

Financial Section

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Independent Auditors' Report



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Texas Municipal Retirement System
Austin, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Texas Municipal Retirement System (TMRS), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the TMRS' basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the TMRS as of December 31, 2023, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the TMRS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the TMRS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Report

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Board of Trustees
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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TMRS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the TMRS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and money-weighted rate of return – pension trust fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide

Independent Auditors' Report

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Board of Trustees
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any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the TMRS' basic financial statements. The combined schedule of changes in fiduciary net position, schedule of administrative expenses and investment expenses, and schedule of professional services (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CliftonLarsonAllen LLP

Baltimore, Maryland
June 12, 2024

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Texas Municipal Retirement System (TMRS) for the year ended December 31, 2023.

MD&A is intended to provide a summary of TMRS' financial condition and help the reader understand the key components of TMRS' financial statements. MD&A should be read along with the Executive Director's Letter of Transmittal in the Introductory Section and the Basic Financial Statements.

Overview of the Financial Statements

TMRS administers three fiduciary funds: the Pension Trust Fund, the Full Benefit Arrangement Fund (FBAF), and the Supplemental Death Benefits Fund (SDBF). The Pension Trust Fund accounts for the resources available for service and disability retirement benefits to retirees and their beneficiaries. The FBAF pays benefits that are in excess of the limits established by Section 415(b) of the Internal Revenue Code and is included with the Pension Trust Fund for presentation purposes only. The SDBF provides a lump-sum death benefit to the beneficiaries of active members and retirees of participating cities that provide supplemental death benefits.

The Basic Financial Statements include:

- The Statement of Fiduciary Net Position, which presents the assets available for future payments of benefits to members, retirees and beneficiaries and current liabilities owed as of December 31, 2023.
- The Statement of Changes in Fiduciary Net Position, which includes the annual additions (investment income and contributions) and deductions (benefit payments and other expenses) for the year ended December 31, 2023.
- The Notes to Financial Statements provide additional information, which is essential to a full understanding of the data in the Basic Financial Statements.

The Required Supplementary Information includes the historical money-weighted investment returns on Trust Fund investments.

The Supplemental Schedules include additional information regarding changes in fiduciary net position by fund, administrative and investment expenses, and professional services for the year ended December 31, 2023.

These financial statements and the required disclosures are prepared in accordance with Generally Accepted Accounting Principles and reporting guidelines as set forth by the Governmental Accounting Standards Board.

Management's Discussion and Analysis

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Financial Highlights

Net Position Restricted for Pensions – Pension Trust Fund

Tables F-1 and F-2 provide a summary of assets, liabilities and fiduciary net position for the Pension Trust Fund (including the FBAF) as of December 31, 2023 and 2022, and a summary of changes in fiduciary net position for the years then ended. The fiduciary net position of the Pension Trust Fund increased by \$3.9 billion from 2022 to 2023, or 10.9%, reflecting appreciation in the investment portfolio's value during 2023.

Table F-1

Summary of Fiduciary Net Position — Pension Trust Fund (dollars in millions)				
As of December 31				
	2023	2022	Increase/ (Decrease)	% Change
ASSETS				
Investments, at fair value	\$ 39,271.0	\$ 35,497.4	\$ 3,773.6	10.6 %
Receivables	221.6	339.5	(117.9)	(34.7)
Cash and other assets	56.2	10.6	45.6	430.2
Capital assets, net	2.4	2.9	(0.5)	(17.2)
Total assets	39,551.2	35,850.5	3,700.7	10.3
LIABILITIES				
Payables and other liabilities	58.8	248.0	(189.2)	(76.3)
Funds held for SDBF	6.0	2.0	4.0	200.0
Total liabilities	64.8	250.0	(185.2)	(74.1)
FIDUCIARY NET POSITION	\$ 39,486.3	\$ 35,600.5	\$ 3,885.8	10.9 %

Columns may not total due to rounding.

The most significant component of TMRS' fiduciary net position is the fair value of Trust Fund investments. The change in investments is due to the increase in the portfolio's value, or investment gains, during 2023. The fluctuation of receivables and payables is due primarily to the timing of investment trade activity resulting in open trades receivable and payable at year-end.

Management's Discussion and Analysis

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Table F-2

Summary of Changes in Fiduciary Net Position — Pension Trust Fund (dollars in millions)				
For the Year Ended December 31				
	2023	2022	Increase/ (Decrease)	% Change
ADDITIONS				
City contributions	\$ 1,185.5	\$ 1,144.8	\$ 40.7	3.6 %
Member contributions	582.8	529.9	52.9	10.0
Net investment income/(loss)	4,119.2	(2,816.6)	6,935.8	(246.2)
Other	—	29.3	(29.3)	(100.0)
Total additions	5,887.5	(1,112.6)	7,000.1	(629.2)
DEDUCTIONS				
Retirement benefits	1,904.6	1,781.5	123.1	6.9
Member account refunds	70.6	73.8	(3.2)	(4.3)
Administrative expenses	26.2	24.4	1.8	7.4
Income allocated to SDBF	0.2	0.2	—	0.0
Total deductions	2,001.7	1,879.9	121.8	6.5
CHANGE IN FIDUCIARY NET POSITION	3,885.9	(2,992.5)	6,878.4	(229.9)
FIDUCIARY NET POSITION				
Beginning of year	35,600.5	38,593.0	(2,992.5)	-7.8
END OF YEAR	\$ 39,486.3	\$ 35,600.5	\$ 3,885.8	10.9 %

Columns may not total due to rounding.

Net investment income/(loss) includes interest, dividends and net appreciation/(depreciation) in the fair value of investments, less investment expenses. The change from 2022 to 2023 is due to investment performance over the periods. Time-weighted net investment returns were 11.64% in 2023 and -7.35% in 2022.

Other additions included the \$29.2 million gain that was recognized in 2022 on the sale of TMRS' former office building.

The increase in retirement benefits is due to growth in the number of retired members from 71,265 in 2022 to 72,948 in 2023 and cost-of-living adjustments that may be applied.

Management's Discussion and Analysis

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Net Position – Supplemental Death Benefits Fund

Tables F-3 and F-4 provide a summary of fiduciary net position as of December 31, 2023 and 2022 for the SDBF and a summary of changes in fiduciary net position for the years then ended. The fiduciary net position of the SDBF increased by 150.0% due to increases in actuarially determined contribution rates effective January 1, 2023.

Table F-3

Summary of Fiduciary Net Position – SDBF (dollars in millions)					
As of December 31					
	2023	2022	Increase/ (Decrease)	% Change	
TOTAL ASSETS AND FIDUCIARY NET POSITION	\$ 8.0	\$ 3.2	\$ 4.8	150.0 %	

Table F-4

Summary of Changes in Fiduciary Net Position – SDBF (dollars in millions)					
For the Year Ended December 31					
	2023	2022	Increase/ (Decrease)	% Change	
ADDITIONS					
City contributions	\$ 19.2	\$ 11.2	\$ 8.0	71.4 %	
Income allocated from Interest Reserve Account	0.2	0.2	—	0.0	
Total additions	19.4	11.4	8.0	70.2	
DEDUCTIONS					
Supplemental death benefits	14.6	14.1	0.5	3.5	
Total deductions	14.6	14.1	0.5	3.5	
CHANGE IN FIDUCIARY NET POSITION	4.8	(2.7)	7.5	277.8	
FIDUCIARY NET POSITION					
Beginning of year	3.2	5.8	(2.6)	(44.8)	
END OF YEAR	\$ 8.0	\$ 3.2	\$ 4.8	150.0 %	

Columns may not total due to rounding.

Contributions from cities participating in the SDBF are based on the payroll of covered members at actuarially determined rates. Effective January 1, 2023, SDBF contribution rates increased significantly as a result of recent claims experience. The SDBF receives a 5% statutory interest allocation from the Interest Reserve Account based on the SDBF's average balance during the year.

Requests for Information

Questions about the MD&A or requests for additional information should be emailed to ORR@tmrs.com.

Basic Financial Statements

Table F-5

Statement of Fiduciary Net Position

As of December 31, 2023

	Pension Trust Fund	Supplemental Death Benefits Fund	Total
ASSETS			
Cash	\$ 44,018,072	\$ —	\$ 44,018,072
Receivables			
Contributions	170,954,202	1,950,138	172,904,340
Interest and dividends	40,298,174	—	40,298,174
Unsettled investment trades	10,372,935	—	10,372,935
Total receivables	221,625,311	1,950,138	223,575,449
Investments, at fair value			
Short term investments	372,311,930	—	372,311,930
Public equities	14,231,076,581	—	14,231,076,581
Fixed income securities	3,846,670,672	—	3,846,670,672
Non-core fixed income funds	5,996,376,806	—	5,996,376,806
Other public & private markets funds	3,599,524,814	—	3,599,524,814
Hedge funds	2,105,259,127	—	2,105,259,127
Private equity funds	4,508,388,458	—	4,508,388,458
Private real estate funds	4,611,353,404	—	4,611,353,404
Total investments	39,270,961,792	—	39,270,961,792
Capital assets, net	2,381,758	—	2,381,758
Other assets	12,200,087	—	12,200,087
Funds held by Interest Reserve Account	—	6,028,714	6,028,714
TOTAL ASSETS	39,551,187,020	7,978,852	39,559,165,872
LIABILITIES			
Accounts payable and other accrued liabilities	29,805,802	—	29,805,802
Unsettled investment trades payable	29,010,791	—	29,010,791
Funds held for Supplemental Death Benefits Fund	6,028,714	—	6,028,714
TOTAL LIABILITIES	64,845,307	—	64,845,307
FIDUCIARY NET POSITION			
Net position restricted for pensions	39,486,341,713	—	39,486,341,713
Fiduciary net position held in trust for other benefits	—	7,978,852	7,978,852
TOTAL FIDUCIARY NET POSITION	\$39,486,341,713	\$ 7,978,852	\$39,494,320,565

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements

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Table F-6

Statement of Changes in Fiduciary Net Position			
For the Year Ended December 31, 2023			
	Pension Trust Fund	Supplemental Death Benefits Fund	Total
ADDITIONS			
Contributions			
City	\$ 1,185,483,912	\$ 19,233,365	\$ 1,204,717,277
Member	582,825,289	—	582,825,289
Total contributions	1,768,309,201	19,233,365	1,787,542,566
Net investment income			
Net appreciation in fair value of investments	3,601,589,573	—	3,601,589,573
Interest and dividends	546,734,961	—	546,734,961
Total investment income	4,148,324,534	—	4,148,324,534
Less investment expense	(29,113,868)		(29,113,868)
Net investment income	4,119,210,666	—	4,119,210,666
Other	26,239	—	26,239
Income allocated from Interest Reserve Account	—	209,386	209,386
TOTAL ADDITIONS	5,887,546,106	19,442,751	5,906,988,857
DEDUCTIONS			
Retirement benefits	1,904,627,632	—	1,904,627,632
Supplemental death benefits	—	14,617,888	14,617,888
Member account refunds	70,645,434	—	70,645,434
Administrative expenses	26,212,728	—	26,212,728
Income allocated to Supplemental Death Benefits Fund	209,386	—	209,386
TOTAL DEDUCTIONS	2,001,695,180	14,617,888	2,016,313,068
CHANGE IN FIDUCIARY NET POSITION	3,885,850,926	4,824,863	3,890,675,789
FIDUCIARY NET POSITION			
Fiduciary net position restricted for pensions			
Beginning of year	35,600,490,787	—	35,600,490,787
End of year	39,486,341,713	—	39,486,341,713
Fiduciary net position held in trust for other benefits			
Beginning of year	—	3,153,989	3,153,989
End of year	—	7,978,852	7,978,852
TOTAL FIDUCIARY NET POSITION	\$ 39,486,341,713	\$ 7,978,852	\$ 39,494,320,565

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Texas Municipal Retirement System (TMRS) is a statewide public retirement plan created by the State of Texas and administered in accordance with Texas Government Code, Title 8, Subtitle G (TMRS Act) for the benefit of the employees of TMRS participating cities. The TMRS Act places the administration and management of TMRS with a six-member Board of Trustees (Board) appointed by the Governor with the advice and consent of the Texas Senate. TMRS does not receive any funding from the State of Texas.

The accompanying financial statements include only the operations of TMRS. TMRS is not a component unit of any other entity and has no component units. TMRS manages three fiduciary trust funds: the Pension Trust Fund, the Full Benefit Arrangement Fund (FBAF) and the Supplemental Death Benefits Fund (SDBF). The FBAF is legally separate from the Pension Trust Fund, but is combined with the Pension Trust Fund for presentation purposes on the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

B. Basis of Accounting

TMRS' financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The Pension Trust Fund, FBAF and the SDBF are maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of when payments are made. City and active member contributions are recorded when due, which is in the period the city reports compensation for its member employees. Benefits are recorded when payable, in accordance with TMRS' plan terms. Member account refunds are recorded and paid upon receipt of an approved refund application.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

TMRS invests city and active member contributions in a diversified investment portfolio. Investments are exposed to various risks, such as interest rate risk, credit risk and market volatility risk. Due to the risks associated with investments, changes in the fair value of investments will occur in the future and any such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Notes to Financial Statements

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C. Basis of Presentation

TMRS maintains three separate fiduciary funds that are segregated for the purpose of carrying out specific activities or complying with applicable statutory guidelines or restrictions.

The following is a brief description of each fund.

Fiduciary Fund — Pension Trust Fund

The Pension Trust Fund records the resources held in trust for the benefit of TMRS active members, vested terminated members, retirees and beneficiaries (collectively, Members). TMRS is not legally required to create reserves, but establishes the following accounts:

Benefit Accumulation Fund (BAF). The activity affecting each participating city's account is recorded in the BAF. The BAF is increased by contributions from participating cities and active members and decreased by benefit payments and refunds. Effective each December 31, the Board approves an interest credit to the BAF, allocated to each city in proportion to its BAF balance at January 1 of that year. The BAF received a 11.92% interest credit effective December 31, 2023.

Supplemental Disability Benefits Fund. Effective January 1, 1988, the TMRS Act was amended to terminate this fund and closed participation to new members. There have been no contributions to this fund since 1987, but supplemental disability benefit payments continue to be paid. The TMRS Act requires that a 5% interest credit be allocated to the fund effective each December 31 based on the average balance in the fund during the year.

Endowment Fund. The Endowment Fund includes accumulated unallocated investment income in the Interest Reserve Account and escheated member balances in the Perpetual Endowment Account.

Expense Fund. The Expense Fund records the expenses incurred for TMRS' administration. The Board authorizes transfers from the Endowment Fund's Interest Reserve Account to the Expense Fund for the amount estimated to cover annual administrative expenses.

Fiduciary Fund — Full Benefit Arrangement Fund (FBAF)

Any portion of a retiree's annual retirement benefit that exceeds the limit set by Section 415(b) of the Internal Revenue Code (IRC) cannot be paid from the Pension Trust Fund. In accordance with the TMRS Act and IRC Section 415(m), cities pay these excess amounts through the FBAF, which receives contributions from cities and pays benefits from such contributions for any benefits exceeding the Section 415(b) limit. The FBAF is separate from the Pension Trust Fund, but is combined in the accompanying financial statements for presentation purposes only.

Fiduciary Fund — Supplemental Death Benefits Fund (SDBF)

The SDBF records the resources available to pay supplemental death benefit claims for covered members and retirees. Cities may elect to provide a supplemental death benefit (SDB) for their active members and may also cover retirees. The TMRS Act requires that a 5% interest credit be allocated to the SDBF effective each December 31 based on the average balance in the SDBF during the year. SDB payments are payable only from the SDBF and are not an obligation of, or a claim against, other TMRS funds.

Notes to Financial Statements

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D. Investments

As of December 31, 2023, TMRS' Pension Trust Fund included short-term investments, domestic and international public equities, domestic and international fixed income securities, non-core fixed income funds, other public and private markets (OPPM) funds, hedge funds, private equity funds and private real estate funds. Investment transactions are reported on a trade-date basis, with resulting gains/(losses) from sales determined by the average cost method. Short-term investments are reported at cost, which approximates fair value. Fixed income securities are valued by pricing vendors using quoted market prices, broker prices or other valuation methodologies. Public equity securities are valued by TMRS' custodian bank using the last trade date quoted market price supplied by various pricing data vendors. Fair values of commingled public equity funds are determined based on the funds' net asset values at the date of valuation. Fair values of non-core fixed income funds, OPPM funds, hedge funds, private equity funds and private real estate funds (private fund investments) are reported at the net asset values as provided by the fund's investment manager, which are based on audited financial statements of the respective funds. Withdrawal from private fund investments prior to a fund's liquidation may be allowed, subject to constraints as set forth in the fund's documents.

Futures contracts are considered derivative financial instruments and are reported at fair value, with valuation changes reported as investment income. The accumulated gain/(loss) of these derivative contracts is included in unsettled investment trades receivable or payable in the accompanying Statement of Fiduciary Net Position.

Investment expenses presented on the Statement of Changes in Fiduciary Net Position include the internal direct costs of investment administration and the fees invoiced and paid directly to external investment managers. Expenses of alternative investments are not reported separately but are included in the net appreciation in fair value of investments.

E. Capital Assets

Capital assets, which include leasehold improvements, furniture, equipment and software, are reported at cost less accumulated depreciation/amortization. TMRS capitalizes items that individually exceed \$10,000. Depreciation of furniture, equipment and software is calculated on a straight-line basis over estimated useful lives, which range from three to ten years. Amortization of leasehold improvements is calculated on a straight-line basis over the lease term.

Notes to Financial Statements

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2. Plan Description

A. Pension Plan and Trust Fund

TMRS administers a defined benefit cash-balance plan for the eligible employees of 934 participating cities. Under GASB, TMRS is an agent multiple-employer public employee retirement system.

Membership. A participating city employee who works in a position the city determines normally requires at least 1,000 hours of work in a year must be a TMRS member. A member terminates participation in TMRS upon their account refund, death or, if not vested, absence from service with a participating city for more than 60 consecutive months. Member account information in Table F-7 includes multiple accounts for Members that have service with more than one TMRS participating city.

Table F-7

TMRS Member Accounts	
As of December 31, 2023	
Active member accounts	
Vested	70,654
Non-vested	53,839
TOTAL	124,493
Inactive member accounts entitled to but not yet receiving benefits	
Vested	40,973
Non-vested	46,126
TOTAL	87,099
Retirees and beneficiaries currently receiving benefits	84,155
TOTAL MEMBER ACCOUNTS	<u>295,747</u>

Service Credit. An active member receives service credit for each month they work in an eligible position at any participating city and their required member contribution is paid. Service credit can include other types of credit as defined in the TMRS Act (e.g., military service credit and repurchased previously refunded TMRS service credit).

Vesting and Retirement Eligibility. An active member vests after either five or 10 years of service, depending on their city's plan provisions. Members may work for more than one participating city during their career. If a member becomes vested in one participating city, they are vested in all participating cities.

Depending on a city's plan provisions, a member is eligible to retire at age 60 with either five or 10 years of service, or at any age with 20 or 25 years of service.

If a vested member leaves city employment before reaching retirement eligibility, they may leave their contributions with TMRS, receive interest credits on their contributions, and upon reaching that city's retirement eligibility, receive a lifetime monthly retirement benefit.

Notes to Financial Statements

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Contributions. Active Members. Active member contribution rates are adopted by a participating city and may be either 5%, 6% or 7% of the member's total compensation. A city withholds the member's contribution from wages on a pre-tax basis and sends it to TMRS monthly.

Cities. A participating city's contribution rate is determined annually using the Entry Age Normal actuarial cost method based on the liabilities created from the city's benefit options and any changes in benefits or actual experience over time. The city's contribution rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated as a level percent of the city's reported payroll. The normal cost contribution rate is the percentage of total gross payroll that, if applied to all employees' compensation throughout their period of anticipated employment with the city, would be sufficient to pay the expected benefits. The prior service contribution rate amortizes any unfunded actuarial accrued liability over the amortization period for that city. Both the normal cost and prior service contribution rates include the projected costs of annually repeating benefits adopted by a city, such as updated service credit and cost of living adjustments.

City contributions are required to be deposited with TMRS monthly. There is a one-year delay between the actuarial valuation that serves as the basis for a city's contribution rate and the calendar year when the rate goes into effect. Cities may make contributions to TMRS in excess of their actuarially determined contributions as additional monthly contributions or lump sum contributions.

Retirement Benefit Calculation. A member's retirement benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, their age at retirement, and other actuarial factors. City-financed monetary credits, which do not affect the amount a member will receive if they refund their account, are composed of three sources:

- Prior Service Credit is a monetary credit that a city may grant to eligible employees when the city joins TMRS. The credit is used in calculating the employee's retirement benefit and is based on compensation they earned while working for the city before the city joined TMRS.
- Current Service Credit is a monetary credit for service performed by a member after a city joins TMRS and is based on a city's matching ratio (1:1, 1.5:1 or 2:1) of the member's total contributions and interest. A change in a city's matching ratio is applied prospectively.
- Updated Service Credit (USC) is a monetary credit a city may grant to active members. The USC calculation is performed annually on a member's account and may grant supplemental financial credits. The USC calculation considers a member's salary history and the city's plan changes and may increase the value of a member's benefit at retirement.

Retirement Benefits. Benefit Payment Options. When a member applies for retirement, they have three options to determine how their lifetime monthly benefit will be calculated.

- Retiree Life Only provides the largest monthly retirement benefit. A retiree receives a lifetime monthly retirement benefit with no survivor benefits. At the retiree's death, all TMRS payments cease.
- Retiree Life and Survivor provides a reduced lifetime monthly retirement benefit with a lifetime monthly benefit after the retiree's death to their beneficiary. At the retiree's death, the beneficiary receives a percentage (50%, 75% or 100%) of the retiree's monthly benefit each month for the rest of the beneficiary's life.
- Retiree Life and Guaranteed Term provides a reduced lifetime monthly retirement benefit with a monthly benefit to their beneficiary(ies) if the retiree dies before the guaranteed payment term ends. At retirement, the retiree selects a guaranteed payment term of 5, 10 or 15 years that begins at their retirement date. Then, if the retiree dies before their selected term ends, the beneficiary(ies) receives their benefit for the remainder of that term.

Notes to Financial Statements

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Partial Lump-Sum Distribution (PLSD). After a member selects one of the three benefit payment options, they can choose to receive a PLSD equal to 12, 24 or 36 times the Retiree Life Only monthly benefit. The PLSD cannot exceed 75% of the total member contributions and interest. If a member chooses a PLSD, it reduces the amount of their monthly retirement benefit.

Cost-of-Living Adjustment (COLA). A participating city can increase the retiree’s monthly benefit payment annually, effective January 1. Cities may adopt a COLA at a rate equal to either 30%, 50% or 70% of any increase in the Consumer Price Index – All Urban Consumers between the December preceding the retiree’s retirement date and the December one year before the effective date of the increase, minus any previously granted COLA increases. Additionally, cities may adopt a non-retroactive COLA equal to either 30%, 50%, or 70% of the increase in CPI-U, for the 12-month period ending the December 13 months before the effective date of the increase. The non-retroactive option is available for cities that adopt on an annually repeating basis until December 31, 2025.

Member Account Refunds. When a member terminates employment with all participating cities, they can request a refund of their total contributions, plus credited interest. A refund does not include city-financed monetary credits.

Investment Policy. The Board approves an Investment Policy Statement (IPS) that governs the investment and management of Pension Trust Fund assets. The IPS describes investment objectives, beliefs, benchmarks, asset allocation and responsibilities and limitations of the Board, TMRS staff, investment managers and consultants.

The objective of TMRS’ investment program is to ensure that Members receive the benefits they have accrued through their work at participating cities, and at a reasonable and predictable cost to those cities. To achieve this objective, the Board is responsible for adopting an Actuarial Return Assumption (ARA), which is currently 6.75%. The Board’s asset allocation is intended to produce long-term investment returns that meet or exceed the ARA at a level of risk acceptable to the Board.

Table F-8

Strategic Target Allocation			
As of December 31, 2023			
Asset Class	Minimum %	Target %	Maximum %
Global equity	25%	35%	45%
Core fixed income	1%	6%	11%
Non-core fixed income	15%	20%	25%
Real estate	7%	12%	17%
Other public & private markets	7%	12%	17%
Hedge funds	0%	5%	10%
Private equity	5%	10%	15%
Cash equivalents	0%	0%	3%

As of December 31, 2023, the annual money-weighted rate of return on Pension Trust Fund assets, net of investment expenses, was 11.64%. The money-weighted rate of return reflects investment performance, net of investment expense, adjusted for assets invested.

Notes to Financial Statements

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B. Supplemental Death Benefits Fund

TMRS administers the Supplemental Death Benefits Fund (SDBF) that is an optional death benefit plan that operates like a group-term life insurance plan. The SDBF allows participating cities to provide supplemental death benefits for their active members, with optional coverage for their retirees. The SDBF had 823 participating cities as of December 31, 2023.

Table F-9

Supplemental Death Benefits Fund Member Accounts	
As of December 31, 2023	
Active member accounts	84,842
Inactive vested member accounts	12,770
Retirees eligible for benefits	38,924
Total	<u>136,536</u>

Contributions. Participating cities contribute to the SDBF monthly based on the payroll of their covered members at an annually actuarially determined rate. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect.

TMRS pools the SDBF contributions with those of the Pension Trust Fund for investment purposes. The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits. SDBF benefits are paid to designated beneficiaries upon TMRS' receipt of an approved benefit application. The death benefit for active members is a lump-sum payment approximately equal to the member's annual salary. The death benefit for retirees is \$7,500 and is an other post-employment benefit. SDBF benefits are paid from the SDBF and are not an obligation of the Pension Trust Fund.

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3. TMRS as Employer

A. Pension Plan

TMRS as an employer participates in the TMRS pension plan and provides pension benefits to all of its eligible employees. Eligible employees may retire at age 60 with five years of service or at any age with 20 years of service. The contribution rate for TMRS employees is 7%, and TMRS' matching ratio is 2:1. TMRS has a repeating 100% USC and a repeating COLA at 70% of the change in the CPI-U. Employees are vested after five years of service.

TMRS' net pension liability (NPL) and pension expense were measured as of the December 31, 2022 actuarial valuation, TMRS' measurement date for GASB Statement No. 68. The NPL of \$11,610,579 is included in accounts payable and other accrued liabilities in the accompanying Statement of Fiduciary Net Position. TMRS' pension expense of \$3,205,786 for the fiscal year 2023 is included in administrative expenses in the accompanying Statement of Changes in Fiduciary Net Position.

Table F-10

TMRS as Employer — Actuarial Valuation	
As of Measurement Date	
Member Accounts	
Active member accounts	124
Inactive member accounts	61
Retiree accounts	57
Total	242
Net Pension Liability	
Total pension liability	\$ 67,473,853
Fiduciary net position	55,863,274
Net pension liability	\$ 11,610,579
Plan Fiduciary Net Position as a % of Total Pension Liability	82.79 %
Sensitivity of the NPL to changes in the discount rate	
1% increase to 7.75%	\$ 4,120,835
Current rate assumption of 6.75%	\$ 11,610,579
1% decrease to 5.75%	\$ 20,683,887

Notes to Financial Statements

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B. Supplemental Death Benefits

As an employer, TMRS provides a supplemental death benefit to beneficiaries of its employees and retirees. TMRS contributes to the Supplemental Death Benefits Fund (SDBF) at an actuarially determined contribution rate. For 2023, the rate was 0.33% as a percentage of payroll of covered members, of which 0.07% represented the retiree-only (other post-employment benefit) portion. TMRS' employer contributions to the SDBF for the years ended December 31, 2023, 2022 and 2021 were \$51,050, \$24,920 and \$24,025, respectively, representing contributions for both employee and retiree coverage.

C. TMRS Insurance Benefits

TMRS' employees and retirees are eligible for insurance through the Texas Employees Group Benefits Program (GBP), administered by the Employees Retirement System of Texas (ERS). The GBP is administered through a trust governed and managed by ERS. TMRS provides its employees with health, life, disability and dental insurance benefits, and subsidizes the cost of health coverage for its retirees. TMRS' contributions to the GBP for active employees for the years ended December 31, 2023, 2022 and 2021 were \$1,277,599, \$1,227,121 and \$1,171,811, respectively, and \$88,028, \$75,291 and \$76,233, respectively, for retirees.

TMRS' retirees may participate in the GBP's State Retiree Health Plan (SRHP), which is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees of the State of Texas and other entities as specified by the state legislature, including TMRS. As a cost-sharing plan, all assets and risks are pooled in the SRHP and the contribution rates are the same for each participating employer. Contribution requirements are established and may be amended by the Texas Legislature. ERS issues an Annual Comprehensive Financial Report that includes financial statements and required supplementary information for the GBP, available at ers.texas.gov.

D. Deferred Compensation

TMRS employees can participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the deferral of a portion of the participant's salary during their employment.

Notes to Financial Statements

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4. Cash

A. Cash in Banks

Cash is held in demand deposit accounts with a banking institution under terms of a depository contract and with TMRS' custodian bank.

Demand deposit account balances with TMRS' depository bank totaled \$317,895, with a book value of \$(2,841,161) as of December 31, 2023. The negative book value represents uncleared checks and is classified as accounts payable and other accrued liabilities on the Statement of Fiduciary Net Position. Cash on deposit with TMRS' custodian bank totaled \$44,018,072 as of December 31, 2023.

B. Custodial Credit Risk

TMRS' deposits are subject to custodial credit risk, which is the risk that, in the event of a bank failure, the deposits might not be recovered. Demand deposits held by the depository bank as of December 31, 2023, to the extent not insured by the Federal Deposit Insurance Corporation (FDIC), were collateralized by securities held by a third-party independent custodian, in TMRS' name, under a joint custody agreement giving TMRS unconditional rights and claims to collateral. Securities pledged as collateral had a fair value of \$4,005,058 as of December 31, 2023. The current FDIC coverage limit is \$250,000 for deposits held in non interest-bearing accounts. Deposits denominated in a foreign currency are neither collateralized nor insured as of December 31, 2023. See Table F-15 for more information.

5. Investments

A. Fair Value of Investments

TMRS categorizes its fair value measurements within a three-tiered hierarchy established by GAAP as follows:

- Level 1: Investments with values based on quoted prices (unadjusted) for identical assets in active markets at the measurement date.
- Level 2: Investments with inputs, other than quoted prices included within Level 1, that are observable for an asset, either directly or indirectly.
- Level 3: Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

Notes to Financial Statements

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Table F-11

Fair Value of Investments					
As of December 31, 2023					
		Fair Value Measurements Using			
	Total Fair Value	Level 1	Level 2	Level 3	
Fixed income securities					
U.S. Treasury bonds/notes	\$ 970,836,503	\$ —	\$ 970,836,503	\$ —	
U.S. government agency	141,305,745	—	141,305,745	—	
U.S. government-sponsored enterprise	479,540,536	—	479,540,536	—	
Municipal bonds	8,899,180	—	8,899,180	—	
Corporate bonds	622,048,318	—	622,048,318	—	
Collateralized mortgage obligations	39,591,608	—	39,591,608	—	
Other asset-backed securities	10,962,728	—	10,962,728	—	
Foreign government bonds	31,289,272	—	31,289,272	—	
Non-core fixed income securities	1,542,196,782	—	1,542,196,782	—	
	<u>3,846,670,672</u>	—	<u>3,846,670,672</u>	—	
Public equities					
Equity securities - domestic	1,639,622,126	1,639,622,126	—	—	
Equity securities - international	1,322,515,600	1,322,515,600	—	—	
Global equity REITs	44,226,663	44,226,663	—	—	
	<u>3,006,364,389</u>	<u>3,006,364,389</u>	—	—	
Total investments by fair value level	\$ 6,853,035,061	\$ 3,006,364,389	\$ 3,846,670,672	\$ —	
Investments measured at Net Asset Value (NAV)					
Non-core fixed income funds	\$ 5,996,376,806				
Other public & private markets funds	3,599,524,814				
Equity commingled funds	11,224,712,192				
Hedge funds	2,105,259,127				
Private equity funds	4,508,388,458				
Private real estate funds	4,611,353,404				
Total investments measured at NAV	32,045,614,801				
Short term investments at cost	372,311,930				
Total investments	<u>\$ 39,270,961,792</u>				

Equity securities classified as Level 1 are valued using prices quoted in active markets for those investments. Fixed income securities classified as Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. TMRS did not hold any Level 3 investments as of December 31, 2023.

Investments measured at Net Asset Value (NAV) per share or its equivalent generally do not have readily obtainable fair values. TMRS values these investments based on the financial statements of the investment funds. Table F-12 presents the unfunded commitments, redemption frequency (if currently eligible) and the redemption notice period for TMRS' investments measured at NAV.

Notes to Financial Statements

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Table F-12

Investments Measured at Net Asset Value (NAV)				
As of December 31, 2023				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity commingled funds				
Domestic commingled funds	\$ 7,355,443,007	\$ —	Daily	1-2 days
Global commingled funds	3,869,269,185	—	Daily	1-2 days
Non-core fixed income funds				
Global high yield	375,914,760	—	Daily	10 days
Loans	3,046,252,548	506,751,321	Quarterly	Varies: 45-60 days
Opportunistic credit	2,566,390,756	1,603,467,440	Varies: Monthly, Quarterly, Yearly, N/A	Varies: 60-90 days, N/A
Structured credit	7,818,742	—	Quarterly	Varies: 45-60 days
Other public & private markets funds				
Agriculture	89,830,168	46,485,604	N/A	N/A
Energy	578,733,850	301,474,777	N/A	N/A
Other	582,595,254	850,472,249	N/A	N/A
Infrastructure	1,918,700,841	761,836,475	Varies: Daily, N/A	Varies: 90 days, N/A
Mining	429,664,701	497,009,540	N/A	N/A
Hedge funds				
Credit	388,077,218	4,217,941	Varies: Quarterly, Yearly, N/A	Varies: 90-180 days
Equity hedge	758,668,168	10,885,007	Varies: Monthly, Quarterly, N/A	Varies: 45-80 days
Diversified fund of funds	1,332,895	—	Quarterly	95 days
Global macro	280,522,938	—	Quarterly	Varies: 30-90 days
Multi-strategy	447,982,191	52,293,164	Varies: Quarterly, Rolling 3-year	Varies: 60 days, N/A
Relative value	228,675,717	—	Varies: Monthly, Quarterly, 2.5 years	Varies: 25-180 days
Private equity funds				
Buy-out/growth	3,537,440,497	1,960,610,719	N/A	N/A
Special situations	309,574,612	347,707,739	N/A	N/A
Venture/growth	661,373,349	430,752,621	N/A	N/A
Private real estate funds				
Core	3,064,909,339	179,513,538	Varies: Quarterly, N/A	Varies: 45-90 days, N/A
Opportunistic	652,668,179	479,146,802	N/A	N/A
Value-added	893,775,886	855,146,505	N/A	N/A
Total	\$ 32,045,614,801	\$ 8,887,771,442		

Notes to Financial Statements

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B. Investments Measured at Net Asset Value

- **Equity commingled funds.** Equity commingled funds offer daily liquidity and provide return and risk characteristics that approximate the overall domestic and international securities included in an underlying index.
- **Non-core fixed income funds.** Non-core fixed income funds seek high income and/or price appreciation. Liquidity, volatility, expected return and investment horizon vary with each strategy.
- **Other public and private markets funds (OPPM).** OPPM funds invest in public and private market equity and debt strategies, which include natural resources, infrastructure, and energy. Liquidity, volatility, expected return and investment horizon vary with each strategy, with private market OPPM funds having a duration of 8-14 years.
- **Hedge funds.** Hedge funds offer favorable stand-alone risk-adjusted returns and diversification for the Pension Trust Fund and utilize varying instruments and strategies including: the use of leverage, shorting, and derivatives, among others. Hedge funds are typically subject to provisions that may limit withdrawals.
- **Private equity funds.** Private equity funds primarily invest in non-publicly traded equity and debt securities. These investments are typically closed-end funds with duration of 10-14 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received as the underlying assets are liquidated.
- **Private real estate funds.** Private real estate funds invest in commercial real estate, housing, and debt collateralized by real estate, among other related strategies. TMRS invests in open-end funds, which typically have provisions that may limit withdrawals, and closed-end funds with duration of 8-12 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received in the form of quarterly income, as redemption proceeds, and/or as the underlying assets of the funds are liquidated.

C. Investment Risk

TMRS' investments are subject to various risks, including custodial credit risk, credit default risk, concentration of credit risk, interest rate risk and foreign currency risk.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, TMRS will not be able to recover the value of its investments or collateral securities that are in the possession of the counterparty. TMRS' assets may be held in the name of agents, nominees, depository trust companies or other entities. As of December 31, 2023, all investment securities were registered in TMRS' name or in the name of its custodian and are held by the custodian.

Credit Default Risk. Credit default risk is the risk that an issuer or other counterparty to an investment will not fulfill its repayment obligations. TMRS' investment guidelines set minimum credit ratings for the core fixed income portfolio to manage credit default risk. As of December 31, 2023, TMRS' core fixed income portfolio complied with the investment guidelines on credit default risk. Investment guidelines established with the individual investment managers address the management of credit default risk for the non-core fixed income portfolio.

Notes to Financial Statements

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Table F-13

Fixed Income Securities with Exposure to Credit Default Risk								
As of December 31, 2023								
Bond Rating	Total Fair Value	U.S. Government- Sponsored Enterprise	Municipal Bonds	Corporate Bonds	Collateralized Mortgage Obligations	Foreign Government Bonds	Other Asset-Backed Securities	Non-Core Fixed Income Securities
Securities subject to credit default risk								
AAA	\$ 134,598,504	\$ 2,146,356	\$ 1,229,643	\$ 39,423,141	\$ 25,229,576	\$ 1,887,878	\$ 10,861,234	\$ 53,820,676
AA	113,610,536	—	6,053,808	43,935,526	—	5,940,222	50,578	57,630,402
A	300,075,571	—	1,371,842	258,631,855	—	5,649,788	50,916	34,371,170
BBB	374,705,402	—	243,887	266,062,386	—	17,811,384	—	90,587,745
BB	287,390,059	—	—	13,496,299	—	—	—	273,893,760
B	256,074,058	—	—	—	—	—	—	256,074,058
CCC	122,253,621	—	—	—	—	—	—	122,253,621
CC	15,687,698	—	—	—	—	—	—	15,687,698
C	42,519,603	—	—	—	—	—	—	42,519,603
D	6,525,500	—	—	—	—	—	—	6,525,500
Not Rated	1,081,087,872	477,394,180	—	499,111	14,362,032	—	—	588,832,549
Total	\$ 2,734,528,424	\$ 479,540,536	\$ 8,899,180	\$ 622,048,318	\$ 39,591,608	\$ 31,289,272	\$ 10,962,728	\$ 1,542,196,782
Securities not subject to credit default risk								
U.S. Treasury bonds/notes	970,836,503							
U.S. government agency	141,305,745							
Total	\$ 3,846,670,672							

Table F-13 excludes non-core fixed income funds, which are exposed to credit default risk but for which credit ratings are not available.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of TMRS' investment in a single issuer.

TMRS' investment guidelines address the management of concentration of credit risk for the core fixed income asset class portfolio.

- Investments in a single government related issuer (excluding U.S. Treasuries and U.S. government agencies) will not exceed 5% of the total fair value of the core fixed income portfolio and manager mandates.
- Investments in a single corporate issuer will not exceed 2% of the total fair value of the core fixed income portfolio and manager mandates.
- For asset-backed, non-agency mortgage-backed and commercial mortgage-backed securities, each separate trust (pool of assets) is defined as a separate issuer and will not exceed 2% of the total fair value of the core fixed income portfolio and manager mandates.

Concentration risk for the other asset class portfolios is managed through diversification of investment managers, investment vehicles, sectors and geographic/economic locations.

Notes to Financial Statements

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As of December 31, 2023, TMRS did not exceed any of the issuer diversification limits in the investment guidelines.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will affect the fair value of an investment. TMRS' fixed income securities held in the Core Fixed Income and Non-Core Fixed Income asset classes are exposed to interest rate risk.

Core Fixed Income. Interest rate risk of the core fixed income portfolio is controlled through duration management. Duration is a measure of the sensitivity of the price of a fixed income investment to a change in interest rates, and is expressed as a number of years. TMRS' investment guidelines require duration of the core fixed income portfolio remain within +/- 25% of the Bloomberg U.S. Aggregate Bond Index, which was 6.2 years as of December 31, 2023. As of December 31, 2023, TMRS' core fixed income portfolio had an effective duration of 6.13 as of December, 31, 2023 and was therefore in compliance with the investment guidelines for interest rate risk.

Non-Core Fixed Income. Investment guidelines established with the individual investment managers address the management of interest rate risk for the non-core fixed income portfolio. TMRS' non-core fixed income portfolio had an effective duration of 2.47 at December 31, 2023.

Table F-14

Fixed Income Securities with Exposure to Interest Rate Risk		
As of December 31, 2023		
	Fair Value	Effective Duration
Core fixed income securities:		
U.S. Treasury bonds/notes	\$ 970,836,503	6.07
U.S. government agency	141,305,745	5.29
U.S. government-sponsored enterprise	479,540,536	5.84
Municipal bonds	8,899,180	11.24
Corporate bonds	622,048,317	6.68
Collateralized mortgage obligations	39,591,609	4.14
Other asset-backed securities	10,962,728	1.81
Foreign government bonds	31,289,272	7.54
Total core fixed income	2,304,473,890	6.13
Non-core fixed income securities	1,542,196,782	2.47
Totals	\$ 3,846,670,672	4.66

Table F-14 excludes non-core fixed income funds, which are exposed to interest rate risk but for which duration information is not available.

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Foreign Currency Risk. Foreign currency risk is the risk that changes in currency exchange rates will affect the fair value of an investment or a deposit. Table F-15 displays TMRS' direct exposure to foreign currency risk but does not include indirect exposure from the underlying assets of commingled or private investment funds.

Table F-15

Foreign Currency Exposure (in U.S. dollars)								
As of December 31, 2023								
Currency	Cash Equivalents	Foreign Currency Contracts	Fixed Income Securities	Public Equities	Private Equity	Other Public & Private Markets	Private Real Estate	Total
Australian Dollar	\$ 133,358	\$ (238)	\$ —	\$ 16,691,155	\$ —	\$ 53,044,498	\$ —	\$ 69,868,773
Brazilian Real	485,437	—	—	53,284,501	—	—	—	53,769,938
Canadian Dollar	66,205	—	—	15,562,739	—	—	—	15,628,943
Chilean Peso	12,967	—	—	4,892,476	—	—	—	4,905,443
Czech Koruna	—	—	—	163,826	—	—	—	163,826
Colombian Peso	3,707	—	—	67,957	—	—	—	71,664
Danish Krone	—	—	—	9,607,859	—	—	—	9,607,859
Egyptian Pound	31,896	—	—	—	—	—	—	31,896
Euro Currency	258	(493)	—	239,668,796	51,587,089	105,476,264	65,788,681	462,520,595
Hong Kong Dollar	4,094	545	—	171,236,062	—	—	—	171,240,701
Hungarian Forint	8,698	—	—	8,571,701	—	—	—	8,580,399
Indian Rupee	350,321	—	—	148,367,820	—	—	—	148,718,141
Indonesian Rupiah	37,980	—	—	26,063,823	—	—	—	26,101,803
Japanese Yen	5,814	92	—	138,651,223	—	—	—	138,657,128
Malaysian Ringgit	91,505	—	—	4,706,285	—	—	—	4,797,791
Mexican Peso	1,670	—	—	12,375,954	—	—	—	12,377,624
New Israeli Shequel	17,639	—	—	1,596,724	—	—	—	1,614,363
New Taiwan Dollar	335,777	(251)	—	139,300,520	—	—	—	139,636,046
New Zealand Dollar	2,787	—	—	—	—	—	—	2,787
Norwegian Krone	38,421	—	—	6,528,932	—	—	—	6,567,353
Philippine Peso	1,532	—	—	82,587	—	—	—	84,119
Polish Zloty	59,286	—	—	9,042,003	—	—	—	9,101,289
Pound Sterling	72	693	—	60,918,645	—	—	1,473,694	62,393,104
Qatari Rial	—	—	—	645,438	—	—	—	645,438
Saudi Riyal	110,743	—	—	27,177,954	—	—	—	27,288,697
Singapore Dollar	52,500	—	—	1,529,863	—	—	—	1,582,363
South African Rand	49,994	(588)	—	14,383,508	—	—	—	14,432,914
South Korean Won	190,416	(519)	—	93,410,282	—	—	—	93,600,179
Swedish Krona	44,026	—	—	9,590,138	—	—	—	9,634,164
Swiss Franc	45,364	—	—	24,625,373	—	—	—	24,670,738
Thailand Baht	1,851	—	—	25,148,145	—	—	—	25,149,996
Turkish Lira	46,104	—	—	10,597,022	—	—	—	10,643,126
UAE Dirham	3,303	—	—	7,580,431	—	—	—	7,583,734
Yuan Renminbi	—	—	—	40,520,751	—	—	—	40,520,751
Total	\$ 2,233,724	\$ (759)	\$ —	\$ 1,322,590,493	\$ 51,587,089	\$ 158,520,762	\$ 67,262,374	\$ 1,602,193,684

Notes to Financial Statements

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C. Derivatives

TMRS may allow its investment managers to use derivatives to manage risk. Derivative instruments, including futures contracts, are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. TMRS' derivative instruments are considered investments and not hedges for accounting purposes.

Table F-16 details TMRS' exposure to derivatives at December 31, 2023.

Table F-16

Futures Contracts			
As of December 31, 2023			
Futures Contract	Expiration Date	Notional	Accumulated Gain/(Loss)
U.S. 10-Yr Treasury Note Futures	3/19/2024	\$ (62,315,625)	\$ (2,277,000)
U.S. 5-Yr Treasury Note Futures	3/28/2024	(21,102,047)	(525,922)
U.S. 2-Yr Treasury Note Futures	3/28/2024	(22,856,461)	(259,289)
Total		\$ (106,274,133)	\$ (3,062,211)

Futures contracts classified in Level 1 are valued using prices quoted in the active markets for these contracts. The notional values are not recorded on the financial statements and the accumulated gains/ (losses) are recorded as unsettled trades on the Statement of Fiduciary Net Position.

6. Commitments and Contingencies

As of December 31, 2023, TMRS had \$8.9 billion of unfunded commitments to private investment funds.

Required Supplementary Information

Table F-17 presents the money-weighted rate of return over the last 10 years for TMRS' investments in accordance with GASB 67, which differs from the time-weighted performance reported elsewhere in this Report.

Table F-17

Money-Weighted Rate of Return — Pension Trust Fund
For the Years Ended December 31

Year	Rate of Return
2023	11.64 %
2022	(7.36)%
2021	12.92 %
2020	7.55 %
2019	14.68 %
2018	(2.38)%
2017	13.82 %
2016	7.55 %
2015	0.08 %
2014	5.85 %

See accompanying Independent Auditors' Report.

Supplemental Schedules

Table F-18

Combined Schedule of Changes in Fiduciary Net Position For the Year Ended December 31, 2023

	Benefit Accumulation Fund	Supplemental Disability Benefits Fund	Endowment Fund	Expense Fund	Full Benefit Arrangement Fund	Total Pension Trust Fund	Supplemental Death Benefits Fund	Total
ADDITIONS								
City contributions	\$ 1,183,358,707	\$ —	\$ —	\$ —	\$ 2,125,205	\$ 1,185,483,912	\$ 19,233,365	\$ 1,204,717,277
Member contributions	582,825,289	—	—	—	—	582,825,289	—	582,825,289
Net investment income	—	—	4,129,898,988	(10,688,322)	—	4,119,210,666	—	4,119,210,666
Other	—	—	26,239	—	—	26,239	—	26,239
Total additions	1,766,183,996	—	4,129,925,227	(10,688,322)	2,125,205	5,887,546,106	19,233,365	5,906,779,471
DEDUCTIONS								
Retirement benefits	1,902,459,102	43,325	—	—	2,125,205	1,904,627,632	—	1,904,627,632
Supplemental death benefits	—	—	—	—	—	—	14,617,888	14,617,888
Member account refunds	70,645,434	—	—	—	—	70,645,434	—	70,645,434
Administrative expenses	—	—	—	26,212,728	—	26,212,728	—	26,212,728
Total deductions	1,973,104,536	43,325	—	26,212,728	2,125,205	2,001,485,794	14,617,888	2,016,103,682
FUND TRANSFERS								
Operating budget transfer	—	—	(34,800,000)	34,800,000	—	—	—	—
Allocation from Interest Reserve	4,157,500,301	11,421	(4,157,721,108)	—	—	(209,386)	209,386	—
Escheated funds	(3,083,315)	—	3,083,315	—	—	—	—	—
Net fund transfers	4,154,416,986	11,421	(4,189,437,793)	34,800,000	—	(209,386)	209,386	—
CHANGE IN FIDUCIARY NET POSITION	3,947,496,446	(31,904)	(59,512,566)	(2,101,050)	—	3,885,850,926	4,824,863	3,890,675,789
FIDUCIARY NET POSITION								
Beginning of year	34,873,878,445	250,073	719,586,377	6,775,892	—	35,600,490,787	3,153,989	35,603,644,776
End of year	\$ 38,821,374,891	\$ 218,169	\$ 660,073,811	\$ 4,674,842	\$ —	\$ 39,486,341,713	\$ 7,978,852	\$ 39,494,320,565

See accompanying Independent Auditors' Report.

The Full Benefit Arrangement Fund is separate from the Pension Trust Fund, but is combined for presentation purposes only.

Supplemental Schedules

CONTINUED

Table F-19

Schedule of Administrative and Investment Expenses
For the Year Ended December 31, 2023

	Administrative Expenses	Investment Expenses
Personnel services		
Staff salaries and payroll taxes	\$ 12,763,575	\$ 4,274,158
Employee benefits	3,771,045	851,418
Total personnel services	16,534,620	5,125,576
Professional services		
Actuarial	775,700	—
Audit	165,245	—
Custodial and banking	9,818	1,515,000
Information services consulting	909,744	—
Investment consulting	—	1,811,400
Legal	152,952	474,478
Other services	632,489	—
Total professional services	2,645,948	3,800,878
Facilities	2,635,330	—
City and member outreach	655,357	—
Information technology		
Cloud services	891,155	1,580,902
Hardware/software and support	1,315,796	—
Total information technology	2,206,951	1,580,902
Other administrative		
Board of Trustees and Committees	73,403	—
Depreciation	565,374	—
Professional development	216,921	57,145
Supplies/document storage/miscellaneous	489,108	3,922
Travel	189,716	119,899
Total other administrative	1,534,522	180,966
Investment management fees paid from Trust Fund	—	18,425,546
Totals	\$ 26,212,728	\$ 29,113,868

See accompanying Independent Auditors' Report.

Fees for private investments are not reflected as investment expenses in TMRS' financial statements but are included in the net appreciation in fair value of investments as reported on the Statement of Changes in Fiduciary Net Position.

Supplemental Schedules

CONTINUED

Table F-20

Schedule of Professional Services	
For the Year Ended December 31, 2023	
Actuarial	
Gabriel, Roeder, Smith & Company	\$ 775,700
Audit	
CliftonLarsonAllen LLP	165,245
Banking	
JPMorgan Chase Bank, N.A.	9,818
Information services consulting	
Pension administration system	574,038
Information systems support	233,858
Network management and security	101,848
Total information services consulting	909,744
Legal	
Fiduciary counsel	65,708
Other legal services	87,244
Total legal	152,952
Other services	
Executive recruiting	212,000
Governance/strategic planning/other Board consulting	130,776
Governmental relations support	84,000
Benefit administration process improvement	81,600
Disability review	42,630
Digital communications management	35,416
Member mortality records	20,096
Insurance risk management	13,476
Publications	12,495
Total other services	632,489
Total Professional Services	\$ 2,645,948

See accompanying Independent Auditors' Report.

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