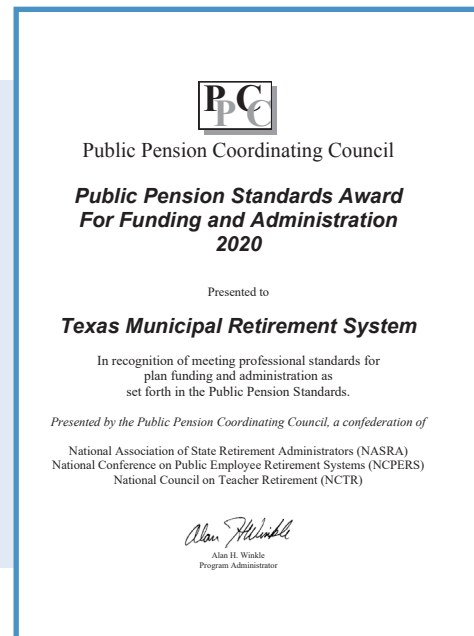
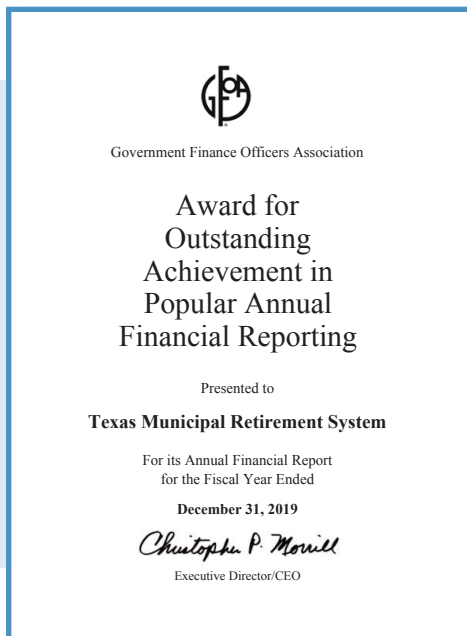
Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to TMRS for its Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2019. The Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive a PAFR Award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

A PAFR Award is valid for a period of one year only. TMRS has received this award for the last 15 consecutive years.

TMRS also received the 2020 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.



For More Information

TMRS prepares the PAFR annually to provide you with an overview of how TMRS has performed financially in the past year. Unlike the financial data in the Report, the data in this PAFR is unaudited and does not include all of the financial statements and note disclosures required by generally accepted accounting principles. In addition, while TMRS also administers the Supplemental Death Benefits Fund, the PAFR includes only the financial information of the Pension Trust Fund. For detailed financial information, please refer to the TMRS Comprehensive Annual Financial Report for the Year Ended December 31, 2020 at tmrs.com.

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tmrs.com

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On the cover: photos of city halls from TMRS participating cities courtesy of Texas Department of Transportation, City of North Richland Hills and iStock photos.

