



Annual Comprehensive Financial Report

FOR THE YEAR ENDED DECEMBER 31, 2024



Annual Comprehensive Financial Report

For the Year Ended December 31, 2024

Prepared by:

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Nick O'Keefe, Deputy Chief Legal & Chief Compliance Officer

Cindy Demers, Director of Accounting

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Introductory Section

Executive Director's Letter of Transmittal

Board of Trustees

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2024 Highlights

GFOA Certificate of Achievement for Excellence in Financial Reporting

PPCC Public Pension Standards Award for Funding and Administration

Executive Director's Letter of Transmittal



To the Trustees, Members, Retirees, Beneficiaries, and Participating Cities of the Texas Municipal Retirement System

I am pleased to present the Texas Municipal Retirement System (TMRS) Annual Comprehensive Financial Report for the year ended December 31, 2024 (Report).

TMRS Background

Established almost eight decades ago, TMRS today is the retirement system of choice for 942 Texas cities, providing billions of dollars in lifetime retirement and disability benefits to 260,000 active and retired city employees and their beneficiaries.

TMRS is a cash-balance retirement plan. A city employee's retirement benefit is based on the sum of their contributions, interest, city-financed monetary credits, age at retirement, and other actuarial factors. In 2024, TMRS paid \$2 billion in benefits, an increase of \$145.9 million, or 7.7%, from \$1.9 billion in benefits paid in 2023.

Investments

TMRS' 2024 net investment return was 10.41%. The five- and ten-year net investment returns were 6.82% and 6.62%, respectively. Trust Fund investments totaled \$43.2 billion as of December 31, 2024, an increase of \$3.9 billion, or 10.1%, from 2023 year-end. The Investment Section summarizes 2024 investment operations and asset class performance.

TMRS' Board of Trustees (Board) adopts an Investment Policy Statement (IPS) that establishes the Trust Fund's asset allocation, portfolio performance objectives, and benchmarks. The Board reviews the IPS and the Trust Fund's asset allocation annually and updates them to reflect prevailing investment and economic circumstances. Compliance with the IPS is monitored by our Chief Compliance Officer.

Actuarial Valuation Report

The Board's independent actuary, Gabriel, Roeder, Smith & Company (GRS), completes an actuarial valuation (Valuation) of the Trust Fund's assets and liabilities every year. The Valuation conforms with the Actuarial Standards of Practice issued by the Actuarial Standards Board and complies with the requirements of the TMRS Act, the Internal Revenue Code, and the Statements of the Governmental Accounting Standards Board. The assumptions and methods used in the Valuation are summarized in the Actuarial Section.

Each participating city is responsible for establishing and funding its own retirement plan and receives an annual actuarial valuation prepared by GRS. The Valuation calculates each city's annual contribution rate based on the differences in the past year between actuarial assumptions, actual experience, and any benefit changes. City contribution rates and annual actuarial valuations are available at [TMRS.com](https://www.tmrsonline.com).

Pursuant to the TMRS Act, TMRS provides participating cities with a choice of benefit options for its employees and retirees, including options for contribution rates, the city's matching contribution, updated service credit, and cost of living adjustments. Each city's funding objective is to finance those benefits through the city's annual contribution rate.

While each city has its own funded ratio, TMRS' system-wide funded ratio was 89.4% as of December 31, 2024, compared to 89.7% as of December 31, 2023.

Executive Director's Letter of Transmittal

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2024 Operational Activities

Each year, TMRS' Senior Staff agrees on an Action Plan, and each item on the 2024 Action Plan was completed, including:

- Completing nine important projects to enhance city and Member service;
- Updating the software systems of our internal information management system and MyTMRS;
- Adding online Member retirement process functionality;
- Completing the second, third, and fourth Quality Texas Foundation application levels;
- Enhancing staff data access and analytics, including creating staff self-service business intelligence tools and user dashboards;
- Replacing the general ledger system; and
- Enhancing enterprise risk management.

Staff Update

We continued to add impressive talent to the team: Director of Accounting Cindy Demers; Director of Human Resources Daisy Olivera; and Director of Information Security Amy Kelley.

In addition, I was pleased to promote the following Senior Staff colleagues: Brian Farrar to Director of Infrastructure; Tricia Solis to Director of Project Management; Natalie Garza to Director of Communications; and Nick O'Keefe to Deputy Chief Legal Officer & Chief Compliance Officer.

Chief Investment Officer Yup Kim continued to add top-tier talent to the Investment team: John Ritter (Managing Director - Real Assets); Isidora Stankovic (Director - Private Equity); Amol Deshpande (Managing Director - Direct Investments); Philip O'Brien (Managing Director - Private Equity); and Darren Schlissel (Director - Credit). Trust Funds assets are in good hands.

TMRS Accountability, Transparency, and Financial Integrity

Financial Statements. TMRS management prepared this Report and is responsible for the accuracy of the data contained in it and the completeness and fairness of the presentation of its financial information. To the best of management's knowledge, the Report's data is accurate in all material respects and is reported in a manner designed to present TMRS' operating results, financial position, and Trust Fund assets transparently.

TMRS' independent auditors, CliftonLarsonAllen LLP, performed an audit of the Report's 2024 financial statements. Information regarding the scope of their audit is included in the Independent Auditors' Report in the Financial Section.

Condensed financial information is provided after the Independent Auditors' Report in Management's Discussion and Analysis (MD&A) in the Financial Section. MD&A provides an analysis of financial information for the current and prior fiscal years and should be read in conjunction with this Transmittal Letter and the financial statements.

Internal Controls. TMRS management is responsible for establishing and maintaining internal controls designed to ensure that Trust Fund assets are protected from theft or misuse. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met.

Achievements in Financial Reporting and System Administration

The Government Finance Officers Association of the United States and Canada (GFOA) awarded TMRS' Annual Comprehensive Financial Report for the year ended December 31, 2023 its Certificate of Achievement for Excellence in Financial Reporting. To receive this Certificate, a governmental entity must publish an easily readable and efficiently organized annual comprehensive financial report that satisfies both generally accepted accounting

Executive Director's Letter of Transmittal

CONTINUED

principles and applicable legal requirements. This was the 37th consecutive year that TMRS has achieved this recognition.

The GFOA's Certificate of Achievement is valid for one year. We believe that this Report meets the Certificate's requirements, and we will submit it to the GFOA to determine its eligibility for another Certificate.

The GFOA also recognized TMRS' 2023 Popular Annual Financial Report for Outstanding Achievement in Popular Annual Financial Reporting.

TMRS received the Public Pension Coordinating Council's 2024 Public Pension Standards Award for Funding and Administration in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Board Update

Bill Philibert, the former Director of Human Resources and Risk Management for the City of Deer Park, served as Board Chair in 2024, and David Landis, the former City Manager of the City of Perryton, served as Vice Chair. Two of the longest serving TMRS Trustees, Bill and David provide their Trustee colleagues, TMRS staff, and our stakeholders with vision, leadership, and judgment. TMRS' vision is to be the model public pension plan, and Bill and David are, without question, the model public pension plan Trustees.

In April 2024, Governor Abbott appointed Tommy Gonzalez, the City Manager of Midland, and Tricia Mirabelle, a Commander with the Pflugerville Police Department, to the Board. In September 2024, the Governor appointed Jim Parrish, the City of McKinney's Human Resources and Risk Management Director, to the Board. All three were confirmed by the Texas Senate in March 2025.

On behalf of TMRS' Members, staff, and stakeholders, I thank our Trustees for their service and support. They serve with distinction and make many contributions to TMRS successes.

The Future is Bright

As good as the past five years have been, TMRS' future is even brighter. The mission and vision are clear, key organizational values have been articulated and embraced, and a sound strategic plan is in place. TMRS' Senior Staff and their colleagues are experienced, talented, and committed to our mission and vision.

A strong succession plan is one of the hallmarks of a well-managed organization. Too many public pension plan boards commence a nationwide search whenever the Executive Director position opens. I've always been puzzled by this; none of our investment professionals would invest in a company that has to conduct a search whenever its CEO retires.

So, I am particularly proud of the smooth transition to TMRS' next Executive Director, Debbie Muñoz. The Board has known of my plans to retire this summer since I arrived in 2020, and we were prepared. Last October, Trustees unanimously agreed with me that Debbie, a 27-year TMRS veteran and our current Deputy Executive Director, should replace me. TMRS will be in good hands with Debbie at the helm.

It has been a pleasure to serve as TMRS' Executive Director, and I leave with nothing but confidence in its future.

Sincerely,



David B. Wescoe
Executive Director
June 2, 2025

Board of Trustees

AS OF DECEMBER 31, 2024



Bill Philibert, Chair
Director of Human Resources and
Risk Management
City of Deer Park
Term expires: February 1, 2025



David Landis, Vice Chair
City Manager
City of Perryton
Term expires: February 1, 2027



Tommy Gonzalez
City Manager
City of Midland
Term expires: February 1, 2029



Tricia Mirabelle
Commander, Pflugerville Police
Department
City of Pflugerville
Term expires: February 1, 2027



Jim Parrish
Director of Human Resources
City of McKinney
Term expires: February 1, 2029



Bob Scott
Deputy Town Manager
City of Prosper
Term expires: February 1, 2025

Board Committees

AS OF DECEMBER 31, 2024

Stakeholder Advisory Committee

The Stakeholder Advisory Committee provides the Board with input on benefit design matters. The Committee has 10 non-Board members: seven Group Representatives from organizations that represent TMRS Members and three Individual Representatives consisting of two active TMRS members and one TMRS retiree.

Chair: Bob Scott

Vice Chair: Tricia Mirabelle

Group Representatives

- Christi Klyn, Texas Municipal Human Resources Association
- Paulette Hartman, Texas City Management Association
- Mitch Landry, Texas Municipal Police Association
- Scott Leeton, Combined Law Enforcement Associations of Texas
- Jaime Reyes, Texas State Association of Fire Fighters
- Bennett Sandlin, Texas Municipal League
- Casey Srader, Government Finance Officers Association of Texas

Individual Representatives

- Brenda Martin, TMRS Retiree
- David Garza, City of McAllen
- Jay Warren, City of Arlington

Audit Committee

The Audit Committee provides oversight of the internal and external audit functions, risk management and internal controls.

Chair: David Landis

Vice Chair: Bob Scott

Budget and Compensation Committee

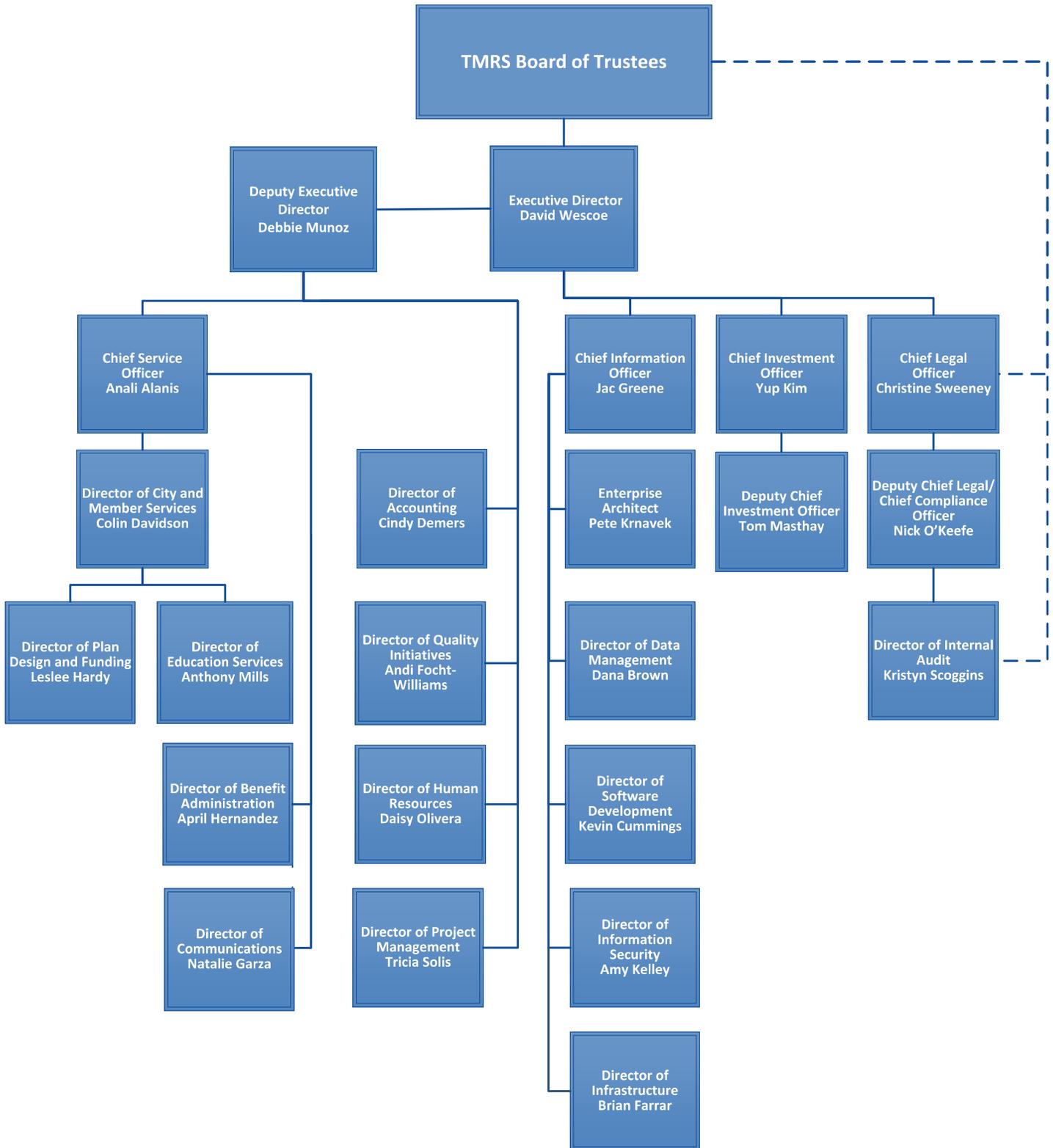
The Budget and Compensation Committee reviews the annual budget and compensation policies.

Chair: Bill Philibert

Vice Chair: Tommy Gonzalez

Organization Chart

JUNE 2025



Professional Advisors

AS OF DECEMBER 31, 2024

Actuary

Gabriel, Roeder, Smith & Company
Irving, TX

Custodian

State Street Bank and Trust Company
Boston, MA

Depository Bank

JPMorgan Chase Bank, N.A.
New York, NY

Fiduciary Counsel

Robert D. Klausner, Esq.
Klausner, Kaufman, Jensen & Levinson
Plantation, FL

Independent Auditor

CliftonLarsonAllen LLP
Baltimore, MD

Investment Consultants

Albourne America, LLC
San Francisco, CA

NEPC, LLC
Boston, MA

TMRS' investments are managed by TMRS staff and external investment managers. Investment expenses, external investment fees and investment managers are presented in Tables I-6, I-7 and I-8 in the Investment Section.

2024 Highlights

AS OF DECEMBER 31, 2024

Financial Highlights (dollars in millions)	
City Contributions	\$1,349.1
Member Contributions	\$636.1
Retirement Benefits Paid	\$2,050.5
Member Account Refunds	\$87.9
Fiduciary Net Position	\$43,406.5
System Funded Ratio	89.4 %

Investments (dollars in millions)	
Investments	\$43,244.0
Time-Weighted Net Investment Returns:	
1 Year	10.41 %
3 Years	4.53 %
5 Years	6.82 %
10 Years	6.62 %
Actuarial Investment Return Assumption	6.75 %

Membership Statistics	
Active Members	127,818
Retired Members	75,706
Inactive, Vested and Non-Vested Members	54,646
Total Members	258,170

Highlights presented are for the Pension Trust Fund.

Participating Cities	
Total Participating Cities	938
New Participating Cities	4
Number of Cities with:	
City Match -- 1:1	162
City Match -- 1.5:1	98
City Match -- 2:1	678
Member Contribution Rate -- 3%	3
Member Contribution Rate -- 5%	305
Member Contribution Rate -- 6%	103
Member Contribution Rate -- 7%	527
5-Year Vesting	903
10-Year Vesting	35



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Texas Municipal Retirement System

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morill

Executive Director/CEO

This Certificate of Achievement for Excellence in Financial Reporting was presented to TMRS by the Government Finance Officers Association (GFOA) for the year ended December 31, 2023. This is the 37th consecutive year that TMRS has received this prestigious award.



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2024***

Presented to

Texas Municipal Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

This Public Pension Standards Award for Funding and Administration was presented to TMRS by the Public Pension Coordinating Council (PPCC) for 2024. This is the 19th consecutive year that TMRS has received the award for meeting these standards.

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Financial Section

Independent Auditors' Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Supplemental Schedules

Independent Auditors' Report



CliftonLarsonAllen LLP
CLAAconnect.com

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, 2024, 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, 2024, 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

CONTINUED

Board of Trustees
Texas Municipal Retirement System

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

Independent Auditors' Report

CONTINUED

Board of Trustees
Texas Municipal Retirement System

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 2, 2025

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, 2024.

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, which accounts for the resources available for service and disability retirement benefits to retirees and their beneficiaries;
- The Full Benefit Arrangement Fund (FBAF), which 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; and,
- The Supplemental Death Benefits Fund (SDBF), which 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, 2024.
- 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, 2024.
- The Notes to the Financial Statements provide additional information, which is essential to a full understanding of the data in the Basic Financial Statements.

The Required Supplementary Information (Table F-17) includes the historical money-weighted investment returns on Trust Fund investments.

The Supplemental Schedules (Tables F-18, F-19, and F-20) include additional information regarding changes in fiduciary net position by fund, administrative and investment expenses, and professional services for the year ended December 31, 2024.

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

CONTINUED

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, 2024 and 2023, 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 2023 to 2024, or 9.9%, reflecting appreciation in the investment portfolio's value during 2024.

Table F-1

Summary of Fiduciary Net Position — Pension Trust Fund (dollars in millions)				
As of December 31				
	2024	2023	Increase/ (Decrease)	% Change
ASSETS				
Investments, at fair value	\$ 43,244.0	\$ 39,271.0	\$ 3,973.0	10.1 %
Receivables	241.6	221.6	20.0	9.0
Cash and other assets	14.0	56.2	(42.2)	(75.1)
Capital assets, net	3.5	2.4	1.1	45.8
Total assets	43,503.0	39,551.2	3,951.8	10.0
LIABILITIES				
Payables and other liabilities	79.5	58.8	20.7	35.2
Funds held for SDBF	17.0	6.0	11.0	183.3
Total liabilities	96.5	64.8	31.7	48.9
FIDUCIARY NET POSITION	\$ 43,406.5	\$ 39,486.3	\$ 3,920.2	9.9 %

Columns may not total due to rounding.

The most significant component of the 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 2024. 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

CONTINUED

Table F-2

Summary of Changes in Fiduciary Net Position — Pension Trust Fund (dollars in millions)				
For the Year Ended December 31				
	2024	2023	Increase/ (Decrease)	% Change
ADDITIONS				
City contributions	\$ 1,349.1	\$ 1,185.5	\$ 163.6	13.8 %
Member contributions	636.1	582.8	53.3	9.1
Net investment income/(loss)	4,100.4	4,119.2	(18.8)	(0.5)
Total additions	6,085.6	5,887.5	198.1	3.4
DEDUCTIONS				
Retirement benefits	2,050.5	1,904.6	145.9	7.7
Member account refunds	87.9	70.6	17.3	24.5
Administrative expenses	26.3	26.2	0.1	0.4
Income allocated to SDBF	0.6	0.2	0.4	200.0
Total deductions	2,165.4	2,001.7	163.7	8.2
CHANGE IN FIDUCIARY NET POSITION	3,920.2	3,885.9	34.3	0.9
FIDUCIARY NET POSITION				
Beginning of year	39,486.3	35,600.5	3,885.8	10.9
END OF YEAR	\$ 43,406.5	\$ 39,486.3	\$ 3,920.2	9.9 %

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 2023 to 2024 is due to investment performance over the periods. Time-weighted net investment returns were 10.41% in 2024 and 11.64% in 2023.

The increase in retirement benefits is due to growth in the number of retired members from 72,948 in 2023 to 75,706 in 2024 and cost-of-living adjustments that may be applied.

Management's Discussion and Analysis

CONTINUED

Net Position – Supplemental Death Benefits Fund

Tables F-3 and F-4 provide a summary of fiduciary net position as of December 31, 2024 and 2023 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 133.8% due to increases in actuarially determined contribution rates effective January 1, 2023 and a decrease in supplemental death benefits in 2024.

Table F-3

Summary of Fiduciary Net Position – SDBF (dollars in millions)					
As of December 31					
	2024	2023	Increase/ (Decrease)	% Change	
TOTAL ASSETS AND FIDUCIARY NET POSITION	\$ 18.7	\$ 8.0	\$ 10.7	133.8 %	

Table F-4

Summary of Changes in Fiduciary Net Position – SDBF (dollars in millions)					
For the Year Ended December 31					
	2024	2023	Increase/ (Decrease)	% Change	
ADDITIONS					
City contributions	\$ 20.7	\$ 19.2	\$ 1.5	7.8 %	
Income allocated from Interest Reserve Account	0.6	0.2	0.4	200.0	
Total additions	21.3	19.4	1.9	9.8	
DEDUCTIONS					
Supplemental death benefits	10.7	14.6	(3.9)	(26.7)	
Total deductions	10.7	14.6	(3.9)	(26.7)	
CHANGE IN FIDUCIARY NET POSITION	10.6	4.8	5.8	(120.8)	
FIDUCIARY NET POSITION					
Beginning of year	8.0	3.2	4.8	150.0	
END OF YEAR	\$ 18.7	\$ 8.0	\$ 10.7	133.8 %	

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 for 2023 and 2024 as a result of previous increases in 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, 2024			
	Pension Trust Fund	Supplemental Death Benefits Fund	Total
ASSETS			
Cash	\$ 5,387,692	\$ —	\$ 5,387,692
Receivables			
Contributions	160,594,199	1,738,843	162,333,042
Interest and dividends	44,738,338	—	44,738,338
Unsettled investment trades	36,219,995	—	36,219,995
Total receivables	241,552,532	1,738,843	243,291,375
Investments, at fair value			
Short term investments	427,460,384	—	427,460,384
Public equities	15,064,232,102	—	15,064,232,102
Fixed income securities	3,945,589,125	—	3,945,589,125
Non-core fixed income funds	1,298,009,579	—	1,298,009,579
Hedge funds	2,013,306,196	—	2,013,306,196
Private equity funds	5,690,087,132	—	5,690,087,132
Private real estate funds	4,815,752,629	—	4,815,752,629
Infrastructure funds	2,566,869,080	—	2,566,869,080
Private debt funds	5,592,305,216	—	5,592,305,216
Other private markets	1,830,353,108	—	1,830,353,108
Total investments	43,243,964,551	—	43,243,964,551
Capital assets, net	3,479,947	—	3,479,947
Other assets	8,605,441	—	8,605,441
Funds held by Interest Reserve Account	—	16,950,097	16,950,097
TOTAL ASSETS	43,502,990,163	18,688,940	43,521,679,103
LIABILITIES			
Accounts payable and other accrued liabilities	28,224,477	—	28,224,477
Unsettled investment trades payable	51,287,402	—	51,287,402
Funds held for Supplemental Death Benefits Fund	16,950,097	—	16,950,097
TOTAL LIABILITIES	96,461,976	—	96,461,976
FIDUCIARY NET POSITION			
Net position restricted for pensions	43,406,528,187	—	43,406,528,187
Fiduciary net position held in trust for other benefits	—	18,688,940	18,688,940
TOTAL FIDUCIARY NET POSITION	\$ 43,406,528,187	\$ 18,688,940	\$ 43,425,217,127

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, 2024

	Pension Trust Fund	Supplemental Death Benefits Fund	Total
ADDITIONS			
Contributions			
City	\$ 1,349,072,854	\$ 20,744,961	\$ 1,369,817,815
Member	636,105,958	—	636,105,958
Total contributions	1,985,178,812	20,744,961	2,005,923,773
Net investment income			
Net appreciation in fair value of investments	3,404,001,629	—	3,404,001,629
Interest and dividends	728,935,672	—	728,935,672
Total investment income	4,132,937,301	—	4,132,937,301
Less investment expense	(32,575,415)		(32,575,415)
Net investment income	4,100,361,886	—	4,100,361,886
Other	18,354	—	18,354
Income allocated from Interest Reserve Account	—	633,744	633,744
TOTAL ADDITIONS	6,085,559,052	21,378,705	6,106,937,757
DEDUCTIONS			
Retirement benefits	2,050,499,845	—	2,050,499,845
Supplemental death benefits	—	10,668,617	10,668,617
Member account refunds	87,926,119	—	87,926,119
Administrative expenses	26,312,870	—	26,312,870
Income allocated to Supplemental Death Benefits Fund	633,744	—	633,744
TOTAL DEDUCTIONS	2,165,372,578	10,668,617	2,176,041,195
CHANGE IN FIDUCIARY NET POSITION	3,920,186,474	10,710,088	3,930,896,562
FIDUCIARY NET POSITION			
Fiduciary net position restricted for pensions			
Beginning of year	39,486,341,713	—	39,486,341,713
End of year	43,406,528,187	—	43,406,528,187
Fiduciary net position held in trust for other benefits			
Beginning of year	—	7,978,852	7,978,852
End of year	—	18,688,940	18,688,940
TOTAL FIDUCIARY NET POSITION	\$ 43,406,528,187	\$ 18,688,940	\$ 43,425,217,127

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 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 (see Note 5.C. Investment 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 the following 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.

Pension Trust Fund

The Pension Trust Fund records the resources held in trust for the benefit of TMRS' active members, vested inactive 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 10.81% interest credit effective December 31, 2024.

Supplemental Disability Benefits Fund. Effective January 1, 1988, the TMRS Act was amended to terminate the 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 the Interest Reserve Account and Perpetual Endowment Account. Investment income accumulated during the year is held in the Interest Reserve Account until it is allocated by the Board to the Benefit Accumulation Fund. Non-vested member account balances that have not received any employee contributions for at least seven years are held 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.

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. Cities contribute the excess amounts directly to the FBAF and the excess benefits are paid to the retiree from the FBAF. The FBAF is separate from the Pension Trust Fund, but is combined in the accompanying financial statements for presentation purposes only.

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, 2024, the Pension Trust Fund included short-term investments, domestic and international public equities, domestic and international fixed income securities, non-core fixed income funds, other private markets funds, hedge funds, private equity funds, private real estate funds, infrastructure funds, and private debt 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, other private market funds, hedge funds, private equity funds, private real estate funds, infrastructure funds, and private debt 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 938 participating cities. Under GASB, TMRS is an agent multiple-employer public employee retirement system.

Membership. A 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, 2024	
Active member accounts	
Vested	72,432
Non-vested	55,542
TOTAL	127,974
Inactive member accounts entitled to but not yet receiving benefits	
Vested	42,901
Non-vested	47,154
TOTAL	90,055
Retirees and beneficiaries currently receiving benefits	87,708
TOTAL MEMBER ACCOUNTS	305,737

Service Credit. An active member earns service credit for each month they work in an eligible position at any participating city and the city pays the member's required contribution. Service credit can include other types of credit as defined in the TMRS Act (e.g., military service credit, repurchased previously refunded TMRS service credit, or service credit earned with another statewide retirement system through proportionate service).

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 member becomes eligible to retire in one participating city, they are eligible to retire in all participating cities.

If a vested member leaves city employment before reaching retirement eligibility, they can leave their contributions with TMRS, receive interest on their contributions, and when they reach the 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 that develops the annual cost of the city's retirement plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that attributable to benefits earned prior to the current year, known as prior service cost. Both are 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.

Notes to Financial Statements

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Partial Lump-Sum Distribution (PLSD). After a member selects one of the three monthly benefit payment options, they can choose to receive a PLSD equal to 12, 24 or 36 times the Retiree Life Only monthly benefit amount. The PLSD cannot exceed 75% of the member’s total 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 December 31 one year prior to 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 an acceptable level of risk.

Table F-8

Strategic Target Allocation			
As of December 31, 2024			
Asset Class	Minimum %	Target %	Maximum %
Global equity	25%	35%	45%
Core fixed income	1%	6%	11%
Non-core fixed income	1%	6%	11%
Hedge funds	0%	5%	10%
Cash equivalents	0%	0%	3%
Total Public Assets		52%	
Private equity	8%	13%	18%
Private debt	8%	13%	18%
Real estate	7%	12%	17%
Infrastructure	1%	6%	11%
Other private markets	0%	4%	9%
Total Private Assets		48%	

As of December 31, 2024, the annual money-weighted rate of return on Pension Trust Fund assets, net of investment expenses, was 10.41%. 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), which 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 818 participating cities as of December 31, 2024.

Table F-9

Supplemental Death Benefits Fund Member Accounts	
As of December 31, 2024	
Active member accounts	87,714
Inactive vested member accounts	13,286
Retirees eligible for benefits	40,598
Total	<u>141,598</u>

Contributions. Participating cities contribute to the SDBF monthly based on the payroll of their covered members at an annual 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 the assets 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.

Notes to Financial Statements

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3. TMRS as Employer

A. Pension Plan

TMRS as an employer participates in the TMRS plan and provides pension benefits to all of its eligible employees. Employees are vested after five years of service and 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 provides 100% USC and COLA at 70% of the change in CPI-U, both on a repeating basis.

TMRS' net pension liability (NPL) and pension expense were measured as of the December 31, 2023 actuarial valuation, TMRS' measurement date for GASB Statement No. 68. The NPL of \$9,357,374 is included in accounts payable and other accrued liabilities in the accompanying Statement of Fiduciary Net Position. TMRS' pension expense of \$2,684,927 for the fiscal year 2024 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	121
Inactive member accounts	64
Retiree accounts	66
Total	251
Net Pension Liability	
Total pension liability	\$ 72,222,526
Fiduciary net position	62,865,152
Net pension liability	\$ 9,357,374
Plan Fiduciary Net Position as a % of Total Pension Liability	87.04 %
Sensitivity of the NPL to changes in the discount rate	
1% increase to 7.75%	\$ 1,487,739
Current rate assumption of 6.75%	\$ 9,357,374
1% decrease to 5.75%	\$ 18,868,540

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 2024, the rate was 0.32% of payroll for 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, 2024, 2023 and 2022 were \$52,425, \$51,050 and \$24,920, 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), if they meet retiree insurance eligibility rules as defined by state law. If a retiree does not qualify for insurance benefits through the GBP, TMRS reimburses the retiree for a private policy, up to certain limits depending upon the length of the retiree's service. 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, 2024, 2023 and 2022 were \$1,200,563, \$1,277,599 and \$1,227,121, respectively. TMRS paid GBP and reimbursed private health insurance plans for retirees totaling \$119,432, \$88,028, and \$75,291, respectively.

TMRS' retirees who are eligible can elect to 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 \$96,302, with a book value of \$(4,256,871) as of December 31, 2024. 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 \$5,387,692 as of December 31, 2024.

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, 2024, 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 \$2,687,138 as of December 31, 2024. 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, 2024. 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		Fair Value Measurements Using			
As of December 31, 2024					
	Total Fair Value	Level 1	Level 2	Level 3	
Fixed income securities					
U.S. Treasury bonds/notes	\$ 1,051,082,923	\$ —	\$ 1,051,082,923	\$ —	
U.S. government agency	141,101,427	—	141,101,427	—	
U.S. government-sponsored enterprise	452,815,230	—	452,815,230	—	
Municipal bonds	7,952,751	—	7,952,751	—	
Corporate bonds	610,449,357	—	610,449,357	—	
Collateralized mortgage obligations	36,689,321	—	36,689,321	—	
Other asset-backed securities	10,888,401	—	10,888,401	—	
Foreign government bonds	36,065,823	—	36,065,823	—	
Non-core fixed income securities	1,598,543,892	—	1,598,543,892	—	
	<u>3,945,589,125</u>	—	<u>3,945,589,125</u>	—	
Public equities					
Equity securities - domestic	4,233,370,429	4,233,370,429	—	—	
Equity securities - international	1,386,238,952	1,386,238,952	—	—	
Global equity REITs	89,590,804	89,590,804	—	—	
	<u>5,709,200,185</u>	<u>5,709,200,185</u>	—	—	
Total investments by fair value level	\$ 9,654,789,310	\$ 5,709,200,185	\$ 3,945,589,125	\$ —	
Investments measured at Net Asset Value (NAV)					
Non-core fixed income funds	\$ 1,298,009,579				
Other private markets	1,830,353,108				
Equity commingled funds	9,355,031,917				
Hedge funds	2,013,306,196				
Private equity funds	5,690,087,132				
Private real estate funds	4,815,752,629				
Infrastructure funds	2,566,869,080				
Private debt Funds	5,592,305,216				
Total investments measured at NAV	33,161,714,857				
Short term investments at cost	427,460,384				
Total investments	<u>\$ 43,243,964,551</u>				

Public 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, 2024.

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 eligible) and the approximate redemption notice period for TMRS' investments.

Notes to Financial Statements

CONTINUED

Table F-12

Investments Measured at Fair Value					
As of December 31, 2024					
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	
Equity commingled funds					
Domestic commingled funds	\$ 5,934,588,868	\$ —	Daily	1-2 days	
Global commingled funds	3,420,443,049	—	Daily	1-2 days	
Non-core fixed income funds					
Global high yield	406,734,360	—	Daily	10 days	
Loans	891,275,219	—	Quarterly	Varies: 45-60 days	
Other private markets funds					
Other Private Markets	1,830,353,108	1,345,840,137	N/A	N/A	
Hedge funds					
Equity hedge	610,096,304	—	Varies	Varies: 45-80 days	
Event driven	676,295,126	71,357,098	Varies	Varies	
Global macro	300,553,131	—	Quarterly	Varies: 30-90 days	
Relative value	426,361,636	—	Varies	Varies	
Private equity funds					
Buy-out/growth	4,384,447,669	1,670,915,171	N/A	N/A	
Special situations	375,165,044	291,341,918	N/A	N/A	
Venture/growth	930,474,419	393,434,438	N/A	N/A	
Private real estate funds					
Core	3,029,104,429	157,017,857	Varies: Quarterly, N/A	Varies: 45-90 days, N/A	
Non-core	1,786,648,200	947,532,054	N/A	N/A	
Infrastructure funds					
Infrastructure	2,566,869,080	796,793,571	Varies	Varies: 90 days, N/A	
Private debt funds					
Asset-Backed	950,030,975	418,393,564	Varies	Varies	
Direct Lending	1,300,167,128	654,222,085	Varies	Varies	
Opportunistic credit	2,213,879,275	886,818,701	Varies	Varies	
Structured credit	1,128,227,838	352,354,371	Quarterly	Varies: 45-60 days	
Total	\$ 33,161,714,857	\$ 7,986,020,964			

Notes to Financial Statements

CONTINUED

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 private markets funds.** Other private markets funds invest in private market equity and debt strategies, among which include natural resources, infrastructure, and energy. Liquidity, volatility, expected return and investment horizon vary with each strategy.
- **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. 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.
- **Infrastructure funds.** Infrastructure Funds primarily invest in non-publicly traded equity and debt. 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 debt funds.** Private Debt Funds primarily invest in non-publicly traded debt. These investments are typically closed-end funds with duration of 6 - 10 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received as the underlying assets are liquidated or paid off by the borrower.

Notes to Financial Statements

CONTINUED

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, 2024, 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, 2024, 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.

Table F-13

Fixed Income Securities with Exposure to Credit Default Risk

As of December 31, 2024

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	\$ 126,464,462	\$ 2,211,231	\$ 878,675	\$ 40,646,792	\$ 21,699,017	\$ 2,868,775	\$ 9,804,034	\$ 48,355,938
AA	95,961,721	—	5,322,717	52,710,656	—	6,845,583	504,895	30,577,870
A	290,262,994	—	1,291,106	244,856,453	—	6,037,824	24,770	38,052,841
BBB	359,531,155	—	460,253	258,091,657	—	20,313,641	151,449	80,514,155
BB	366,831,878	—	—	13,638,093	—	—	—	353,193,785
B	246,158,292	—	—	—	—	—	—	246,158,292
CCC	110,945,699	—	—	—	—	—	—	110,945,699
CC	12,118,785	—	—	—	—	—	—	12,118,785
C	19,285,198	—	—	—	—	—	—	19,285,198
D	1,645,921	—	—	—	—	—	—	1,645,921
Not Rated	1,124,198,670	450,603,999	—	505,706	14,990,304	—	403,253	657,695,408
Total	\$ 2,753,404,775	\$ 452,815,230	\$ 7,952,751	\$ 610,449,357	\$ 36,689,321	\$ 36,065,823	\$ 10,888,401	\$ 1,598,543,892
Securities not subject to credit default risk								
U.S. Treasury bonds/notes	1,051,082,923							
U.S. government agency	141,101,427							
Total	\$ 3,945,589,125							

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

Notes to Financial Statements

CONTINUED

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

Concentration risk is managed through diversification of investment managers, investment vehicles, sectors and geographic/economic locations. As of December 31, 2024, TMRS did not have any concentration risks violating policies or account 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 6.1 years as of December 31, 2024. As of December 31, 2024, TMRS' core fixed income portfolio had an effective duration of 5.97 as of December, 31, 2024 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 2.44 at December 31, 2024.

Table F-14

Fixed Income Securities with Exposure to Interest Rate Risk		
As of December 31, 2024		
	Fair Value	Effective Duration
Core fixed income securities:		
U.S. Treasury bonds/notes	\$ 1,051,082,923	5.68
U.S. government agency	141,101,427	6.13
U.S. government-sponsored enterprise	452,815,230	6.00
Municipal bonds	7,952,751	10.72
Corporate bonds	610,449,357	6.50
Collateralized mortgage obligations	36,689,321	4.09
Other asset-backed securities	10,888,401	1.83
Foreign government bonds	36,065,823	6.43
Total core fixed income securities	2,347,045,233	5.97
Non-core fixed income securities	1,598,543,892	2.44
Totals	\$ 3,945,589,125	4.54

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

Notes to Financial Statements

CONTINUED

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, 2024								
Currency	Cash Equivalents	Foreign Currency Contracts	Public Equities	Private Equity Funds	Other Private Markets	Private Real Estate Funds	Infrastructure	Total
Australian Dollar	\$ 4,136	\$ 337	\$ 6,969,515	\$ —	\$ 46,444,048	\$ —	\$ —	\$ 53,418,036
Brazilian Real	435,783	—	49,135,224	—	—	—	—	49,571,007
Canadian Dollar	95,952	—	51,980,437	—	—	—	—	52,076,389
Chilean Peso	7,944	—	3,574,873	—	—	—	—	3,582,817
Czech Koruna	26,584	—	631,158	—	—	—	—	657,742
Colombian Peso	10,129	—	85,454	—	—	—	—	95,583
Danish Krone	114,431	—	10,113,204	—	—	—	—	10,227,635
Euro Currency	920,447	—	246,264,456	59,006,512	—	60,581,869	119,904,338	486,677,622
Hong Kong Dollar	230,102	350	100,249	—	—	—	—	330,701
Hungarian Forint	8,492	—	10,477,479	—	—	—	—	10,485,971
Indian Rupee	326	—	169,951,111	—	—	—	—	169,951,437
Indonesian Rupiah	68,248	—	17,293,478	—	—	—	—	17,361,726
Japanese Yen	3,589	5,365	172,751,415	—	—	—	—	172,760,369
Malaysian Ringgit	71,935	2	10,755,537	—	—	—	—	10,827,474
Mexican Peso	23,994	—	8,610,438	—	—	—	—	8,634,432
New Israeli Shequel	58,635	(93)	1,793,180	—	—	—	—	1,851,722
New Taiwan Dollar	—	—	230,327,802	—	—	—	—	230,327,802
New Zealand Dollar	2,466	—	—	—	—	—	—	2,466
Norwegian Krone	32,158	—	2,506,340	—	—	—	—	2,538,498
Peruvian Soles	783	—	26,167	—	—	—	—	26,950
Philippine Peso	30,741	—	4,372,971	—	—	—	—	4,403,712
Polish Zloty	74,574	—	11,655,233	—	—	—	—	11,729,807
Pound Sterling	78,616	—	94,849,022	—	—	140,028	—	95,067,666
Qatari Rial	995	—	2,007,257	—	—	—	—	2,008,252
Saudi Riyal	37,597	—	26,166,530	—	—	—	—	26,204,127
Singapore Dollar	25,441	—	5,095,756	—	—	—	—	5,121,197
South African Rand	66,186	—	29,658,081	—	—	—	—	29,724,267
South Korean Won	90	(850)	100,438,612	—	—	—	—	100,437,852
Swedish Krona	52,518	—	14,347,048	—	—	—	—	14,399,566
Swiss Franc	24,308	(522)	48,060,674	—	—	—	—	48,084,460
Thailand Baht	9,220	—	21,024,420	—	—	—	—	21,033,640
Turkish Lira	30,335	—	4,640,731	—	—	—	—	4,671,066
UAE Dirham	18,178	—	30,575,097	—	—	—	—	30,593,275
Total	\$ 2,564,933	\$ 4,589	\$ 1,386,238,949	\$ 59,006,512	\$ 46,444,048	\$ 60,721,897	\$ 119,904,338	\$ 1,674,885,266

Notes to Financial Statements

CONTINUED

C. Derivatives

TMRS may allow its investment managers to use derivatives to manage risk. Derivative instruments 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, 2024.

Table F-16

Futures Contracts			
As of December 31, 2024			
Futures Contract	Expiration Date	Notional	Accumulated Gain/(Loss)
U.S. 10-Yr Treasury Note Futures	3/20/2025	\$ (43,717,500)	\$ 782,016
U.S. 5-Yr Treasury Note Futures	3/31/2025	(24,024,859)	211,875
U.S. 2-Yr Treasury Note Futures	3/31/2025	(22,822,641)	20,813
Total		\$ (90,565,000)	\$ 1,014,703

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, 2024, TMRS had \$7.9 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
2024	10.40 %
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 %

See accompanying Independent Auditors' Report.

Supplemental Schedules

Table F-18

Combined Schedule of Changes in Fiduciary Net Position

For the Year Ended December 31, 2024

	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	\$ 1,346,816,712	\$ —	\$ —	\$ —	\$ 2,256,142	\$ 1,349,072,854	\$ 20,744,961	\$ 1,369,817,815
Member contributions	636,105,958	—	—	—	—	636,105,958	—	636,105,958
Net investment income	—	—	4,110,383,988	(10,022,102)	—	4,100,361,886	—	4,100,361,886
Other	—	—	18,153	201	—	18,354	—	18,354
Total additions	1,982,922,670	—	4,110,402,141	(10,021,901)	2,256,142	6,085,559,052	20,744,961	6,106,304,013
DEDUCTIONS								
Retirement benefits	2,048,203,767	39,936	—	—	2,256,142	2,050,499,845	—	2,050,499,845
Supplemental death benefits	—	—	—	—	—	—	10,668,617	10,668,617
Member account refunds	87,926,119	—	—	—	—	87,926,119	—	87,926,119
Administrative expenses	—	—	—	26,312,870	—	26,312,870	—	26,312,870
Total deductions	2,136,129,886	39,936	—	26,312,870	2,256,142	2,164,738,834	10,668,617	2,175,407,451
FUND TRANSFERS								
Operating budget transfer	—	—	(38,300,000)	38,300,000	—	—	—	—
Allocation from Interest Reserve	4,194,670,964	9,864	(4,195,314,572)	—	—	(633,744)	633,744	—
Escheated funds	(3,713,041)	—	3,713,041	—	—	—	—	—
Net fund transfers	4,190,957,923	9,864	(4,229,901,531)	38,300,000	—	(633,744)	633,744	—
CHANGE IN FIDUCIARY NET POSITION	4,037,750,707	(30,072)	(119,499,390)	1,965,229	—	3,920,186,474	10,710,088	3,930,896,562
FIDUCIARY NET POSITION								
Beginning 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
End of year	\$ 42,859,125,598	\$ 188,097	\$ 540,574,421	\$ 6,640,071	\$ —	\$ 43,406,528,187	\$ 18,688,940	\$ 43,425,217,127

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, 2024

	Administrative Expenses	Investment Expenses
Personnel services		
Staff salaries and payroll taxes	\$ 13,714,208	\$ 4,216,620
Employee benefits	3,279,024	781,885
Total personnel services	16,993,232	4,998,505
Professional services		
Actuarial	654,900	—
Audit	188,582	—
Custodial and banking	—	1,515,000
Information services consulting	677,670	—
Investment consulting	—	1,830,875
Legal	108,233	334,430
Other services	679,372	—
Total professional services	2,308,757	3,680,305
Facilities	2,761,753	—
City and member outreach	543,569	—
Information technology	—	
Cloud services	1,250,055	1,119,172
Hardware/software and support	889,364	—
Total information technology	2,139,419	1,119,172
Other administrative		
Board of Trustees and Committees	85,549	—
Depreciation	440,293	—
Professional development	272,747	58,730
Supplies/document storage/miscellaneous	554,447	12,719
Travel	213,104	152,671
Total other administrative	1,566,140	224,120
Investment management fees paid from Trust Fund	—	22,553,313
Totals	\$ 26,312,870	\$ 32,575,415

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, 2024

Actuarial

Gabriel, Roeder, Smith & Company	\$	654,900
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Audit

CliftonLarsonAllen LLP		188,582
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Information services consulting

Pension administration system		240,891
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Information systems support		240,887
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Network management and security		195,892
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Total information services consulting		677,670
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Legal

Fiduciary counsel		86,551
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Other legal services		21,682
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Total legal		108,233
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Other services

Executive recruiting		296,902
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Governance/strategic planning/other Board consulting		158,904
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Governmental relations support		96,000
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Benefit administration process improvement		40,800
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Disability review		28,140
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Digital communications management		40,542
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Insurance risk management		13,884
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Publications		4,200
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Total other services		679,372
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Total Professional Services

	\$	2,308,757
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See accompanying Independent Auditors' Report.

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Investment Section

Report on Investment Activity

Letter from the Chief Investment Officer

Outline of Investment Policies

Asset Allocation

Investment Summary

Largest Holdings

Investment Results

Investment Expenses

Investment Managers

Report on Investment Activity

June 2, 2025

Board of Trustees

Texas Municipal System
P.O. Box 149153
Austin, Texas 78714-9153



www.NEPC.com | 617.374.1300

Dear Trustees:

The following is a report on the performance of the plan for the fiscal year ended December 31, 2024, with background on the underlying capital market environment.

Market Review for the Year Ended December 31, 2024

Calendar year 2024 was one characterized by strong returns in risky assets like stocks and high yield bonds. Interest sensitive fixed income had mixed performance as core bonds and cash were positive, but long-term Treasuries declined. Inflation-sensitive assets such as TIPS and commodities were positive, while real estate (private) declined in value. The Federal Reserve ended the year with a 25-basis point cut to interest rates, setting the range of the federal funds rate to 4.25%-4.50%. Key economic data still showed a growing U.S. economy with positive GDP growth and the labor market holding strong. The year ended with inflation levels moderating. Jobs data will take center stage as the Federal Reserve pivots to focus on the labor market as part of the central bank's dual mandate of stable prices and full employment. U.S. stocks posted strong returns of 25.0% as measured by the S&P 500 Index. International stocks returned 5.5% as measured by the MSCI ACWI-ex U.S. Index. Typically considered a safe-haven asset, U.S. high quality fixed income posted a modest return of 1.3% as measured by the Bloomberg U.S. Aggregate Bond Index.

The TMRS Investment Portfolio

As of December 31, 2024, the fair value of the TMRS total investment portfolio was \$43.2 billion and its one-year return, net-of-fees, was 10.4%. In the same period, the median fund in the InvMetrics peer group of Public Defined Benefit plans greater than \$10 billion in assets returned 9.0%. TMRS's five-year annualized return net-of-fees for the period ended December 31, 2024, was 6.8%, outperforming the Trust Fund Benchmark by 1.3% and the Board's Actuarial Return Assumption of 6.75%.

All asset class allocations remain in compliance with the targeted ranges as outlined by the Investment Policy Statement as of December 31, 2024. In September 2024, the Board of Trustees approved updates to the asset allocation, which included reducing the number of asset classes and adopting new target allocations, allocation ranges, and benchmarks. The changes went into effect as of January 1, 2025.

NEPC, LLC serves as TMRS's independent investment consultant, providing TMRS with asset allocation guidance, quarterly economic and investment market updates, and performance reviews, together with investment manager monitoring and selection advice. In preparing our performance analysis for the plan, we rely on the accuracy of financial data and performance provided by TMRS's custodian bank, State Street. Performance is calculated using a time-weighted rate of return methodology based upon fair values. The money-weighted rate of returns presented in the Financial Section of this Report is calculated using a different methodology. TMRS's goals are measured against stated policy objectives, appropriate benchmarks, and comparative universes over multiple time periods. This review process allows TMRS to evaluate whether established goals are being achieved on an absolute, relative, and risk-adjusted basis.

Best Regards,

A handwritten signature in black ink, appearing to read 'Samuel Austin, III'.

Samuel Austin, III, Partner, NEPC

Letter from the Chief Investment Officer



To: The Trustees, Members, Retirees, Beneficiaries, and Participating Cities of the Texas Municipal Retirement System

Since my arrival in January 2024, the team has focused on three key strategic areas. First, building a benchmark-aligned global public markets portfolio with selective active mandates that generate long-term outperformance. Secondly, focus across private markets on strengthening and upgrading our manager relationships and reducing costs by increasing the portfolio's share of reduced or no-fee co-investments. Lastly, we have been successful in attracting some of the nation's best investment talent, helping build a culture that attracts and partners with the world's best investment managers.

The early results have been promising. The TMRS Trust Fund's 2024 net investment return was 10.41%, exceeding our benchmark for the 1-year period by 0.59%. Three-year and five-year returns were 4.53% and 6.82%, outperforming benchmark returns for the same time periods by 2.00% and 1.25%, respectively. The 1-, 3-, and 5-year investment returns were first quartile, first quartile, and third quartile, respectively, as compared to the large public plan universe.

I am additionally proud to announce that TMRS claims compliance with the Global Investment Performance Standards (GIPS®), and that the Trust Fund was examined, and the organization verified for 2024. All valuations are reported in USD. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote TMRS, nor does it warrant the accuracy or quality of the content contained herein. A copy of the 2024 GIPS Asset Owner report can be obtained by emailing invrisk@tmrs.com.

Trust Fund portfolio details and an investment market overview can be found in NEPC's letter in this section of the ACFR. Detailed asset allocation and performance reports prepared by NEPC are available at tmrs.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Yup Kim", is written over a light gray circular background.

Yup Kim
Chief Investment Officer
June 2, 2025

Outline of Investment Policies

The TMRS Board of Trustees (Board) adopts an Investment Policy Statement (IPS) that governs the management of Trust Fund investments. The IPS describes investment objectives, beliefs, benchmarks, asset allocation and responsibilities of the Board, staff, and investment managers and consultants. The Board reviews the IPS annually.

Investment Program Objective

TMRS' investment program objective is to ensure that members, retirees and beneficiaries receive the benefits they have accrued through their employment with participating cities at a reasonable and predictable cost to those cities. To achieve this objective, the Board, in consultation with its Consulting Actuary, adopts an Actuarial Return Assumption (ARA). Trust Fund assets will be invested to achieve a total return that meets or exceeds the current ARA of 6.75%.

Standards of Care

A. Standard of Care. As fiduciaries, the Board must:

1. Exercise the degree of judgment and care, under the circumstances that persons of prudence, discretion and intelligence exercise in the management of their own affairs, considering the probable income and safety of their capital.
2. Evaluate investment decisions in the context of the entire Trust Fund portfolio and with appropriate risk and return objectives.

B. Conflict of Interest Prohibited. The Board, staff, and investment managers and consultants will refrain from any activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial recommendations and decisions. These parties are required to disclose, in writing, any known relationships that could create, or appear to create, a conflict of interest.

C. Decisions in the Best Interest of TMRS. The Board and staff are required to make all investment decisions in the best interest of TMRS and shall comply with applicable TMRS policies on personal investment activities.

Investment Management

The Board is responsible for the administration of TMRS and its investment program, and the Board must discharge its duties solely in the interest of providing benefits to members, retirees and beneficiaries.

The Board adopts investment beliefs based on capital market theories and other investment management principles generally accepted by long-term focused institutional investors.

Outline of Investment Policies

CONTINUED

Asset Allocation

One of the Board's investment beliefs is that the primary determinant of portfolio risk and return is TMRS' strategic, long-term asset allocation. The Board's Asset Allocation includes asset classes, strategic target allocations with minimum and maximum allocation ranges, and benchmarks to measure investment performance. The Asset Allocation is based on an Asset Allocation Study that includes expectations for long-term return and risk, and is intended to produce investment returns equal to or greater than the actuarial return assumption (ARA) at a level of risk acceptable to the Board. In adopting the Asset Allocation, the Board considers TMRS' assets and liabilities, risk and return trade-offs, the ability to deliver on promised benefit payments at a reasonable and predictable cost to participating cities, the risk of permanent loss of capital, Trust Fund liquidity, and the ability to maintain a long-term strategy during sustained periods of market volatility.

The Board has adopted the following Asset Allocation and respective benchmarks as of December 31, 2024:

Table I-1

Asset Allocation				
Asset Class	Minimum %	Target %	Maximum %	Benchmark
Global equity	25%	35%	45%	MSCI All Country World Investable Market Index, Net
Core fixed income	1%	6%	11%	Bloomberg U.S. Aggregate Bond Index
Non-core fixed income	1%	6%	11%	CS Leveraged Loan Index (50%) + ICE BofA US HY Constrained Index (50%)
Hedge funds	0%	5%	10%	HFRI Asset Weighted Composite Index
Cash equivalents	0%	0%	3%	FTSE 1-Month U.S. T-Bill Index
Total Public Assets		52%		
Private equity	8%	13%	18%	Cambridge U.S. All Private Equity Index
Private debt	8%	13%	18%	CS Leveraged Loan Index + 100 bps
Real estate	7%	12%	17%	NCREIF - ODCE Index, Net
Infrastructure	1%	6%	11%	Cambridge Infrastructure Fund Index
Other private markets	0%	4%	9%	MSCI All Country World Investable Market Index, Net
Total Private Assets		48%		

The Asset Allocation is reviewed at least annually for reasonableness, taking into consideration current capital markets and economic conditions and the Board's views regarding long-term investment goals and objectives.

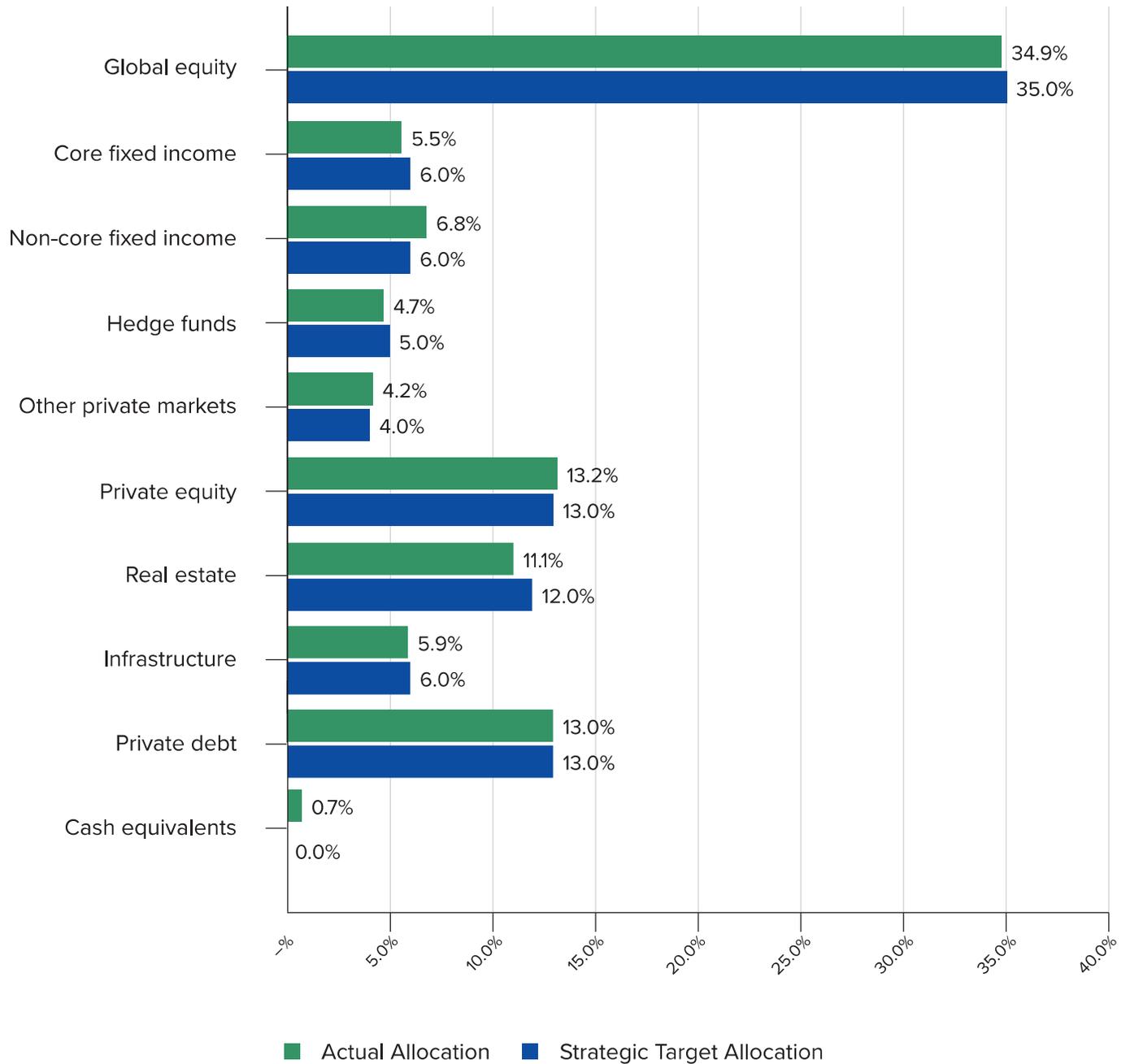
An Asset Allocation Study that comprehensively reviews the Asset Allocation is completed at least every four years. The Board verifies or amends its Asset Allocation upon review of an Asset Allocation Study.

An Asset-Liability Modeling Study is conducted at least every four years.

The Board assesses the Asset Allocation's performance over five-year rolling periods compared to the ARA and asset class benchmarks.

Asset Allocation

Actual Allocation compared to Strategic Target Allocation
As of December 31, 2024



Investment Summary

The following summary of investments presents the investment values categorized by asset class, and is therefore not consistent with the categorization on the Statement of Fiduciary Net Position

Table I-2

Investment Summary by Asset Class		
As of December 31, 2024		
	Fair Value	Percent of Total
Global equity		
Short term investments	\$ 34,472,524	0.1 %
Domestic public equity securities	4,237,372,790	9.8
International public equity securities	1,382,236,591	3.2
REITS	89,590,804	0.2
Commingled public equity funds	9,355,031,917	21.6
Total global equity	15,098,704,626	34.9
Core fixed income		
Short term investments	14,404,309	0.1
Fixed income securities	2,347,045,233	5.4
Total core fixed income	2,361,449,542	5.5
Non-core fixed income		
Short term investments	64,539,318	0.1
Fixed income securities	1,598,543,892	3.7
Non-core fixed income funds	1,298,009,579	3.0
Total non-core fixed income	2,961,092,789	6.8
Hedge funds		
Hedge funds	2,013,306,196	4.7
Total hedge funds	2,013,306,196	4.7
Private equity		
Private equity funds	5,694,742,415	13.2
Total private equity	5,694,742,415	13.2
Real estate		
Private real estate funds	4,815,752,629	11.1
Total real estate	4,815,752,629	11.1
Infrastructure		
Infrastructure funds	2,569,054,676	5.9
Total infrastructure	2,569,054,676	5.9
Private debt		
Private debt funds	5,607,027,352	13.0
Total private debt	5,607,027,352	13.0
Other private markets		
Other private markets funds	1,832,680,755	4.2
Total other private markets	1,832,680,755	4.2
Cash equivalents		
Short term investments	290,153,571	0.7
Total cash equivalents	290,153,571	0.7
Total Investments	\$ 43,243,964,551	100.0 %
Other investment-related items		
Custodial cash	5,387,692	
Interest and dividends receivable	44,738,338	
Unsettled trades receivable	36,219,995	
Management fees payable	(6,678,481)	
Unsettled trades payable	(51,287,402)	
Trust fund net assets value	\$ 43,272,344,692	

Largest Holdings

Table I-3

Largest Holdings – Public Equities As of December 31, 2024		
Description	Shares/Units	Fair Value
Apple Inc.	966,344	\$241,991,864
Nvidia Corp.	1,558,481	\$209,288,413
Microsoft Corporation	448,764	\$189,154,026
Amazon.com Inc.	600,605	\$131,766,731
Taiwan Semiconductor Manufacturing Company	3,518,199	\$115,361,342
Meta Platforms Inc.	138,936	\$ 81,348,417
Tesla Inc.	182,669	\$ 73,769,049
Alphabet Inc. Class A	369,826	\$ 70,008,062
Broadcom Inc.	281,669	\$ 65,302,141
Alphabet Inc. Class C	322,062	\$ 61,333,487

Table I-4

Largest Holdings – Fixed Income Securities As of December 31, 2024				
Description	Coupon	Maturity	Par Value	Fair Value
U.S. Treasury Note/Bond	3.375%	5/15/2033	\$57,800,000	\$53,135,360
U.S. Treasury Note/Bond	4.125%	7/31/2028	\$40,010,000	\$39,735,713
U.S. Treasury Note/Bond	4.880%	5/31/2026	\$38,000,000	\$38,319,141
U.S. Treasury Note/Bond	4.630%	6/30/2026	\$38,000,000	\$38,207,813
U.S. Treasury Note/Bond	4.630%	6/15/2027	\$35,000,000	\$35,295,313
U.S. Treasury Note/Bond	4.250%	3/15/2027	\$35,000,000	\$34,993,164
U.S. Treasury Note/Bond	4.500%	7/15/2026	\$25,000,000	\$25,092,774
U.S. Treasury Note/Bond	4.250%	2/28/2029	\$25,200,000	\$25,084,828
U.S. Treasury Note/Bond	4.130%	2/15/2027	\$25,000,000	\$24,933,594
U.S. Treasury Note/Bond	4.130%	3/31/2029	\$25,000,000	\$24,756,836

Note: The tables above list the top ten direct holdings of public equity and fixed income securities, and do not include securities held in commingled funds.

Investment Results

Total Trust Fund and Asset Class returns for the year ended December 31, 2024 are provided in Table I-5.

Table I-5

Total Fund and Asset Class Returns				
	1 Year	3 Years	5 Years	10 Years
Total fund	10.41 %	4.53 %	6.82 %	6.62 %
Total fund active weighted benchmark	9.82 %	2.53 %	5.57 %	5.82 %
Global equity	16.89 %	4.82 %	9.18 %	8.92 %
Global equity benchmark	16.37 %	4.90 %	9.67 %	9.24 %
Core fixed income	1.19 %	(2.37)%	(0.10)%	1.57 %
Core fixed income benchmark	1.25 %	(2.41)%	(0.33)%	1.35 %
Non-core fixed income	9.39 %	3.47 %	3.24 %	4.04 %
Non-core fixed income benchmark	9.80 %	1.27 %	2.45 %	3.36 %
Hedge funds	10.31 %	6.82 %	6.56 %	5.57 %
Hedge funds benchmark	8.69 %	4.43 %	5.90 %	4.08 %
Private equity	9.64 %	6.04 %	16.87 %	N/A
Private equity benchmark	7.81 %	2.27 %	10.91 %	N/A
Real estate	(0.29)%	1.10 %	4.61 %	7.25 %
Real estate benchmark	(8.04)%	(1.04)%	2.32 %	5.77 %
Infrastructure	10.34 %	10.73 %	10.69 %	N/A
Infrastructure benchmark	6.72 %	1.92 %	4.54 %	N/A
Private debt	9.49 %	7.52 %	7.55 %	N/A
Private debt benchmark	9.40 %	1.15 %	2.37 %	N/A
Other private markets	6.98 %	3.32 %	4.50 %	4.18 %
Other private markets benchmark	16.37 %	4.90 %	6.37 %	5.09 %
Cash equivalents	5.63 %	4.29 %	2.66 %	1.92 %
Cash equivalents benchmark	5.38 %	3.98 %	2.47 %	1.74 %

N/A means TMRS was not invested in the asset class for 10 years.

Rates of return Returns are calculated from December 31, 2024 values, net of external investment management fees through December 31, 2020, and net of external and internal investment management fees from January 1, 2021 to December 31, 2024, using time-weighted rate of return.

Benchmarks. Total fund active weighted benchmark return is the weighted-average of the asset class composite benchmarks associated with each fund. Please refer to Table I-1 for asset class benchmark detail.

Investment Expenses

Table I-6

Schedule of Investment Expenses	
For the Year Ended December 31, 2024	
Staff salaries and payroll taxes	\$ 4,216,620
Employee benefits	781,885
Custodial services	1,515,000
Investment consulting	1,830,875
Legal	334,430
Information technology	1,119,172
Other administrative	224,120
Management fees paid from Trust Fund	22,553,313
Total investment expenses	\$ 32,575,415

Table I-7

Schedule of External Investment Fees						
For the Year Ended December 31, 2024						
Asset Class	Management Fees Paid From Trust Fund	Management Fees Netted from NAV	Total Investment Management Fees	Brokerage Fees / Commissions	Performance Fees / Carried Interest Netted from NAV	Total Direct / Indirect Fees and Commissions
	(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (3)+(4)+(5)
Global equity	\$ 16,581,265	\$ 440,522	\$ 17,021,787	\$ 1,451,095	\$ 1,105,860	\$ 19,578,742
Fixed income	5,972,048	48,275,479	54,247,527	9,358	48,667,712	102,924,597
Real assets	—	44,900,085	44,900,085	—	(3,054,773)	41,845,312
Alternative/other	—	170,672,604	170,672,604	—	232,697,176	403,369,780
Cash equivalents	—	327,577	327,577	—	—	327,577
Totals	\$ 22,553,313	\$ 264,616,267	\$ 287,169,580	\$ 1,460,453	\$ 279,415,975	\$ 568,046,008

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

Investment Managers

Pursuant to Texas Government Code 802.103, Table I-8 discloses all investment managers engaged by TMRS.

Table I-8

Investment Managers As of December 31, 2024
Acadian Asset Management
Arrowstreet Capital
Champlain Investment Partners
Columbia Management Investment Advisers
Ellington Management Group
Jacobs Levy Equity Management
Northern Trust Investments, Inc.
Voya Investment Management
Wellington Management
William Blair & Company

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Actuarial Section

Pension Trust Fund
Supplemental Death Benefits Fund

Actuary's Certification Letter (Pension Trust Fund)



P: 469.524.0000 | www.grsconsulting.com

May 20, 2025

Board of Trustees
Texas Municipal Retirement System
Austin, Texas 78731

Dear Trustees:

In accordance with the Texas Municipal Retirement System (TMRS) Act, the annual actuarial valuation of the assets and liabilities of the TMRS Pension Trust Fund was completed as of December 31, 2024.

The financing objective for each TMRS participating city plan is to provide retirement, death and disability benefits for the city's employees financed by an employer contribution rate. This rate is determined annually and is expected to remain approximately level as a percentage of the city's covered payroll. In TMRS, a city's actuarially determined employer contribution rate consists of two components: the employer normal cost contribution rate and the prior service contribution rate. Both rates are determined as a level percentage of payroll. The normal cost contribution rate finances the portion of an active Member's projected retirement benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial accrued liability ("UAAL") over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating updated service credits and cost of living adjustments.

The participating cities' contribution rates are certified annually by the Board of Trustees which is responsible for establishing and maintaining the funding policy. These rates are actuarially determined and are based upon the plan provisions in effect as of April 1, 2025 and the actuarial assumptions and methodology adopted by the Board. The Board's current policy is that the contribution rates determined by a given actuarial valuation become effective one year after the valuation date. For example, the rates determined by the December 31, 2024 actuarial valuation will be applicable for the calendar year beginning January 1, 2026 and ending December 31, 2026.

To test how well the financing objective for each city plan is being achieved, annual actuarial valuations are made. These actuarial valuations recognize differences in the past year between the actuarial assumptions and the actual experience, and any benefit changes for each plan. A separate actuarial valuation for each participating city was made based upon the plan of benefits in effect as of April 1, 2025.

TMRS staff supplied data for retired, active and inactive Members as of December 31, 2024. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. TMRS staff also supplied the asset data and financial information as of December 31, 2024. The amounts of the assets in the actuarial valuations agree with the amounts as reported by TMRS.

Actuary's Certification Letter (Pension Trust Fund)

CONTINUED

The current actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. These assumptions were adopted by the Board in 2023 and were first used in the December 31, 2023 valuation. The Actuarial Experience Investigation Study report dated September 28, 2023 details the analysis and changes to assumptions since the prior valuation.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods.

It is our opinion that the recommended assumptions and methods are internally consistent and are reasonably based on TMRS' past and anticipated future experience and comply with the parameters for disclosure as set forth in Governmental Accounting Standards Board Statement No. 67. GRS prepared the following schedules in the Actuarial Section:

Participating Cities and Active Members
Retiree and Beneficiary Data
Summary of Actuarial Liabilities and Funding Progress
Funded Portion of Actuarial Liabilities by Type

All of our work and all of the actuarial assumptions and methods used for funding purposes conform with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of the TMRS Act and, where applicable, the Internal Revenue Code and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Both are Members of the American Academy of Actuaries, both meet all of the Qualification Standards of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

Respectfully Submitted,



Joseph P. Newton, MAAA, FSA, EA
Pension Market Leader



Janie Shaw, MAAA, ASA, EA
Consultant



Summary of Actuarial Assumptions and Methods (Pension Trust Fund)

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Summaries of meaningful actuarial assumptions and methods are provided below. A full description of all actuarial assumptions and methods can be found in the Actuarial Valuation Report as of December 31, 2024 (tmrs.com/actuarial_reports.php).

I. Economic Assumptions

A. General Inflation.

2.50% per year.

B. Discount/Crediting Rates.

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually.
2. Supplemental Disability Benefits Fund and individual employee accounts: 5.00% per year, compounded annually.

C. Overall Payroll Growth.

2.75% per year, adjusted lower for cities with a decrease in the number of contributing members from 2008 to 2022.

D. Individual Salary Increases.

Salaries are assumed to increase once a year, on January 1, by the following graduated service-based scale.

Years of Service	Increase Rate %
1	11.85
2	7.60
3	7.10
4	6.60
5	6.35
6	6.10
7	5.85
8	5.60
9	5.35
10	5.10
11 – 12	4.85
13 – 15	4.60
16 – 20	4.35
21 – 24	4.10
25+	3.60

Summary of Actuarial Assumptions and Methods (Pension Trust Fund)

CONTINUED

E. Cost of Living Adjustments (COLAs).

The Consumer Price Index For All Urban Consumers (CPI-U) is assumed to be 2.50% per year prospectively. COLAs, when applicable, are 30%, 50% or 70% of CPI-U, according to the provisions adopted by each city. The actual future assumptions for the traditional retroactive COLA are as follows: 0.87% per year for the 30% CPI provision, 1.38% per year for the 50% CPI provision and 1.86% per year for the 70% CPI provision. The future assumptions for non-retroactive COLA features are as follows: 0.75% per year for the 30% CPI provision, 1.25% per year for the 50% CPI provision, and 1.75% per year for the 70% CPI provision.

F. Load for Updated Service Credit (USC).

The USC calculation includes a load on the final average earnings of 0.1% per year into the future that the calculation is performed.

II. Demographic Assumptions

A. Termination Rates.

The base table rates vary by years of service and the number of years until retirement eligibility. For each city, the base table is then multiplied by 75% to 125% based on the experience and size of the individual city. A further multiplier is applied depending on an employee's classification: 1) Firefighter = 63%, 2) Police = 82%, or 3) Other = 116%.

The probabilities for the member's first three years of service are 22.5%, 17.5%, and 14.5%. After three years of service, base termination rates are applied. A sample of the base rates follows:

Years From Retirement	Rate
1	0.0272
2	0.0301
3	0.0332
4	0.0367
5	0.0406
6	0.0449
7	0.0496
8	0.0548
9	0.0606
10	0.0670
11	0.0741
12	0.0819
13	0.0905
14	0.1001
15	0.1106
16+	0.1223

Termination rates end at first eligibility for retirement.

Summary of Actuarial Assumptions and Methods (Pension Trust Fund)

CONTINUED

B. Forfeiture Rates (withdrawal of member contributions after termination).

Forfeiture rates for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in Section II. A. The withdrawal rates for cities with a 2:1 match are shown below; 6% is added to the rates for 1.5:1 cities, and 12% is added for 1:1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	37.9%
30	35.1%
35	32.3%
40	29.5%
45	26.7%
50	23.9%
55	21.1%

Forfeiture rates end at first eligibility for retirement.

C. Mortality Rates.

1. Service Retirees and Beneficiary Mortality Rates.

The gender-distinct 2019 Municipal Retirees of Texas mortality tables are used for calculating the actuarial liability and the retirement contribution rates. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the Scale MP-2021 to account for future mortality improvements. An example for the life expectancies of a 65 year-old retiree (including projection) is shown below:

Proposed Life Expectancy for an Age 65 Retiree (in Years)					
Gender	Year of Retirement				
	2023	2028	2033	2038	2043
Male	19.6	20.0	20.3	20.7	21.1
Female	22.8	23.2	23.5	23.8	24.2

2. Disabled Retiree Mortality Rates.

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger male and female members, respectively, who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements, subject to the floor.

3. Pre-Retirement Mortality Rates.

TMRS uses the PUB(10) mortality tables, with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements.

Summary of Actuarial Assumptions and Methods (Pension Trust Fund)

CONTINUED

D. Annuity Purchase Rates (APRs).

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled retirees, the APRs until 2027 are being phased-in based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females, with both rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032, and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For retirees, a unisex blend of 70% of the males table and 30% of the females table is used, while 30% of the males table and 70% of the females table is used for beneficiaries.

E. Disability Rates.

Age	Males and Females
20	0.000002
25	0.000015
30	0.000059
35	0.000155
40	0.000296
45	0.000482
50	0.000713
55	0.000988
60	0.001308
65	0.001672

F. Service Retirement Rates.

The base table rates vary by age and are applied to both active and inactive members.

Age	Rate
<50	0.07
50-52	0.08
53	0.09
54	0.10
55	0.11
56	0.12
57	0.13
58	0.14
59	0.15
60	0.16
61	0.17
62	0.20
63-64	0.20
65-74	0.30
75 and over	1.00

III. Methods and Assumptions

A. Valuation of Assets.

The actuarial value of assets is based on the fair value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 12% corridor around the fair value of assets, if necessary.

B. Actuarial Cost Method.

The Entry Age Normal Actuarial Cost Method is used, which develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the prior service cost or amortization of the unfunded actuarial accrued liability.

C. Amortization Policy.

For underfunded cities, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of “laddering”. Bases that existed prior to this valuation continue to be amortized on their original schedule. New loss bases for cities with fifteen or more employees are amortized over individual periods of not more than 20 years. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific city.

Once a city becomes overfunded, all prior amortization bases are erased and an amount of the surplus is credited against the contribution rate to keep the funded ratio constant year-over-year.

Ad-hoc USC and COLA benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 12 years or the current life expectancy of the covered group.

D. Small City Methodology.

For cities with fewer than 20 employees, more conservative methods and assumptions are used, including lower termination rates, longer life expectancies and shorter amortization periods.

Definitions (Pension Trust Fund)

- 1. Actuarial accrued liability.** The actuarial present value of benefits attributable to all periods prior to the valuation date.
- 2. Actuarial value of assets.** The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation.
- 3. Actuarially Determined Employer Contribution (ADEC).** The city's periodic required contributions to the defined benefit pension plan, calculated in accordance with current TMRS funding policy.
- 4. Amortization period.** The period over which the existing unfunded or overfunded actuarial accrued liability is projected to be paid off, as a level percentage of payroll.
- 5. Entry Age Normal actuarial cost method.** The Entry Age Normal actuarial cost method develops the annual cost of the plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for a member is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of these rates is the total normal cost rate. The actuarial accrued liability is based on the portion of benefits attributable to service credited prior to the valuation date. Actuarial gains (losses), as they occur, reduce (increase) the unfunded actuarial accrued liability.
- 6. Funded ratio.** The actuarial value of assets expressed as a percentage of the actuarial accrued liability.
- 7. Funding policy.** The program for the amounts and timing of contributions to be made by plan members and participating cities to provide the benefits specified by a pension plan.
- 8. Normal cost contribution rate.** The actuarial present value of benefits allocated to a valuation year by the actuarial cost method, expressed as a percentage of the covered payroll. It is equal to the sum of the actuarial present value of benefits allocated to the year following the valuation date, divided by the compensation expected to be received during the next year for the closed group of members as of the valuation date.
- 9. Overfunded actuarial accrued liability.** The excess of the actuarial value of assets over the actuarial accrued.
- 10. Prior service cost contribution rate.** The level percentage of payroll required to amortize the unfunded or overfunded actuarial accrued liability over a specified amortization period. If the rate is negative, it is offset against the normal cost, with the limitation that the sum of the two rates cannot be negative.
- 11. Unfunded actuarial accrued liability.** The excess of the actuarial accrued liability over the actuarial value of assets.

Participating Cities and Active Members (Pension Trust Fund)

Table A-1

Participating Cities and Active Members Accounts					
Valuation Date	Number of Active Cities	Active Members Accounts			
		Number	Annual Payroll	Average Annual Pay	% Increase in Average Annual Pay
12/31/2015	859	106,894	\$ 5,683,846,845	53,898	3.7%
12/31/2016	864	108,891	\$ 5,884,788,962	54,543	1.2%
12/31/2017	875	110,208	\$ 6,188,490,343	56,490	3.6%
12/31/2018	879	111,851	\$ 6,444,177,866	58,040	2.7%
12/31/2019	878	114,384	\$ 6,790,788,227	60,033	3.4%
12/31/2020	886	114,497	\$ 7,161,381,734	62,577	4.2%
12/31/2021	892	116,053	\$ 7,345,701,461	63,723	1.8%
12/31/2022	909	119,723	\$ 7,896,581,238	66,984	5.1%
12/31/2023	921	124,493	\$ 8,676,096,637	71,053	6.1%
12/31/2024	926	127,974	\$ 9,445,052,641	74,822	5.3%

As of December 31, 2024, there were twelve cities with no active contributing members and no city contributions due. Thus, there were 938 total cities, with 926 of them active.

The average annual pay was calculated by dividing the annual payroll by the average of the number of contributing members at the beginning and the end of the year.

Retiree and Beneficiary Data (Pension Trust Fund)

Table A-2

Retiree and Beneficiary Data								
Year Ended	Added to Rolls		Removed from Rolls		End of Year		% Increase in Annual Benefit	Average Annual Benefit
	Number of Accounts	Annual Benefit	Number of Accounts	Annual Benefit	Number of Accounts	Annual Benefit		
12/31/2015	3,916	\$ 76,796,719	890	\$ 12,357,106	56,481	\$ 990,502,440	7.0%	\$ 17,537
12/31/2016	4,073	\$ 82,664,225	943	\$ 13,821,624	59,611	\$ 1,059,345,041	7.0%	\$ 17,771
12/31/2017	4,198	\$ 95,727,539	1,033	\$ 14,068,157	62,776	\$ 1,141,004,423	7.7%	\$ 18,176
12/31/2018	4,448	\$ 98,030,847	1,173	\$ 16,549,004	66,051	\$ 1,222,486,266	7.1%	\$ 18,508
12/31/2019	4,758	\$ 107,229,230	1,184	\$ 18,442,625	69,625	\$ 1,311,272,871	7.3%	\$ 18,833
12/31/2020	4,871	\$ 117,495,300	1,394	\$ 20,566,206	73,102	\$ 1,408,201,965	7.4%	\$ 19,264
12/31/2021	5,115	\$ 115,206,771	1,542	\$ 23,545,014	76,675	\$ 1,499,863,722	6.5%	\$ 19,561
12/31/2022	5,464	\$ 170,491,842	1,531	\$ 23,328,304	80,608	\$ 1,647,027,260	9.8%	\$ 20,433
12/31/2023	4,994	\$ 164,389,250	1,447	\$ 25,069,967	84,155	\$ 1,786,346,543	8.5%	\$ 21,227
12/31/2024	5,092	\$ 141,685,886	1,539	\$ 27,489,629	87,708	\$ 1,900,542,800	6.4%	\$ 21,669

The number of retirement accounts is greater than the number of people who retired because some retirees worked for more than one participating city in TMRS and retired with a separate benefit from each participating city. As of December 31, 2024, there were 13,249 more retirement accounts than retirees. In addition, this schedule excludes 1,247 retirees who received a single payment in lieu of a monthly benefit. Upon their death, these retirees are still entitled to supplemental death benefits for their beneficiaries if their city provides this benefit.

The Average Annual Benefit in Table A-2 is 12 times the amount payable in January following the valuation date, including any retirement benefit increase, if applicable.

Summary of Actuarial Liabilities and Funding Progress (Pension Trust Fund)

Table A-3

Summary of Actuarial Liabilities and Funding Progress (dollars in millions)								
Annual Report Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1) / (2)	Unfunded AAL (UAAL) (2) - (1)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (5)	City Contributions	Average City Rate (7) / (5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2015 ¹	\$ 24,347.7	\$ 28,378.9	85.8%	\$ 4,031.2	\$ 5,683.9	70.9%	\$ 750.8	13.2%
2016	\$ 25,844.0	\$ 29,963.3	86.3%	\$ 4,119.2	\$ 5,884.8	70.0%	\$ 767.1	13.0%
2017	\$ 27,813.6	\$ 31,811.6	87.4%	\$ 3,998.0	\$ 6,188.5	64.6%	\$ 837.1	13.5%
2018	\$ 29,385.1	\$ 33,731.5	87.1%	\$ 4,346.4	\$ 6,444.2	67.4%	\$ 880.1	13.7%
2019 ²	\$ 31,313.8	\$ 35,584.9	88.0%	\$ 4,271.1	\$ 6,790.8	62.9%	\$ 928.7	13.7%
2020 ³	\$ 33,609.6	\$ 37,535.9	89.5%	\$ 3,926.3	\$ 7,161.4	54.8%	\$ 1,191.7	16.6%
2021 ⁴	\$ 36,282.0	\$ 40,081.9	90.5%	\$ 3,799.9	\$ 7,345.7	51.7%	\$ 1,076.9	14.7%
2022 ⁵	\$ 38,208.7	\$ 42,597.5	89.7%	\$ 4,388.8	\$ 7,896.6	55.6%	\$ 1,144.8	14.5%
2023 ⁶	\$ 40,358.2	\$ 44,981.1	89.7%	\$ 4,622.9	\$ 8,676.1	53.3%	\$ 1,185.5	13.7%
2024	\$ 42,827.3	\$ 47,900.7	89.4%	\$ 5,073.4	\$ 9,445.1	53.7%	\$ 1,349.1	14.3%

¹Actuarial assumptions were modified as of the December 31, 2015 valuation.

²Actuarial assumptions were modified as of the December 31, 2019 valuation.

³The increase in city contributions in 2020 is primarily due to 210.3 million in additional lump sum contributions by two cities that issued pension obligation bonds. Excluding these additional contributions, the average city rate would have been 13.7%.

⁴City contributions in 2021 include 62.3 million in additional lump sum contributions, of which 57.7 million was contributed by one city that issued pension obligation bonds. Excluding these additional contributions, the average city rate would have been 13.8%.

⁵City contributions in 2022 include 76.8 million in additional lump sum contributions, of which 67.3 million was contributed by one city that issued pension obligation bonds. Excluding these additional contributions, the average city rate would have been 13.5%.

⁶Actuarial assumptions were modified as of the December 31, 2023 valuation.

Each TMRS participating city is financially responsible for its own plan. Therefore, the aggregate numbers shown in the above table reflect only the aggregate condition of TMRS and do not indicate the status of any city's plan. Columns (1) and (2) of the table also include the assets and liabilities of the Supplemental Disability Benefits Fund.

Funded Portion of Actuarial Liabilities by Type (Pension Trust Fund)

Table A-4

Funded Portion of Actuarial Liabilities by Type (dollars in millions)							
Valuation Date	Actuarial Liabilities for			Net Assets Available for Benefits	Portion of Actuarial Liabilities Covered by Net Assets (%)		
	Current Member Contributions	Retirees and Beneficiaries	Current Members (Employer-Financed Portion)		(1)	(2)	(3)
	(1)	(2)	(3)				
12/31/2015	\$ 5,312.30	\$ 11,615.50	\$ 11,451.10	\$ 24,347.70	100.0%	100.0%	64.8%
12/31/2016	\$ 5,530.00	\$ 12,478.40	\$ 11,954.90	\$ 25,844.00	100.0%	100.0%	65.5%
12/31/2017	\$ 5,747.30	\$ 13,412.00	\$ 12,652.30	\$ 27,813.60	100.0%	100.0%	68.4%
12/31/2018	\$ 5,986.10	\$ 14,403.10	\$ 13,342.30	\$ 29,385.10	100.0%	100.0%	67.4%
12/31/2019	\$ 6,210.50	\$ 15,467.50	\$ 13,906.90	\$ 31,313.80	100.0%	100.0%	69.3%
12/31/2020	\$ 6,447.70	\$ 16,508.80	\$ 14,579.40	\$ 33,609.60	100.0%	100.0%	73.1%
12/31/2021	\$ 6,691.00	\$ 17,979.80	\$ 15,411.10	\$ 36,282.00	100.0%	100.0%	75.3%
12/31/2022	\$ 6,917.90	\$ 19,694.60	\$ 15,985.00	\$ 38,208.70	100.0%	100.0%	72.5%
12/31/2023	\$ 7,259.60	\$ 20,777.00	\$ 16,944.50	\$ 40,358.20	100.0%	100.0%	72.7%
12/31/2024	\$ 7,653.30	\$ 22,034.10	\$ 18,213.30	\$ 42,827.30	100.0%	100.0%	72.1%

The financing objective for each TMRS participating city’s plan is to finance long-term benefit liabilities through contributions that remain approximately level from year to year as a percentage of the city’s payroll. If the contributions to each plan are level over the long term and soundly executed, each plan will pay all benefits when due — the ultimate test of financial soundness.

The table above shows one short-term means of checking a system’s funding progress. The present assets are compared with: (1) current member contributions on deposit, (2) liabilities for future benefits to present retirees and (3) the employer-financed portion of the liabilities for service already rendered by current members. In a system that has been following the discipline of level percentage of payroll financing, the liabilities for current member contributions on deposit (liability 1) and the liabilities for future benefits to present retirees (liability 2) will be fully covered by present assets, except in rare circumstances. In addition, the employer-financed portion of liabilities for service already rendered by current members (liability 3) will be at least partially covered by the remainder of present assets. Generally, if a system has been using level cost financing, and if there are no changes in benefits, actuarial assumptions, or methods, the funded portion of liability 3 will increase over time, although it is uncommon for it to be fully funded.

Each TMRS participating city is financially responsible for its own plan. Therefore, the aggregate numbers shown above reflect only the aggregate condition of TMRS and do not indicate the status of any one plan.

Actuary's Certification Letter (Supplemental Death Benefits Fund)



P: 469.524.0000 | www.grsconsulting.com

May 20, 2025

Board of Trustees
Texas Municipal Retirement System
Austin, Texas 78731

Dear Trustees:

The TMRS Supplemental Death Benefits Fund (SDBF) is an optional cost-sharing multiple-employer defined benefit OPEB plan, which operates like group term life insurance. It provides death benefits to both active and retired members, and each participating city can elect to cover just active members, or active and retired members. A supplemental death contribution rate is determined annually for each participating city as a percentage of that city's covered payroll. The contribution rate finances the expected benefit payments each year on a pay-as-you-go basis.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

Benefits are paid to both actives and retirees from the SDBF. Therefore, it is our understanding that reporting under the Governmental Accounting Standards Board ("GASB") Statement No. 74 is not required, since the SDBF is not an OPEB trust as described in paragraph 3 of the statement. GRS will provide information to each participating city for their reporting under GASB Statement No 75.

The contribution rates for the cities participating in the SDBF are certified annually by the Board of Trustees which is responsible for establishing and maintaining the funding policy. These rates are determined actuarially, based on the plan provisions in effect as of April 1, 2025 and the actuarial assumptions and methodology adopted by the Board. The current actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. These assumptions were adopted by the Board in 2023 and were first used in the December 31, 2023 valuation. The Actuarial Experience Investigation Study report dated September 28, 2023 details the analysis and changes to assumptions since the prior valuation. The Board's current policy is that the contribution rates determined by a given actuarial valuation become effective one (1) year after the valuation date. For example, the rates determined by the December 31, 2024 actuarial valuation will be applicable for the calendar year beginning January 1, 2026 and ending December 31, 2026.

TMRS staff supplied the data for active and retired Members as of December 31, 2024. We did not audit this data, but we did apply a number of tests to the data and we concluded that it was reasonable and consistent with the prior year's data. TMRS staff also supplied the asset data and financial information as of December 31, 2024.

Actuary's Certification Letter (Supplemental Death Benefits Fund)

CONTINUED

GRS prepared the following schedules in the Actuarial Section:

Participating Employers and Covered Members
Average Contribution Rates

All of our work and all of the actuarial assumptions and methods conform with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of the TMRS Act and, where applicable, the Internal Revenue Code and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Both are Members of the American Academy of Actuaries, both meet all of the Qualification Standards of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

Respectfully Submitted,



Joseph P. Newton, MAAA, FSA, EA
Pension Market Leader



Janie Shaw, MAAA, ASA, EA
Consultant



Summary of Actuarial Assumptions (Supplemental Death Benefits Fund)

These actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. No other demographic assumptions are applicable for purposes of developing the SDBF contribution rates.

I. Assumptions

A. Mortality Rates.

Same as for the Pension Trust Fund.

B. Discount/Crediting Rate.

The discount rate is 4.25% per year, compounded annually, and derived as a blend of the 5% statutory interest credit rate for the portion of the benefits financed by advance funding contributions and a short-term interest rate for the portion of the benefits financed by current contributions.

C. Actuarial Cost Method.

To calculate a city's actuarially determined contribution rate, the one-year term cost is used.

D. Valuation of Assets.

Assets in the SDBF are valued at fund value (or fund balance). However, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.

E. Contribution Rate Calculation.

The contribution rate for the SDBF is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members, and is calculated separately for actives and retirees. A load equal to 1.5 and 1.1, respectively, is applied to the term cost for active coverage and retiree coverage.

II. Benefit Provisions

A. Participation in SDBF.

Participation in the SDBF is optional and may be rescinded. Each city that chooses to participate can elect to cover just active members, or both active members and retirees.

B. Benefit Eligibility.

Benefits are payable if the death occurs during the period in which a city has elected to participate in the SDBF. For retirees who have service with multiple TMRS cities, benefits are payable only if the city from which the member retired participates in the SDBF when the death occurs.

C. Benefit Amount.

The death benefit for active members provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

Membership and Contribution Rate Data (Supplemental Death Benefits Fund)

Table A-5

Participating Cities and Covered Members								
Actuarial Valuation Date	Number of Participating Cities	Active Members	Retired Members	Inactive Members	Total Members	Annual Payroll	Average Annual Pay	% Increase in Average Annual Pay
12/31/2015	753	71,287	25,819	7,921	105,027	\$ 3,707,706,923	\$ 52,011	2.4%
12/31/2016	753	72,742	26,884	8,513	108,139	\$ 3,887,244,457	\$ 53,439	2.7%
12/31/2017	764	73,757	28,947	8,989	111,693	\$ 4,096,626,695	\$ 55,542	3.9%
12/31/2018	768	75,035	30,453	9,555	115,043	\$ 4,279,380,674	\$ 57,032	2.7%
12/31/2019	766	76,953	32,039	9,957	118,949	\$ 4,559,480,007	\$ 59,250	3.9%
12/31/2020	777	77,880	33,723	10,409	122,012	\$ 4,886,294,497	\$ 62,741	5.9%
12/31/2021	783	79,205	35,323	11,284	125,812	\$ 5,023,116,464	\$ 63,419	1.1%
12/31/2022	800	81,535	37,237	12,166	130,938	\$ 5,390,625,108	\$ 66,114	4.2%
12/31/2023	813	84,842	38,924	12,770	136,536	\$ 5,929,365,834	\$ 69,887	5.7%
12/31/2024	818	87,714	40,598	13,286	141,598	\$ 6,482,461,536	\$ 73,905	5.7%

Table A-6

Average Contribution Rates		
Actuarial Valuation Date	Active Coverage	Retiree Coverage
12/31/2015	0.16%	0.05%
12/31/2016	0.17%	0.05%
12/31/2017	0.17%	0.06%
12/31/2018	0.17%	0.06%
12/31/2019 ¹	0.12%	0.16%
12/31/2020	0.12%	0.16%
12/31/2021 ²	0.25%	0.17%
12/31/2022 ²	0.25%	0.17%
12/31/2023 ³	0.19%	0.17%
12/31/2024 ³	0.19%	0.18%

¹Mortality assumptions and premium calculation methods were modified as of the December 31, 2019 valuation.

²Premium calculations determined by the December 31, 2021 and December 31, 2022 actuarial valuations include a load for adverse experience of 2.0 and 1.1 for active and retiree coverage, respectively.

³Premium calculations determined by the December 31, 2023 and December 31, 2024 actuarial valuations include a load for adverse experience of 1.5 and 1.1 for active and retiree coverage, respectively.

Contribution rates are effective on January 1st, twelve months from the actuarial valuation date.

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Statistical Section

Statistical Section Overview
Financial Trends Information
Demographic Information

Statistical Section Overview

The Statistical Section provides historical context for understanding the Basic Financial Statements and Required Supplementary Information. This section presents information consistent with GASB Statement No. 44, Economic Condition Reporting: The Statistical Section.

Fiduciary Net Position and Changes in Fiduciary Net Position for the Pension Trust Fund and the Supplemental Death Benefits Fund are presented for the last 10 years. Information reported in these tables is derived from the Basic Financial Statements located in the Financial Section of this and prior years' annual reports.

The Schedule of Average Benefit Payments for New Retirements provides information on the average monthly benefit and number of retirees over the last 10 years, categorized in five-year increments of credited service.

The Schedule of Retirement Benefit Recipients by Type of Benefit presents the benefit options selected by current retirees in ranges of monthly benefit levels.

The Schedules of Principal Participating Cities show the top 10 participating cities based on membership size for the Pension Trust Fund and the Supplemental Death Benefits Fund as of December 31, 2024 and 2015.

Financial Trends Information

Table S-1 (1 of 2)

Fiduciary Net Position — Last 10 Years (Pension Trust Fund)					
For the Year Ended December 31					
	2015	2016	2017	2018	2019
Assets					
Cash	\$ 2,177,000	\$ 27,225,142	\$ 9,884,675	\$ 1,558,193	\$ 193,356
Receivables	1,463,421,640	1,303,373,082	1,044,073,551	776,615,427	478,902,839
Investments, at fair value	24,289,053,366	25,830,231,450	28,921,028,586	27,973,620,811	31,871,201,335
Invested securities lending collateral	864,114,464	—	—	—	—
Capital assets, net	9,909,170	9,766,674	9,732,194	9,141,099	8,482,497
Other assets	222,581	368,307	405,087	467,613	470,275
Total assets	26,628,898,221	27,170,964,655	29,985,124,093	28,761,403,143	32,359,250,302
Liabilities					
Accounts payable and other accrued liabilities	27,656,575	27,587,168	32,623,226	125,878,994	30,338,457
Unsettled investment trades payable	2,005,738,646	1,890,218,410	1,284,876,114	935,255,033	501,738,825
Securities lending collateral	866,849,709	—	—	—	—
Funds held for Supplemental Death Benefits Fund	20,490,711	19,953,304	18,250,136	16,639,677	13,361,745
Total liabilities	2,920,735,641	1,937,758,882	1,335,749,476	1,077,773,704	545,439,027
Fiduciary net position	\$ 23,708,162,580	\$ 25,233,205,773	\$ 28,649,374,617	\$ 27,683,629,439	\$ 31,813,811,275

Financial Trends Information

CONTINUED

Table S-1 (2 of 2)

Fiduciary Net Position — Last 10 Years (Pension Trust Fund)					
For the Year Ended December 31					
	2020	2021	2022	2023	2024
Assets					
Cash	\$ 2,867,326	\$ 9,959,259	\$ 5,785,347	\$ 44,018,072	\$ 5,387,692
Receivables	832,754,091	523,963,113	339,496,611	221,625,311	241,552,532
Investments, at fair value	34,522,349,701	38,790,225,854	35,497,407,048	39,270,961,792	43,243,964,551
Invested securities lending collateral	—	—	—	—	—
Capital assets, net	7,941,114	9,585,115	2,938,554	2,381,758	3,479,947
Other assets	4,910,730	5,748,571	4,853,356	12,200,087	8,605,441
Total assets	35,370,822,962	39,339,481,912	35,850,480,916	39,551,187,020	43,502,990,163
Liabilities					
Accounts payable and other accrued liabilities	31,766,265	21,851,012	22,500,046	29,805,802	28,224,477
Unsettled investment trades payable	1,044,469,796	719,990,711	225,503,368	29,010,791	51,287,402
Securities lending collateral	—	—	—	—	—
Funds held for Supplemental Death Benefits Fund	11,693,867	4,625,805	1,986,715	6,028,714	16,950,097
Total liabilities	1,087,929,928	746,467,528	249,990,129	64,845,307	96,461,976
Fiduciary net position	\$ 34,282,893,034	\$ 38,593,014,384	\$ 35,600,490,787	\$ 39,486,341,713	\$ 43,406,528,187

Financial Trends Information

CONTINUED

Table S-2 (1 of 2)

Changes in Fiduciary Net Position — Last 10 Years (Pension Trust Fund)					
For the Year Ended December 31					
	2015	2016	2017	2018	2019
Additions to net position by source					
City contributions	\$ 751,708,718	\$ 768,252,338	\$ 838,363,116	\$ 881,531,535	\$ 930,236,155
Member contributions	376,103,505	389,919,391	410,527,770	427,808,238	453,608,174
Net investment income/(loss)	35,011,429	1,602,187,418	3,497,133,077	(858,122,961)	4,279,485,297
Other	3,900	25,956	47,105	18,501	32,880
Total additions to net position	1,162,827,552	2,760,385,103	4,746,071,068	451,235,313	5,663,362,506
Deductions from net position by type					
Retirement Benefits					
Service retirements	937,848,878	1,005,485,139	1,077,485,262	1,159,702,957	1,247,542,653
Disability retirements	16,775,098	17,019,188	17,005,751	17,060,303	17,080,384
Partial lump sum distributions	148,161,053	139,559,781	156,915,521	158,490,461	180,929,339
Total retirement benefits	1,102,785,029	1,162,064,108	1,251,406,534	1,335,253,721	1,445,552,376
Member account refunds					
Withdrawal/ineligibility	55,742,784	52,935,465	58,344,609	63,195,632	61,089,736
Death	1,232,485	1,246,130	1,061,303	1,060,228	1,596,204
Total member account refunds	56,975,269	54,181,595	59,405,912	64,255,860	62,685,940
Administrative expenses	21,325,422	18,095,315	18,124,164	16,585,866	24,183,038
Income allocated to SDBF	1,057,178	1,000,892	965,614	885,044	759,316
Total deductions from net position	1,182,142,898	1,235,341,910	1,329,902,224	1,416,980,491	1,533,180,670
Change in fiduciary net position	(19,315,346)	1,525,043,193	3,416,168,844	(965,745,178)	4,130,181,836
Fiduciary net position, beginning of year	23,727,477,926	23,708,162,580	25,233,205,773	28,649,374,617	27,683,629,439
Fiduciary net position, end of year	\$ 23,708,162,580	\$ 25,233,205,773	\$ 28,649,374,617	\$ 27,683,629,439	\$ 31,813,811,275

Financial Trends Information

CONTINUED

Table S-2 (2 of 2)

Changes in Fiduciary Net Position — Last 10 Years (Pension Trust Fund)					
For the Year Ended December 31					
	2020	2021	2022	2023	2024
Additions to net position by source					
City contributions	\$ 1,191,723,159	\$ 1,076,907,798	\$ 1,144,820,990	\$ 1,185,483,912	\$ 1,349,072,854
Member contributions	479,187,524	492,319,722	529,914,380	582,825,289	636,105,958
Net investment income/(loss)	2,414,460,057	4,469,101,837	(2,816,630,403)	4,119,210,666	4,100,361,886
Other	47,400	560,172	29,274,135	26,239	18,354
Total additions to net position	4,085,418,140	6,038,889,529	(1,112,620,898)	5,887,546,106	6,085,559,052
Deductions from net position by type					
Retirement Benefits					
Service retirements	1,335,234,201	1,433,417,512	1,533,860,921	1,676,637,423	1,813,462,288
Disability retirements	17,178,149	17,238,392	17,206,656	17,727,662	18,327,351
Partial lump sum distributions	191,627,456	194,678,511	230,427,012	210,262,547	218,710,206
Total retirement benefits	1,544,039,806	1,645,334,415	1,781,494,589	1,904,627,632	2,050,499,845
Member account refunds					
Withdrawal/ineligibility	54,413,400	60,352,469	72,229,111	68,512,648	86,144,091
Death	1,600,143	1,983,618	1,617,077	2,132,786	1,782,028
Total member account refunds	56,013,543	62,336,087	73,846,188	70,645,434	87,926,119
Administrative expenses	15,625,982	20,679,140	24,377,951	26,212,728	26,312,870
Income allocated to SDBF	657,050	418,537	183,971	209,386	633,744
Total deductions from net position	1,616,336,381	1,728,768,179	1,879,902,699	2,001,695,180	2,165,372,578
Change in fiduciary net position	2,469,081,759	4,310,121,350	(2,992,523,597)	3,885,850,926	3,920,186,474
Fiduciary net position, beginning of year	31,813,811,275	34,282,893,034	38,593,014,384	35,600,490,787	39,486,341,713
Fiduciary net position, end of year	\$ 34,282,893,034	\$ 38,593,014,384	\$ 35,600,490,787	\$ 39,486,341,713	\$ 43,406,528,187

Financial Trends Information

CONTINUED

Table S-3 (1 of 2)

Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund)					
For the Year Ended December 31					
	2015	2016	2017	2018	2019
Assets					
Contributions receivable	\$ 639,119	\$ 674,746	\$ 680,620	\$ 666,823	\$ 711,366
Funds held by Interest Reserve Account	20,490,711	19,953,304	18,250,136	16,639,677	13,361,745
Total assets	21,129,830	20,628,050	18,930,756	17,306,500	14,073,111
Fiduciary net position	\$ 21,129,830	\$ 20,628,050	\$ 18,930,756	\$ 17,306,500	\$ 14,073,111

Table S-3 (2 of 2)

Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund)					
For the Year Ended December 31					
	2020	2021	2022	2023	2024
Assets					
Contributions receivable	\$ 897,510	\$ 1,189,678	\$ 1,167,274	\$ 1,950,138	\$ 1,738,843
Funds held by Interest Reserve Account	11,693,867	4,625,805	1,986,715	6,028,714	16,950,097
Total assets	12,591,377	5,815,483	3,153,989	7,978,852	18,688,940
Fiduciary net position	\$ 12,591,377	\$ 5,815,483	\$ 3,153,989	\$ 7,978,852	\$ 18,688,940

Financial Trends Information

CONTINUED

Table S-4 (1 of 2)

Changes in Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund)					
For the Year Ended December 31					
	2015	2016	2017	2018	2019
Additions to net position by source					
City contributions	\$ 6,507,371	\$ 6,983,501	\$ 7,286,154	\$ 7,758,059	\$ 8,321,181
Income allocated from Interest Reserve Account	1,057,178	1,000,892	965,614	885,044	759,316
Total additions to net position	7,564,549	7,984,393	8,251,768	8,643,103	9,080,497
Deductions from net position by type					
Supplemental death benefits - active	4,964,631	3,759,923	5,177,812	4,912,215	6,812,283
Supplemental death benefits - retiree	4,190,144	4,726,250	4,771,250	5,355,144	5,501,603
Total deductions from net position	9,154,775	8,486,173	9,949,062	10,267,359	12,313,886
Change in fiduciary net position	(1,590,226)	(501,780)	(1,697,294)	(1,624,256)	(3,233,389)
Fiduciary net position, beginning of year	22,720,056	21,129,830	20,628,050	18,930,756	17,306,500
Fiduciary net position, end of year	\$ 21,129,830	\$ 20,628,050	\$ 18,930,756	\$ 17,306,500	\$ 14,073,111

Financial Trends Information

CONTINUED

Table S-4 (2 of 2)

Changes in Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund)					
For the Year Ended December 31					
	2020	2021	2022	2023	2024
Additions to net position by source					
City contributions	\$ 8,945,812	\$ 10,655,161	\$ 11,218,958	\$ 19,233,365	\$ 20,744,961
Income allocated from Interest Reserve Account	657,050	418,537	183,971	209,386	633,744
Total additions to net position	9,602,862	11,073,698	11,402,929	19,442,751	21,378,705
Deductions from net position by type					
Supplemental death benefits - active	5,346,471	11,608,967	7,096,911	7,743,722	4,215,205
Supplemental death benefits - retiree	5,738,125	6,240,625	6,967,512	6,874,166	6,453,411
Total deductions from net position	11,084,596	17,849,592	14,064,423	14,617,888	10,668,617
Change in fiduciary net position	(1,481,734)	(6,775,894)	(2,661,494)	4,824,863	10,710,088
Fiduciary net position, beginning of year	14,073,111	12,591,377	5,815,483	3,153,989	7,978,852
Fiduciary net position, end of year	\$ 12,591,377	\$ 5,815,483	\$ 3,153,989	\$ 7,978,852	\$ 18,688,940

Demographic Information

Table S-5

Schedule of Average Benefit Payments for New Retirements — Last 10 Years							
For Year Ended December 31	Years Credited Service						
	0 - 5	> 5 - 10	> 10 - 15	> 15 - 20	> 20 - 25	> 25 - 30	> 30
2015							
Average Monthly Benefit	\$198.34	\$427.51	\$979.05	\$1,231.53	\$1,531.45	\$2,411.38	\$4,030.21
Number of Active Retirees	104	407	425	430	646	541	672
2016							
Average Monthly Benefit	\$203.35	\$444.09	\$1,005.40	\$1,298.39	\$1,628.25	\$2,482.32	\$4,124.83
Number of Active Retirees	103	443	460	442	680	528	717
2017							
Average Monthly Benefit	\$238.17	\$465.54	\$892.55	\$1,368.13	\$1,668.07	\$2,572.89	\$4,340.74
Number of Active Retirees	135	450	473	443	708	518	756
2018							
Average Monthly Benefit	\$259.99	\$491.85	\$985.34	\$1,388.46	\$1,666.64	\$2,545.11	\$4,205.29
Number of Active Retirees	129	416	511	506	765	505	752
2019							
Average Monthly Benefit	\$226.15	\$481.63	\$999.41	\$1,375.40	\$1,687.76	\$2,554.41	\$4,510.90
Number of Active Retirees	134	426	495	481	875	546	832
2020							
Average Monthly Benefit	\$216.72	\$485.03	\$1,032.59	\$1,450.21	\$1,843.08	\$2,763.42	\$4,570.67
Number of Active Retirees	137	555	507	539	869	565	849
2021							
Average Monthly Benefit	\$207.11	\$498.40	\$1,035.12	\$1,469.68	\$1,860.82	\$2,729.39	\$4,664.14
Number of Active Retirees	155	554	490	562	974	565	806
2022							
Average Monthly Benefit	\$234.17	\$509.68	\$1,146.81	\$1,509.75	\$1,885.68	\$2,881.10	\$4,792.22
Number of Active Retirees	182	585	500	556	1012	648	867
2023							
Average Monthly Benefit	\$212.20	\$534.68	\$1,110.92	\$1,540.86	\$1,935.06	\$3,072.21	\$4,811.12
Number of Active Retirees	162	524	487	534	869	592	746
2024							
Average Monthly Benefit	\$234.75	\$530.14	\$1,150.84	\$1,624.80	\$1,964.43	\$3,020.57	\$5,081.26
Number of Active Retirees	212	663	493	495	860	563	736

This schedule does not provide the average final average salary that is reported for a traditional defined benefit plan because TMRS' cash-balance retirement benefit is not based on an individual's final salary.

The number of active retirees in 2024 excludes 94 retirees that received a single payment in lieu of a monthly benefit.

Demographic Information

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Table S-6

Schedule of Retirement Benefit Recipients by Type of Benefit														
As of December 31, 2024														
Amount of Monthly Benefit	Benefit Recipients		Type of Benefit		Benefit Payment Options									
	Retirees	Beneficiary	Service	Disability	Life Only		Survivor Lifetime Options				Guaranteed Term Options			
					Retiree	Alternate	100%	75%	50%	2/3	5 yrs	10 yrs	15 yrs	
\$ 0 - 100	911	156	1,027	40	256	181	433	32	91	4	22	10	38	
\$ 101 - 500	10,007	2,097	11,672	432	3,663	1,010	4,239	452	1,315	100	296	292	737	
\$ 501 - 1,000	10,928	2,332	12,826	434	3,776	579	4,523	701	1,890	143	438	365	845	
\$ 1,001 - 1,500	10,038	1,648	11,467	219	3,311	271	3,985	751	1,795	161	419	290	703	
\$ 1,501 - 2,000	7,715	1,103	8,724	94	2,547	118	2,862	616	1,410	168	337	233	527	
\$ 2,001 - 2,500	6,123	698	6,778	43	1,990	65	2,122	533	1,132	139	259	192	389	
\$ 2,501 - 3,000	4,507	474	4,957	24	1,498	41	1,530	346	869	83	237	121	256	
\$ 3,001 - 3,500	3,443	352	3,790	5	1,101	27	1,116	345	699	70	181	83	173	
\$ 3,501 - 4,000	2,703	187	2,889	1	882	12	807	267	557	53	127	67	118	
\$ 4,001 & Over	9,716	568	10,280	4	3,055	27	2,519	1,338	2,112	135	420	265	413	
Subtotals	66,091	9,615	74,410	1,296	22,079	2,331	24,136	5,381	11,870	1,056	2,736	1,918	4,199	
Totals	75,706		75,706											75,706

The schedule above categorizes the amount of monthly benefits and retirement benefit recipients by type of benefit and payment option selected.

For benefit recipients who die before receiving benefits at least equal to the member's account balance (member contributions and interest only) on the date of retirement, the remaining balance is paid to their estate or beneficiary(ies).

The schedule does not include 1,247 retirees who received a single payment in lieu of a monthly retirement benefit and who remain eligible for the retiree supplemental death benefit.

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

- **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 will 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. A Retiree Life and 2/3 Survivor benefit is no longer an option for new retirees.
- **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.

Demographic Information

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Table S-7

Schedule of Principal Participating Cities (Pension Trust Fund)						
Current Year and Nine Years Ago						
Participating City	2024			2015		
	Rank	Current Member Accounts	Percentage of Total	Rank	Current Member Accounts	Percentage of Total
San Antonio	1	8,046	6.3%	1	6,557	6.1%
Corpus Christi	2	2,961	2.3	3	2,346	2.2
Arlington	3	2,864	2.2	2	2,460	2.3
Laredo	4	2,548	2.0	5	2,058	1.9
Plano	5	2,462	1.9	4	2,243	2.1
Garland	6	2,152	1.7	6	1,974	1.8
San Antonio Water System	7	2,002	1.6	9	1,666	1.6
Lubbock	8	1,879	1.5	8	1,710	1.6
Amarillo	9	1,836	1.4	7	1,772	1.7
McAllen	10	1,718	1.3	10	1,529	1.4
All others		99,506	77.8		82,579	77.3
Total		127,974	100.0 %		106,894	100.0 %

Table S-8

Schedule of Principal Participating Cities (Supplemental Death Benefits Fund)										
Current Year and Nine Years Ago										
Participating City	2024					2015				
	Rank	Current Member Accounts	Retiree Accounts	Total Accounts	Percentage of Total	Rank	Current Member Accounts	Retiree Accounts	Total Accounts	Percentage of Total
Arlington	1	2,864	1,820	4,684	3.7%	1	2,460	1,257	3,717	3.9%
Laredo	2	2,548	1,211	3,759	3.0	3	2,058	683	2,741	2.8
Garland	3	2,152	1,407	3,559	2.8	2	1,974	986	2,960	3.1
Irving	4	1,647	1,010	2,657	2.1	4	1,433	693	2,126	2.2
Denton	5	1,520	732	2,252	1.8	7	1,188	382	1,570	1.6
Grand Prairie	6	1,482	739	2,221	1.7	5	1,231	510	1,741	1.8
Abilene	7	1,059	807	1,866	1.5	6	1,031	616	1,647	1.7
Brownsville	8	1,189	669	1,858	1.5	8	1,127	410	1,537	1.6
McKinney	9	1,383	350	1,733	1.4	17	881	167	1,048	1.1
Pasadena	10	1,025	682	1,707	1.3	9	970	557	1,527	1.6
All Others		70,049	31,171	101,220	79.4		56,485	19,558	75,943	78.6
Total		86,918	40,598	127,516	100.0 %		70,838	25,819	96,557	100.0 %