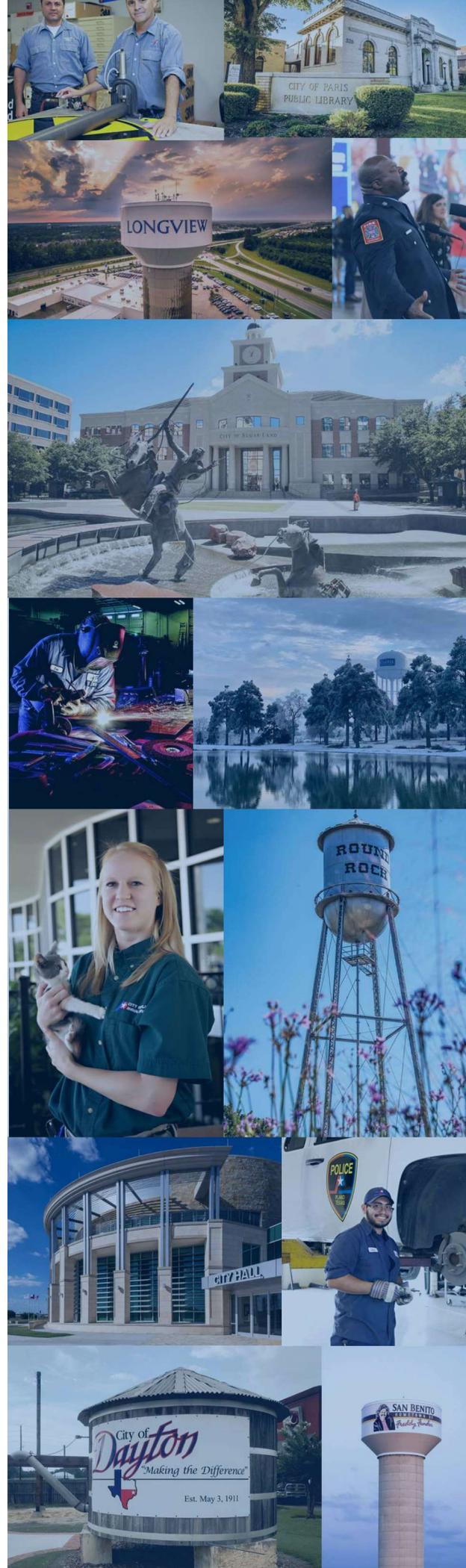




Annual Comprehensive Financial Report

For the Year Ended December 31, 2023



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P.O. Box 149153
Austin, TX 78714-9153
800-924-8677
tmrs.com

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Annual Comprehensive Financial Report

For the Year Ended December 31, 2023

Prepared by:

David Wescoe, Executive Director

Nick O'Keefe, Chief Financial Officer

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2023 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 you with the Texas Municipal Retirement System (TMRS) Annual Comprehensive Financial Report for the year ended December 31, 2023 (Report).

TMRS Background

Beginning in 1948 with eight participating cities, TMRS today is the retirement system of choice for 936 Texas cities, providing retirement and disability benefits to more than 225,000 active and retired city employees and their beneficiaries.

TMRS is a cash-balance retirement plan in which a Member's retirement benefit is calculated based on the sum of their contributions, with interest, city-financed monetary credits, the Member's age at retirement, and other actuarial factors. For 76 years, TMRS has provided billions of dollars in lifetime retirement benefits to thousands of Texans. In 2023, TMRS paid \$1.9 billion in benefits, an increase of \$123.1 million, or 6.9%, from \$1.8 billion in benefits paid in 2022.

Investments

TMRS' 2023 net investment return was 11.64%, and Trust Fund investments totaled \$39.3 billion as of December 31, 2023. TMRS' three-year, five-year, and ten-year net investment returns were 5.29%, 7.79% and 6.15%, respectively, for the same period. The Investment Section summarizes 2023 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 Finance department staff.

Actuarial Valuation Report

In accordance with the TMRS Act, Gabriel, Roeder, Smith & Company (GRS), the Board's independent actuary, completes an annual actuarial valuation of the Trust Fund's assets and liabilities. GRS' Actuarial Valuation Report 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 GRS' Valuation Report are summarized in the Actuarial Section.

Each participating city chooses its own plan benefit provisions from various statutory options. Whatever options it chooses, each city's funding objective is to provide benefits for the city's employees financed by an employer contribution rate. TMRS' actuarial funding policy requires any new unfunded liabilities to be amortized over a closed period of no more than 20 years.

TMRS provides each participating city with an annual actuarial valuation prepared by GRS that recognizes the differences in the past year between actuarial assumptions and actual experience and any benefit changes. Participating city valuations are available at [TMRS.com](https://www.tmrs.com).

While each participating city has its own funded ratio, TMRS' composite funded ratio was 89.7% as of December 31, 2023, the same as the prior year.

Executive Director's Letter of Transmittal

CONTINUED

2023 Operational Activities

TMRS' Senior Staff completed each item on its 2023 Action Plan, including:

- Added online refunds that allow Members to apply for and receive an account refund on MyTMRS without any staff involvement.
- Enhanced the user experience for Members and cities by creating training webinars, developing a survey program to measure Member and city satisfaction with TMRS' services, improving the website and its content, created a Member "Welcome to TMRS" video, improved the retirement application, incorporated DocuSign into our processes, published a new Member Benefits Guide, established a City Focus Group, improved the city plan design website page, and developed a new city welcome package.
- Submitted the Quality Texas Foundation's Pioneer Level application and substantially completed the Engagement Level application.
- Enhanced cybersecurity capabilities by adding experienced talent, aligned the cybersecurity program with the NIST Cybersecurity Framework, and improved internal security measures.
- Enhanced investment operations and compliance by improving reconciliations, automating data reviews, and adding industry-leading technology solutions for portfolio management.
- And celebrated TMRS' 75th Anniversary in style with year-long celebrations and commemorations.

Completing the Action Plan, in addition to the many other staff accomplishments during the year, improved Member and city service and made TMRS a stronger and more efficient organization.

Staff Update

TMRS' staff is experienced and talented, and we added impressive talent to the team: Anali Alanis (Chief Service Officer), Jac Greene (Chief Information Services Officer), Dana Brown (Director of Data Management), Kevin Cummings (Director of Software Development), Kyle Dearing (Director of Information Security), and Kristyn Scoggins (Director of Internal Audit).

In January, Yup Kim became our Chief Investment Officer, replacing my friend and colleague David Hunter, who retired in December.

In addition to the talent additions, I was pleased to promote the following Senior Staff colleagues:

- Debbie Muñoz to Deputy Executive Director. With 26 years of TMRS service, Debbie understands every aspect of TMRS. No one knows the Plan or its implementation better, has provided superior service to our Members longer, or has better relationships with TMRS stakeholders.
- Anali Alanis to Chief Service Officer. Anali, a former city manager and TMRS Trustee, joined the staff in 2023 with exceptional experience, and she has accomplished a great deal in a short time. She has submitted two excellent applications to the Quality Texas Foundation months ahead of schedule, driven a quality focus throughout the organization, added depth to the HR group, and established strong working relationships with her staff colleagues.
- Nick O'Keefe to Chief Financial Officer. To maximize Nick's talents (in addition to his law degree, Nick has a master's degree in finance), Nick will lead the operational and investment accounting teams, internal audit, and facilities.
- Andi Focht-Williams to Director of Quality Initiatives. Andi has utilized her audit and management experience to improve Benefit Administration and in her new role, Andi will lead all organization-wide quality initiatives and spearhead our efforts to become a Malcom Baldrige Award recipient.

Executive Director's Letter of Transmittal

CONTINUED

- Colin Davidson, our Director of City Services, added the additional responsibility of leading the Member Service Center. Colin is a great asset to TMRS, and he will be a great leader for City and Member services.
- April Hernandez to Director of Benefit Administration. April has done a great job leading the Member Service Center (MSC), improving every aspect of its operations. (The MSC's median call wait time is less than 10 seconds.) April will continue Benefit Administration's efforts to document processes, improve training, and prepare for the upcoming quality submissions to the Quality Texas Foundation.

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 2023 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. Reasonable assurance recognizes the cost of a control relative to the benefits likely to be derived and that these judgments by management are based on estimates.

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, 2022 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 principles and applicable legal requirements. This was the 36th 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' 2022 Popular Annual Financial Report for Outstanding Achievement in Popular Annual Financial Reporting.

TMRS received the Public Pension Coordinating Council's 2023 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.

Executive Director's Letter of Transmittal

CONTINUED

Board Update

Bob Scott, Deputy Town Manager of the Town of Prosper, served as Board Chair in 2023, and Johnny Huizar, the City Manager of the City Pleasanton, served as Vice Chair.

On April 24, 2024, Governor Abbott appointed three new Trustees to the TMRS Board: Tommy Gonzalez, the City Manager of Midland, Tricia Mirabelle, a Commander with the Pflugerville Police Department, and Roy Rodriguez, the City Manager of McAllen. They fill a vacancy that was created when Trustee Anali Alanis joined the TMRS staff and replace holdover Trustees Johnny Huizar and Jesús Garza whose terms expired in February 2023.

With Governor Abbott's April appointments, Johnny Huizar's and Jesús Garza's terms on the Board came to an end. Mr. Huizar, the City Manager of Pleasanton, was appointed to the Board in February 2020 and served as 2024 Board Chair. He also served as Vice Chair of the Board, Chair and Vice Chair of the Budget and Compensation Committee, and Vice Chair of the Audit Committee.

Mr. Garza, the City Manager of Victoria, was appointed to the Board in February 2018. He has served as Chair and Vice Chair of the Board, Vice Chair of the Audit Committee, Chair and Vice Chair of the Stakeholder Advisory Committee, Chair and Vice Chair of the former Advisory Committee on Benefit Design, Vice Chair of the former Legislative Committee, and Chair of the former Technology Committee.

On behalf of their Board colleagues, TMRS staff, Members, and stakeholders, I thank them for their service. They served TMRS with distinction and made many contributions to TMRS's successes.

Acknowledgements

TMRS had an exceptional 2023. I want to thank our Trustees for their leadership and support, and my staff colleagues for their passion in serving our Members and participating cities.

Sincerely,



David B. Wescoe
Executive Director
June 10, 2024

Board of Trustees

AS OF DECEMBER 31, 2023



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



Johnny Huizar, Vice Chair
City Manager
City of Pleasanton
Term expires: February 1, 2023



Jesús Garza, Chair
City Manager
City of Victoria
Term expires: February 1, 2023



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



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

There was one vacant Trustee position as of December 31, 2023.

Board Committees

AS OF DECEMBER 31, 2023

Audit Committee

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

Chair: David Landis

Vice Chair: Jesús Garza

Budget and Compensation Committee

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

Chair: Johnny Huizar

Vice Chair: Bill Philibert

Stakeholder Advisory Committee

The Stakeholder Advisory Committee is a conduit for communication between TMRS and its stakeholders. Two Trustees are the Committee's Chair and Vice Chair. Committee members include a representative from each of seven organizations, two TMRS active members and one TMRS retiree.

Chair: Bob Scott

Vice Chair: Jesús Garza

Committee Members:

Organizations

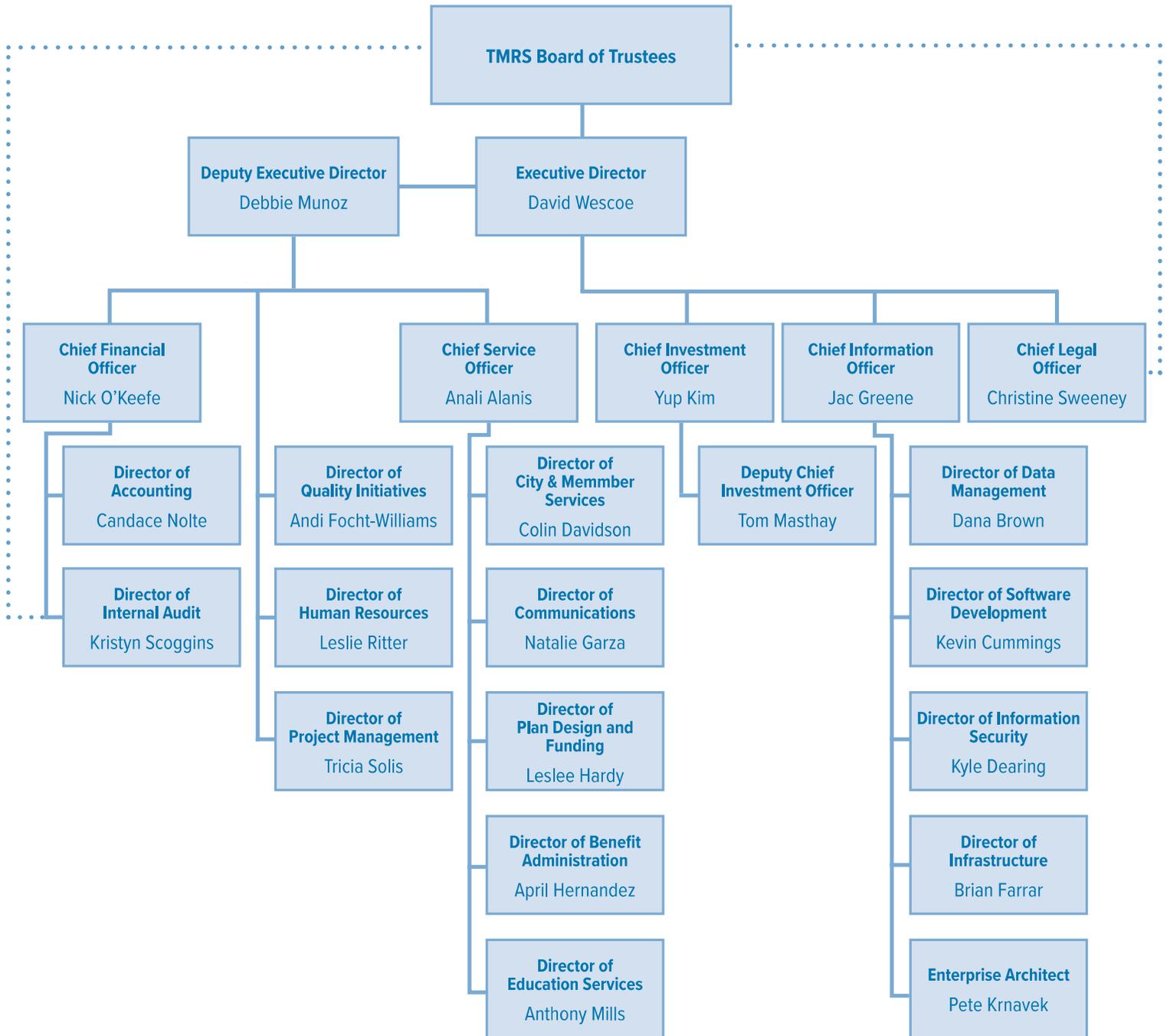
- Chereé Bontrager, Texas Municipal Human Resources Association
- Paulette Hartman, Texas City Management Association
- Mitch Landry, Texas Municipal Police Association
- Scott Leeton, Combined Law Enforcement Associations of Texas
- Jaime Reyes, Texas State Association of Fire Fighters
- Bennett Sandlin,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

Active and Retiree Members

- Roberto Reyna, City of San Antonio
 - Jay Warren, City of Arlington
 - Brenda Martin, TMRS Retiree
-

Organization Chart

JUNE 2023



Professional Advisors

AS OF DECEMBER 31, 2023

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

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.

2023 Highlights

AS OF DECEMBER 31, 2023

Financial Highlights (dollars in millions)	
City Contributions	\$1,185.5
Member Contributions	\$582.8
Retirement Benefits Paid	\$1,904.6
Member Account Refunds	\$70.6
Fiduciary Net Position	\$39,486.3
System Funded Ratio	89.7%

Investments (dollars in millions)	
Investments	\$39,271.0
Time-Weighted Net Investment Returns:	
1 Year	11.64%
3 Years	5.29%
5 Years	7.79%
10 Years	6.15%
Actuarial Investment Return Assumption	6.75%

Membership Statistics	
Active Members	124,300
Retired Members	72,948
Inactive, Vested Members	31,985
Total Members	229,233

Participating Cities	
Total Participating Cities	934
New Participating Cities	15
Number of Cities with:	
1:1 Match	166
1.5:1 Match	106
2:1 Match	662
Member Contribution Rate – 3%	3
Member Contribution Rate – 5%	318
Member Contribution Rate – 6%	99
Member Contribution Rate – 7%	514
5-Year Vesting	894
10-Year Vesting	40

Highlights presented are for the Pension Trust Fund.



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, 2022

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, 2022. This is the 36th consecutive year that TMRS has received this prestigious award.



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2023***

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 cursive script 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 2023. This is the 18th consecutive year that TMRS has received the award for meeting these standards.

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, 2023, and the related notes to the financial statements, which collectively comprise the TMRS' basic financial statements, as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Report

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

Independent Auditors' Report

CONTINUED

Board of Trustees
Texas Municipal Retirement System

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

Supplementary Information

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

Other Information

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

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



CliftonLarsonAllen LLP

Baltimore, Maryland
June 12, 2024

Management's Discussion and Analysis

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

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

Overview of the Financial Statements

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

The Basic Financial Statements include:

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

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

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

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

Management's Discussion and Analysis

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, 2023 and 2022, and a summary of changes in fiduciary net position for the years then ended. The fiduciary net position of the Pension Trust Fund increased by \$3.9 billion from 2022 to 2023, or 10.9%, reflecting appreciation in the investment portfolio's value during 2023.

Table F-1

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

Columns may not total due to rounding.

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

Management's Discussion and Analysis

CONTINUED

Table F-2

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

Columns may not total due to rounding.

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

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

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

Management's Discussion and Analysis

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Net Position – Supplemental Death Benefits Fund

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

Table F-3

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

Table F-4

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

Columns may not total due to rounding.

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

Requests for Information

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

Basic Financial Statements

Table F-5

Statement of Fiduciary Net Position			
As of December 31, 2023			
	Pension Trust Fund	Supplemental Death Benefits Fund	Total
ASSETS			
Cash	\$ 44,018,072	\$ —	\$ 44,018,072
Receivables			
Contributions	170,954,202	1,950,138	172,904,340
Interest and dividends	40,298,174	—	40,298,174
Unsettled investment trades	10,372,935	—	10,372,935
Total receivables	221,625,311	1,950,138	223,575,449
Investments, at fair value			
Short term investments	372,311,930	—	372,311,930
Public equities	14,231,076,581	—	14,231,076,581
Fixed income securities	3,846,670,672	—	3,846,670,672
Non-core fixed income funds	5,996,376,806	—	5,996,376,806
Other public & private markets funds	3,599,524,814	—	3,599,524,814
Hedge funds	2,105,259,127	—	2,105,259,127
Private equity funds	4,508,388,458	—	4,508,388,458
Private real estate funds	4,611,353,404	—	4,611,353,404
Total investments	39,270,961,792	—	39,270,961,792
Capital assets, net	2,381,758	—	2,381,758
Other assets	12,200,087	—	12,200,087
Funds held by Interest Reserve Account	—	6,028,714	6,028,714
TOTAL ASSETS	39,551,187,020	7,978,852	39,559,165,872
LIABILITIES			
Accounts payable and other accrued liabilities	29,805,802	—	29,805,802
Unsettled investment trades payable	29,010,791	—	29,010,791
Funds held for Supplemental Death Benefits Fund	6,028,714	—	6,028,714
TOTAL LIABILITIES	64,845,307	—	64,845,307
FIDUCIARY NET POSITION			
Net position restricted for pensions	39,486,341,713	—	39,486,341,713
Fiduciary net position held in trust for other benefits	—	7,978,852	7,978,852
TOTAL FIDUCIARY NET POSITION	\$39,486,341,713	\$ 7,978,852	\$39,494,320,565

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

Basic Financial Statements

CONTINUED

Table F-6

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2023

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

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

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

Notes to Financial Statements

CONTINUED

C. Basis of Presentation

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

The following is a brief description of each fund.

Fiduciary Fund — Pension Trust Fund

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

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

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

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

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

Fiduciary Fund — Full Benefit Arrangement Fund (FBAF)

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

Fiduciary Fund — Supplemental Death Benefits Fund (SDBF)

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

Notes to Financial Statements

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D. Investments

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

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

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

E. Capital Assets

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

Notes to Financial Statements

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2. Plan Description

A. Pension Plan and Trust Fund

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

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

Table F-7

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

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

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

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

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

Notes to Financial Statements

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

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

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

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

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

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

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

Notes to Financial Statements

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

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

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

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

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

Table F-8

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

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

Notes to Financial Statements

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B. Supplemental Death Benefits Fund

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

Table F-9

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

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

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

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

Notes to Financial Statements

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3. TMRS as Employer

A. Pension Plan

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

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

Table F-10

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

Notes to Financial Statements

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B. Supplemental Death Benefits

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

C. TMRS Insurance Benefits

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

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

D. Deferred Compensation

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

Notes to Financial Statements

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4. Cash

A. Cash in Banks

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

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

B. Custodial Credit Risk

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

5. Investments

A. Fair Value of Investments

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

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

Notes to Financial Statements

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Table F-11

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

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

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

Notes to Financial Statements

CONTINUED

Table F-12

Investments Measured at Net Asset Value (NAV)

As of December 31, 2023

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

Notes to Financial Statements

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

C. Investment Risk

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

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

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

Notes to Financial Statements

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Table F-13

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

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

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

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

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

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

Notes to Financial Statements

CONTINUED

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

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

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

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

Table F-14

Fixed Income Securities with Exposure to Interest Rate Risk

As of December 31, 2023

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

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

Notes to Financial Statements

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

Table F-15

Foreign Currency Exposure (in U.S. dollars)

As of December 31, 2023

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

Notes to Financial Statements

CONTINUED

C. Derivatives

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

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

Table F-16

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

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

6. Commitments and Contingencies

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

Required Supplementary Information

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

Table F-17

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

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

See accompanying Independent Auditors' Report.

Supplemental Schedules

Table F-18

Combined Schedule of Changes in Fiduciary Net Position

For the Year Ended December 31, 2023

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

See accompanying Independent Auditors' Report.

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

Supplemental Schedules

CONTINUED

Table F-19

Schedule of Administrative and Investment Expenses			
For the Year Ended December 31, 2023			
	Administrative Expenses		Investment Expenses
Personnel services			
Staff salaries and payroll taxes	\$ 12,763,575	\$	\$4,274,158
Employee benefits	3,771,045		851,418
Total personnel services	16,534,620		5,125,576
Professional services			
Actuarial	775,700		—
Audit	165,245		—
Custodial and banking	9,818		1,515,000
Information services consulting	909,744		—
Investment consulting	—		1,811,400
Legal	152,952		474,478
Other services	632,489		—
Total professional services	2,645,948		3,800,878
Facilities	2,635,330		—
City and member outreach	655,357		—
Information technology			
Cloud services	891,155		1,580,902
Hardware/software and support	1,315,796		—
Total information technology	2,206,951		1,580,902
Other administrative			
Board of Trustees and Committees	73,403		—
Depreciation	565,374		—
Professional development	216,921		57,145
Supplies/document storage/miscellaneous	489,108		3,922
Travel	189,716		119,899
Total other administrative	1,534,522		180,966
Investment management fees paid from Trust Fund	—		18,425,546
Totals	\$ 26,212,728	\$	\$29,113,868

See accompanying Independent Auditors' Report.

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

Supplemental Schedules

CONTINUED

Table F-20

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

See accompanying Independent Auditors' Report.

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Investment Section

Report on Investment Activity

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Outline of Investment Policies

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Largest Holdings

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Investment Managers

Report on Investment Activity



June 4, 2024

Board of Trustees

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

Dear Trustees:

The following is a report on the performance of the plan for the fiscal year ended December 31, 2023, with background on the underlying capital market environment.

Market Review for the Year Ended December 31, 2023

Most asset classes (except broad based commodities) delivered positive performance in 2023. In the fiscal year ending December 31, 2023, U.S. stocks, as measured by the Russell 1000 Index returned 26.5%. International stocks returned 18.2% as measured by the MSCI EAFE Index. Emerging markets returned 9.8%, underperforming both U.S. and international-developed markets, however the significant weight to China was a drag on the index. U.S. high quality fixed income returns were also positive over the year, as the Bloomberg U.S. Aggregate Bond Index rose 5.5%.

The U.S. economy experienced a “no landing” as inflation pressures declined, while growth defied expectations to the upside as US real GDP rose 2.5% for the year. The Fed ended its current iteration of rate hikes in June. Consequently, risk assets rallied late in the year anchored on the expectations of lower inflation and pricing in a large number of rate cuts in 2024 by the Fed.

The TMRS Investment Portfolio

As of December 31, 2023, the fair value of the TMRS total investment portfolio was \$39.3 billion and its return, net-of-fees, was 11.6%. In the same period, the median fund in the InvMetrics peer group of Public Defined Benefit plans greater than \$10 billion in assets returned 11.3%. TMRS’s five-year annualized return net-of-fees for the period ended December 31, 2023, was 7.8%, outperforming the Actual Allocation Benchmark by 1.2% 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. With most global capital markets realizing strong positive returns in the fiscal year ended December 31, 2023, NEPC continues to be supportive of TMRS’s chosen asset allocation.

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

It is with humility and a deep sense of responsibility that I address you as Chief Investment Officer. First, I would like to extend my gratitude to David Hunter for his dedication and leadership of the Investment team. His commitment and vision have been instrumental in setting a strong foundation for the next chapter of TMRS' investment success and growth.

Since my arrival in January 2024, the team has aligned on three key strategic areas. First, the team will continue to build a benchmark-aligned global public markets portfolio with selective active mandates that generate long-term outperformance. Secondly, the team will focus on strengthening and upgrading our private markets relationships as the greatest dispersion of manager returns lies in private markets. In addition, increasing private market co-investments, which are investments TMRS makes alongside investment managers on a reduced or no-fee basis, will be a priority. Lastly, we will focus on attracting the nation's best investment talent and building a culture that attracts and partners with the world's best investment managers.

I am 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 2023. 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 2023 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 blue circular background.

Yup Kim
Chief Investment Officer
June 4, 2024

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 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' 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, 2023:

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	15%	20%	25%	Bloomberg U.S. Aggregate Bond Index + 1.50%
Real estate	7%	12%	17%	NCREIF - ODCE Index, Net
Other public & private markets	7%	12%	17%	MSCI All Country World Investable Market Index, Net
Hedge funds	0%	5%	10%	HFRI Asset Weighted Composite Index
Private equity	5%	10%	15%	MSCI All Country World Investable Market Index, Net
Cash equivalents	0%	0%	3%	FTSE 1-Month U.S. T-Bill Index

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.

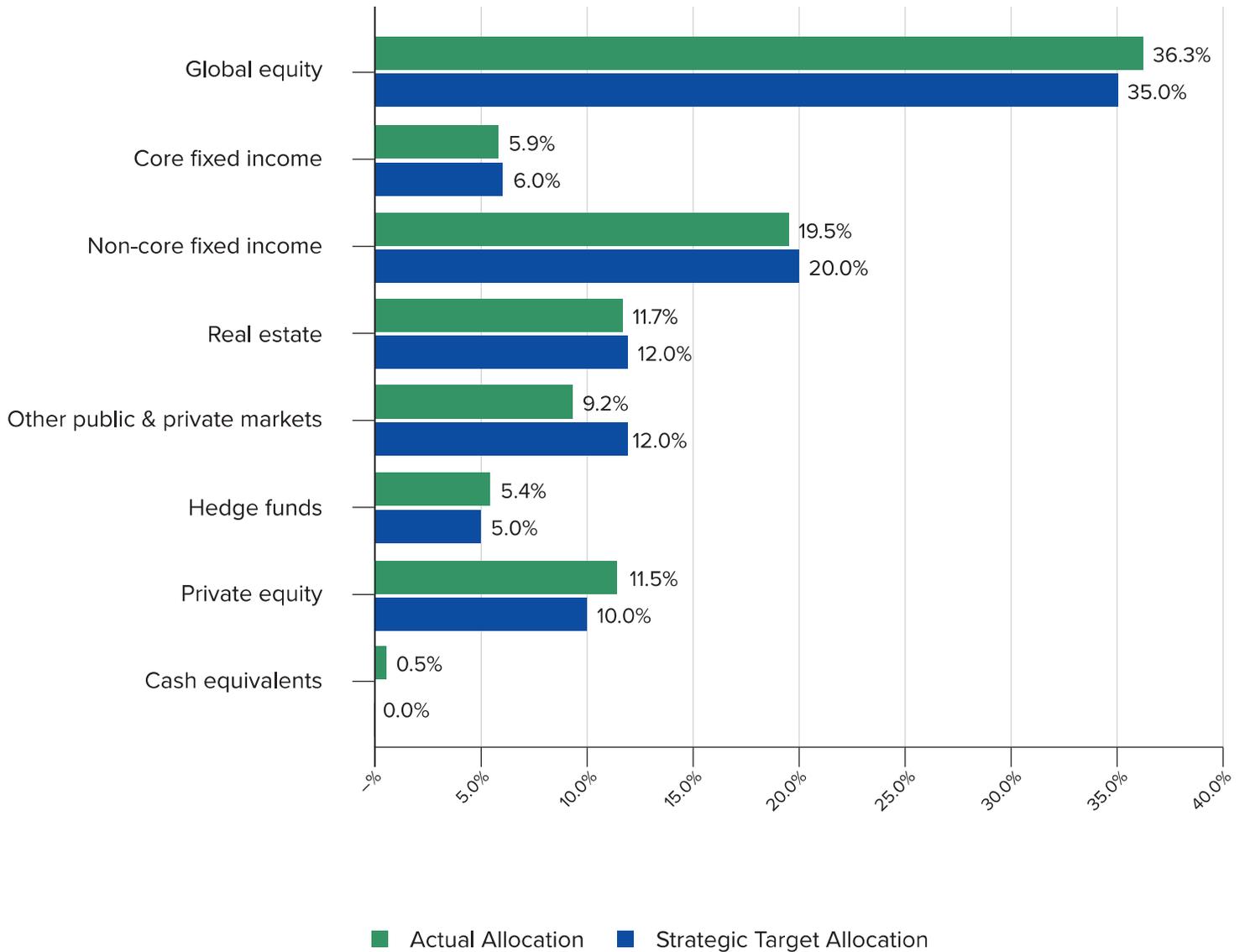
An Asset Allocation Study that comprehensively reviews the Asset Allocation is completed at least every four years. The Board verifies or amends its Asset Allocation upon review of an Asset Allocation Study.

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, 2023



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, 2023		
	Fair Value	Percent of Total
Global equity		
Short term investments	\$ 37,237,901	0.1 %
Domestic public equity securities	1,639,622,126	4.2
International public equity securities	1,322,515,600	3.4
REITS	44,226,663	0.1
Commingled public equity funds	11,224,712,192	28.5
Total global equity	14,268,314,482	36.3
Core fixed income		
Short term investments	21,738,605	0.1
Fixed income securities	2,304,473,890	5.8
Total core fixed income	2,326,212,495	5.9
Non-core fixed income		
Short term investments	98,663,477	0.3
Fixed income securities	1,542,196,782	3.9
Non-core fixed income funds	5,996,376,806	15.3
Total non-core fixed income	7,637,237,065	19.5
Real estate		
Private real estate funds	4,611,353,404	11.7
Total real estate	4,611,353,404	11.7
Other public & private markets		
Other public & private markets funds	3,599,524,814	9.2
Total other public & private markets	3,599,524,814	9.2
Hedge funds		
Hedge funds	2,105,259,127	5.4
Total hedge funds	2,105,259,127	5.4
Private equity		
Private equity funds	4,508,388,458	11.5
Total private equity	4,508,388,458	11.5
Cash equivalents		
Short term investments	214,671,947	0.5
Total cash equivalents	214,671,947	0.5
Total Investments	\$ 39,270,961,792	100.0 %
Other investment-related items		
Custodial cash	44,018,072	
Interest and dividends receivable	40,298,174	
Unsettled trades receivable	10,372,935	
Management fees payable	(5,556,478)	
Unsettled trades payable	(29,010,791)	
Trust fund net assets value	\$ 39,331,083,704	

Largest Holdings

Table I-3

Largest Holdings – Public Equities		
As of December 31, 2023		
Description	Shares/Units	Fair Value
Apple Inc.	304,056	\$58,539,902
Microsoft Corporation	137,293	\$51,627,660
Samsung Electronics Co Ltd.	597,822	\$36,438,409
Tencent Holdings Ltd.	859,300	\$32,309,517
Taiwan Semiconductor Manufacturing Company	1,475,000	\$28,499,862
Amazon.com Inc.	180,770	\$27,466,194
Nvidia Corp.	48,042	\$23,791,359
Siemens Ag Reg	119,105	\$22,356,265
Taiwan Semiconductor SP ADR	206,236	\$21,448,544
Alibaba Group Holding Ltd	2,132,152	\$20,642,845

Table I-4

Largest Holdings – Fixed Income Securities				
As of December 31, 2023				
Description	Coupon	Maturity	Par Value	Fair Value
U.S. Treasury Note/Bond	3.875%	4/30/2025	\$69,105,000	\$68,500,331
U.S. Treasury Note/Bond	3.375%	5/15/2033	\$64,800,000	\$62,329,500
U.S. Treasury Note/Bond	4.750%	7/31/2025	\$60,000,000	\$60,289,453
U.S. Treasury Note/Bond	4.125%	7/31/2028	\$50,010,000	\$50,576,519
U.S. Treasury Note/Bond	4.000%	12/15/2025	\$45,338,000	\$45,112,195
U.S. Treasury Note/Bond	3.625%	5/15/2026	\$42,000,000	\$41,530,781
U.S. Treasury Note/Bond	3.125%	8/31/2027	\$41,995,000	\$40,848,340
U.S. Treasury Note/Bond	3.625%	5/15/2053	\$39,800,000	\$36,982,906
U.S. Treasury Note/Bond	3.500%	2/15/2033	\$28,156,000	\$27,362,463
U.S. Treasury Note/Bond	3.500%	4/30/2030	\$26,710,000	\$26,145,021

A complete portfolio listing will be provided upon request.

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

Investment Results

Total Trust Fund and Asset Class returns for the year ended December 31, 2023 are provided in Table I-5.

Table I-5

Total Trust Fund and Asset Class Returns				
	1 Year	3 Years	5 Years	10 Years
Trust fund	11.64%	5.29%	7.79%	6.15%
Trust fund active weighted benchmark	11.99%	3.28%	6.55%	5.40%
Core fixed income	5.80%	-3.14%	1.46%	2.03%
Core fixed income Benchmark	5.53%	-3.31%	1.10%	1.81%
Non-core fixed income	11.39%	4.48%	5.61%	N/A
Non-core fixed income benchmark	7.11%	-0.43%	2.49%	N/A
Global equity	21.56%	5.06%	10.91%	7.80%
Global equity benchmark	21.58%	5.46%	11.49%	8.12%
Real estate	-7.71%	8.11%	6.07%	8.76%
Real estate benchmark	-12.73%	4.09%	3.75%	7.03%
Other public & private markets	14.50%	7.33%	8.11%	4.80%
Other public & private markets benchmark	21.58%	4.42%	5.56%	3.92%
Hedge funds	10.50%	3.90%	5.87%	N/A
Hedge funds benchmark	3.74%	3.29%	5.67%	N/A
Private equity	7.86%	16.51%	18.37%	N/A
Private equity benchmark	21.58%	7.19%	12.60%	N/A
Cash equivalents	5.55%	2.39%	1.97%	1.38%
Cash equivalents benchmark	5.13%	2.19%	1.84%	1.21%

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

Rates of return are calculated from December 31, 2023 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, 2023, using time-weighted rate of return.

Benchmarks for each asset class as of December 31, 2023 are as follows:

Total fund active weighted benchmark return is the weighted-average of the asset class composite benchmarks associated with each fund.

Core fixed income benchmark return is calculated monthly using the Bloomberg U.S. Aggregate Bond Index.

Non-core fixed income benchmark return is calculated monthly using the Bloomberg U.S. Aggregate Bond Index + 1.5%.

Global equity benchmark return is calculated monthly using the MSCI All Country World Investable Market Index, Net.

Real estate benchmark return is calculated quarterly using the National Council of Real Estate Investment Fiduciaries — Open-End Diversified Core Equity Index, Net.

Other public and private markets (OPPM) benchmark return is calculated monthly using the MSCI All Country World Investable Market Index, Net.

Hedge funds benchmark return is calculated monthly using the HFRI Asset Weighted Composite Index.

Private equity benchmark return is calculated quarterly using the MSCI All Country World Investable Market Index, Net.

Cash equivalent benchmark return is the FTSE 1-Month U.S. Treasury Bill Index.

Investment Expenses

Table I-6

Schedule of Investment Expenses	
For the Year Ended December 31, 2023	
Staff salaries and payroll taxes	\$ 4,274,158
Employee benefits	851,418
Custodial services	1,515,000
Investment consulting	1,811,400
Legal	474,478
Information technology	1,580,902
Other administrative	180,966
Management fees paid from Trust Fund	18,425,546
Total investment expenses	\$ 29,113,868

Table I-7

Schedule of External Investment Fees						
For the Year Ended December 31, 2023						
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	\$ 12,718,003	\$ —	\$ 12,718,003	\$ 891,513	\$ —	\$ 13,609,516
Fixed income	5,707,543	43,207,283	48,914,826	—	64,824,044	113,738,870
Real assets	—	46,270,397	46,270,397	—	(18,410,850)	27,859,547
Alternative/other	—	166,052,852	166,052,852	—	160,380,536	326,433,388
Cash equivalents	—	265,148	265,148	—	—	265,148
Totals	\$ 18,425,546	\$ 255,795,680	\$ 274,221,226	\$ 891,513	\$ 206,793,730	\$ 481,906,469

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. The alternative/other asset class includes hedge funds, other public and private markets funds, and private equity funds.

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, 2023
Acadian Asset Management
Arrowstreet Capital
Champlain Investment Partners
Columbia Management Investment Advisers
Ellington Management Group
Northern Trust Investments
Voya Investment Management
Wellington Management
William Blair Investment Management

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Actuarial Section

Pension Trust Fund

Actuary's Certification Letter

Summary of Actuarial Assumptions

Definitions

Participating Cities and Active Members

Retiree and Beneficiary Data

Summary of Actuarial Liabilities and Funding Progress

Funded Portion of Actuarial Liabilities by Type

Supplemental Death Benefits Fund (SDBF)

Actuary's Certification Letter

Summary of Actuarial Assumptions

Membership and Contribution Rate Data

Actuary's Certification Letter (Pension Trust Fund)



P: 469.524.0000 | www.grsconsulting.com

May 30, 2024

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, 2023.

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, 2024 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, 2023 actuarial valuation will be applicable for the calendar year beginning January 1, 2025 and ending December 31, 2025.

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, 2024.

TMRS staff supplied data for retired, active and inactive Members as of December 31, 2023. 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, 2023. 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, 2023 (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 (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 3% 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)

Actuarial accrued liability. The actuarial present value of benefits attributable to all periods prior to the valuation date.

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.

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.

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.

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.

Funded ratio. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

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.

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.

Overfunded actuarial accrued liability. The excess of the actuarial value of assets over the actuarial accrued liability.

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.

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					
Valuation Date	Number of Active Cities	Active Members			
		Number	Annual Payroll	Average Annual Pay	% Increase in Average Annual Pay
12/31/2014	853	104,019	\$ 5,374,536,634	\$ 51,956	3.4%
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%

As of December 31, 2023, there were 13 cities with no active contributing members and no city contributions due. Thus, there were 934 total cities, with 921 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			
12/31/2014	4,319	\$ 92,940,036	833	\$ 11,533,222	53,455	\$ 926,062,827	9.6%	\$ 17,324	
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	

The number of retirement accounts is greater than the number of employees 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, 2023, there were 12,398 more retirement accounts than retirees. In addition, this schedule excludes 1,191 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)
2014	\$ 22,861.0	\$ 26,647.5	85.8%	\$ 3,786.5	\$ 5,374.5	70.5%	\$ 719.2	13.4%
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%

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)				
12/31/2014	\$ 5,088.20	\$ 10,768.53	\$ 10,790.77	\$ 22,860.98	100.0%	100.0%	64.9%
12/31/2015	\$ 5,312.30	\$ 11,615.49	\$ 11,451.11	\$ 24,347.73	100.0%	100.0%	64.8%
12/31/2016	\$ 5,529.96	\$ 12,478.45	\$ 11,954.89	\$ 25,844.05	100.0%	100.0%	65.5%
12/31/2017	\$ 5,747.30	\$ 13,412.03	\$ 12,652.30	\$ 27,813.57	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	\$ 31,313.81	100.0%	100.0%	69.3%
12/31/2020	\$ 6,447.73	\$ 16,508.76	\$ 14,579.37	\$ 33,609.58	100.0%	100.0%	73.1%
12/31/2021	\$ 6,691.04	\$ 17,979.79	\$ 15,411.10	\$ 36,281.97	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%

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 30, 2024

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 group life insurance plan. 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, 2024 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, 2023 actuarial valuation will be applicable for the calendar year beginning January 1, 2025 and ending December 31, 2025.

TMRS staff supplied the data for active and retired Members as of December 31, 2023. 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, 2023.

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
12/31/2014	743	69,391	24,569	7,672	101,632	\$ 3,526,108,551	\$ 50,815	3.7%
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%

Table A-6

Average Contribution Rates		
Actuarial Valuation Date	Active Coverage	Retiree Coverage
12/31/2014	0.17%	0.05%
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%

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 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, 2023 and 2014.

Financial Trends Information

Table S-1 (1 of 2)

Fiduciary Net Position — Last 10 Years (Pension Trust Fund)					
For the Year Ended December 31					
	2014	2015	2016	2017	2018
Assets					
Cash	\$ —	\$ 2,177,000	\$ 27,225,142	\$ 9,884,675	\$ 1,558,193
Receivables	1,602,411,077	1,463,421,640	1,303,373,082	1,044,073,551	776,615,427
Investments, at fair value	23,896,100,903	24,289,053,366	25,830,231,450	28,921,028,586	27,973,620,811
Invested securities lending collateral	1,030,835,345	864,114,464	—	—	—
Capital assets, net	7,889,360	9,909,170	9,766,674	9,732,194	9,141,099
Other assets	147,844	222,581	368,307	405,087	467,613
Total assets	26,537,384,529	26,628,898,221	27,170,964,655	29,985,124,093	28,761,403,143
Liabilities					
Accounts payable and other accrued liabilities	22,217,938	27,656,575	27,587,168	32,623,226	125,878,994
Unsettled investment trades payable	1,732,031,882	2,005,738,646	1,890,218,410	1,284,876,114	935,255,033
Securities lending collateral	1,033,480,569	866,849,709	—	—	—
Funds held for Supplemental Death Benefits Fund	22,176,214	20,490,711	19,953,304	18,250,136	16,639,677
Total liabilities	2,809,906,603	2,920,735,641	1,937,758,882	1,335,749,476	1,077,773,704
Fiduciary net position	\$ 23,727,477,926	\$ 23,708,162,580	\$ 25,233,205,773	\$ 28,649,374,617	\$ 27,683,629,439

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					
	2019	2020	2021	2022	2023
Assets					
Cash	\$ 193,356	\$ 2,867,326	\$ 9,959,259	\$ 5,785,347	\$ 44,018,072
Receivables	478,902,839	832,754,091	523,963,113	339,496,611	221,625,311
Investments, at fair value	31,871,201,335	34,522,349,701	38,790,225,854	35,497,407,048	39,270,961,792
Invested securities lending collateral	—	—	—	—	—
Capital assets, net	8,482,497	7,941,114	9,585,115	2,938,554	2,381,758
Other assets	470,275	4,910,730	5,748,571	4,853,356	12,200,087
Total assets	32,359,250,302	35,370,822,962	39,339,481,912	35,850,480,916	39,551,187,020
Liabilities					
Accounts payable and other accrued liabilities	30,338,457	31,766,265	21,851,012	22,500,046	29,805,802
Unsettled investment trades payable	501,738,825	1,044,469,796	719,990,711	225,503,368	29,010,791
Securities lending collateral	—	—	—	—	—
Funds held for Supplemental Death Benefits Fund	13,361,745	11,693,867	4,625,805	1,986,715	6,028,714
Total liabilities	545,439,027	1,087,929,928	746,467,528	249,990,129	64,845,307
Fiduciary net position	\$ 31,813,811,275	\$ 34,282,893,034	\$ 38,593,014,384	\$ 35,600,490,787	\$ 39,486,341,713

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					
	2014	2015	2016	2017	2018
Additions to net position by source					
City contributions	\$ 719,904,310	\$ 751,708,718	\$ 768,252,338	\$ 838,363,116	\$ 881,531,535
Member contributions	355,413,935	376,103,505	389,919,391	410,527,770	427,808,238
Net investment income/(loss)	1,285,344,179	35,011,429	1,602,187,418	3,497,133,077	(858,122,961)
Other	29,491	3,900	25,956	47,105	18,501
Total additions to net position	2,360,691,915	1,162,827,552	2,760,385,103	4,746,071,068	451,235,313
Deductions from net position by type					
Retirement Benefits					
Service retirements	861,959,010	937,848,878	1,005,485,139	1,077,485,262	1,159,702,957
Disability retirements	16,873,699	16,775,098	17,019,188	17,005,751	17,060,303
Partial lump sum distributions	149,739,411	148,161,053	139,559,781	156,915,521	158,490,461
Total retirement benefits	1,028,572,120	1,102,785,029	1,162,064,108	1,251,406,534	1,335,253,721
Member account refunds					
Withdrawal/ineligibility	58,174,242	55,742,784	52,935,465	58,344,609	63,195,632
Death	548,881	1,232,485	1,246,130	1,061,303	1,060,228
Total member account refunds	58,723,123	56,975,269	54,181,595	59,405,912	64,255,860
Administrative expenses	13,419,567	21,325,422	18,095,315	18,124,164	16,585,866
Income allocated to SDBF	1,132,803	1,057,178	1,000,892	965,614	885,044
Total deductions from net position	1,101,847,613	1,182,142,898	1,235,341,910	1,329,902,224	1,416,980,491
Change in fiduciary net position	1,258,844,302	(19,315,346)	1,525,043,193	3,416,168,844	(965,745,178)
Fiduciary net position, beginning of year	22,468,633,624	23,727,477,926	23,708,162,580	25,233,205,773	28,649,374,617
Fiduciary net position, end of year	\$ 23,727,477,926	\$ 23,708,162,580	\$ 25,233,205,773	\$ 28,649,374,617	\$ 27,683,629,439

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										
	2019		2020		2021		2022		2023	
Additions to net position by source										
City contributions	\$	930,236,155	\$	1,191,723,159	\$	1,076,907,798	\$	1,144,820,990	\$	1,185,483,912
Member contributions		453,608,174		479,187,524		492,319,722		529,914,380		582,825,289
Net investment income/(loss)		4,279,485,297		2,414,460,057		4,469,101,837		(2,816,630,403)		4,119,210,666
Other		32,880		47,400		560,172		29,274,135		26,239
Total additions to net position		5,663,362,506		4,085,418,140		6,038,889,529		(1,112,620,898)		5,887,546,106
Deductions from net position by type										
Retirement Benefits										
Service retirements		1,247,542,653		1,335,234,201		1,433,417,512		1,533,860,921		1,676,637,423
Disability retirements		17,080,384		17,178,149		17,238,392		17,206,656		17,727,662
Partial lump sum distributions		180,929,339		191,627,456		194,678,511		230,427,012		210,262,547
Total retirement benefits		1,445,552,376		1,544,039,806		1,645,334,415		1,781,494,589		1,904,627,632
Member account refunds										
Withdrawal/ineligibility		61,089,736		54,413,400		60,352,469		72,229,111		68,512,648
Death		1,596,204		1,600,143		1,983,618		1,617,077		2,132,786
Total member account refunds		62,685,940		56,013,543		62,336,087		73,846,188		70,645,434
Administrative expenses		24,183,038		15,625,982		20,679,140		24,377,951		26,212,728
Income allocated to SDBF		759,316		657,050		418,537		183,971		209,386
Total deductions from net position		1,533,180,670		1,616,336,381		1,728,768,179		1,879,902,699		2,001,695,180
Change in fiduciary net position		4,130,181,836		2,469,081,759		4,310,121,350		(2,992,523,597)		3,885,850,926
Fiduciary net position, beginning of year		27,683,629,439		31,813,811,275		34,282,893,034		38,593,014,384		35,600,490,787
Fiduciary net position, end of year	\$	31,813,811,275	\$	34,282,893,034	\$	38,593,014,384	\$	35,600,490,787	\$	39,486,341,713

Financial Trends Information

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Table S-3 (1 of 2)

Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund)					
For the Year Ended December 31					
	2014	2015	2016	2017	2018
Assets					
Contributions receivable	\$ 543,842	\$ 639,119	\$ 674,746	\$ 680,620	\$ 666,823
Funds held by Interest Reserve Account	22,176,214	20,490,711	19,953,304	18,250,136	16,639,677
Total assets	22,720,056	21,129,830	20,628,050	18,930,756	17,306,500
Fiduciary net position	\$ 22,720,056	\$ 21,129,830	\$ 20,628,050	\$ 18,930,756	\$ 17,306,500

Table S-3 (2 of 2)

Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund)					
For the Year Ended December 31					
	2019	2020	2021	2022	2023
Assets					
Contributions receivable	\$ 711,366	\$ 897,510	\$ 1,189,678	\$ 1,167,274	\$ 1,950,138
Funds held by Interest Reserve Account	13,361,745	11,693,867	4,625,805	1,986,715	6,028,714
Total assets	14,073,111	12,591,377	5,815,483	3,153,989	7,978,852
Fiduciary net position	\$ 14,073,111	\$ 12,591,377	\$ 5,815,483	\$ 3,153,989	\$ 7,978,852

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					
	2014	2015	2016	2017	2018
Additions to net position by source					
City contributions	\$ 6,126,769	\$ 6,507,371	\$ 6,983,501	\$ 7,286,154	\$ 7,758,059
Income allocated from Interest Reserve Account	1,132,803	1,057,178	1,000,892	965,614	885,044
Total additions to net position	7,259,572	7,564,549	7,984,393	8,251,768	8,643,103
Deductions from net position by type					
Supplemental death benefits - active	4,164,899	4,964,631	3,759,923	5,177,812	4,912,215
Supplemental death benefits - retiree	4,285,094	4,190,144	4,726,250	4,771,250	5,355,144
Total deductions from net position	8,449,993	9,154,775	8,486,173	9,949,062	10,267,359
Change in fiduciary net position	(1,190,421)	(1,590,226)	(501,780)	(1,697,294)	(1,624,256)
Fiduciary net position, beginning of year	23,910,477	22,720,056	21,129,830	20,628,050	18,930,756
Fiduciary net position, end of year	\$ 22,720,056	\$ 21,129,830	\$ 20,628,050	\$ 18,930,756	\$ 17,306,500

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					
	2019	2020	2021	2022	2023
Additions to net position by source					
City contributions	\$ 8,321,181	\$ 8,945,812	\$ 10,655,161	\$ 11,218,958	\$ 19,233,365
Income allocated from Interest Reserve Account	759,316	657,050	418,537	183,971	209,386
Total additions to net position	9,080,497	9,602,862	11,073,698	11,402,929	19,442,751
Deductions from net position by type					
Supplemental death benefits - active	6,812,283	5,346,471	11,608,967	7,096,911	7,743,722
Supplemental death benefits - retiree	5,501,603	5,738,125	6,240,625	6,967,512	6,874,166
Total deductions from net position	12,313,886	11,084,596	17,849,592	14,064,423	14,617,888
Change in fiduciary net position	(3,233,389)	(1,481,734)	(6,775,894)	(2,661,494)	4,824,863
Fiduciary net position, beginning of year	17,306,500	14,073,111	12,591,377	5,815,483	3,153,989
Fiduciary net position, end of year	\$ 14,073,111	\$ 12,591,377	\$ 5,815,483	\$ 3,153,989	\$ 7,978,852

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
2014							
Average Monthly Benefit	\$223.90	\$429.36	\$860.37	\$1,340.43	\$1,597.50	\$2,386.99	\$3,940.89
Number of Active Retirees	111	427	471	385	770	619	812
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

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 2023 excludes 91 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, 2023													
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	909	151	1,015	45	246	185	437	31	84	4	23	10	40
\$ 101 - 500	9,676	2,085	11,311	450	3,504	987	4,136	423	1,265	106	313	296	731
\$ 501 - 1,000	10,766	2,311	12,635	442	3,673	566	4,417	685	1,872	158	472	374	860
\$ 1,001 - 1,500	9,879	1,608	11,264	223	3,239	250	3,919	716	1,736	177	435	299	716
\$ 1,501 - 2,000	7,574	1,055	8,535	94	2,480	116	2,784	603	1,383	171	331	246	515
\$ 2,001 - 2,500	5,792	679	6,424	47	1,853	59	2,007	507	1,067	152	265	182	379
\$ 2,501 - 3,000	4,308	433	4,724	17	1,426	43	1,437	324	826	99	238	106	242
\$ 3,001 - 3,500	3,280	321	3,597	4	1,034	20	1,036	329	666	64	184	85	183
\$ 3,501 - 4,000	2,545	200	2,743	2	805	8	754	267	535	62	129	70	115
\$ 4,001 & Over	8,890	486	9,373	3	2,784	25	2,231	1,219	1,966	129	399	245	378
Subtotals	63,619	9,329	71,621	1,327	21,044	2,259	23,158	5,104	11,400	1,122	2,789	1,913	4,159
Totals		72,948		72,948									72,948

The Table S-6 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 Table S-6 does not include 1,191 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	2023			2014		
	Rank	Current Member Accounts	Percentage of Total	Rank	Current Member Accounts	Percentage of Total
San Antonio	1	7,949	6.4%	1	6,266	6.0%
Corpus Christi	2	2,873	2.3%	3	2,245	2.2%
Arlington	3	2,762	2.2%	2	2,462	2.4%
Plano	4	2,505	2.0%	4	2,200	2.1%
Laredo	5	2,493	2.0%	5	2,003	1.9%
Garland	6	2,124	1.7%	6	1,949	1.9%
San Antonio Water System	7	1,918	1.5%	9	1,648	1.6%
Lubbock	8	1,860	1.5%	8	1,683	1.6%
Amarillo	9	1,854	1.5%	7	1,764	1.7%
McAllen	10	1,712	1.4%	11	1,489	1.4%
All others		96,443	77.5%		80,310	77.2%
Total		124,493	100.0%		104,019	100.0%

Table S-8

Schedule of Principal Participating Cities (Supplemental Death Benefits Fund)										
Current Year and Nine Years Ago										
Participating City	2023					2014				
	Rank	Current Member Accounts	Retiree Accounts	Total Accounts	Percentage of Total	Rank	Current Member Accounts	Retiree Accounts	Total Accounts	Percentage of Total
Arlington	1	2,762	1,767	4,529	3.7%	1	2,462	1,207	3,669	3.9%
Laredo	2	2,493	1,152	3,645	2.9%	3	2,003	664	2,667	2.9%
Garland	3	2,124	1,357	3,481	2.8%	2	1,949	935	2,884	3.1%
Irving	4	1,609	976	2,585	2.1%	4	1,383	660	2,043	2.2%
Grand Prairie	5	1,488	725	2,213	1.8%	5	1,166	483	1,649	1.8%
Denton	6	1,472	696	2,168	1.8%	9	1,156	360	1,516	1.6%
Abilene	7	1,047	780	1,827	1.5%	6	1,002	586	1,588	1.7%
Brownsville	8	1,139	639	1,778	1.4%	7	1,142	378	1,520	1.6%
Pasadena	9	998	662	1,660	1.3%	8	960	557	1,517	1.6%
McKinney	10	1,310	318	1,628	1.3%	15	870	145	1,015	1.1%
All others		68,400	29,852	98,252	79.4%		54,880	18,594	73,474	78.5%
Total		84,842	38,924	123,766	100.0%		68,973	24,569	93,542	100.0%