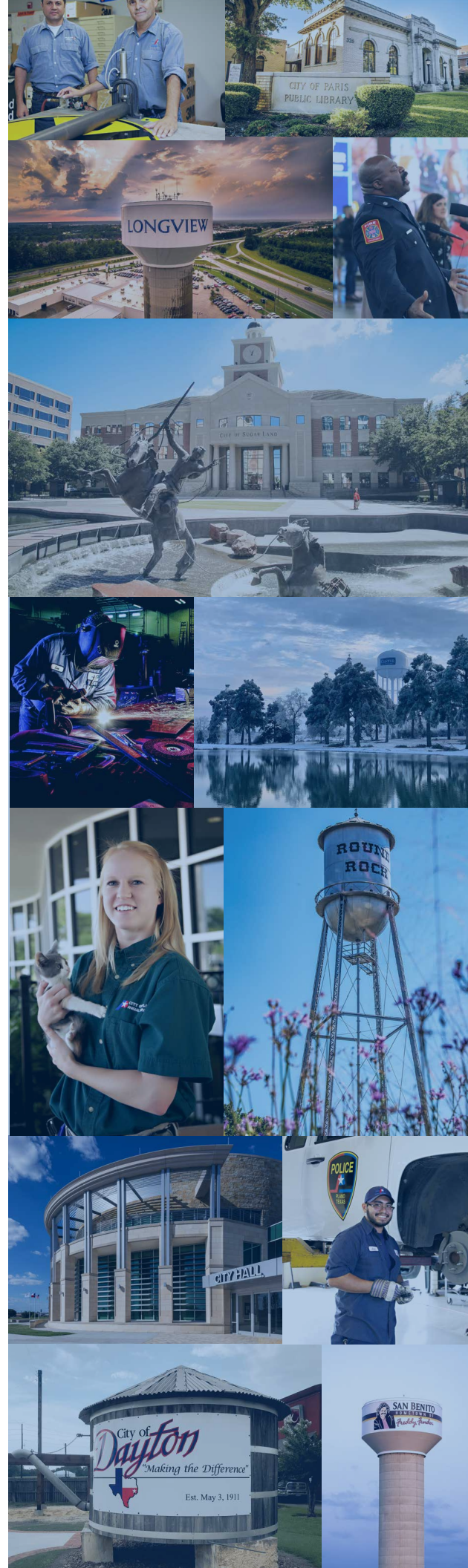
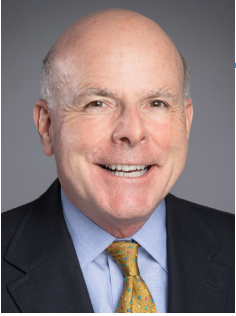




Popular Annual Financial Report

For the year ending December 31, 2023





From the Executive Director

On behalf of the Texas Municipal Retirement System (TMRS) Board of Trustees and staff, I am pleased to present you with this Popular Annual Financial Report (PAFR) for the year ended December 31, 2023. The PAFR provides a summary of TMRS information taken from TMRS' Annual Comprehensive Financial Report for the year ended December 31, 2023 (ACFR), which is available at tmrs.com.

TMRS is financially sound and well-funded. Trust Fund investments totaled \$39.3 billion as of December 31, 2023. The 2023 net investment return on Trust Fund assets was 11.64%. TMRS paid \$1.9 billion in benefits in 2023, 6.9% more than we paid in 2022.

2023 was a year of significant staff achievement, including adding an online refund capability, improving the user experience for Members and cities through multiple projects, submitting applications to the Quality Teas Foundation documenting TMRS' quality initiatives, enhancing cybersecurity capabilities, enhancing investment operations, and celebrating TMRS' 75th Anniversary with year-long celebrations and commemorations.

I want to thank Board Chair Bob Scott, Vice Chair Johnny Huizar, and their Board Colleagues for their leadership and support, and TMRS' staff for their passion in serving TMRS' Members and participating cities.

Sincerely,

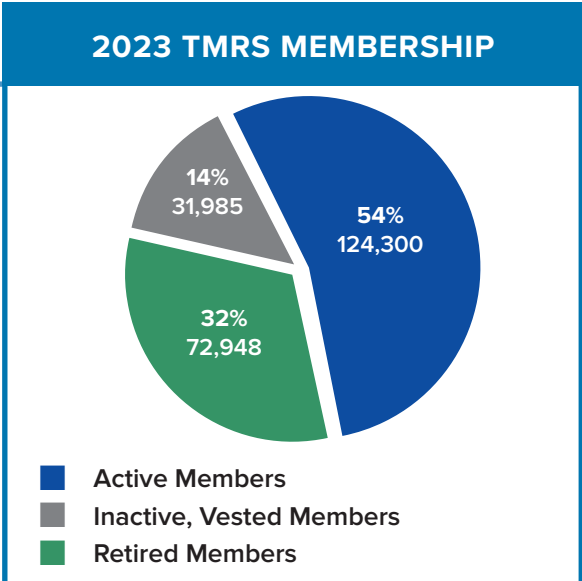
David B. Wescoe
Executive Director

Membership and Participating Cities

TMRS administers a cash-balance defined benefit retirement plan for eligible employees of participating cities. On December 31, 2023, we had 229,233 members and retirees from 934 participating cities.

Members are eligible to retire based on their city's vesting, age, and years of service requirements. Depending on the city's plan provisions, a member vests after either five or 10 years of service and 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.

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



Financial Information

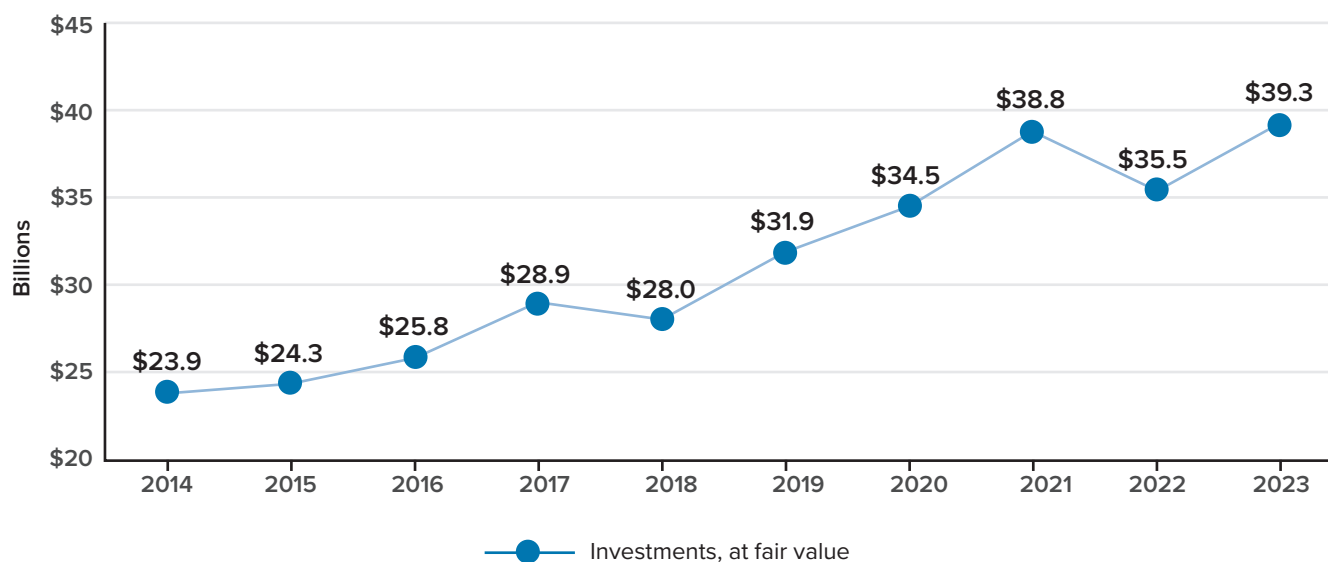
The following table presents TMRS' assets and liabilities for the years ending December 31, 2023 and 2022. Fiduciary net position is the difference between assets and liabilities and represents the funds accumulated for the payment of future benefits.

Fiduciary Net Position — Pension Trust Fund (dollars in millions)				
As of December 31				
	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.

Trust Fund investments have increased over the last 10 years from \$23.9 billion in 2014 to \$39.3 billion in 2023. Contributions from members and participating cities are invested in a diversified portfolio that includes equities, bonds and private investment funds.

Trust Fund Investments Last 10 Years (in billions)



The following table presents the changes in fiduciary net position for 2023 and 2022. Additions include contributions from members and participating cities and investment income. Deductions include benefit payments and administrative expenses.

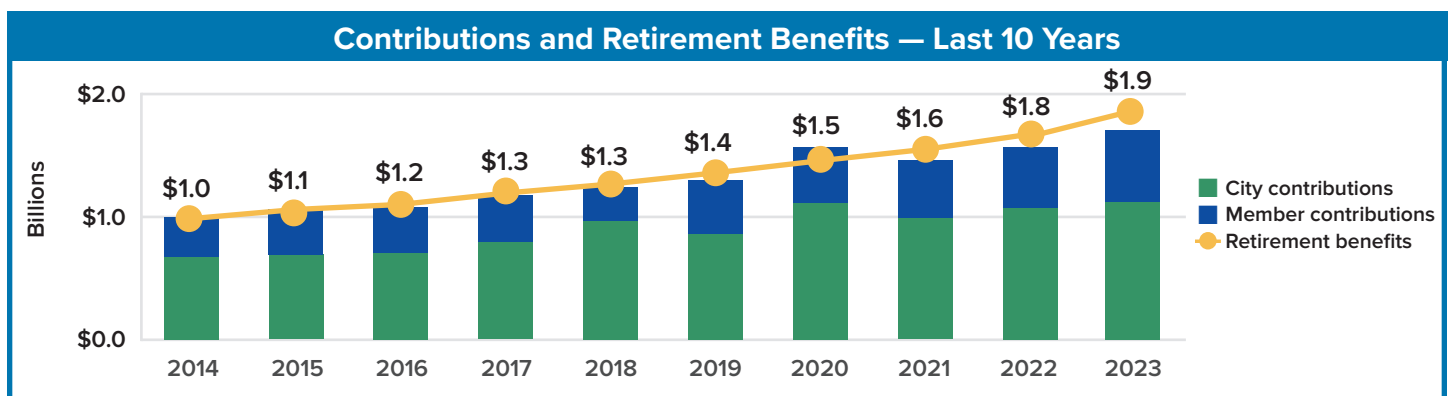
Changes in Fiduciary Net Position — Pension Trust Fund (dollars in millions)				
For the Years Ended December 31				
	2023	2022	Increase/ (Decrease)	% Change
ADDITIONS				
City contributions	\$ 1,185.5	\$ 1,144.8	\$ 40.7	3.6 %
Member contributions	582.8	529.9	52.9	10.0
Net investment income/(loss)	4,119.2	(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	—	—
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 %

City contributions. A participating city’s contribution rate is determined annually by TMRS’ actuaries to fund future benefits. Cities may choose to contribute at a higher optional rate and/or make additional lump-sum contributions. Additional lump-sum contributions totaled \$4.9 million in 2023 and \$76.8 million in 2022.

Member contributions. Active member contribution rates are either 5%, 6% or 7% of a member’s compensation, based on their city’s plan provisions.

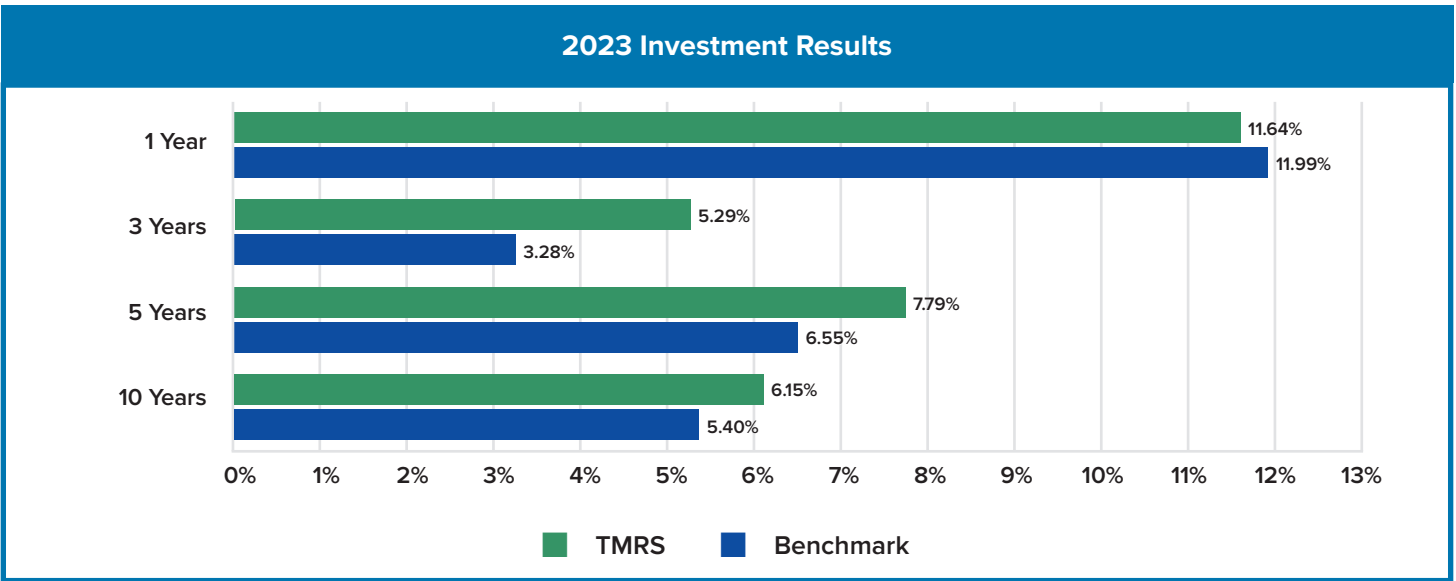
Net investment income/(loss). Net investment income/(loss) includes investment earnings reduced by the expenses directly associated with managing the investment portfolio. The change in net investment income/(loss) from 2022 to 2023 reflects market gains experienced in 2023.

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

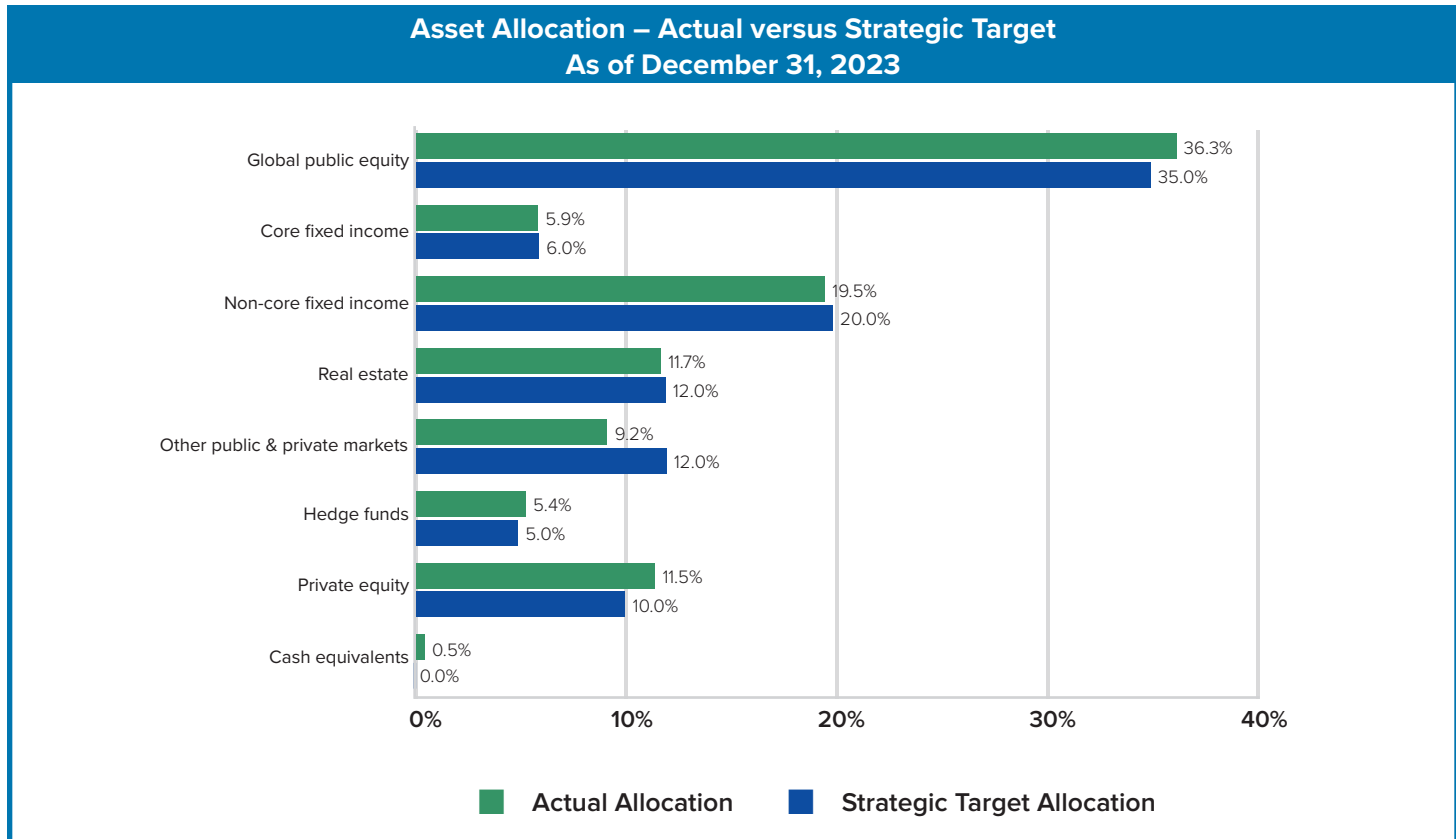


Investments

Trust Fund investments totaled \$39.3 billion at December 31, 2023. TMRS' 2023 net investment return was 11.64%, which exceeded the actuarial return assumption of 6.75%.



The Board approves a strategic target allocation for various asset classes, with the objective of meeting or exceeding TMRS' 6.75% actuarial return assumption. TMRS' actual asset allocation as of December 31, 2023 compared with the strategic targets, is presented below.



Actuarial

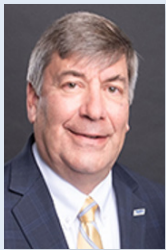
GRS, the Board’s independent actuary, performs an annual actuarial valuation for each TMRS participating city and calculates the city’s annual contribution rate required to fund benefits. These contribution rates go into effect January 1 of the year following the date of the valuation. Participating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

TMRS is one of the best-funded public pension plans in the U.S. and is well positioned to meet its commitments to current and future retirees. While every participating city has its own funded ratio, TMRS’ system funded ratio was 89.7% as of December 31, 2023. The funded ratio compares a plan’s assets to its accrued benefits.

Funded Ratio — Last 10 Years									
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
85.8%	85.8%	86.3%	87.4%	87.1%	88.0%	89.5%	90.5%	89.7%	89.7%

2023 Board of Trustees

TMRS is governed by a six-member Board of Trustees who are appointed by the Governor of Texas and confirmed by the Texas Senate. Board members serve six-year terms and have fiduciary oversight of TMRS.



Bob Scott
2023 Chair
Executive Director
of Administration,
Town of Prosper



Johnny Huizar
2023 Vice Chair
City Manager,
City of Pleasanton



Jesús Garza
City Manager,
City of Victoria



David Landis
City Manager,
City of Perryton



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

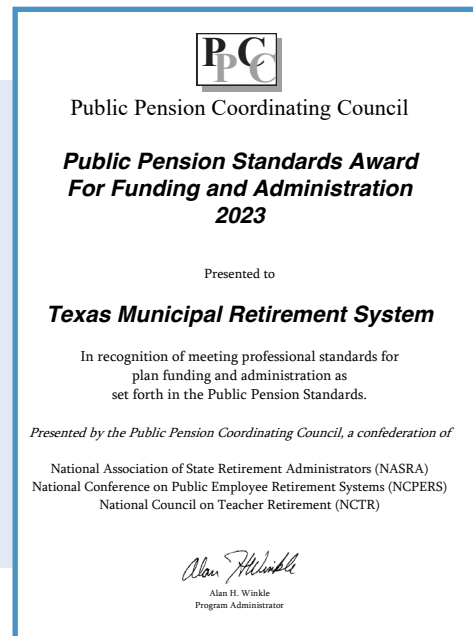
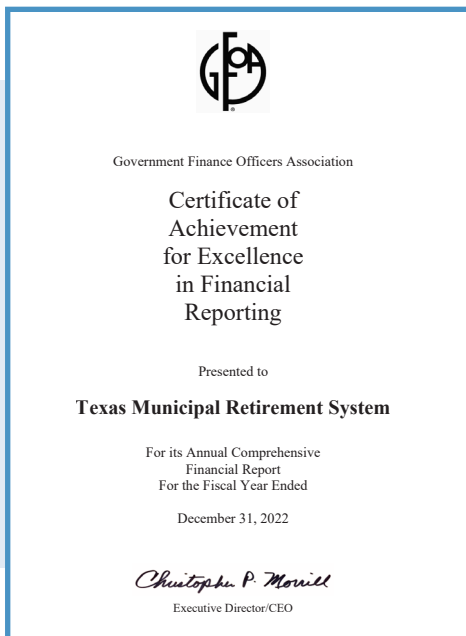
There was one vacant Trustee position as of December 31, 2023.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) to TMRS for its Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2022. This award recognizes conformance with the highest standards for preparation of state and local government popular reports. TMRS has received this award for the last 18 consecutive years.

In order to receive a PAFR Award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal. A PAFR Award is valid for a period of one year only.

TMRS also received the 2023 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. This is the 18th consecutive year that TMRS has received the award for meeting these standards.



For More Information

The PAFR is intended to provide you with an overview of TMRS' financial performance during the past year. Unlike the financial data in the ACFR, the data in this PAFR is unaudited and does not include all of the financial statements and note disclosures required by generally accepted accounting principles. In addition, while TMRS also administers the Supplemental Death Benefits Fund, the PAFR includes only the financial information of the Pension Trust Fund. For more detailed financial information, please refer to the ACFR at tmrs.com.

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tmrs.com

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