



AGENDA

Meeting of the Board of Trustees

Thursday, June 27, 2024 – 9:00 a.m.

TMRS Office
2717 Perseverance Drive, Suite 300
Austin, Texas

Zoom Link for Public:

<https://tmrs.zoom.us/j/81065226962?pwd=6jB8dcAXDRC8CT5Lajap2KreXfXaqQ.1>

The Board may discuss any item on the Agenda at any time during the meeting.

Call to Order

Invocation

Pledge of Allegiance

Consent Agenda

1. **Consider and Act on Consent Agenda.** *Bill Philibert*
 - a. Approve Minutes from the May 23, 2024 Board of Trustees meeting
 - b. Quarterly Confirmation of Member Retirements
 - c. Quarterly Confirmation of Supplemental Death Benefit Payments and Extended Supplemental Death Benefits Coverage
 - d. Receive Quarterly Financial Statements as of March 31, 2024

Executive Director Reports

2. **Executive Director's Report.** *David Wescoe*
3. **Receive Senior Staff Quarterly Reports.** Deputy Executive Director (*Debbie Munoz*), Chief Legal Officer (*Christine Sweeney*), Chief Service Officer (*Anali Alanis*), Chief Information Officer (*Jac Greene*), and Chief Financial Officer (*Nick O'Keefe*)

Audit Committee Report

4. **Report on Audit Committee Meeting.** *David Landis*

Stakeholder Advisory Committee

5. **Report on Stakeholder Advisory Committee Meeting.** *Tricia Mirabelle and Debbie Munoz*

Governmental Relations Consultant

6. **Consider and Act on Renewal of Governmental Relations Consultant Contract.** *David Wescoe*

Finance Reports

7. **Receive System and Organization Controls (SOC) Audit Results.** *Kristyn Scoggins and Brittany Smith, CLA*
8. **Receive 2023 Financial Statement and the Schedule of Changes in Fiduciary Net Position by Participating City Audit Results.** *Nick O'Keefe and Brittany Smith, CLA*
9. **Receive Required Auditor Communications to the Board of Trustees.** *Nick O'Keefe and Brittany Smith, CLA*
10. **Receive and Approve Distribution of 2023 Annual Comprehensive Financial Report.** *Nick O'Keefe*

Investment Reports

11. **Investment Reports.** *Yup Kim*
 - a. Chief Investment Officer's Report
 - b. Trust Fund Report: First Quarter 2024
 - c. Receive 2024 Completed Investments Report
 - d. Receive First Quarter 2024 Investment Compliance Report

12. **General Investment Consultant Quarterly Report.** *Sam Austin and Christian McCormick, NEPC*
13. **Consider and Act on Amendments to the Investment Policy Statement.** *Yup Kim*
14. **Board Education: Real Assets.** *Tom Masthay*

Executive Session

15. Executive Session.

- a. In accordance with Section 855.007, Texas Government Code, the Board of Trustees may meet in executive session to (i) receive information from or question the employees, consultants, or legal counsel of the System or a third party relating to an investment or a potential investment; (ii) meet with the System's internal or external auditors to discuss any one or more of the matters set forth in Section 855.007(h); and /or (iii) consider and discuss evaluations or duties of Trustees or Board consultants, and self-evaluations of the Board as a whole, and thereafter may consider appropriate action in open session; and
- b. In accordance with Section 551.074, Texas Government Code, the Board of Trustees may meet in executive session to deliberate personnel matters, including the appointment, employment, evaluation, compensation, performance, reassignment, duties, discipline, selection or dismissal of one or more public officers or employees, including without limitation, the Executive Director, the Internal Auditor and Chief Legal Officer, and thereafter may consider appropriate action in open session.

Future Board Agenda Items

16. **Call for Future Agenda Items.** *Bill Philibert*

Adjournment

The Board may meet in Executive Session on any item listed above as authorized by the Texas Open Meetings Act or by the Texas Municipal Retirement System Act.

In accordance with Texas Government Code Section 855.007, the Board may conduct the open and/or closed portions of the meeting by telephone conference call and/or by videoconference. The location of the meeting at which at least one Trustee of the Board will be physically present is the Texas Municipal Retirement System office, 2717 Perseverance Drive, Suite 300, Austin, TX, which will be open and audible to the public during the open portions of the meeting.



June 17, 2024

To: Board of Trustees
From: Christine M. Sweeney, Chief Legal Officer *CS*
Re: Agenda Item 1: Consider and Act on Consent Agenda

The Consent Agenda includes Minutes from the May 23, 2024 Board meeting, quarterly Retirement and Supplemental Death Benefit Reports, and financial statements as of March 31, 2024. The Consent Agenda is adopted as one item.

RECOMMENDATION

Staff recommends that the Board adopt the Consent Agenda as presented.

ATTACHMENTS

- 1 - Minutes from the May 23, 2024 Board meeting
- 2 - Retirement and Supplemental Death Benefit Reports
(summary report attached; detailed report in Diligent Resource Center due to confidential information)
- 3 - Financial Statements (in Diligent Board Books)



**MINUTES OF THE
TEXAS MUNICIPAL RETIREMENT SYSTEM
Meeting of the Board of Trustees**

May 23, 2024 – 9:00 a.m.

The Board of Trustees of the Texas Municipal Retirement System (TMRS) convened for a meeting at 9:00 a.m. on May 23, 2024, at the TMRS office, located at 2717 Perseverance, Suite 300 in Austin, Texas, with the following Trustees present: Vice Chair Bill Philibert, Tommy Gonzales, David Landis, Tricia Mirabelle, Roy Rodriguez and Bob Scott.

Staff present included David Wescoe, Debbie Muñoz, Christine Sweeney, Anali Alanis, Jac Greene, Yup Kim, Nick O’Keefe, Leslee Hardy and Madison Jechow. Consultants present included Robert Klausner, Sam Austin, Joe Newton and Janie Shaw.

Mr. Philibert called the meeting to order at 9:00 a.m.

1. Consider and Act on Consent Agenda.

Mr. Scott moved that the Board adopt the Consent Agenda. Mr. Landis seconded the motion, which passed 6-0.

2. Consider and Act on Election of Board Officers.

Because former Chair Huizar’s term has ended, the Chair position is vacant. The Board’s Bylaws provide that when a vacancy in the Chair or Vice Chair position occurs, a special election for the position shall be held. Nominations for either position must be made by Trustees during a Board meeting, and a Trustee may self-nominate for either.

Mr. Scott moved that the Board elect Mr. Philibert as Chair and Mr. Landis as Vice Chair for the remainder of 2024. Mr. Gonzalez seconded the motion, which passed 6-0.

3. Consider and Act on Board Committee Appointments.

Ms. Sweeney said the Board’s Bylaws provide that the Board Chair appoints Committee members, subject to Board approval, and designates the Chair and Vice Chair of each Committee. In December 2023, the Board approved Committee appointments for 2024 to the three Board Committees – Audit, Budget and Compensation, and Stakeholder Advisory. When the Governor appointed the three new Trustees in April, it resulted in creating a vacancy on each Committee.

Based on recommended appointments by Mr. Philibert, Mr. Landis moved that the Board approve these appointments for the remainder of 2024: Mr. Landis as Chair and Mr. Rodriguez as Vice

Chair of the Audit Committee, Mr. Philibert as Chair and Mr. Gonzalez as Vice Chair of the Budget and Compensation Committee, and Mr. Scott as Chair and Ms. Mirabelle as Vice Chair of the Stakeholder Advisory Committee. Mr. Scott seconded the motion, which passed 6-0.

4. Consider and Act on Resolutions for former Trustees Johnny Huizar and Jesús Garza. (Item #5 on Agenda)

Mr. Wescoe welcomed and congratulated Mr. Gonzalez, Ms. Mirabelle and Mr. Rodriguez on their appointments as Trustees. He thanked Johnny Huizar and Jesús Garza, who were both prior Board Chairs, for their service as Trustees. Mr. Landis read a resolution recognizing Mr. Huizar's service, and Ms. Alanis read a resolution recognizing Mr. Garza's service. Mr. Rodriguez moved that the Board approve the resolutions. Mr. Gonzalez seconded the motion, which passed 6-0.

5. Executive Director's Report. (Item #4 on Agenda)

The Stakeholder Advisory Committee met in April, and Mr. Scott said the Committee has reached a consensus on two proposed TMRS Act changes for the upcoming legislative session: removal of the current statutory maximum contribution rate for city benefits and a uniform effective date for all plan benefit changes made by cities. Remaining for further Committee discussion are cost of living adjustments (COLAs), including potentially extending the expiring window for cities to adopt non-retroactive repeating COLAs, and decoupling of Updated Service Credits from COLAs. The Committee will meet again on June 6, 2024.

Mr. Wescoe said the City of San Elizario is joining as TMRS' 937th participating city; and Anthony Mills has helped to recruit more cities into TMRS in the last two years than in the prior 20 years. Mr. Wescoe recognized Ngoc Can for receiving national awards from Private Equity International and Institutional Investor magazines, Tricia Solis for passing the ASQ examination for Certified Manager of Quality and Organizational Excellence, and the TMRS Education Team for its outreach to TMRS Members. TMRS employees participated in community events including the Capitol 10K and the MS Round Up Ride. Ms. Alanis and April Hernandez joined the Governor's Commission for Women, State Agency Council, and Ms. Muñoz completed International Foundation of Employee Benefit Plans training on Portfolio Concepts and Management offered through the Wharton School of Business.

6. Consider and Act on 2023 Actuarial Valuation and Approval of 2025 Retirement Contribution Rates and Supplemental Death Benefit Contribution Rates.

Ms. Hardy said the TMRS Act requires TMRS' consulting actuary to prepare an annual actuarial valuation of TMRS and its participating cities and the valuation sets the basis for the contribution rates for participating cities in 2025. TMRS' consulting actuary is Gabriel Roeder Smith (GRS), which has advised TMRS for 16 years and performs the valuation and periodic experience studies.

Ms. Shaw said that for the valuation as of December 31, 2023, GRS found that TMRS' actuarial accrued liability was \$45.0 billion for the System as a whole, and TMRS' assets, after smoothing, were \$40.4 billion. This results in an unfunded actuarial accrued liability (UAAL) of \$4.6 billion and a funded ratio of 89.7% for the System as a whole. Ms. Shaw said that 2023's asset gains were

offset by higher than expected salary increases, inflation's impact on cost-of-living adjustments (COLAs), and cities increasing benefits, so the UAAL increased by \$234 million.

Mr. Scott said asked a question regarding the liability losses in the last three years, and Mr. Newton responded regarding salary increases and inflation's impact on COLAs and noting other factors that were positive in the same period. Mr. Gonzalez asked how far back, and how far into the future, does GRS look in its experience study? Mr. Newton said the forward-looking horizon is 15 to 20 years, while the look-back for assumptions is 10 to 20 years.

Mr. Newton said the System-wide funded ratio has improved since 2013 and would have been over 90% but for cities increasing benefits in the last two years. Mr. Gonzalez asked whether pension plans should target 100% funding or whether that results in overfunding. Mr. Newton said a pension system gets the most out of the money it puts in for benefits if it is fully funded. Also, a fully funded system has no UAAL and so it is then only paying for new benefits accruing to existing employees. That increases cities' flexibility for benefit options.

Mr. Rodriguez moved to accept GRS' December 31, 2023 valuation results and certify the 2025 contribution rates for participating cities. Mr. Landis seconded the motion, which passed 6-0.

7. Call for Future Agenda Items.

Mr. Philibert asked staff to provide an update on Strategic Plan activities at the Board's October retreat. He adjourned the meeting at 10:16 a.m.

David B. Wescoe
Executive Director

Bill Philibert
Chair, Board of Trustees



June 17, 2024

To: Board of Trustees

From: April Hernandez, Director of Benefit Administration AH

Re: Agenda Item 1 - Consent Agenda – Retirements and Supplemental Death Benefit Payments

The attached Retirement Report and Supplemental Death Benefits Payments Report reflect processing activity by the Benefit Administration Department in accordance with the TMRS Act. Both have been reviewed and approved by Chief Service Officer Anali Alanis.

Board Retirement Report

Summary of Individual Member Retirements Processed from 01-2024 to 03-2024

Total Number of Retirements by Option	Service	Disability	Total
Retiree Life Only	467	2	469
Retiree Life -- 100% to Survivor	443	6	449
Retiree Life -- 75% to Survivor	103	0	103
Retiree Life -- 50% to Survivor	223	0	223
Retiree Life -- 5 Years Guaranteed	15	0	15
Retiree Life -- 10 Years Guaranteed	26	0	26
Retiree Life -- 15 Years Guaranteed	50	0	50
Cashout of Reserves	27	1	28
Total Number -- All Options	1,354	9	1,363

Total Monthly Benefits (Nearest Dollar)	\$3,336,756	\$5,768	\$3,342,524
Average Monthly Benefit (Nearest Dollar)	\$2,464	\$641	\$2,452
Average Age at Retirement	60	53	60
Average Years of Service at Retirement	21	12	21

Partial Lump Sum Distributions	
No. of Retirements Taking a PLSD	1,074
Total Amount Paid	\$85,552,673
% of PLSD Funds Rolled Over	60%
% of PLSD Funds Not Rolled Over	40%

**Texas Municipal Retirement System
Supplemental Death Benefits Report**

**Summary of Supplemental Death Benefit Payments and Applications for Supplemental
Death Benefits Extended Coverage from January 1, 2024 to March 31, 2024**

Supplemental Death Benefit Payments	
By Beneficiaries of Active Members	19 payments totaling \$1,016,253.57
By Beneficiaries of Retired Members	277 payments totaling \$1,965,093.75
Applications for Supplemental Death Benefits Extended Coverage	
None	


**TEXAS MUNICIPAL RETIREMENT SYSTEM
EXPENSE FUND**

**Schedule of 2024 Operating Expenses
For the Three Months Ending March 31, 2024
*Preliminary Unaudited***

	Budget	Actual	Budget (\$) Remaining	Budget (%) Remaining
Personnel services:				
Salaries and payroll taxes	\$ 18,229,779	\$ 3,927,182	\$ 14,302,597	78.5
Employee benefits	4,373,875	1,085,246	3,288,629	75.2
Total personnel services	22,603,654	5,012,428	17,591,226	77.8
Professional services:				
Actuarial	774,900	156,225	618,675	79.8
Audit	217,300	6,405	210,895	97.1
Custodial and banking	1,577,000	375,169	1,201,831	76.2
Information services consultants	563,500	268,170	295,330	52.4
Investment consultants	2,159,283	413,633	1,745,650	80.8
Legal	868,500	68,595	799,905	92.1
Other services	575,320	116,720	458,600	79.7
Total professional services	6,735,803	1,404,917	5,330,886	79.1
Facilities	2,965,773	711,286	2,254,487	76.0
City and member outreach	820,750	226,901	593,849	72.4
Information technology:				
Investment department technology	1,027,353	203,359	823,994	80.2
Software and support	2,189,290	481,363	1,707,927	78.0
Hardware/data center/other	294,272	30,538	263,734	89.6
Total information technology	3,510,915	715,260	2,795,655	79.6
Other administrative:				
Board of Trustees/Advisory Committee	143,640	8,808	134,832	93.9
Professional development	479,291	110,633	368,658	76.9
Supplies/document storage/misc.	520,482	222,833	297,649	57.2
Travel	585,160	62,674	522,486	89.3
Total other administrative	1,728,573	404,948	1,323,625	76.6
Total operating expenses	\$ 38,365,468	\$ 8,475,740	\$ 29,889,728	77.9



June 18, 2024

To: Board of Trustees
From: David Wescoe, Executive Director 
Re: Agenda Item 2: Executive Director's Report

Monica Huffer is a Texas Rising Star. Governor Abbott has announced that Portfolio Director Monica Huffer was selected for the 2024 Outstanding Rising Star award by the Governor's Commission on Women from nominations from all Texas state agencies. I couldn't be happier for Monica or prouder of her achievements.

Trustee Rodriquez to Retire. Trustee Roy Rodriguez has announced his intention to retire as McAllen's City Manager sometime before the end of the year. When he does, the Governor will need to appoint another Trustee.

Quality Texas Foundation. Director of Data Management Dana Brown, Director of City and Member Services Colin Davidson, Director of Project Management Tricia Solis, and Chief Service Officer Anali Alanis attended the Quality Texas Foundation's 31st Annual Awards Recognition Conference in Georgetown. TMRS received awards for our Pioneer and Engagement Level submissions. These awards reflect the great efforts of many staff who participated in the QTF Pioneer and Engagement submissions.

938. Effective July 1, the Town of Weston will become the 938th TMRS participating city.

Member Service Center. Since your last meeting in May, the Member Service Center posted its best numbers of 2024 - so far. The team answered 98% of 1,594 incoming calls with a mean wait time of 23 seconds and a median wait time of seven seconds.

City Contribution Rate Letters. City contribution rate letter announcements were emailed to all cities and posted on the website.

Stakeholder Advisory Committee Meeting. On June 6, Bob Scott and Tricia Mirabelle hosted the Stakeholder Advisory Committee. Colin Davidson gave an excellent presentation on COLA options, Updated Service Credit (USC) and decoupling the USC and COLA benefits. At the conclusion of the meeting, the Committee gave clear feedback on the topics the Board sought its input on. We will discuss them in detail at the September Board meeting.

Audit Committee Meeting. Following the SAC meeting, David Landis and Roy Rodriguez held an Audit Committee meeting. Internal Audit Director Kristyn Scoggins gave great reports on her audit activities.

Education Team. The Education Team attended the annual conference of the Texas Public Works Association in San Antonio on June 3 - 5. More than 800 public works, city executives, and utility workers attended the event. On June 5 - 7, the Team attended the Texas Association of Municipal Information Officers' 50th Anniversary conference also in San Antonio. More than 425 communications professionals, most of whom are TMRS Members, attended the event.

Candace Nolte Retires. After a stellar 21-year TMRS career, Director of Accounting Candace Nolte retired on June 3. Candace is a colleague whose intellect, drive and commitment will be missed.

Member Feedback. A deceased Member's beneficiary whom staff had helped through the benefit process called the Benefit Administration analyst team to say, "Thank you so much. Just like you said, the money got here. My brother and I can buy a rock (headstone) for our dad now. Thank you and God bless you." As one BA staffer said, "It is an honor to help our Members' families."



June 17, 2024

To: Board of Trustees

From: Debbie Muñoz, Deputy Executive Director *Debbie Muñoz*

Re: Agenda Item 3: Deputy Executive Director Second Quarter Report

I am pleased to report on the second quarter activities of the Human Resources, Project Management and Quality Initiatives departments. Each had a great quarter.

Human Resources

Personnel. HR onboarded our new HR Manager, Kathy Quisenberry, along with four additional staff this quarter, for a total of eight new hires in 2024.

In June, the HR team processed annual salary increases and distributed Total Compensation Statements to all employees based on their new salary amount. The Total Compensation Statement illustrates the benefits TMRS provides by highlighting base salary and benefits combined.

Project Management

DocuSign. Benefit Administration used DocuSign to finalize 1,150 benefit applications over the last 90 days with member response time averaging less than one day.

MyTMRS Refund Application. 2,284 refund applications were submitted through the portal over the last 90 days, 33% more than the number of paper applications processed during the same time.

Estimate Purge. In March, the Texas State Library and Archives Commission (TSLAC) approved an amendment to TMRS' record retention schedule that requires retirement estimates to only be retained for one year. Following TSLAC's approval, more than three million pre-2023 estimates were purged.

Spanish Welcome Video. A Spanish "Welcome to TMRS" video was produced in May and posted to TMRS' website as an additional resource for TMRS Members. All cities were notified by email on May 2.

Professional Development. In May, Tricia Solis became a Certified Manager of Quality/Organizational Excellence through the American Society for Quality and a Lean Six Sigma Green Belt.

Quality Initiatives


Quality Texas Foundation (QTF). Andi Focht-Williams attended the QTF Examiner training in April. The training provided a deeper understanding of the Baldrige Excellence framework and hands on experience with analyzing and evaluating QTF award applications.

Earlier this month, staff attended the 31st Annual Quality Texas Foundation Regional Program Award Recognition Conference where TMRS was recognized for successfully completing the Pioneer and Engagement Level Applications. Anali Alanis and Colin Davidson delivered a presentation titled “Our Journey to Excellence” to provide guidance to organizations just beginning their QTF journey.

The Commitment Level Application will be submitted in August 2024.



June 17, 2024

To: Board of Trustees
From: Christine M. Sweeney, Chief Legal Officer 
Re: Agenda Item 3: Second Quarter Legal Report

TMRS Legal Work on Investment Matters, Public Information Requests, and Other Matters.

- **Investment Matters.** Below is a summary of the investment allocations and other investment related agreements that staff attorneys have reviewed and approved during the period noted.
 - From March 15, 2024 → June 13, 2024
 - 5 investment allocation transactions
 - 39 other investment related items

- **General Contracting and Benefits Matters.** Since March, Legal has handled and submitted the following items for signature or approval. Many non-investment matters handled by Legal staff do not require a signature or approval by the Executive Director and those are not included in the numbers below:
 - From March 15, 2024 → June 13, 2024
 - 24 contracts (non-investment related) submitted for signature
 - 0 other benefits administration and non-investment related items submitted for signature or approval
 - 29 city ordinances reviewed or generated for City Services


- **Public Information Requests.** Since March 15, 2024, Legal staff have worked on 26 information requests under the Texas Public Information Act.

TMRS Administrative Cases. None pending.

Legal Supplement. The Legal Supplement in the Diligent Resource Center includes confidential legal updates and background information.



June 17, 2024

To: Board of Trustees
From: Anali Alanis, Chief Service Officer 
Re: Agenda Item 3: Second Quarter Services Report

I'm pleased to report on the second quarter activities of the Benefit Administration, City Services, Communications, Education Services, Member Service Center, and Plan Design and Funding departments.

Benefit Administration

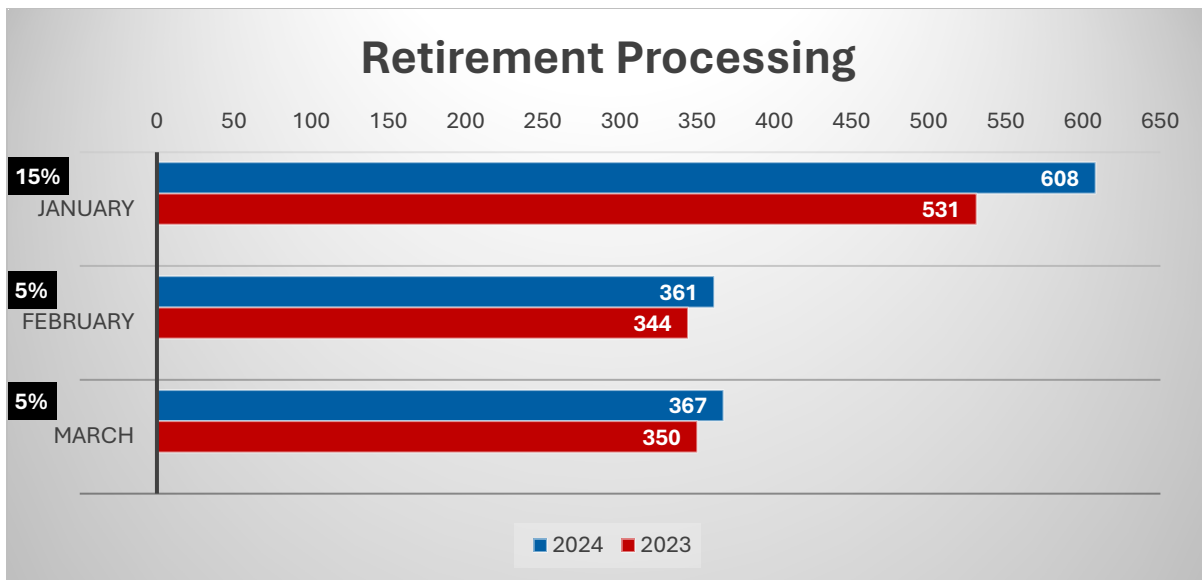
Personnel Update. In March 2024, April Hernandez became the Director of Benefit Administration. Upon her arrival, April restructured the department to align experience, skills and strengths. LaShelle Ruiz was promoted to Benefit Administration Manager. Veronica Mendieta, Patty King, James Lee and Michelle Trevino were all promoted to Senior Analyst.

In addition, TMRS welcomed Rene Garza to the Benefit Administration team. Rene comes from TCDRS and TRS. He has already hit the ground running and we're excited to have him.

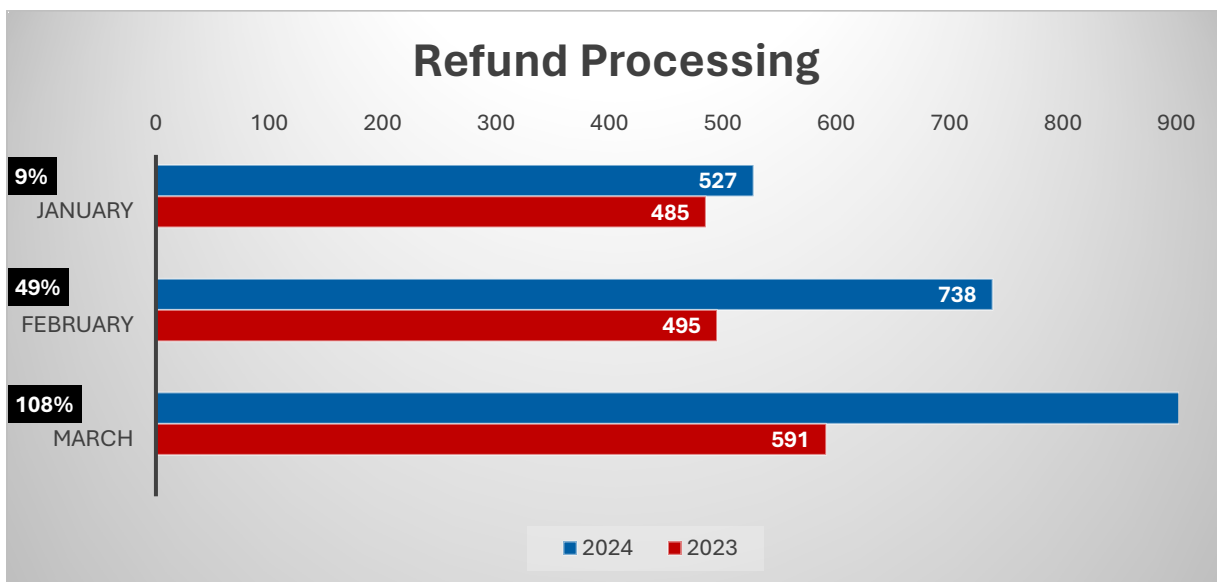
The Benefit Administration also welcomed internal transfers Amanda Rivera and Jo Anna Espinoza from the Member Service Center and Terraye Whitehead from City Services. Taking calls and helping cities has provided experience that has helped them transition effectively to processing.

Service Enhancements. We have implemented efficiency process changes, leading the Benefit Administration team to 100% completion on all key processing queues for the first time in TMRS history. The Services department has initiated a weekly training hour with the Member Service Center and Education team, scheduled for Friday mornings. This collaboration aims to enhance interdepartmental knowledge and communication between the Services department and improve member service.

Retirements. In the first quarter of 2024, TMRS processed 1336 retirements, a 9% increase from the same quarter in 2023 and a 4% increase from the 856 retirements processed in the previous quarter of 2023.



Refunds. TMRS issued 2,495 refunds in the first quarter of 2024, which was a 59% increase from the same quarter in 2023, and a 51% increase from the 1,649 refunds processed in the previous quarter of 2023.



City Services

Plan Changes. Year-to-date, 52 plan change studies have been prepared, 11 cities have made changes to their TMRS plan, and 20 cities have requested model ordinances.

City Consultations. City Services, Education Services, and the Plan Design and Funding teams have met with and provided consultation for 34 cities.

New Cities. So far in 2024, four cities have joined TMRS. Point Comfort (February 1), China Grove (April 1), and San Elizario (June 1) began participating early this year, and Weston will begin participation on July 1. This brings the total number of participating cities in TMRS to 938.

Communications

Organizational Support. The Communications department continues to collaborate with other departments to complete various projects. This quarter, Communications assisted with the following:

- Produced and distributed the “Welcome to TMRS” video in Spanish
- Assisted Plan Design and Funding with the annual Rate Letter project by uploading 972 City Rate letters to the website, creating a 2025 Rate Letter webpage, posting a website announcement and notifying the cities via email
- Produced and distributed the Q2 MainStreet for City Services
- Assisted Education Services with three Pre-Retirement Seminars by creating the registration pages and distributing invitations and reminders
- Sourced and produced new promotional items for Education Services
- Revised nine letters for daily mailing and 17 most used forms for Benefit Administration
- Began a campaign to improve online presence on LinkedIn
- Increased the TMRS Google ranking to 4.4 stars and 62 reviews, the highest of any Texas public pension plan
- Updated and reorganized the employee Intranet
- Coordinated media requests for Investments
- Sourced a vendor and launched a webpage and brand update project for Investments
- Compiled and distributed new city welcome packets for City Services
- Provided more than 45 website changes across departments
- Provided branded graphic needs for QTF applications for Quality Initiatives
- Created new graphics for events, registration pages and flyers for Education Services
- Created and implemented new communication strategy for events for Education Services

Communication Numbers. Since January 1, Communications has sent 30 mass emails to 493,508 recipients, hosted 490,000 website page views, and increased mobile app downloads to a total of 37,653, received 12,552 LinkedIn views and impressions, and added more than 13,000 subscribers to E-News

Education Services

Member Counseling/Education. Education Services’ Regional Managers have counseled/educated more than 8,300 Members through Q2 2024. The Education team has represented TMRS at 122 city events this year and has conducted 1,050 counseling sessions.

Webinars. The Education Team has hosted 24 webinars this year for more than 2,017 attendees. Members and cities can register to attend these educational webinars on tmrs.com.

Direct City Contacts Initiative. The Education Team is making direct calls to TMRS authorized contacts at each of the 938 participating cities this year. During these individualized calls, city contacts are introduced or re-introduced to their TMRS Education Services Regional Manager, informed about available education services and resources, and assisted with validating the city's designated TMRS City Portal authorized contacts. The team has contacted 464 cities this year.

Member Service Center

Personnel Update. The Member Service Center welcomed three new Analysts to the team in 2024. Megan Limon (1/24/2024), Stevie Middleton (5/6/2024) and Elizabeth Rankin (5/13/2024) all have professional backgrounds in service fields and exemplify the traits that a successful MSC Analyst should have. Their positive attitudes and eagerness to learn are apparent and appreciated as we have progressed through their preparation and training.

Call Volume. This year, the Member Service Center has answered 44,689 incoming calls with a median wait time of 10 seconds.

Call Topics. The Member Service Center continues to attend weekly training to bolster our understanding of current TMRS topics and to help cement new policies/procedures as they arise, enabling us to function better as the '*one-stop shop*' we intend to be for our members and cities. The most common call topics that the MSC receives are related to Refunds (16%), Retirement (13%) and MyTMRS (12%), with Refunds taking a slight lead over the others; this is possibly due to the Online Refund option that was newly added as of this year.

Plan Design and Funding (PDF)

2023 Actuarial Valuation. The Plan Design & Funding (PDF) team coordinated all valuation activities between TMRS and GRS. At the May meeting, the Board accepted the 2023 Actuarial Valuation Report and certified the 2025 contribution rates for participating cities. While each city has its own funded ratio, TMRS' funded ratio as a whole is 89.7%.

2025 Contribution Rate Letters. Contribution rate letters containing detailed information on each city's 2025 contribution rate were uploaded to the TMRS website on June 3. An announcement was posted on the TMRS website and emailed to the city contacts.

City Plan Change Studies and Meetings. The PDF team continued working with cities who are considering plan changes. Since January 1, they have attended 38 meetings either in person or virtually. In addition, there are 127 cities currently on the list for a plan change study when the staff version of the plan design tool becomes available later this month.

City Portal Plan Design Tool. Staff have been working with GRS to develop a self-service plan design tool to be accessed through the city portal. This self-service tool will allow cities to compare the financial impact of alternative plan provisions to their current TMRS plan. PDF has been

extensively testing the software during the development stage. July 15 is the target date for the new tool to be accessible in the city portal.

2023 Valuation Census Data. The 2023 valuation census data that is used in preparing the GASB 68 and GASB 75 reporting packages has been uploaded to the City Portal. The census data is provided to assist participating cities with the audit of their city financial statements.

GASB 68 and GASB 75 Reporting Packages. PDF is working with GRS in preparing each participating city's GASB reporting package that will be posted to the website by July 31.

Interim Legislative Activities. PDF is working with other TMRS staff and GRS in preparing materials for discussion with the Stakeholder Advisory Committee (SAC) on potential legislative topics.



June 17, 2024

To: Board of Trustees

From: Jac Greene, Chief Information Officer

A handwritten signature in black ink, appearing to be "JG", is written over the name "Jac Greene" in the "From:" field.

Re: Agenda Item 3: Information Services Second Quarter Report

In the second quarter, the Information Services Department initiated a Network and Cloud assessment to improve our infrastructure, advanced three major software initiatives (MyTMRS rebuild, online retirement application and NextGen rebuild), developed and refined documentation of internal processes, and enhanced security and operational tools. Additional activities by teams include:

Data Management. The team added an internal candidate Data Engineer to assist with the action plan initiative to enhance data access and analytics. A TMRS data store has been created that will soon stock data and allow for interactive, self-service reports and performance measurement dashboards.

Enterprise Architecture. Our two enterprise architects support business operations by working alongside the Director of Project Management on organization-wide improvement initiatives that require technical expertise. This quarter architects assisted with the evaluation of vendors related to IS service management and ID verification. Institutional knowledge is being shared with newer employees through monthly training sessions, with training materials made available across departments.

Infrastructure and Customer Support. The teams expanded Microsoft Azure and AWS cloud services; launched the Enterprise Service Management project to replace the current ticketing system; supported Information Security and Data Management enhancement projects; assisted with electronic records management system projects for the Benefit Administration Department; and provided system patching and customer support.

Information Security. In collaboration with its security partners, the team has addressed Penetration Testing findings and is aligning security operations to ensure the effective protection of TMRS systems and data. The Enterprise Risk Management (ERM) Program Charter and ERM Policy were adopted, and a risk management tool was purchased to facilitate the risk management

process under the newly formed program. The team is educating internal stakeholders on cybersecurity matters by hosting incident response exercises.

Software Development. The team has partnered with a third-party vendor to rebuild NextGen, the pension administration system, and MyTMRS, the Member portal. An online retirement application is being designed, as well as a new look and additional features for MyTMRS. The team continues to support the Services teams with software programming requests.

Records Management. Staff processed 10,295 incoming documents received by mail, fax, City Portal or DocuSign resulting in 44,027 pages being scanned and loaded into the electronic document management system; Staff handled 6,604 pieces of incoming mail and 7,560 pieces of outgoing mail. The proposed TMRS Records Retention Schedule that will be submitted to the Texas State Library and Archives Commission in August 2024 has been reviewed by all departments. In accordance with the current retention schedule, more than three million estimates and 34,355 electronic records were deleted this quarter. Records Specialist Guadalupe Gonzalez was accepted into the Institute for Certified Records Managers (ICRM) Certification Program.



June 18, 2024

To: Board of Trustees

From: Nick O’Keefe, Chief Financial Officer 

Re: Agenda Item 3: Second Quarter Report

- **Accounting.**

- Award for Outstanding Achievement. For the 18th consecutive year, TMRS earned the Government Finance Officers Association’s distinguished Award for Outstanding Achievement in Popular Annual Financial Reporting, the highest form of recognition in governmental accounting and financial reporting.
- 2022 Annual Comprehensive Financial Report. Accounting staff completed the 2023 Annual Comprehensive Financial Report (ACFR). CliftonLarsonAllen (CLA), TMRS’ independent auditor, gave TMRS a clean opinion on the ACFR with no control issues noted.
- System and Organization Controls (SOC) Audit. CLA issued the 2023 SOC report with a clean opinion. This report provides assurance to our participating cities on the suitability and operating effectiveness of controls of TMRS’ pension management system.
- NetSuite. After a comprehensive search, TMRS has selected and has begun implementing Oracle’s NetSuite general ledger system to replace our current general ledger system.

- **Internal Audit**

The Audit Committee met on June 6th to:

- Receive an update on the External Quality Assessment.
- Receive an Update on the 2023-2024 Audit Plan.
- Consider and act on the evaluation of the Internal Auditor.



June 17, 2024

To: Board of Trustees
From: Kristyn Scoggins, Director of Internal Audit *Kristyn Scoggins*
Re: Agenda Item No. 4: Report on Audit Committee Meeting

The Audit Committee met on June 6, 2024 with Committee Chair David Landis and Committee Vice Chair Roy Rodriguez present via Zoom. Staff present included David Wescoe, Christine Sweeney, Kristyn Scoggins, Nick O’Keefe, Debbie Muñoz, Madison Jechow, Jac Greene and Anali Alanis.

An Update on the External Quality Assessment. I explained the External Quality Assessment required by Internal Auditing standards. We then discussed the selection process that led to TMRS engaging Larry Jensen and Marci Sundbeck with Audit and Risk Management Services to perform the assessment. Their final report is expected to be issued in August.

An Update on the 2023-2024 Audit Plan. I discussed the status of the 2023-2024 Audit Plan and other internal audit activities.

Consider and Act on Evaluation of the Internal Auditor. Mr. O’Keefe discussed the evaluation and proposed salary increase for the Director of Internal Audit. The Committee voted unanimously to make a recommendation to the Board, which is to be discussed during Executive Session.

All items presented at the meeting are available in the Audit Committee section in Diligent.



June 17, 2024

To: Board of Trustees

From: Debbie Muñoz, Deputy Executive Director

A handwritten signature in blue ink that reads "Debbie J. Muñoz".

Re: Agenda Item 5: Report on Stakeholder Advisory Committee Meeting

The Stakeholder Advisory Committee met on June 6 to continue its discussions about decoupling the Updated Service Credit (USC) and Cost-of-Living Adjustment (COLA) benefits, and other potential COLA options.

Committee Vice Chair Tricia Mirabelle will provide a summary at the Board meeting.



June 17, 2024

To: Board of Trustees
From: David Wescoe, Executive Director 
Re: Agenda Item 6: Consider and Act on Renewal of Government Relations Consultant Contract

Ron Lewis & Associates has provided legislative consulting services to TMRS since 2004.

After a comprehensive 2020 RFP, the Board again selected the firm to represent TMRS at an annual retainer of \$7,000/month. (This was an increase of only \$125/month from the terms of the 2016 agreement.)

Given the firm's extensive and positive experience with TMRS and its effective efforts on TMRS' behalf, I recommend that TMRS retain Ron Lewis & Associates for another two years, with the option to renew for an additional two-year term, at the rate of \$9,000/month.



June 17, 2024

To: Board of Trustees

From: Kristyn Scoggins, Director of Internal Audit *Kristyn Scoggins*

Re: Agenda Item No. 7: Receive System and Organization Controls (SOC) Audit Results

CliftonLarsonAllen LLP (CLA) completed the System and Organization Controls (SOC) audit on TMRS for the period covering May 1, 2023 through April 30, 2024.

The SOC 1 Type 2 report provides assurance to participating cities on the suitability and operating effectiveness of controls of TMRS' pension management system. CLA issued an unmodified opinion for all control objective areas tested. Due to the SOC's confidential nature, it is made available to cities via the City Portal.

CLA Engagement Manager Brittany Smith will present the audit results.

Attachment

Independent Service Auditors' Report on TMRS' Description of its Pension Management System and the Suitability of the Design and Operating Effectiveness of Controls Relevant to Financial Reporting (SOC 1 Type 2)



June 18, 2024

To: Board of Trustees

From: Nick O'Keefe, Chief Financial Officer

A handwritten signature in black ink, appearing to be "Nick O'Keefe", is written over the printed name.

Re: Agenda Items No. 8 and 9: Receive 2023 Financial Statement, the Schedule of Changes in Fiduciary Net Position by Participating City Audit Results, and Required Auditor Communication.

CliftonLarsonAllen LLP (CLA), TMRS' independent auditor completed two TMRS financial audits.

In one audit, CLA issued an unmodified opinion on TMRS' financial statements for the year ended December 31, 2023.

In the other, CLA issued an unmodified opinion on TMRS' Schedule of Changes in Fiduciary Net Position by Participating City. This audit provides assurance to participating cities on the pension amounts cities recognize in their own financial statements and provides data to TMRS' consulting actuary, GRS, for the city pension disclosure packages.

Additionally, as required by auditing standards, CLA has drafted its required communication to the Board to communicate certain matters about the financial reporting process.

CLA Manager Brittany Smith will present their audit results.

ATTACHMENTS:

- 1 - CLA Presentation on 2023 Financial Statement and System and Organization Controls (SOC) Audit Results for Agenda Items 7, 8 and 9.
- 2 - Independent Auditor's Report on the Financial Statements
- 3 - Independent Auditor's Report on the Schedule of Changes in Fiduciary Net Position by Participating City
- 4 - TMRS' Schedule of Changes in Fiduciary Net Position by Participating City for the Year Ended December 31, 2023
- 5 - CLA's Letter to the Board of Trustees for the year ended December 31, 2023



2023 Financial Statement and System and Organization Controls (SOC) Audit Results

June 27, 2024



2023 Audit Results – Financial Statements



Independent Auditors' Report – Unmodified opinion that the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).



Limited procedures were performed, and no opinion rendered, on management's discussion and analysis, required supplementary information, and the Introductory, Investment, Actuarial, and Statistical sections.



Limited procedures were performed, and an unmodified "in relation to" opinion was rendered on the other supplemental schedules.

2023 Audit Results – Schedule of Changes in Fiduciary Net Position (by Participating City)



Independent Auditors’ Report - Unmodified opinion that the fiduciary net position and the changes in fiduciary net position in the Schedule of Changes in Fiduciary Net Position (by Participating City) are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).



Unmodified “in relation to” opinion was issued on the individual employer information presented in the Schedule.

2023 Audit Results – System Organization and Controls (SOC) Report



Independent Auditor’s Report – Unmodified “clean” opinion that the controls implemented by TMRS were fairly presented, adequately designed, and operating effectively to meet the stated control objectives for the period May 1, 2023 through April 30, 2024.



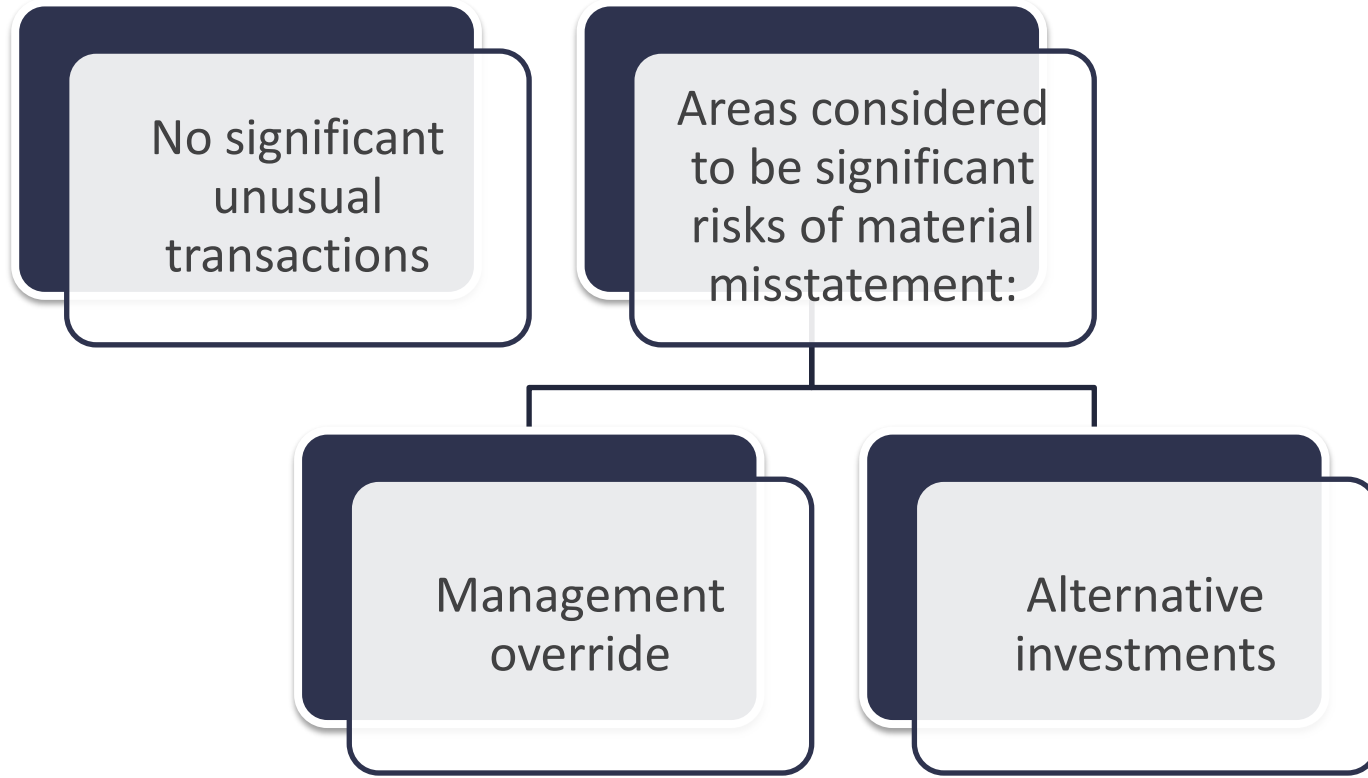
No exceptions noted for the 9 control objectives tested.

Required Governing Body Communications

- Auditor's responsibility under U.S. Generally Accepted Auditing Standards
- Significant accounting policies
 - No new significant accounting standards implemented
- No audit adjustments or passed audit adjustments
- Management judgments and accounting estimates
 - Valuation of alternative investments
- Management was very cooperative and professional during the audit process



Required Governing Body Communications (continued)



Required Governing Body Communications (continued)

No disagreements with management

No difficulties encountered during the audit

Management did not consult with other accountants on the application of GAAP or GAAS

No major issues were discussed with management prior to retention

Management representations were provided



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Engagement Principal

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Engagement Manager

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CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Texas Municipal Retirement System
Austin, Texas

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

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

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



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Texas Municipal Retirement System
Austin, Texas

Report on the Audit of the Schedule

Opinion

We have audited the fiduciary net position as of December 31, 2023, and the changes in fiduciary net position for the year then ended, included in the accompanying schedule of changes in fiduciary net position by participating city (Schedule) of the Texas Municipal Retirement System (TMRS) and the related notes.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Texas Municipal Retirement System as of December 31, 2023, and the respective 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 Schedule 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 Schedule

Management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the fiduciary net position and the changes in fiduciary net position included in the Schedule 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 fiduciary net position and the changes in fiduciary net position included in the Schedule.

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 Schedule, 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 Schedule.
- 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 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 Schedule.

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.

Supplementary Information

Our audit of the financial statements of TMRS was conducted for the purpose of forming an opinion on the financial statements as a whole. The individual employer information presented in each of the individual columns of the accompanying Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. The individual employer information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Each column of individual employer information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual employer information presented in each individual

Board of Trustees
Texas Municipal Retirement System

column of the accompanying Schedule is stated fairly, in all material respects, in relation to the financial statements of TMRS as a whole. We do not express an opinion on the fiduciary net position or changes in fiduciary net position of each individual employer.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of TMRS as of and for the year ended December 31, 2023, and our report thereon, dated June 12, 2024, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of TMRS management, the Board of Trustees, TMRS' participating employers explicitly named in the Schedule, as of and for the year ended December 31, 2023, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 12, 2024



Board of Trustees
Texas Municipal Retirement System
Austin, Texas

We have audited the financial statements and the schedule of changes in fiduciary net position by participating city of the Texas Municipal Retirement System (TMRS) as of and for the year ended December 31, 2023, and have issued our reports thereon dated June 12, 2024. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit orally during our discussion dated April 1, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the TMRS are described in Note 1 to the financial statements.

No new significant accounting policies were adopted and the application of existing policies was not changed during 2023.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the valuation of investments in private markets, including real estate, hedge funds and private equity investments. Management relied on the use of outside specialists to help derive these estimates. We evaluated the key factors and assumptions used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated June 12, 2024.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the combined schedule of changes in fiduciary net position, schedule of administrative expenses and investment expenses, and schedule of professional services (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated June 12, 2024.

Other information included in the Annual Comprehensive Financial Report

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your Annual Comprehensive Financial Report (ACFR) and is comprised of introductory, investment, actuarial and statistical sections (collectively, the other information). Our responsibility for other information included in your ACFR does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your ACFR. We are required by professional standards to read the other information included in your ACFR and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. 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. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the ACFR. We did not identify any material inconsistencies between the other information and the audited financial statements.

* * *

Board of Trustees
Texas Municipal Retirement System
Page 4

This communication is intended solely for the information and use of the Board of Trustees and management of the TMRS and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 12, 2024



June 12, 2024

CliftonLarsonAllen LLP
1966 Greenspring Drive, Suite 300
Timonium, MD 21093

This representation letter is provided in connection with your audit of:

- the financial statements of the Texas Municipal Retirement System (TMRS), which comprise the fiduciary net position as of December 31, 2023, and the related changes in fiduciary net position for the year then ended, and the related notes to the financial statements,
- the schedule of changes in fiduciary net position by participating city, and the related notes for the year ended December 31, 2023

for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to misstatements that are material. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable person based on the financial statements.

We confirm, to the best of our knowledge and belief, as of June 12, 2024, the following representations made to you during your audits of the financial statements and schedule of changes in fiduciary net position by participating city as of and for the year ended December 31, 2023.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated April 9, 2024, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge and have fulfilled our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, including those measured at fair value, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

TEXAS MUNICIPAL RETIREMENT SYSTEM

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5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. No significant plan amendments were adopted during the period or subsequent to the date of the financial statements.
8. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
9. We have not identified or been notified of any uncorrected financial statement misstatements.
10. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning material litigation, claims, or assessments, except as we have disclosed to you.
11. Guarantees, whether written or oral, under which TMRS is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
12. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements, if any.
13. We have analyzed all lease contracts and have considered and recorded material embedded leases contained within other contracts in accordance with U.S. GAAP.
14. The methods and significant assumptions used to determine fair values of financial instruments are as follows: 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 (alternative 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. Futures contracts are considered derivative financial instruments and are reported at fair value, with valuation changes reported as investment income. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
15. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
16. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. No impairment loss or insurance recoveries were incurred.

17. We believe the plans and trusts established under the plans are qualified under the appropriate section of the Internal Revenue Code, and we intend to continue them as qualified plans and trusts.
18. We are not aware of any present legislative intentions to terminate the plans.
19. All material concentrations have been properly disclosed in accordance with U.S. GAAP. We understand that concentrations include the nature and type of investments held by TMRS, or markets for which events could occur which would significantly disrupt normal finances within the next year.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records (including information obtained from within and outside of the general and subsidiary ledgers), documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within TMRS from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees that you requested from us, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from regulatory agencies, received in the last fiscal year and through the date of this letter, concerning noncompliance with, or deficiencies in, financial reporting practices, if any.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects TMRS and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting TMRS' financial statements communicated by employees, former employees, regulators, or others, except as we have disclosed to you.

6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts or abuse whose effects should be considered when preparing financial statements.
7. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
8. There are no known related-party relationships or transactions which need to be accounted for or disclosed in accordance with U.S. GAAP.
9. TMRS has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
10. We are responsible for compliance with the laws, regulations, and provisions of contracts applicable to TMRS; and we have identified and disclosed to you all laws, regulations, and provisions of contracts that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
11. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), or provisions of contracts whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
12. TMRS has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
13. We have followed applicable TMRS statute in adopting and approving the operating budget.
14. The values of non-readily marketable investments represent good faith estimates of fair value or lower of cost or market. The methods and significant assumptions used are appropriate for financial measurement and disclosure purposes.
15. Interfund activity and balances have been appropriately classified and reported.
16. Deposits, investment securities, and derivative instruments are properly classified as to risk and are disclosed.
17. Capital assets are properly capitalized, reported, and, if applicable, depreciated.
18. We have obtained the service auditor's report from our service organization State Street Bank. We have reviewed such report, including the complementary user controls. We have implemented the relevant user controls, and they were in operation for the year ended December 31, 2023.
19. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

20. We acknowledge our responsibility for presenting the Schedules of Changes in Fiduciary Net Position – by Fund, Administrative Expenses, Professional Services, and Investment Expenses (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
21. We acknowledge our responsibility for the preparation of the other information included in our Annual Comprehensive Financial Report (ACFR), which is comprised of the introductory, investment, actuarial and statistical sections (other information). The other information is consistent with the financial statements and does not contain any material misstatements.

Sincerely,

Texas Municipal Retirement System

DocuSigned by:


David B. Wescoe, Executive Director

DocuSigned by:


Nick O'Keefe, Chief Financial Officer



June 18, 2024

To: Board of Trustees

From: Nick O’Keefe, Chief Financial Officer

A handwritten signature in black ink, appearing to be "Nick O'Keefe", is written over the name in the "From:" field.

Re: Agenda Item No. 10: Receive and Approve Distribution of 2023 Annual Comprehensive Financial Report

TMRS’ Annual Comprehensive Financial Report for the Year Ended December 31, 2023 (ACFR) has been prepared in accordance with U.S. Generally Accepted Accounting Principles, all applicable Governmental Accounting Standards Board statements, and the Government Finance Officers Association Certificate of Achievement program guidelines.

CliftonLarsonAllen LLP (CLA) audited TMRS’ 2023 financial statements (located in the Financial Section of the ACFR) and issued an unmodified opinion.

RECOMMENDATION:

Staff recommends the Board receive and approve distribution of the ACFR to TMRS participating cities and interested parties.


ATTACHMENTS:

- 1 - Presentation on TMRS Annual Comprehensive Financial Report for the Year Ended December 31, 2023.
- 2 - TMRS’ Annual Comprehensive Financial Report for the Year Ended December 31, 2023.



June 17, 2024

To: Board of Trustees

From: Yup Kim, Chief Investment Officer 

Re: Agenda Item 11a: Chief Investment Officer Report

Chief Investment Officer Key Performance Indicator (“CIO KPI”) Dashboard. The CIO KPI Dashboard aims to highlight important investment metrics on a consistent basis.

Portfolio pacing and construction: Staff has in process 51% of the 2024 private markets commitment target minimum of \$1.9 billion and is on plan to complete its portfolio pacing for CY2024. The Trust Fund asset allocations remain within Board-approved ranges.

Reduce costs: Co-investments are investments made alongside our investment managers which have the benefit of having reduced to no management or carried interest fees. Today, total co-investments represent 5.3% of total private market net asset value, and it is a priority for staff to continue growing co-investment share of total investment.

Sustainable performance: Net returns exceeded actual allocation benchmark for the one and five-year periods by 155 basis points and 172 basis points, respectively. Trust Fund returns sit above peer median at 2nd quartile for the one-year period but at 4th quartile for the five-year period. Trust Fund net returns exceeded the actuarial rate assumption of 6.75% for the one and five-year period by 486 basis points and 44 basis points, respectively. Trust Fund risk was lower than the peer median for both the one and five-year periods.

Staff Investment Committee (SIC). Since January, the SIC approved \$505 million of new commitments across three funds and three co-investment vehicles. The near-term investment opportunities to be considered by the SIC totals \$1.3 billion.

Staff Recruitment. Staff will aim to fill open positions in the Investment department that will be critical to the portfolio’s long-term success.

I am pleased to announce the TMRS’ Booth Summer Fellowship and its inaugural fellow Kash Molwani. Kash is an incoming first year MBA student at Harvard Business School and is a private equity vice president at The Blackstone Group.

Board Education. Tom Masthay will present the annual review of the Real Assets asset classes.



Chief Investment Officer Report

Yup Kim, Chief Investment Officer
Board of Trustees Meeting
June 27, 2024

CIO Key Performance Indicator Dashboard

	Key Performance Indicator (KPI) description	Grade	Progress	
Portfolio pacing and construction	Fully commit private market target allocation	On-track	~51% of commitment target minimum in process	
	Trust fund asset allocation in compliance	On-track	In compliance	
Reduce cost	Increase co-investment share of private markets for improved returns and cost savings	Transitioning	5.3% of total private markets net asset value	
			<i>One-year</i>	<i>Five-year</i>
Sustainable performance	Net returns exceed benchmark	On-track	+155 bps	+172 bps
	Trust fund returns above peer median	Transitioning	2nd	4th
	Trust fund risk lower than peer median	On-track	1st	1st
	Trust fund net returns exceeds the actuarial rate assumption of 6.75%	On-track	+486 bps	+44 bps



Q1 2024 Trust Fund Report

Yup Kim, Chief Investment Officer

Board of Trustees Meeting

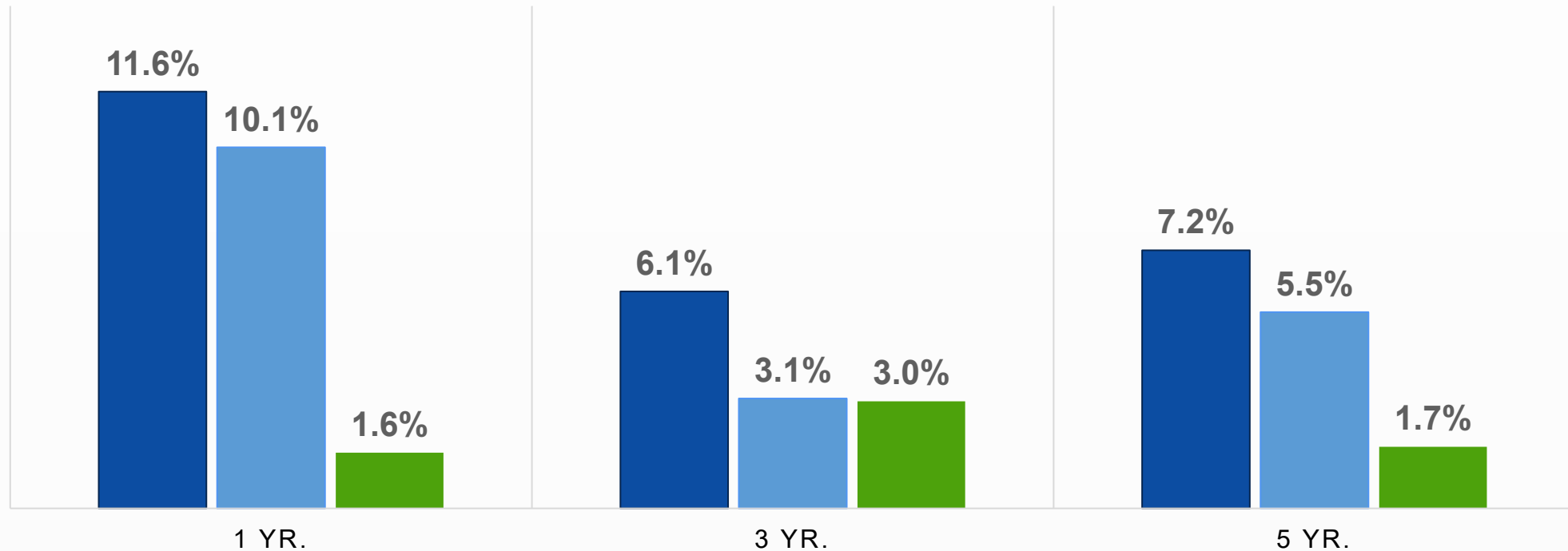
June 27, 2024

Trust Fund Net Returns Exceed Benchmarks

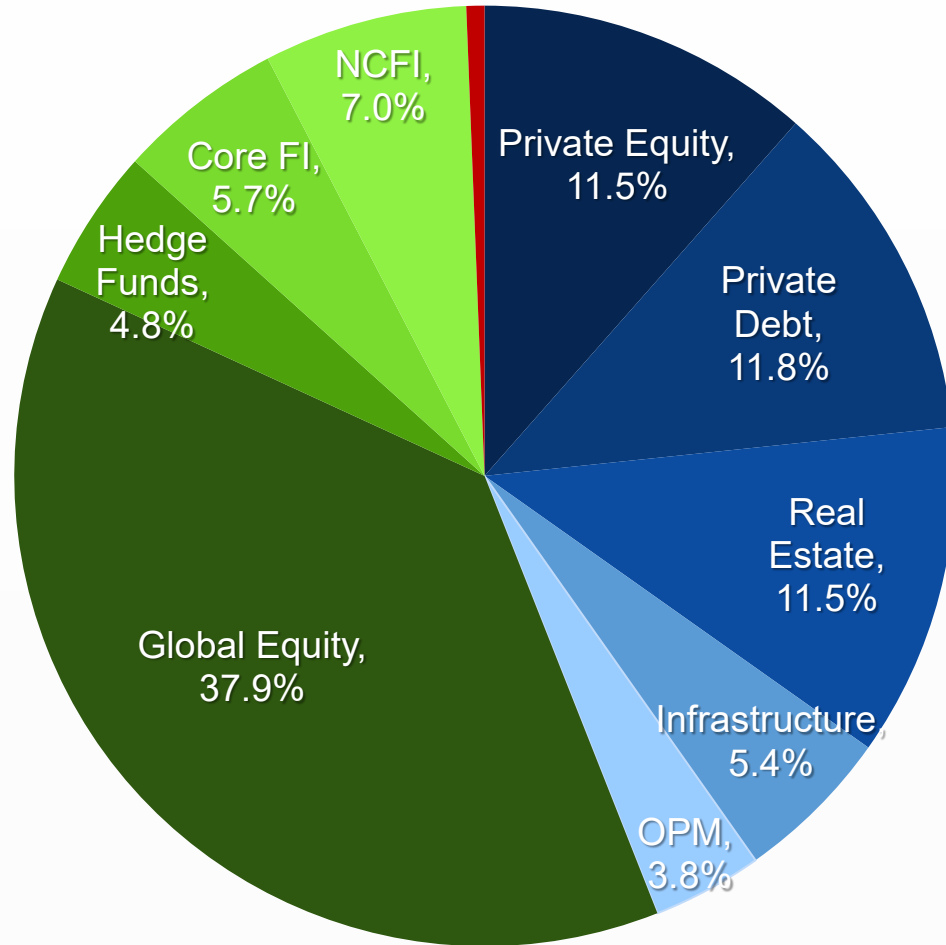
Net Returns exceed Trust Fund Benchmark over the 1, 3 and 5 year periods

Net Performance as of March 31, 2024

■ Trust Fund ■ Benchmark ■ Excess Return



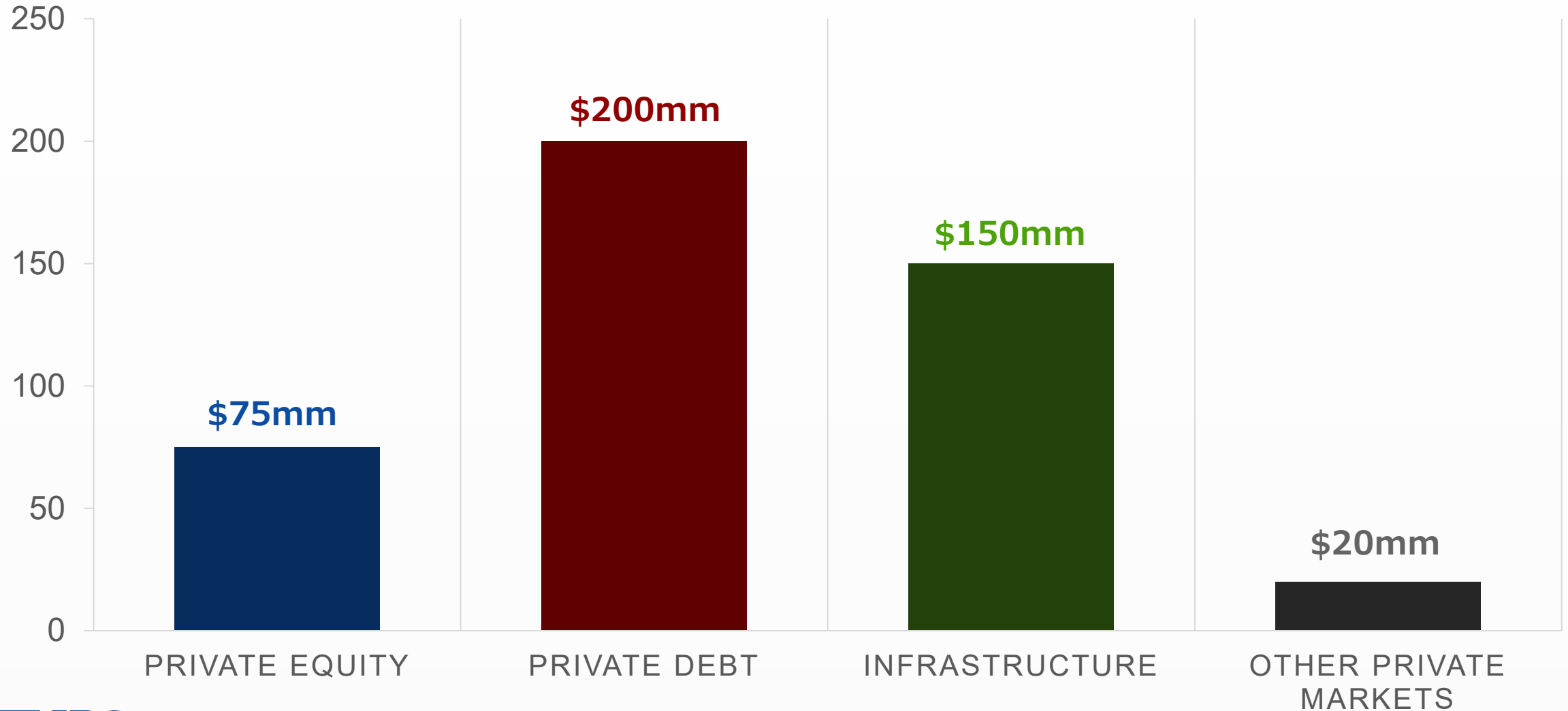
Trust Fund Asset Allocation Aligns with Targets



	Strategic Target	Actual as of Mar. 31, 2024	Policy Range
■ Private Equity	13%	11.5%	8 – 18%
■ Private Debt	13%	11.8%	8 – 18%
■ Real Estate	12%	11.5%	7 – 17%
■ Infrastructure	6%	5.4%	1 – 11%
■ OPM	4%	3.8%	0 – 9%
■ Public Equity	35%	37.9%	25 – 45%
■ Hedge Funds	5%	4.8%	0 – 10%
■ Core FI	6%	5.7%	1 – 11%
■ NCFI	6%	7.0%	1 – 11%
■ Cash	0%	0.6%	0 – 3%

2024 Completed Investments Totaled \$445 Million

As of March 31, 2024



2024 Completed Investments Report

As of 03/31/2024

<u>Completed Date</u>	<u>Manager or Fund Name</u>	<u>New/Existing Manager</u>	<u>Amount Committed</u>	<u>Asset Class</u>
January 11, 2024	SDC Digital Infrastructure Opportunity Fund IV, L.P.	Existing	\$150,000,000	Infrastructure
February 24, 2024	Flagship Pioneering Fund VIII, L.P.	Existing	\$75,000,000	Private Equity
March 25, 2024	BCIS El Dorado Investors, L.P.	Existing	\$20,000,000	Other Private Markets
March 28, 2024	Chorus Capital Credit Fund V USD SCSp	New	\$200,000,000	Private Debt
		Total	\$445,000,000	



June 18, 2024

To: Board of Trustees

From: Nick O'Keefe, Chief Financial Officer

A handwritten signature in black ink, appearing to be 'Nick O'Keefe', written over the name in the 'From:' field.

Re: Agenda Item No. 11d: First Quarter 2024 Investment Compliance Report

Investment Policy Statement (IPS) Compliance. TMRS was in compliance with all IPS testable parameters.

Investment Guidelines. TMRS was in compliance with the testable parameters of staff's Investment Guidelines. Testable parameters include: (i) property type and strategy diversification, (ii) geographic diversification, (iii) investment manager concentration limits, and (iv) investment vehicle concentration limits.

Investment Manager Compliance. State Street and TMRS testing confirmed that TMRS' investment managers were in compliance with Investment Guidelines.



June 17, 2024

To: Board of Trustees

From: Yup S. Kim, Chief Investment Officer

A handwritten signature in black ink, appearing to read 'Yup S. Kim', written over a circular scribble.

Re: Agenda Item 12: General Investment Consultant Quarterly Report

Christian McCormick, NEPC Senior Consultant, will discuss NEPC's Quarterly Investment Performance Report.

ATTACHMENT:

1 - NEPC 1Q 2024 Executive Summary



1Q 2024 QUARTERLY PERFORMANCE REPORT EXECUTIVE SUMMARY

JUNE 27, 2024

Samuel Austin, Partner
Christian McCormick, CFA, Senior Consultant



TOTAL FUND PERFORMANCE SUMMARY – NET RETURNS AS OF MARCH 31, 2024

COMPARED TO TRUST FUND BENCHMARK

	Market Value (\$)	1 Yr (%)	5 Yrs (%)
Total Fund, Net of Fees	40,486,272,481	11.62	7.19
Trust Fund Benchmark		10.06	5.47
Over/Under		1.56	1.72

- **For the one-year period ended March 31, 2024, the Trust Fund returned 11.62%, exceeding the Trust Fund Benchmark by 1.56%.**
 - Global Equity, Core Fixed Income, Non-Core Fixed Income (Public), Hedge Funds, Cash, Private Debt, and Real Estate exceeded their respective benchmarks, while Private Equity, Infrastructure, and Other Private Markets trailed.
- **For the five-year period ended March 31, 2024, the Trust Fund returned 7.19%, exceeding the Trust Fund Benchmark by 1.72%.**
 - Core Fixed Income, Non-Core Fixed Income (Public), Hedge Funds, Cash, Private Equity, Private Debt, Real Estate, Infrastructure, and Other Private Markets exceeded their respective benchmarks, while Global Equity trailed.



TOTAL FUND PERFORMANCE SUMMARY – NET RETURNS AS OF MARCH 31, 2024

COMPARED TO OTHER PUBLIC PENSION PLANS GREATER THAN \$10
BILLION IN ASSETS

	1 Yr (%)	Quartile Rank	5 Yrs (%)	Quartile Rank
Total Fund, Net of Fees	11.62	2nd	7.19	4th
Trust Fund Benchmark	10.06	3 rd	5.47	4 th
<i>InvMetrics Public DB > \$10 Billion Median</i>	<i>10.59</i>		<i>7.73</i>	

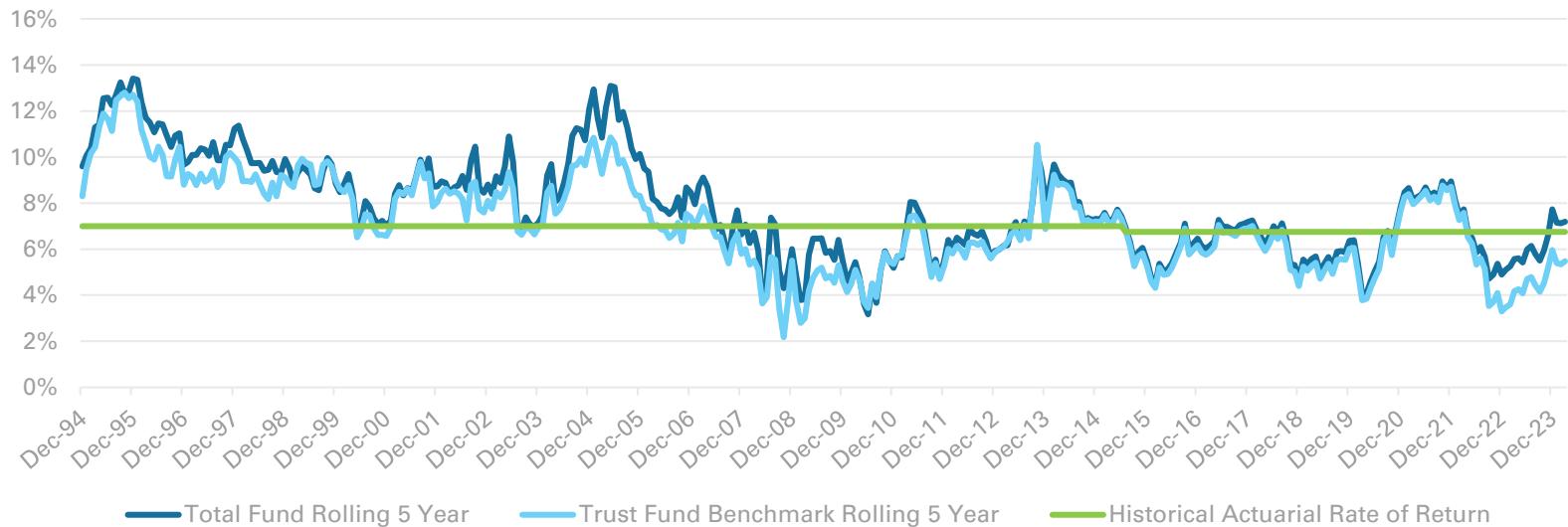
- **For the one-year period ended March 31, 2024, the Trust Fund returned 11.62% and ranked in the second quartile among other Public Defined Benefit Plans greater than \$10 billion in assets.**
- **For the five-year period ended March 31, 2024, the Trust Fund returned 7.19% and ranked in the fourth quartile among other Public Defined Benefit Plans greater than \$10 billion in assets.**

TOTAL FUND PERFORMANCE AS OF MARCH 31, 2024

VERSUS TRUST FUND BENCHMARK AND ASSUMED RATE OF RETURN

- The Trust Fund performance expectation is to exceed the Trust Fund Benchmark over rolling five-year periods.
- In the five-year period ended March 31, 2024, the Trust Fund's net return of 7.19% outperformed the Trust Fund Benchmark by 1.72%. It also exceeded the Board's Assumed Long-Term Rate of Return of 6.75%.

Rolling 5-Year Total Fund Performance vs. Trust Fund Benchmark vs. Historical Actuarial Rate of Return



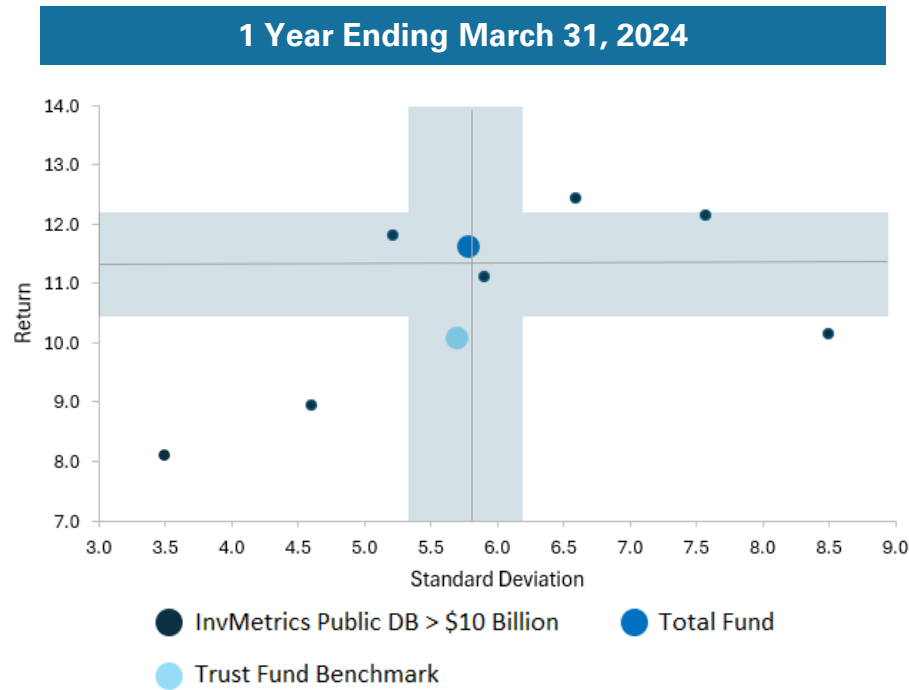
ASSET ALLOCATION COMPLIANCE AS OF MARCH 31, 2024

ACTUAL ASSET ALLOCATION VS. INVESTMENT POLICY ALLOCATION

	Current (\$)	Current (%)	Policy (%)	Differences* (%)	Policy Range (%)	Within Range
■ Global Equity	15,324,370,219	37.9	35.0	2.9	25.0 - 45.0	Yes
■ Core Fixed Income	2,311,879,428	5.7	6.0	-0.3	1.0 - 11.0	Yes
■ Non-Core Fixed Income	2,836,730,886	7.0	6.0	1.0	1.0 - 11.0	Yes
■ Hedge Funds	1,945,626,353	4.8	5.0	-0.2	0.0 - 10.0	Yes
■ Cash Composite	250,446,560	0.6	0.0	0.6	0.0 - 3.0	Yes
■ Private Equity	4,660,256,237	11.5	13.0	-1.5	8.0 - 18.0	Yes
■ Private Debt	4,790,920,711	11.8	13.0	-1.2	8.0 - 18.0	Yes
■ Real Estate	4,638,762,907	11.5	12.0	-0.5	7.0 - 17.0	Yes
■ Infrastructure	2,195,338,117	5.4	6.0	-0.6	1.0 - 11.0	Yes
■ Other Private Markets	1,531,941,063	3.8	4.0	-0.2	0.0 - 9.0	Yes
Total Fund	40,486,272,481	100.0	100.0	0.0		

- Actual asset class allocations are in compliance with Investment Policy ranges as of March 31, 2024.

TOTAL FUND RISK VS. NET RETURN: ONE YEAR AS OF MARCH 31, 2024



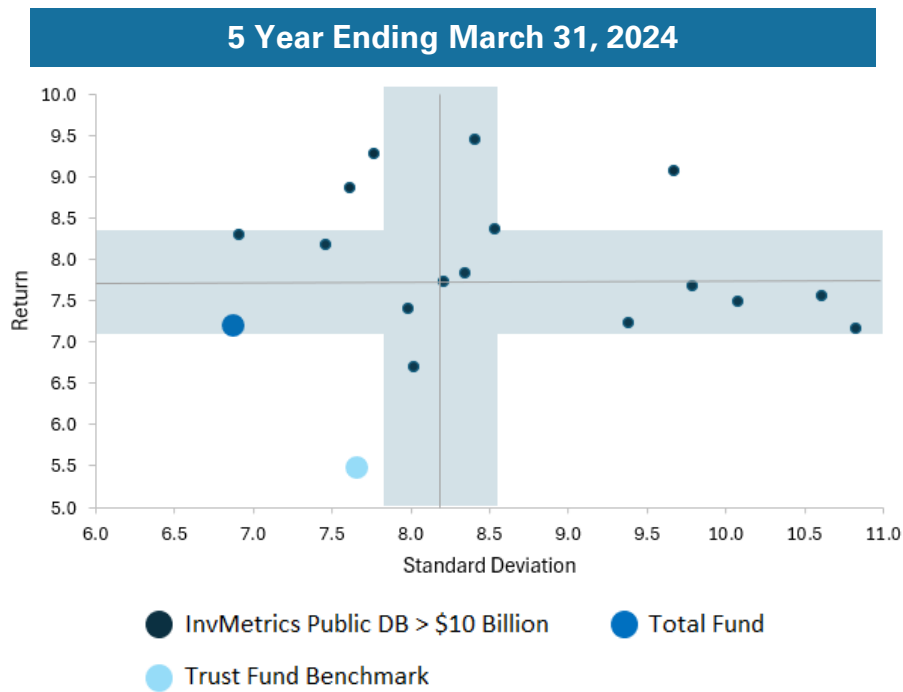
The Trust Fund generated a second quartile net investment return with lower risk, as measured by standard deviation, among other Public Defined Benefit Plans with more than \$10 billion in assets for the 1-year period ended March 31, 2024.

1 Year Ending March 31, 2024						
	Risk	Quartile Rank	Return	Quartile Rank	Sharpe Ratio	Quartile Rank
Total Fund	5.79	2nd	11.62	2nd	1.05	1st
Trust Fund Benchmark	5.70	2 nd	10.06	3 rd	0.82	3 rd
<i>InvMetrics Public DB > \$10 Billion Median</i>	<i>6.27</i>		<i>10.59</i>		<i>0.84</i>	

- The Standard Deviation interquartile range is defined as the lowest Standard Deviation measuring in the first quartile.
- InvMetrics Public DB > \$10B Median includes 18 observations.
- The scatterplot for the one-year period displays NEPC clients only.



TOTAL FUND RISK VS. NET RETURN: FIVE YEARS AS OF MARCH 31, 2024



The Trust Fund underperformed in its peer universe due to having the least amount of risk as measured by standard deviation in the 5-year period, among other Public Defined Benefit Plans with more than \$10 billion in assets.

5 Year Ending March 31, 2024						
	Risk	Quartile Rank	Return	Quartile Rank	Sharpe Ratio	Quartile Rank
Total Fund	6.88	1st	7.19	4th	0.75	2nd
Trust Fund Benchmark	7.66	1 st	5.47	4 th	0.47	4 th
<i>InvMetrics Public DB > \$10 Billion Median</i>	<i>8.28</i>		<i>7.73</i>		<i>0.71</i>	

- The Standard Deviation interquartile range is defined as the lowest Standard Deviation measuring in the first quartile.
- InvMetrics Public DB > \$10B Median includes 17 observations.



PERFORMANCE DETAIL AS OF MARCH 31, 2024

	Allocation		Performance (%)							
	Market Value (\$)	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund	40,486,272,481	100.0	3.67	11.62	6.05	7.19	6.99	6.38	8.22	Jan-89
<i>Trust Fund Benchmark</i>			<u>3.66</u>	<u>10.06</u>	<u>3.07</u>	<u>5.47</u>	<u>5.67</u>	<u>5.37</u>	<u>7.51</u>	
Over/Under			0.01	1.56	2.98	1.72	1.32	1.01	0.71	
Global Equity	15,324,370,219	37.9	7.95	22.77	6.15	10.02	9.50	8.45	6.60	Jan-08
<i>Total Equity Index</i>			<u>7.72</u>	<u>22.45</u>	<u>6.31</u>	<u>10.57</u>	<u>9.99</u>	<u>8.77</u>	<u>6.75</u>	
Over/Under			0.23	0.32	-0.16	-0.55	-0.49	-0.32	-0.15	
Core Fixed Income	2,311,879,428	5.7	-0.79	1.88	-2.33	0.60	1.32	1.75	6.46	Jan-89
<i>Core Fixed Income Benchmark</i>			<u>-0.78</u>	<u>1.70</u>	<u>-2.46</u>	<u>0.36</u>	<u>1.06</u>	<u>1.54</u>	<u>5.98</u>	
Over/Under			-0.01	0.18	0.13	0.24	0.26	0.21	0.48	
Non-Core Fixed Income	2,836,730,886	7.0	2.97	10.72	1.48	3.09	3.50		3.57	Jan-15
<i>Non-Core Fixed Income (Public) Index</i>			<u>2.70</u>	<u>4.33</u>	<u>-1.13</u>	<u>1.48</u>	<u>2.28</u>		<u>2.37</u>	
Over/Under			0.27	6.39	2.61	1.61	1.22		1.20	
Hedge Funds	1,945,626,353	4.8	6.17	11.69	5.34	6.11	5.96		5.11	Aug-14
<i>Hedge Funds Benchmark</i>			<u>3.85</u>	<u>5.75</u>	<u>3.84</u>	<u>5.61</u>	<u>4.74</u>		<u>3.76</u>	
Over/Under			2.32	5.94	1.50	0.50	1.22		1.35	
Cash Composite	250,446,560	0.6	1.34	5.47	2.87	2.15	1.94	1.53	1.05	Jun-08
<i>FTSE 1 Month US T-Bill index</i>			<u>1.36</u>	<u>5.40</u>	<u>2.65</u>	<u>2.00</u>	<u>1.87</u>	<u>1.34</u>	<u>0.91</u>	
Over/Under			-0.02	0.07	0.22	0.15	0.07	0.19	0.14	

PERFORMANCE DETAIL AS OF MARCH 31, 2024

	Allocation		Performance (%)							
	Market Value (\$)	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Private Equity	4,660,256,237	11.5	2.58	7.01	15.38	17.45	17.71		15.27	Dec-15
<i>Private Equity Index</i>			<u>2.38</u>	<u>12.00</u>	<u>4.62</u>	<u>10.75</u>	<u>12.87</u>		<u>11.28</u>	
Over/Under			0.20	-4.99	10.76	6.70	4.84		3.99	
Private Debt	4,790,920,711	11.8	1.89	10.85	7.64	7.22	6.95		6.88	Apr-16
<i>Private Debt Index</i>			<u>2.37</u>	<u>4.01</u>	<u>-1.23</u>	<u>1.41</u>	<u>2.24</u>		<u>2.86</u>	
Over/Under			-0.48	6.84	8.87	5.81	4.71		4.02	
Real Estate	4,638,762,907	11.5	-4.22	-7.67	8.09	6.05	7.23	8.87	8.99	Nov-11
<i>Real Estate Benchmark</i>			<u>-5.00</u>	<u>-12.73</u>	<u>4.09</u>	<u>3.75</u>	<u>4.94</u>	<u>7.03</u>	<u>8.19</u>	
Over/Under			0.78	5.06	4.00	2.30	2.29	1.84	0.80	
Infrastructure	2,195,338,117	5.4	5.55	11.24	11.43	10.95	9.74		9.31	Feb-16
<i>Infrastructure Index</i>			<u>3.49</u>	<u>12.81</u>	<u>2.11</u>	<u>3.30</u>	<u>3.77</u>		<u>4.25</u>	
Over/Under			2.06	-1.57	9.32	7.65	5.97		5.06	
Other Private Markets	1,531,941,063	3.8	-0.18	12.08	4.74	5.33	5.22	3.98	4.08	Mar-11
<i>Other Private Markets Index</i>			<u>11.14</u>	<u>21.15</u>	<u>4.56</u>	<u>4.78</u>	<u>4.83</u>	<u>3.94</u>	<u>3.95</u>	
Over/Under			-11.32	-9.07	0.18	0.55	0.39	0.04	0.13	

COMPOSITE BENCHMARK DEFINITIONS AS OF MARCH 31, 2024

The Trust Fund Benchmark represents the Actual Allocation Benchmark through 12/31/2023, and is based on the Strategic Target Allocation weights as of 1/1/2024, which is currently as follows:

- 35.0% Total Equity Benchmark
- 6.0% Core Fixed Income Benchmark
- 6.0% Non-Core Fixed Income Benchmark
- 5.0% Hedge Funds Benchmark
- 13.0% Private Equity Benchmark
- 12.0% Real Estate Benchmark
- 6.0% Infrastructure Benchmark
- 4.0% Other Private Markets Benchmark
- 13.0% Private Debt Benchmark

The Actual Allocation Benchmark was calculated monthly using the beginning of the month asset class weights applied to each corresponding benchmark return.

Asset Class Composite Benchmarks:

The Total Equity Benchmark is calculated monthly and consists of 50% Russell 3000 Index and 50% MSCI EAFE Index (USD) (Net) through 07/31/2010; a blend of the Russell 3000 Index, MSCI ACW Ex US IM Index (USD) (Net) and MSCI EAFE Index (USD) (Net) at beginning of month investment weights through 11/30/2012; and a blend of the Russell 3000 Index and MSCI ACW Ex US IM Index (USD) (Net) at beginning of the month weights through 12/31/2018; and MSCI ACW IM Index (USD) (Net) thereafter.

The Core Fixed Income Benchmark is calculated monthly and consists of the Bloomberg US Gov't Crdt Lng Trm Bond Index through 06/30/2009; Bloomberg US Agg Bond Index thereafter.

The Non-Core Fixed Income Benchmark is calculated using the beginning of the month sub-asset class weights within the Non-Core Fixed Income Composite applied to each sub-asset class primary benchmark return through 6/30/2021, the Bloomberg US Agg Bond Index + 1.5% on an unlagged, month lagged, or quarter lagged basis in proportion of the managers in the composite on an unlagged, month lagged, or quarter lagged basis through 12/31/2023, and consists of 50% CS Leveraged Loan Index and 50% ICE BofA U.S. High Yield Constrained Index on an unlagged, month lagged, or quarter lagged basis in proportion of the managers in the composite on an unlagged, month lagged, or quarter lagged basis thereafter.

The Hedge Funds Benchmark is calculated monthly and consists of the HFRI FOF: Dv'd Index (1 Mo Lag) through 6/30/2021, and HFRI Asset Weighted Composite Index (1 Mo Lag) thereafter.

The Private Equity Benchmark is set equal to the Composite return through 6/30/2021, the MSCI ACW IM Index (USD) (Net), one quarter lag through 12/31/2023, and the Cambridge US PE and Venture Capital, one quarter lag thereafter.

The Real Estate Benchmark is the NCREIF ODCE Index (Gross), one quarter lag through 06/30/2021, and NCREIF ODCE Index (Net), one quarter lag thereafter.

The Infrastructure Benchmark consists of the Cambridge Infrastructure Fund Index on an unlagged, month lagged, or quarter lagged basis in proportion of the managers in the composite on an unlagged, month lagged, or quarter lagged basis thereafter.

The Other Private Markets Benchmark consists of the MSCI ACW IM Index (USD)(Net) on an unlagged, month lagged, or quarter lagged basis in proportion of the managers in the composite on an unlagged, month lagged, or quarter lagged basis thereafter.

The Private Debt Benchmark consists of the Credit Suisse Leveraged Loan Index + 100bps on an unlagged, month lagged, or quarter lagged basis in proportion of the managers in the composite on an unlagged, month lagged, or quarter lagged basis thereafter.



June 17, 2024

To: Board of Trustees

From: Yup Kim, Chief Investment Officer

A handwritten signature in black ink, appearing to read 'Yup Kim', is written over the name in the 'From:' field.

Re: Agenda Item 13: Consider and Act on Amendments to the Investment Policy Statement

From my experience, I find the combined clarity, concision and completeness in TMRS' investment policy statement to be exceptional. To align with TMRS' current investment strategy, modest amendments to the IPS are requested as follows.

Section III: Investment Management

- Proposed language reflects updated roles where the Chief Financial Officer is responsible for investment compliance oversight. *(See C. Staff and Advisor Responsibilities/Chief Financial Officer)*
- Proposed language formalizes that the Staff Investment Committee serves at the direction of the Executive Director. Proposed changes establish clearer and higher standards by which investment decision making is documented. *(See C. Staff and Advisor Responsibilities/Staff Investment Committee)*

Section IV: Delegated Authority and Reporting Requirements

- Proposed language increases *Private Market Strategies* and *Asset-Specific Private Market Strategies* delegation limits to enable staff to more effectively pursue investment strategy goals of increasing co-investment, reducing fees, and improving performance of the Trust Fund. *(See A.3. Delegated Authority/Private Markets Strategies and A.4 Delegated Authority/Asset-Specific Private Market Strategies)*
- Language proposed strengthens delegated standards for rebalancing and cash management by providing common limitation language. *(See A.5. Delegated Authority/Rebalancing and A.6 Delegated Authority/Cash Management)*

Exhibit D: Definition of Terms

- Language proposed removes ambiguity between public and private strategies, thereby strengthening the clarity of Delegated Authority provisions in the IPS. *(See definitions of Active Public Market Strategies and Private Market Strategies)*

Minor formatting and verbiage changes also were made.

ATTACHMENT:

1 - Investment Policy Statement (Red-lined version)



INVESTMENT POLICY STATEMENT

Effective ~~January~~ July 1, 2024

TABLE OF CONTENTS

	PAGE
Section I	INTRODUCTION 1
Section II	STANDARDS OF CARE 1
Section III	INVESTMENT MANAGEMENT 2
Section IV	DELEGATED AUTHORITY AND REPORTING REQUIREMENTS .. 6
Exhibit A	ASSET ALLOCATION A-1
Exhibit B	INVESTMENT FEE POLICY B-1
Exhibit C	INVESTMENT PRINCIPLES C-1
Exhibit D	<u>GLOSSARY DEFINITION OF TERMS</u> D-1

SECTION I: INTRODUCTION

The Board of Trustees (Board) of the Texas Municipal Retirement System (TMRS or the System) has adopted this Investment Policy Statement (IPS) to govern the System's Trust Fund investments. The IPS, along with its Exhibits and Staff Investment Guidelines, outlines TMRS' investment objectives and beliefs, Board and staff responsibilities and limitations, and asset allocation. The IPS also establishes accountability for the Board, staff, investment consultants, and investment managers. Board approval is required for any action that deviates from the IPS.

The objective of TMRS' investment program is to ensure that members, retirees and beneficiaries receive the benefits they have been promised by participating cities at a reasonable and predictable cost to those cities. To achieve this objective, the Board, in consultation with its Consulting Actuary, is responsible for adopting 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%.

The Board will review the IPS annually.

SECTION II: STANDARD OF CARE

Standard of Care. As System 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 from the securities and probable safety of their capital.
2. Evaluate investment decisions in the context of the entire Trust Fund portfolio and with appropriate risk and return objectives.

Conflict of Interest Prohibited. Board members, staff, investment consultants, and investment managers will refrain from any activity that could conflict with the proper execution and management of the TMRS 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.

Decisions in the Best Interest of the System. Board members and staff are required to make all investment decisions in the best interest of the System and shall comply with applicable TMRS policies on personal investment activities. To protect against unethical behavior between TMRS and investment managers during a manager search, any communication by a prospective manager with a Board member regarding an ongoing search should be referred to the Chief Investment Officer.

SECTION III: INVESTMENT MANAGEMENT

A. BOARD RESPONSIBILITIES

Board of Trustees. The Board is responsible for the administration of the System and its investment program. The Board and each Trustee must discharge their duties solely in the interest of providing benefits to members, retirees and beneficiaries. While the Board maintains oversight responsibility for the investment of the Trust Fund, to improve the efficient use of its resources, the Board has delegated general day-to-day investment program administration to staff.

The Board's investment role includes, but is not limited to, the following:

1. Establishing investment goals, objectives and beliefs of the System consistent with plan funding needs;
2. Adopting a written IPS;
3. Monitoring and evaluating investment performance, investment risk, and compliance with the IPS and applicable state and federal laws;
4. Selecting, in consultation with staff, the General Investment Consultant, any Specialized Investment Consultants, Custodian Bank, and Securities Lending Agent;
5. Periodically reviewing investment consultant performance; and
6. Reviewing and, as appropriate, approving investment activities not delegated to staff.

B. INVESTMENT BELIEFS

The Board shall adopt investment beliefs based on capital market theories and other investment and management principles generally accepted by long-term focused institutional investors. The Board's investment beliefs are:

1. The System's asset allocation and funding strategies are based on an asset/liability framework and are designed to optimize the funding of TMRS liabilities over time.
2. The most effective use of the Board's expertise and time is to set overall investment objectives and clearly articulate investment direction through the IPS, while continually monitoring its compliance.
3. Good governance promotes long-term value for the System and its members, retirees, and beneficiaries.

4. Clearly defined roles and responsibilities are essential to good governance.
5. The best investment results come from the right people following prudent processes to make the right decisions and taking ownership of long-term performance outcomes.
6. Intelligent risk-taking is rewarded with compensating returns over time and is justifiable for long-term investors.
7. Trust Fund risk must be managed.
8. The primary determinant of portfolio risk and return is the System's long-term asset allocation.
9. Capital markets have inefficiencies and opportunities that can be exploited.
10. Costs impact investment returns and should be monitored and managed.
11. As prudent stewards of the Trust Fund, we integrate environmental, social, and governance research into the rigorous investment process, where consistent with fiduciary duties.

C. STAFF AND ADVISOR RESPONSIBILITIES

Executive Director. The Board has determined that implementation of investment decisions within the limits set forth in the IPS shall be delegated to the Executive Director (ED) or their designees. The ED's responsibilities and duties include, but are not limited to:

1. Supervising the investment program by ensuring that investment staff act in accordance with the IPS and that internal controls and a compliance structure are in place to safeguard Trust Fund assets;
2. Negotiating, where necessary, and executing all contracts, agreements, and memorandums of understanding in accordance with the IPS;
3. Taking prudent action deemed necessary to protect Trust Fund assets;
4. Ensuring regular investment reporting is provided to the Board; and
5. Performing or delegating additional duties as determined by the Board.

Chief Investment Officer. The Chief Investment Officer (CIO) is the senior member of the investment staff and directs the day-to-day activities of the investment program. The CIO's responsibilities and duties or its designees include, but are not limited to:

1. Providing information, support, and advice to the Board to ensure its directives are fulfilled;
2. Ensuring implementation of the investment program is consistent with the Board's intentions as set forth in the IPS;
3. Ensuring adequate controls are in place to safeguard Trust Fund assets by maintaining internal procedures, analytical and risk management tools, and recommending updates to the IPS;
4. Recruiting, retaining and supervising a qualified investment staff capable of implementing the IPS; and
5. Performing or delegating other duties pertinent to the day-to-day management of the Trust Fund.

Investment Consultants. Investment consultants are retained by the Board to provide independent advice on investment-related matters. All investment consultants must act as fiduciaries in advising the Board and staff, be bound by prudent expert standards, and be Registered Investment Advisers under the Investment Advisers Act of 1940. The Board will retain a General Investment Consultant and may retain Specialized Investment Consultants. Responsibilities and duties of investment consultants include, but are not limited to the following.

1. **General Investment Consultant.**

- a. Advising on the development of investment goals and objectives, investment policies and strategies, asset allocation, investment manager and service provider selection, monitoring, terminations, guidelines and restrictions, analysis of investment performance and risk, advice on internal staffing issues, and independently researched support for delegated investment decisions in areas of firm expertise.
- b. Ensuring the Board is provided educational opportunities on institutional investment practices and other topics pertinent to the discharging their fiduciary obligations.
- c. Working closely with staff to ensure that TMRS' investment objectives are achieved in accordance with the IPS and applicable state and federal laws and regulations.
- d. Collaborating with the Consulting Actuary, Specialized Investment Consultants, and other investment service providers to provide coordinated advice to the Board.

2. **Specialized Investment Consultant.** The Board may retain one or more Specialized Investment Consultants to provide advice on specific asset class implementations or other topics. Specialized Investment Consultants collaborate with the General Investment Consultant and staff to provide independent support for delegated investment decisions.

Chief Legal Officer. The Chief Legal Officer (CLO) is the System's chief legal advisor. With respect to the investment program, the CLO or their designees coordinate all legal services relevant to the administration of the investment program.

Fiduciary Counsel. The Board retains Fiduciary Counsel to provide advice on matters related to the exercise of the fiduciary standards required by law and regulation. Fiduciary Counsel also works with the ED and CLO on investment-related legal matters.

~~**Compliance Staff**~~**Chief Financial Officer.** ~~Under the supervision of the CLO, investment compliance staff are responsible for~~ The Chief Financial Officer (CFO) is responsible for designing and implementing a compliance program independent of investment department oversight to ensure that testable parameters of the IPS are adhered to and operational actions pertinent to security of the Trust Fund are carried out. ~~Investment compliance staff will monitor compliance with investment contracts under the supervision of the CLO.~~

Director of Internal Audit. The Director of Internal Audit ensures that adequate and effective internal controls are in place and objective audits of investment functions are periodically performed.

Staff Investment Committee. The Staff Investment Committee (SIC), operating at the direction of the Executive Director and pursuant to the SIC Charter, reviews and approves decisions falling under IPS delegated authority delegated to it under the IPS.

Investment Staff. Investment staff are responsible for the daily operation and implementation of the investment program and work with investment consultants to advise the Board, ED and CIO on investment-related matters.

Investment Managers. TMRS retains investment managers to implement specific strategies consistent with the IPS and according to the terms of the contract governing their mandate. All investment managers must act as fiduciaries, be Registered Investment Advisers under the Investment Advisers Act of 1940 or be registered comparably in another jurisdiction or otherwise be exempted from regulatory registration and must agree to contractual terms consistent with TMRS' Investment Principles.

D. INVESTMENT RISK MANAGEMENT

Consistent with the Board’s Investment Beliefs, TMRS’ risk management program monitors what investments TMRS owns, how risks from those investments aggregate within the Trust Fund, and how actual portfolio risk compares to benchmark risk.

The CIO will implement a risk management program to ensure investment risk is managed consistent with the IPS. The CIO will establish and oversee the risk management program to ensure policies and procedures are adopted, documented, and followed. The CIO will ensure that investment risk, operational risk and portfolio impacts are assessed during the investment manager selection processes and ongoing portfolio management.

The Director of Internal Audit and compliance staff will provide an independent review and make recommendations regarding investment department governance and internal controls.

SECTION IV: DELEGATED AUTHORITY AND REPORTING REQUIREMENTS

A. DELEGATED AUTHORITY

The Board, pursuant to limitations set forth below, delegates the following authority to staff.

Investment Managers. The Board authorizes staff to hire, retain and terminate investment managers to achieve the System’s investment objectives.

Investment Decisions. The Board delegates to staff the authority to invest Trust Fund assets subject to the following limitations:

1. *Passive Public Markets Strategies.* An investment in Passive Public Markets Strategies up to limits stated in the Asset Allocation.
2. *Active Public Markets Strategies.* An investment in Active Public Markets Strategies up to 3% of total Trust Fund assets.
3. *Private Markets Strategies.* An investment in Private Markets Strategies up to ~~0.75~~1.00% of total Trust Fund assets. Three years after an initial investment in an Open-ended Private Markets Strategy, additional investments may be made up to ~~1.50~~25% of total Trust Fund assets.
4. *Asset-Specific Private Markets Strategies (ASPMS).* An investment in ~~an ASPMS strategy strategies with a current investment manager cannot exceed 0.375% of total Trust Fund assets. No individual investment with the manager can exceed up to 0.10~~50% of total Trust Fund assets.
5. *Rebalancing.* The authority to rebalance Trust Fund assets so long as no additional net

investment is required and is within the above limitations and consistent with the Board's Asset Allocation.

6. *Cash Management*. The Board delegates to the CIO the ability to raise cash ~~from Passive Public Markets Strategies and Active Public Markets Strategies~~ to meet the operational needs of the System and to invest cash in public markets strategies within the above limitations and consistent with the Board's Asset Allocation.
7. *Emergencies*. Emergency measures to ensure Trust Fund assets remain under fiduciary management are delegated to staff.

Proxy Voting. Proxy voting is an important part of TMRS' investment program. Investment staff will vote proxies consistent with the Board's fiduciary duty. Working with a proxy advisory firm, investment staff will direct the proxy advisor how to vote proxies consistent with such fiduciary duties and monitor their compliance with TMRS' instructions.

Delegation Standards. The following standards apply to investment delegation:

1. *Delegated Limits*. Delegated limits are calculated using the market value of total Trust Fund assets as reported in the latest Annual Comprehensive Financial Report (ACFR).
2. *Investment Consultant Support*. Written General and/or Specialized Investment Consultant support must be received prior to the implementation of any delegated Investment Decisions with respect to Passive Public Markets Strategies, Active Public Markets Strategies, and Private Markets Strategies. Written Consultant support for an existing investment strategy may be relied upon for a delegated decision involving an ASPMS. Written Investment Consultant support for approved Transition Managers must be provided every four years.
3. *Executive Director Designee*. When the ED designates responsibility for executing investment contracts and agreements, the designee must be independent of and in addition to the CIO.

B. REPORTING REQUIREMENTS

The Board has adopted the following four investment reporting principles to ensure the Board has appropriate information to carry out its fiduciary responsibilities and to confirm the standards it expects in investment reports.

1. **Clear**. Written communications should be in plain English and avoid unnecessary technical jargon. Important messages or results should be easy to find and recognize.
2. **Concise**. Key information should be summarized. Extraneous information that does not directly improve the Board's ability, knowledge, and understanding in fulfilling its fiduciary responsibilities should be avoided.

3. **Balanced.** The pros and cons of any investment should be identified. Positive and negative information should be communicated to the Board.
4. **Timely.** Information should be provided to the Board in a timely manner.

Investment staff shall provide performance reporting and material investment program updates to the Board at regular intervals. In addition, the following reporting will be provided to the Board regularly:

1. **General Investment Consultant Reports.** The General Investment Consultant will provide regular reports on subjects pertinent to the Board's execution of its fiduciary responsibilities. These reports should provide the Board the ability to assess: i) asset allocation; ii) capital markets conditions; iii) absolute performance and risk; iv) performance and risk relative to benchmarks; and v) performance and risk relative to peer institutions.
2. **Delegated Decision Reports.** Reports documenting delegated decisions will be provided by staff to the Board at its next regularly scheduled meeting. These reports should include: i) Executive Summaries and/or schedules of completed actions; ii) Investment Consultant Support, where required; and iii) relevant SIC meeting minutes.
3. **Investment Risk Reports.** Staff will provide a performance and risk report to the Board quarterly. This Report will include historical risk in current asset class implementations, and a comparison of historical total Trust Fund risk relative to the General Investment Consultant's risk expectations used in the last Asset Allocation Study.
4. **Investment Compliance Reports.** Compliance staff will provide the Board each quarter with the results of any policy compliance testing performed during the quarter.
5. **Annual Asset Class and Investment Manager Reviews.** Staff shall conduct comprehensive asset class and investment manager reviews at least annually. The results of these reviews, including any related recommended actions and the costs of asset class implementation, will be reported to the Board.
6. **Proxy Voting.** Staff will provide the Board a proxy voting summary report for each public markets separately managed account, and other accounts which TMRS has contractual authority to direct proxy voting as appropriate, as soon as practical after fiscal year-end. The Report will include the number of ballots cast, the number of issues voted upon, and percent of issues voted with management, against management, and designated as abstaining.
7. **Material Deviations from the IPS.** If an investment consultant learns of any material deviation from prudence, objectivity, IPS provisions, or learns of any other matter of

concern involving TMRS' investment program, the consultant must promptly express their concern in writing to the Board.

EXHIBIT A

ASSET ALLOCATION

Effective January 1, 2024

One of the Board's investment beliefs is that the primary determinant of portfolio risk and return is the System's strategic, long-term asset allocation. The Board's Asset Allocation includes asset classes, strategic target allocations with minimum and maximum allocation ranges, and a benchmark to measure investment performance. Asset Allocation is based on an Asset Allocation Study that includes expectations for long-term return and risk.

The Board's Asset Allocation 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 an asset allocation, the Board should consider the System's 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:

Asset Class	Min. %	Strategic Target Allocation %	Max. %	Benchmark
Global Equity	25%	35%	45%	MSCI ACWI Investable Market Index (Net)
Core Fixed Income	1%	6%	11%	Bloomberg U.S. Aggregate Bond Index
Non-Core Fixed Income	1%	6%	11%	CS Leveraged Loan Index (50%) + ICE BofA US HY Constrained Index (50%)
Hedge Funds	0%	5%	10%	HFRI Asset Weighted Composite Index
Cash Equivalents	0%	0%	3%	FTSE 1-month U.S. T-Bill Index
Total Public Assets		52%		
Private Equity	8%	13%	18%	Cambridge US All Private Equity Index
Private Debt	8%	13%	18%	CS Leveraged Loan Index + 100 bps
Real Estate	7%	12%	17%	NCREIF-ODCE Index (Net)
Infrastructure	1%	6%	11%	Cambridge Infrastructure Fund Index
Other Private	0%	4%	9%	MSCI ACWI Investable Market Index (Net)
Total Private Assets		48%		

The Asset Allocation will be 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 to comprehensively review the Asset Allocation will be completed at least every four years. The Board will verify or amend its Asset Allocation upon review of an Asset Allocation Study.

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

The Board will assess the Asset Allocation's performance over five-year rolling periods compared to the ARA, Trust Fund benchmark, and asset class benchmarks.

EXHIBIT B

INVESTMENT FEE POLICY

Effective December 3, 2020

Summary. The Investment Fee Policy (Policy) is a Board approved policy that ensures the following three objectives are balanced and reported as part of TMRS' investment management processes.

1. Securing the best available combination of skill, net of fee performance expectations, and risk management for a given investment discipline;
2. Aligning the interest of TMRS with selected investment management firms; and
3. Reducing the overall costs of the investment program.

Approach and Alignment Principles. TMRS has adopted the following principles to negotiate investment management services fees across all strategies:

4. TMRS will consider manager compensation levels and alignment of economic interests in its manager selection decisions.
5. TMRS will utilize its negotiation strength to improve its contractually negotiated economic share of investment return.

The Approach and Alignment Principles recognize that:

1. Considerations will differ depending on asset class, strategy, vehicle structure and management style
2. TMRS has varying levels of negotiation strength
3. Passive alternatives are typically the least costly option but are not available for all strategies
4. Active management strategies typically charge more than passive strategies
5. Internal management of certain strategies may be a viable cost reduction alternative
6. Different strategies and managers have different demand levels for their products and thus may charge different fees
7. Alignment with and access to differentiated managers often come with higher levels of compensation
8. Compensation considerations include balancing management fees and incentive compensation

Oversight and Reporting Principles. Oversight and reporting of investment manager fees and expenses is a critical component of TMRS' investment management. By statute, industry requirement and/or best practice, TMRS must report certain fee and expense information concerning its investment portfolio to the Texas Pension Review Board or the public pursuant to open records requests and in the Annual Comprehensive Financial Report.

TMRS utilizes the following oversight and reporting principles:

6. TMRS will document its consideration of the rates of compensation for a manager during the investment decision-making process.
7. TMRS will ensure that payments are made in accordance with each investment manager agreement.
8. TMRS will design its manager fee and expense reporting practices to be consistent, timely, and in accordance with statutory and other reporting requirements.

EXHIBIT C

INVESTMENT PRINCIPLES

TMRS' Investment Principles state the minimum contractual standards by which investment managers must abide. The Executive Director is responsible for the maintenance and updating of the Investment Principles consistent with the IPS ~~Framework~~. Any amendments to the TMRS Investment Principles will be provided to the Board at the next regularly scheduled Board meeting.

1. Investment managers must be registered as an investment adviser with the SEC, exempt from registration with the SEC, or registered with a foreign regulatory agency.
2. Investment managers must agree to act as fiduciaries and to a standard of care that prohibits placing their or their affiliates' interests ahead of those of the investment vehicle in which TMRS invests.
3. TMRS will not agree to indemnify or exculpate for breach of fiduciary duty.
4. Texas law must govern issues related to Texas law and regulation, including sovereign immunity and litigation involving only TMRS, and venue must be in Texas for any litigation involving only TMRS.
5. Investment managers must permit communications among investors, subject to reasonable limitations.
6. Investment managers and their affiliates cannot vote on non-ministerial matters, such as self-interested transactions or an increase in fees payable to the manager.
7. Investment managers must agree to TMRS' language regarding compliance with Texas statutes that require public disclosure of certain information pertaining to TMRS investments and access to TMRS' board meetings.

Revised October 2023

EXHIBIT D

GLOSSARY/DEFINITION OF TERMS

Active Public Markets Strategies. Actively Smanaged strategies which have redemption windows of one month or less. ~~that involve an investment in public securities that seek to outperform an index but are not strictly required to be managed relative to an index.~~

Asset Allocation Study. A study to determine the asset allocation most appropriate for the System based on the results of the Asset Liability Study.

Asset-Liability Study. A comprehensive actuarial review process that seeks to align Trust Fund investment policy with System-designated contribution policy, expected future benefit payments to beneficiaries, and plan expenses.

Asset Specific Private Markets Strategies (ASPMS). Strategies that involve the underwriting of specific and known assets, rather than diversified or unspecified, blind-pool fund vehicles. ASPMS include, but are not limited to, single-asset co-investments and continuation vehicles.

Custodian Bank. The financial institution that holds and/or accounts for Trust Fund assets.

Investment Managers. Third parties that provide investment management services on a long-term basis. Investment managers include, but are not limited to, the managers of Passive Public Markets Strategies, Active Public Markets Strategies, Private Markets Strategies, and Asset Specific Private Markets Strategies.

Open-ended Private Markets Strategy. A Private Market Strategy invested in a structure with no fixed term, allowing for investments and redemptions to occur over an indefinite time period. Specifically, as related to Delegated Authority: i) three-years is measured from the date capital is first drawn from TMRS to be invested; ii) the numerator in the delegated limit test is measured by adding the most recently available net asset value plus the new committed amount at time of legal closing. The Hedge Fund asset class is not considered an Open-ended Private Markets Strategy for purposes of Delegated Authorities.

Passive Public Markets Strategies. Strategies invested in public securities that seek to closely replicate a TMRS asset class benchmark in the Asset Allocation, or closely replicate an index which plays a role in more closely aligning a TMRS asset class portfolio with its asset class benchmark. Enhanced core fixed income strategies are considered Passive Public Markets Strategies.

Private Markets Strategies. Strategies ~~that are not invested in public markets securities, or cannot be redeemed from or have formal~~ which have redemption windows exceeding one month. Hedge Funds are considered Private Market Strategies for purposes of Delegated Authority.

Registered Investment Adviser. An investment adviser is defined by the Securities and Exchange Commission (SEC) as an individual or a firm that is in the business of giving advice about securities and is registered as such with the SEC or a state's securities agency.

Trust Fund. Total TMRS investment assets held in trust for the benefit of members, retirees and beneficiaries and service of expenses of administering the System.



June 17, 2024

To: Board of Trustees

From: Yup S. Kim, Chief Investment Officer

A handwritten signature in black ink, appearing to read "Tom Masthay", is written over the name of the Deputy Chief Investment Officer in the "From:" line.

Re: Agenda Item 14: Board Education: Real Assets Asset Class

In accordance with the Investment Policy Statement, comprehensive asset class reviews are conducted annually. At the June Board meeting, Deputy Chief Investment Officer Tom Masthay will present the Real Assets asset class review.



Board Education: Real Assets

Tom Mashay, Deputy CIO

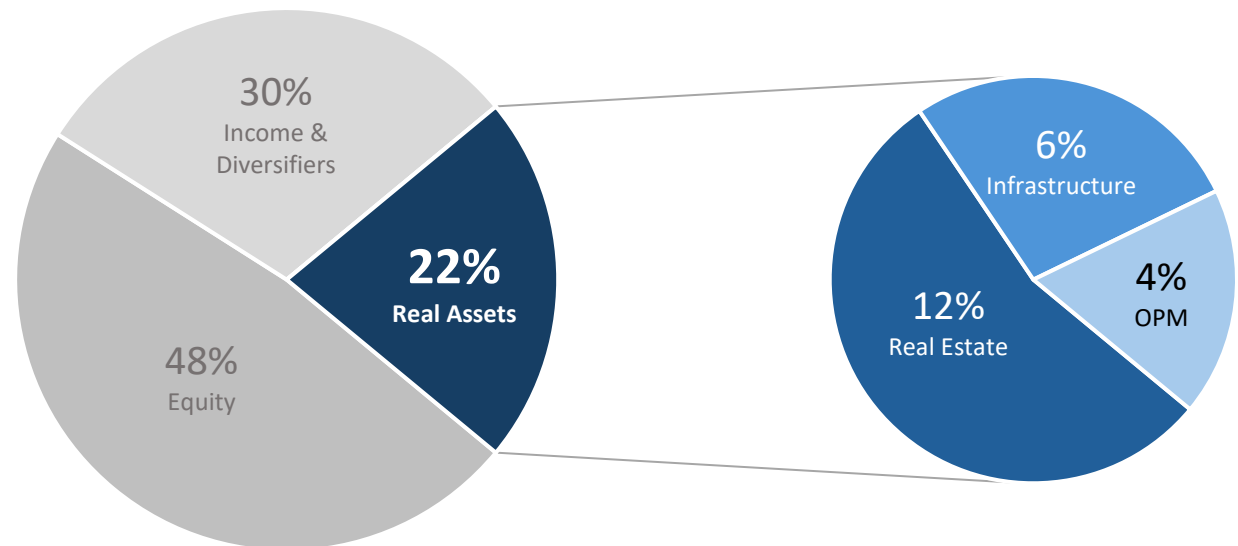
June 27, 2024

Real Assets Portfolio Role

Real Assets are included in institutional portfolios to **enhance return** and provide **diversification**.

Return and risk expectations for Real Assets sit between that of equities (public equity, private equity) and income generative/diversifying asset classes (core fixed, non-core fixed income, private debt, hedge funds).

Strategic Asset Allocation Targets



Real Assets Portfolio Role

Performance as of March 31, 2024

Real Assets portfolios have delivered consistently strong returns to the Trust Fund.

TMRS' performance experience with Real Assets aligns with that of longer-term expectations.

1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	Expectation
PubE 22.77%	PE 15.37%	PE 17.44%	PE 17.70%	RE 8.87%	PE 9.20%
OPM 12.08%	Infra 11.43%	PubE 10.01%	PubE 9.50%	PubE 8.45%	Priv. Debt 8.30%
HF 11.69%	RE 8.09%	Infra 10.95%	Infra 9.74%	OPM 3.98%	Infra 7.0%
Infra 11.24%	Priv. Debt 7.64%	Priv. Debt 7.22%	RE 7.23%	Core FI 1.75%	OPM 6.80%
Priv. Debt 10.85%	PubE 6.15%	HF 6.11%	Priv. Debt 6.95%	No Data for: PE Infra HF Priv. Debt NCFI	NCFI 6.65%
NCFI 10.72%	HF 5.34%	RE 6.05%	HF 5.96%		HF 6.10%
PE 6.97%	OPM 4.74%	OPM 5.33%	OPM 5.22%		RE 5.40%
Core FI 1.88%	NCFI 1.48%	NCFI 3.09%	Core FI 1.32%		PubE 5.40%
RE -7.67%	Core FI -2.33%	Core FI 0.60%	NCFI 3.50%		Core FI 4.60%

Real Assets TMRS Invests In

Real Estate



Multifamily

High-rise, Garden



Industrial

Sortation, Last-mile



Office

CBD, Suburban



Retail

Grocery, Mall



Other

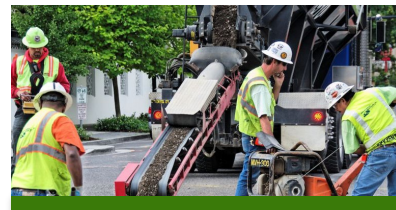
Research, Storage

Infrastructure



Infrastructure

Transportation, Social,
Power, Water, Telecom



Infra. Services

Repair, Maintenance,
Construction, Supplier

Other Private Markets



Resources

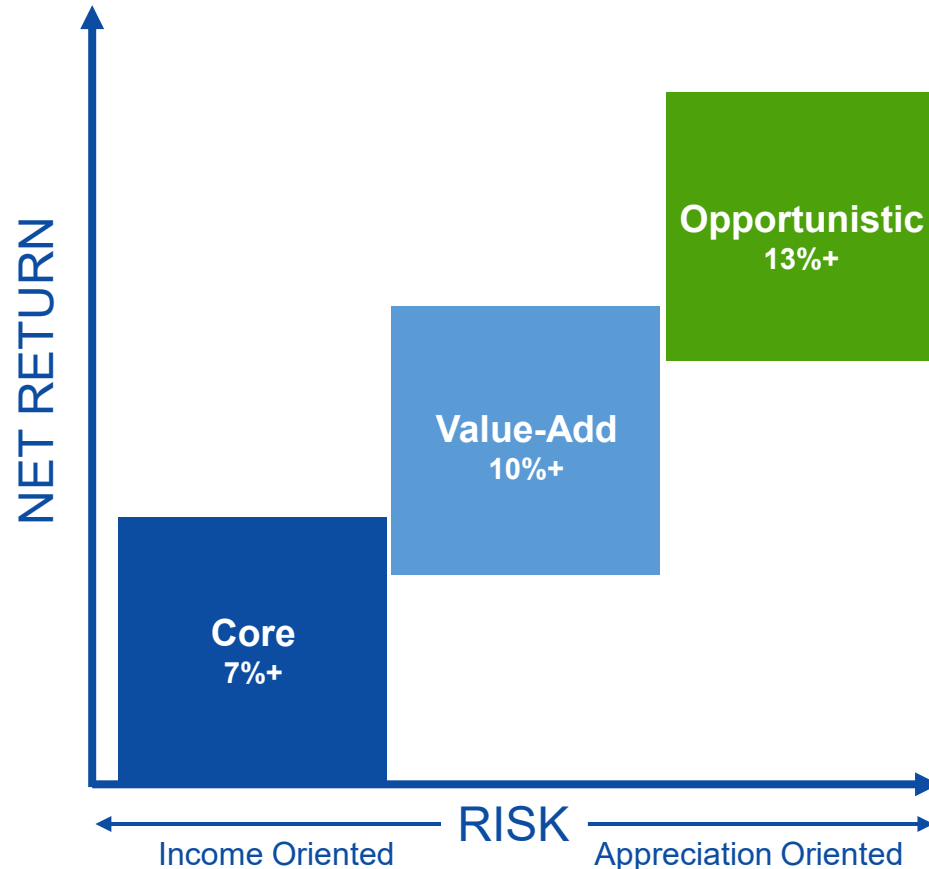
Mining, Oil and Gas,
Timberland, Farmland



Other

Healthcare, Insurance,
Licensing, Staples

Real Asset Strategies



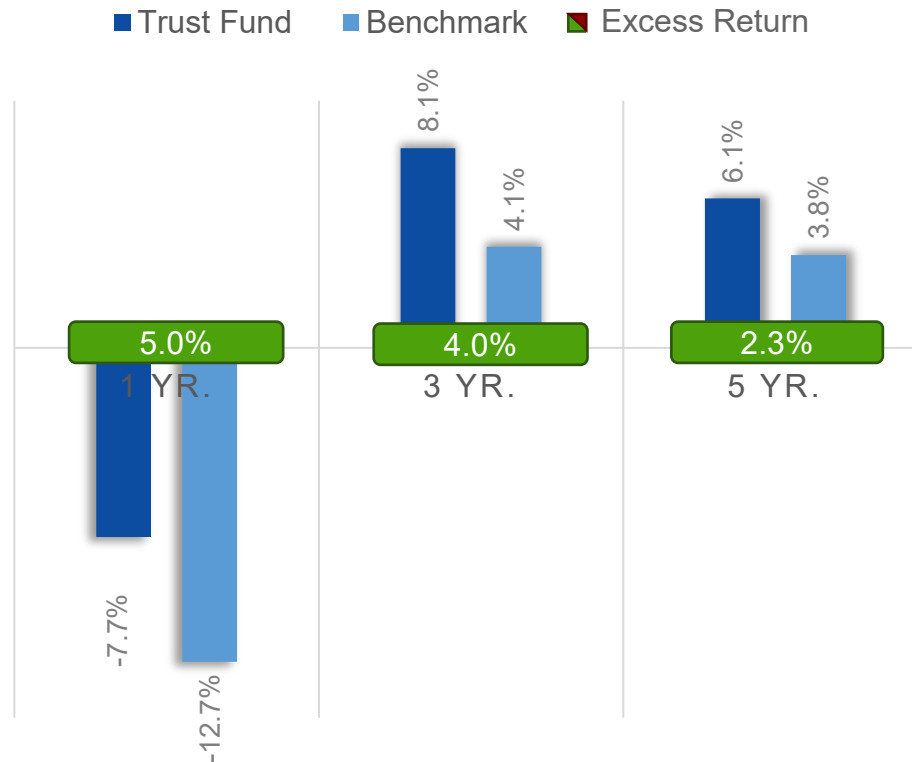
Real Assets strategies lie on a risk return spectrum, differing by income and leverage profiles, effort required to complete a business plan, and whether the investment is in an asset or a company.

Historically, TMRS' real estate portfolio has been heavily invested in core strategies, infrastructure in value-add strategies, and other private markets pursuing more opportunistic strategies.

Real Estate Performance vs Benchmark

As of March 31, 2024

NET PERFORMANCE



Real estate markets have declined in recent quarters due to higher interest rates and office dislocation. TMRS' portfolio was positively positioned to protect by being underweight office and having significant allocation in alternative sectors less affected by broader market dynamics.

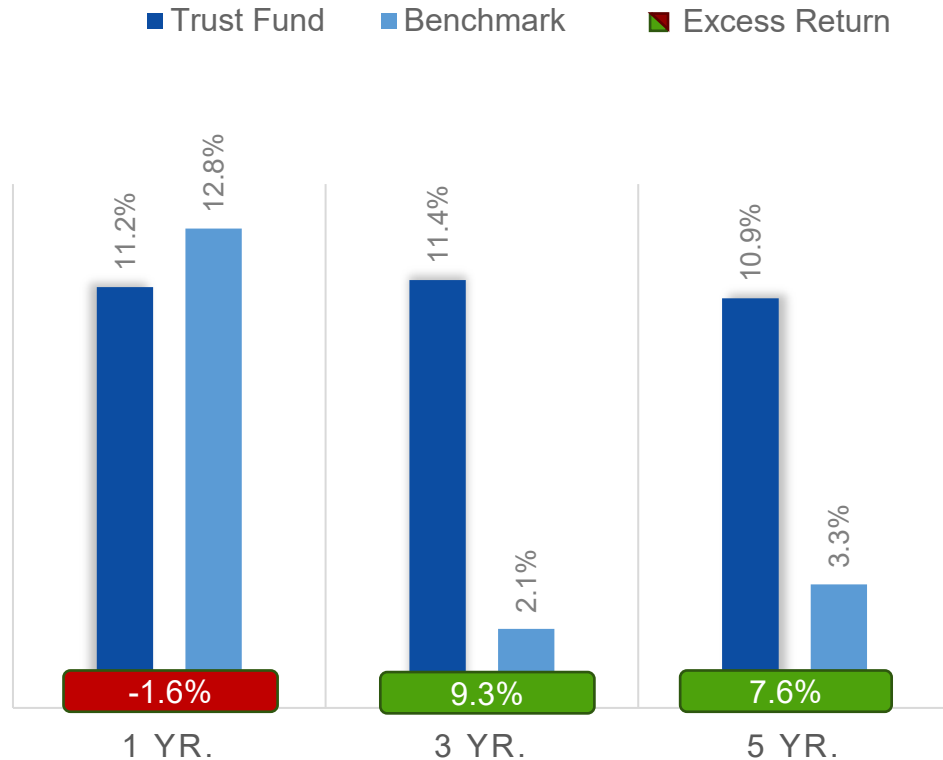
RE > Public Equity
Over 10 years

In a strong period for equity returns, TMRS' Real Estate portfolio has outperformed the public equity benchmark over 10 years.

Infrastructure vs. Benchmark

As of March 31, 2024

NET PERFORMANCE



TMRS has been investing in infrastructure since 2016 as a subcomponent of the Other Public and Private Markets asset class. Infrastructure was formally established in the Strategic Asset Allocation effective January 1, 2024.

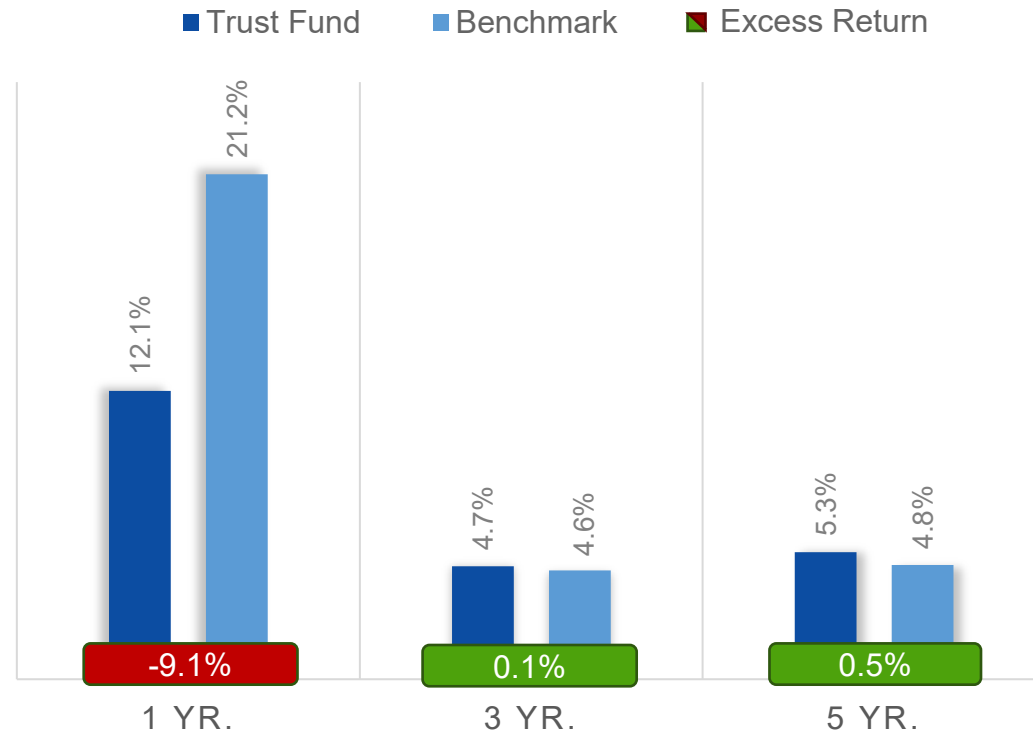
**2nd Highest Performing
Asset Class over 7 years**

Infrastructure has been the next to highest performing asset class in the portfolio over the longest common performance measurement period, second only to private equity.

Other Private Markets vs Benchmark

As of March 31, 2024

NET PERFORMANCE



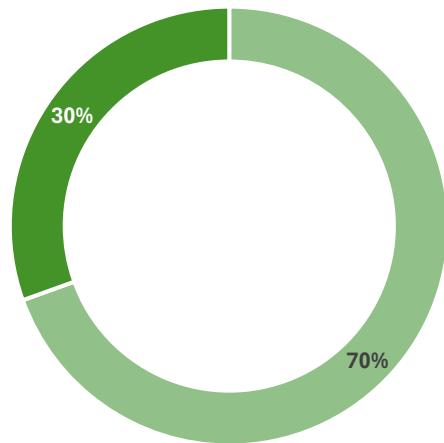
Other Private Markets was created from an asset class previously known as Other Public & Private Markets (OPPM). The OPM performance figures include the public investments history. 1-yr. underperformance was driven by the portfolio being benchmarked against the global equity index which returned > 22%.

10.8% IRR
Inception to Date

for the private markets only component of the OPPM performance history, better than global public equities over the same period.

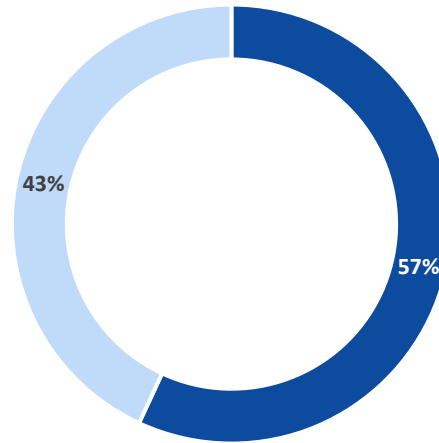
Real Assets Portfolio Construction

Real Estate



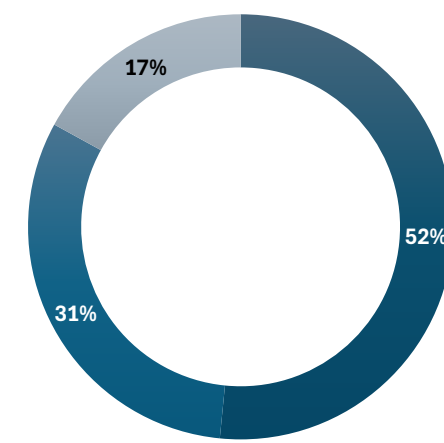
■ Core/Core+ ■ Non-Core

Infrastructure



■ Specialist ■ Generalist

Other Private Markets



■ Resources ■ Infra Services ■ Other

\$4.6B NAV

10.8% Direct

\$44M Co-Invest
\$456 SMA

\$2.2B NAV

6.5% Direct

\$143M Co-Invest
\$0 SMA

\$1.5B NAV

6.1% Direct

\$93M Co-Invest
\$0 SMA

Progress Tracking

2023 Real Estate Goals

presented at May 2023 Board meeting



Commit \$500mm +/- \$250mm of capital.
\$250M committed.



Consolidate to highest conviction managers
Capital committed to two, long-standing,
well-performing manager relationships.



Continue push for fee efficient private assets.
Capital draws from co-investment pools of
capital have occurred.

2023 Infra/OPM Goals

presented at June 2023 Board meeting



Commit \$1.25bn +/- \$500mm of capital.
\$673M capital committed. Target allocation
was decreased during year and commitment
targets were accordingly cut.



Increase fee efficiency
Deal-by-deal co-investments have been
executed. Capital draws from co-investment
pools of capital have occurred.



Position portfolio for market dynamics
Limited capital deployed intentionally,
creating more opportunity to deploy today.

Looking Forward

Portfolio Management (Ongoing) Rationalize and concentrate manager relationships.

Asset Allocation (Q3 2024) Assess role of OPM. Explore real assets integration.

Pacing (2024) Real Estate: \$0 - \$600M; OPM: \$0 - \$300M; Infrastructure: \$300M - \$600M

Direct Investment (1-2 yrs.) Broaden co-investment efforts. Scale systematic relationships.

Performance (Perpetual) Fee reduction and world-class manager and asset selection.