



## AGENDA

Meeting of the Board of Trustees

Thursday, May 23, 2024 – 9:00 a.m.

TMRS Office  
2717 Perseverance Drive, Suite 300  
Austin, Texas

**Zoom Link for Public:**

<https://tmrs.zoom.us/j/84876489512?pwd=jghtaqyhbSAaXhwIMN5LFMnWXY7h73.1>

*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 March 28, 2024 Board of Trustees meeting

### **Board Organization**

2. **Consider and Act on Election of Board Officers.** *Bill Philibert*
3. **Consider and Act on Board Committee Appointments.** *Bill Philibert*

### **Executive Director Reports**

4. **Executive Director's Report.** *David Wescoe*
5. **Consider and Act on Resolutions for Former Board Trustees Johnny Huizar and Jesús Garza.** *David Wescoe*

## **Plan Design & Funding**

- 6. Consider and Act on 2023 Actuarial Valuation and Approval of 2025 Retirement Contribution Rates and Supplemental Death Benefit Contribution Rates.** *Leslee Hardy, and Joe Newton and Janie Shaw, GRS*

## **Future Board Agenda Items**

- 7. 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.*



May 14, 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 March 28, 2024 Board meeting. Staff recommends that the Board adopt the Consent Agenda as presented.

**Attachment**

Minutes from the March 28, 2024 Board meeting



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

**March 28, 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. at the TMRS office, located at 2717 Perseverance, Suite 300 in Austin, Texas, with Chair Johnny Huizar, Bob Scott, and Jesus Garza present and David Landis attending by Zoom. Vice Chair Bill Philibert was absent.

Staff present included: David Wescoe, Debbie Muñoz, Christine Sweeney, Anali Alanis, Jac Greene, Yup Kim, Nick O’Keefe, Kristyn Scoggins, Colin Davidson, Leslee Hardy, Frank Atkins, Madison Jechow and Dan Wattles. Consultants present included Robert Klausner and Sam Austin.

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

**Consent Agenda**

**1. Consider and Act on Consent Agenda.**

Mr. Scott moved that the Board adopt the Consent Agenda, including but not limited to the Minutes from the December 14, 2023 meeting. Mr. Garza seconded the motion, which passed 4-0.

**Executive Director Reports**

**2. Executive Director’s Report.**

Mr. Wescoe discussed recent staff promotions, including Debbie Muñoz to Deputy Executive Director, Anali Alanis to Chief Service Officer, and Nick O’Keefe to Chief Financial Officer. He introduced Chief Investment Officer Yup Kim. TMRS received the Government Finance Officers Association award, for the 36<sup>th</sup> consecutive year, for excellence in financial reporting for TMRS’ 2022 Annual Comprehensive Financial Report. TMRS achieved the Pioneer Level for the Quality Texas Foundation Award and completed the Engagement Level application. TMRS published its new City Reference Guide. The City of China Grove became the 936<sup>th</sup> city participating in TMRS. Mr. Wescoe recognized Dan Wattles, Director of Government Relations, who is retiring.

### **3. Receive Senior Staff Reports.**

Mr. Wescoe presented the Senior Staff Quarterly Reports to the Board.

### **Stakeholder Advisory Committee**

### **4. Report on Stakeholder Advisory Committee Meeting.**

Ms. Muñoz reported on the Stakeholder Advisory Committee meeting held on February 29. The Committee discussed four topics assigned by the Board regarding potential changes to the TMRS Act:

- making all city plan changes effective January 1; currently, the TMRS Act has various effective dates for different plan changes;
- removing the statutory maximum contribution rate limit (Stat Max) , which is a statutory relic from 1947 with limits set arbitrarily when TMRS was created and only one plan option (5% employee contribution rate, with 1-to-1 city match) was available to cities;
- decoupling Updated Service Credit (USC) from Cost-of-Living Adjustments (COLAs); today a city cannot provide a COLA to retirees unless it also provides USC to active employees; and
- possible changes to the existing COLA options.

Mr. Garza stated the Committee unanimously supported the first two proposals, and the Committee will meet again on April 25 to continue discussion on decoupling the USC and COLA benefits and various COLA options.

### **Internal Audit**

### **5. Report on Audit Committee Meeting.**

Ms. Scoggins said the Audit Committee met on March 7. Committee Chair Landis said the Committee received two confidential audit reports. For the investment compliance report, Ms. Scoggins said that TMRS has designed and implemented a compliance program that ensures that testable parameters of the Investment Policy Statement are adhered to and actions pertinent to the security of the Trust Fund are carried out. The Committee unanimously approved distribution of both audit reports to the Board. Ms. Scoggins also provided the Committee with an update on the 2023-24 Audit Plan. The remaining audits for this year include audits on cybersecurity, city contributions and calculations of benefit payments. Mr. Scott asked if the cybersecurity audit will be done in-house. Ms. Scoggins said yes, And Mr. Greene said IS does both internal and external tests and uses a third party for external testing.

## **Plan Design and Funding**

### **6. Consider and Act on Ratification of Ordinances Adopting Updated Service Credit and/or Annuity Increases Effective January 1, 2024 (Received after the December 2023 Board Meeting).**

Mr. Davidson presented the Updated Service Credit and/or Annuity Increase ordinances received by TMRS after the December 14, 2023 Board meeting but before the end of 2023.

Mr. Garza moved to ratify ordinances adopting Updated Service Credit and/or Annuity Increases received by TMRS after the December 14, 2023 Board meeting but before the January 1, 2024 effective date. Mr. Scott seconded the motion, which passed 4-0.

### **7. Consider and Act on 2023 Interest Credit Allocation to the Benefit Accumulation Fund and Interest Reserve Account.**

Ms. Hardy asked the Board to consider interest allocations to four TMRS funds. For two funds, regarding supplemental death benefits and disability benefits, the interest allocations are set by the TMRS Act at 5%. The Board decides the allocations to the other two funds, an interest reserve account for TMRS operating funds and the Benefit Accumulation Fund (BAF). GRS and staff recommend an allocation of \$310 million to the interest reserve account and an interest credit of 11.92% to the BAF.

Mr. Scott moved that the Board allocate, effective as of December 31, 2023:

- (i) a credit of 5% interest to each of the Supplemental Disability Benefits Fund and the Supplemental Death Benefits Fund, and
- (ii) a credit of approximately 11.92% interest to the Benefit Accumulation Fund and \$310 million for the Interest Reserve Account,

and that the Board approve that any differences in the final versus estimated fourth quarter private investment fund valuation adjustments, as well as any adjustments that may be necessary to finalize net investment income for the year, be reflected in the final Interest Reserve Account balance as of December 31, 2023 and considered in the 2024 BAF interest credit determination. Mr. Garza seconded the motion, which passed 4-0.

## **Investments**

### **8. Investment Reports.**

Mr. Kim said he will focus on three strategic areas: (1) building a benchmark-aligned public sector portfolio with select active mandates seeking outperformance, (2) strengthening private market relationships and increasing co-investments, as private markets offer the greatest outperformance opportunities and co-investments can be made with reduced fees, and (3) attracting the best investment talent to TMRS and partnering with the best investment managers.

He presented a key performance indicator dashboard that showed that TMRS is on track to completing private market allocations for 2024 in compliance with trust fund asset allocations. Co-investments are 5% of private market holdings, and Mr. Kim sees that increasing with a long-term target of one-third in co-investments. Mr. Scott asked how co-investments can reduce fees, and Mr. Kim provided examples of how fees and carried interest are reduced with co-investments. He showed Dashboard indicators for returns against benchmarks, peers and the Board's assumed actuarial return. Mr. Scott asked Mr. Kim if he is comfortable with current benchmarks, after they were changed by the Board in 2021, and Mr. Kim said he is.

Mr. Kim said that the key takeaways from the fourth quarter 2023 Trust Fund Report were that net returns – 11.4% in 2023 – exceeded actual allocation benchmarks and strategic target allocation benchmarks over 1-, 3- and 5-year periods. Investments staff completed \$4.9 billion in new commitments in 2023.

Mr. Garza left the meeting at 9:45 a.m.

#### **9. General Investment Consultant Quarterly Report.**

Mr. Austin said the Federal Reserve raised rates in 2023 but doing so did not dampen market returns. Third quarter returns were reduced but fourth quarter returns outperformed. Mr. Scott has asked in the past whether TMRS investments will perform well in a strong market, and TMRS returned 11.37% for 2023. This ranked in the 38<sup>th</sup> percentile among peer plans. Real estate and non-core fixed income were the biggest contributors while private equity was the biggest detractor, although not all private equity returns for the year have yet been reported, and private equity was the biggest contributor over the 5-year period. While TMRS was in the 38<sup>th</sup> percentile for the 1-year period, it was lower for the 5-year period, so the Fund has benefitted from adding risk to its asset allocation in 2021. The Fund added more than \$4.6 billion in 2023.

After agenda item 9, the Board accepted public comment from Justin Flores with the Private Equity Stakeholder Project.

#### **10. Board Education: Global Equities Asset Class.**

Mr. Atkins provided an overview of the global equity program. Mr. Scott asked whether there is a percentage goal for active management. Mr. Atkins said the goal for next year is 20%, and an additional 5% per year after that, but with thoughtful monitoring of the portfolio. Mr. Scott asked what type of return is expected from actively managed investments given the higher cost. Mr. Atkins said staff looks at returns net of all fees, so the returns not only must cover all costs but add value on top of that. Historically, Investments has seen about 100 basis points of positive return net of fees.

#### **11. Executive Session.** None.

Mr. Garza returned to the meeting at 10:03 a.m.

**Future Board Agenda Items**

**12. Call for Future Agenda Items.**

Mr. Huizar asked for future agenda items, but there were none.

Mr. Huizar adjourned the meeting at 10:06 a.m.

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David B. Wescoe  
Executive Director





May 14, 2024

**To:** Board of Trustees  
**From:** Christine M. Sweeney, Chief Legal Officer CS  
**Re:** Agenda Item 2: Consider and Act on Election of Board Officers

In December 2023, the Board elected Johnny Huizar as Chair and Bill Philibert as Vice Chair of the Board.

Governor Abbot did not reappoint Mr. Huizar as a TMRS Trustee for another term, creating a vacancy in the Chair position.

The Board's Bylaws provide that when a Chair or Vice Chair position becomes vacant, a special election for the position shall be held.

Nominations for Chair and Vice Chair must be made by Trustees during a Board meeting, and a Trustee may self-nominate for either position.

**RECOMMENDATION:**

Staff recommends that the Board elect a new Chair and Vice Chair for the remainder of 2024.



May 14, 2024

**To:** Board of Trustees  
**From:** Christine M. Sweeney, Chief Legal Officer *CS*  
**Re:** Agenda Item 3: Consider and Act on Board Committee Appointments

The Board Chair appoints Committee members, subject to Board approval, and designates the Chair and Vice Chair of each Committee.

At its December 14, 2023 meeting, the Board approved Committee appointments for 2024 to the three Board Committees. Current Committee Members are: Audit - David Landis, Budget and Compensation - Bill Philibert, and Stakeholder Advisory - Bob Scott.

In April, Governor Abbott appointed Tricia Mirabelle, Tommy Gonzalez, and Roy Rodriguez to the Board.

**RECOMMENDATION:** Because there is a vacancy on each of the Committees, staff recommends that the Chair recommend, and the Board approve, new appointments to the Board Committees for the remainder of 2024.



May 14, 2024

**To:** Board of Trustees  
**From:** David Wescoe, Executive Director *Dave*  
**Re:** Agenda Item 4: Executive Director's Report

**Welcome New Trustees.** On April 24, Governor Abbott appointed three new Trustees to the Board: Tommy Gonzalez, the city manager of Midland, Tricia Mirabelle, a commander with the Pflugerville Police Department, and Roy Rodriguez, the city manager of McAllen. They fill the vacancy that was created when Trustee Anali Alanis joined the TMRS staff (she now serves as Chief Service Officer) and replace holdover Trustees Johnny Huizar and Jesús Garza whose terms expired in February 2023.

**Thank You Johnny and Jesús.** With Governor Abbott's appointments, Johnny Huizar and Jesús Garza's terms on the TMRS Board of Trustees came to an end. Both served TMRS with distinction.

Mr. Huizar, the city manager of Pleasanton, was appointed to the Board in February 2020 and served as Board Chair in 2024. He also served as Vice Chair of the Board, Chair and Vice Chair of the Budget and Compensation Committee, and Vice Chair of the Audit Committee.

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

On behalf of their Board colleagues, TMRS staff, and TMRS' 220,000 Members, we say "Thank you for your service!"

**Another GFOA Award.** In April, TMRS' 2022 PAFR received the Government Finance Officers Association of the United States and Canada (GFOA) Award for Outstanding Achievement in Popular Annual Financial Reporting. This Certificate is the highest form of recognition in governmental accounting and financial reporting, and receiving it is a significant accomplishment. This is the 18th consecutive year that TMRS' PAFR has received this award.

**Senior Staff Action Plan Meeting.** The Senior Staff met in April to review the status of 2024 Action Plan items. All are on track.

**“Welcome to TMRS” video is now in Spanish.** Our “Welcome to TMRS” video is now available in Spanish.

**Stakeholder Advisory Committee (SAC).** Bob Scott chaired the SAC’s April 25 meeting. A long-time Committee member said it was the “best Advisory Committee meeting I’ve ever attended.” High, and well deserved, praise. The Committee’s next meeting will be on June 6.

**937 – and Counting.** The city of San Elizario will begin participation in TMRS on June 1. This is TMRS’ 937<sup>th</sup> city. Our focused city recruiting efforts are paying dividends. We have recruited more new cities in the last two years than in any two-year period in two decades.

**Main Street.** Another edition of *Main Street* hit the street in April. It highlighted the new City Reference Guide and Plan Comparison Tool, both significant additions to TMRS’ city services.

**Focus Group Feedback.** Colin Davidson hosted a City Focus Group meeting to get feedback about the City Portal’s new online refund process. The feedback was nothing but positive: the online certifications are “easy to work with and navigate” and “we love it.” An HR manager with San Antonio, our largest participating city, closed the meeting by saying, “kudos to TMRS. I really feel like things are moving in the right direction, and you guys are really improving things.”

**Portfolio Director Ngoc Can Recognized as a Leader in Private Equity Investing.** Portfolio Director Ngoc Can has been honored with two prestigious investment industry awards. *Private Equity International* named Ngoc one of the “40 under 40: Future Leaders of Private Equity” and *Institutional Investor* recognized her with their “2024 AlphaEdge: Alpha Generation - Private Equity Investing” award. *PEI’s* “40 under 40: Future Leaders of Private Equity” award highlights “the rising stars creating a name for themselves in private equity.” *Institutional Investor’s* “AlphaEdge” awards recognize “distinguished leaders within the allocator community ... for their outstanding contributions to portfolio construction...[and] visionary approaches and strategic acumen [that] have significantly influenced the landscape of portfolio construction, setting new standards of excellence.” Yup put it well when he said, “These two awards are extraordinary individual accomplishments for Ngoc and a testament to her talent, vision, and leadership. This recognition also reflects the collective effort of our entire investment team, who all have played critical roles in our success, and the collaborative environment at TMRS, where teamwork and shared vision are central to our investment strategy.”

**Investment Department Leadership.** At the AIF Global Southwest Investors’ Forum in Austin, Portfolio Director Monica Huffer led a panel on infrastructure and Portfolio Director Ngoc Can led a panel on private equity.

**Director of Project Management Tricia Solis** just passed the ASQ Certified Manager of Quality/Organizational Excellence (five hour) examination. The American Society for Quality (ASQ) has members in more than 130 countries and provides professional training, certifications, and knowledge to professionals globally. A Certified Manager of Quality/Organizational Excellence is a professional who leads and champions process-improvement initiatives, supports strategic planning and deployment initiatives, and helps develop measurement systems to determine organizational improvement. This describes Tricia to a “T.”

**Education Team Kudos.** More five-star Google reviews for Shannon Lucero. This was recently posted by a city Human Resources manager: “Everyone that is in TMRS knows it is the best pension system in the US. Shannon Lucero knows everything there is to know about the system and explains it in easy-to-understand terms. She is so personable that she connects with everyone in the room. ... TMRS is the biggest, best benefit that a municipality can offer and understanding how it works is vital.”

**Financial Stewardship.** It is axiomatic that staff are stewards of TMRS Trust Fund assets. As we close the books on 2023, here are a few examples of that stewardship.

- In four years, TMRS’ actual operating expenses were basically flat, increasing only 2.5%. (2020 Actual Operating Expenses v. 2023 Actual Operating Expenses: \$30,105,807 v. \$30,888,143.)
- 2023 Operating Budget v. 2023 Actual Operating Expenses: \$37,620,026 v. \$35,147,083 (-\$2,472,943 or -7%).
- 2021, 2022 & 2023 Operating Budgets v. 2021, 2022 & 2023 Actual Operating Expenses: \$105,662,353 v. \$98,907,270 (-\$6,755,083 or -6.4%).
- 2019-2024 PASM od Budget v. Actual PASM od Expenses: \$10.53 million v. \$4.26 million (-\$6.27 million or -60%).

These budget savings and corresponding Trust Fund investment earnings total \$18 million.

- 2020 Staff Positions v. 2024 Staff Positions: 129 v. 118 (11 fewer positions or -9%).
- 2019 Overtime Hours and Expense v. 2023 Overtime Hours and Expense: 1,486 hours/\$57,380 v. 457 hours/\$17,094 (-1,029 hours & -\$40,286 or -70%)
- 2023 Grove Rent v. 2023 Actual Trust Fund Earnings on Building Sale Proceeds: \$2,635,330 v. \$4,258,940 (2023 Trust Fund earnings exceeded 2023 rent expense by \$1,623,610)

Report to the Board of Trustees  
May 14, 2024  
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**Solar Eclipse Event.** We have had a lot of great staff events in the building, but none better than our April 8 Solar Eclipse Event. The second-floor café luncheon was stocked with great eats and looked, well, solar. And the clouds parted just often enough for us to see the eclipse from the roof of the garage. All agreed it was a successful and historic event.

**Capitol 10K.** On April 6, three dozen “Team TMRS” staff participated in the Capitol 10K Run / Walk. It was a fun time for all.

**MS Round Up Ride.** On the first weekend in May, Education Team manager Marin Emma and her team raised almost \$75,000 for the National Multiple Sclerosis Foundation. The ride started in Mansfield and day one ended 65 miles later in Glen Rose. The rest stops along the way were all TMRS cities: Burleson, Keene, Cleburne, and Nemo.



May 14, 2024

**To: Board of Trustees**

**From: David Wescoe, Executive Director**

A handwritten signature in blue ink, appearing to read "David", is written over the printed name "David Wescoe".

**Re: Agenda Item 5: Consider and Act on Resolutions for Former Trustees Johnny Huizar and Jesús Garza**

Johnny Huizar joined the TMRS Board in February 2020 and served until April 2024. Mr. Huizar served as Board Chair in 2024 and Vice Chair in 2023.

Jesús Garza joined the TMRS Board in February 2018 and served until April 2024. Mr. Garza served as Board Chair in 2022 and Vice Chair in 2021.

To recognize their service to TMRS, staff recommends that the Board adopt and execute Resolutions for each.



May 14, 2024

**To: Board of Trustees**

**From: Leslee S. Hardy, Director of Plan Design & Funding**

A handwritten signature in blue ink that reads "Leslee S. Hardy".

**Re: Agenda Item 6: Consider and Act on 2023 Actuarial Valuation and Approval of 2025 Retirement Contribution Rates and Supplemental Death Benefit Contribution Rates**

The TMRS Act provides that TMRS' consulting actuary prepare an actuarial valuation of the System's and its participating cities' assets and liabilities as of December 31. The valuation includes a computation of each city's normal cost contribution rate, prior service contribution rate, and Supplemental Death Benefit Fund rate, if applicable. The actuary also prepares a reconciliation of the required contribution rates from the prior valuation to enable participating cities to recognize individual factors which impacted their rate. The Board is required to certify the actuarial valuation results and contribution rates for participating cities.

**RECOMMENDATION:**

Staff recommends that the Board accept GRS' December 31, 2023 valuation results and certify the 2025 contribution rates for participating cities.

**ATTACHMENTS:**

- 1 GRS Presentation
- 2 Actuarial Valuation Report as of December 31, 2023



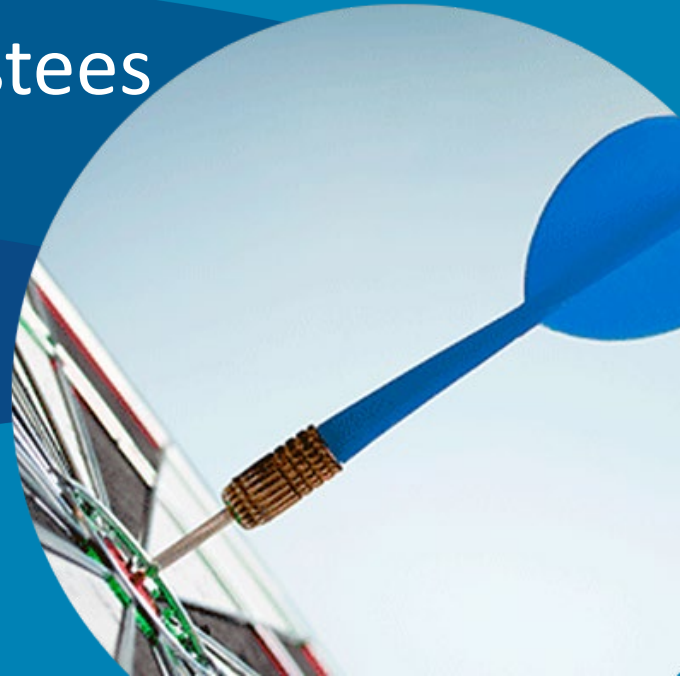


# Texas Municipal Retirement System Actuarial Valuation Report as of December 31, 2023

## Report to the TMRS Board of Trustees

May 23, 2024

Janie Shaw  
Joe Newton



# Actuarial Valuation as of December 31, 2023

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- Annual snapshot of the System's funding status
- Determines the City Contribution Rates for 2025
- Provides information for the financial statements for TMRS and participating cities

# Valuation Results and Definitions

## TMRS System-wide

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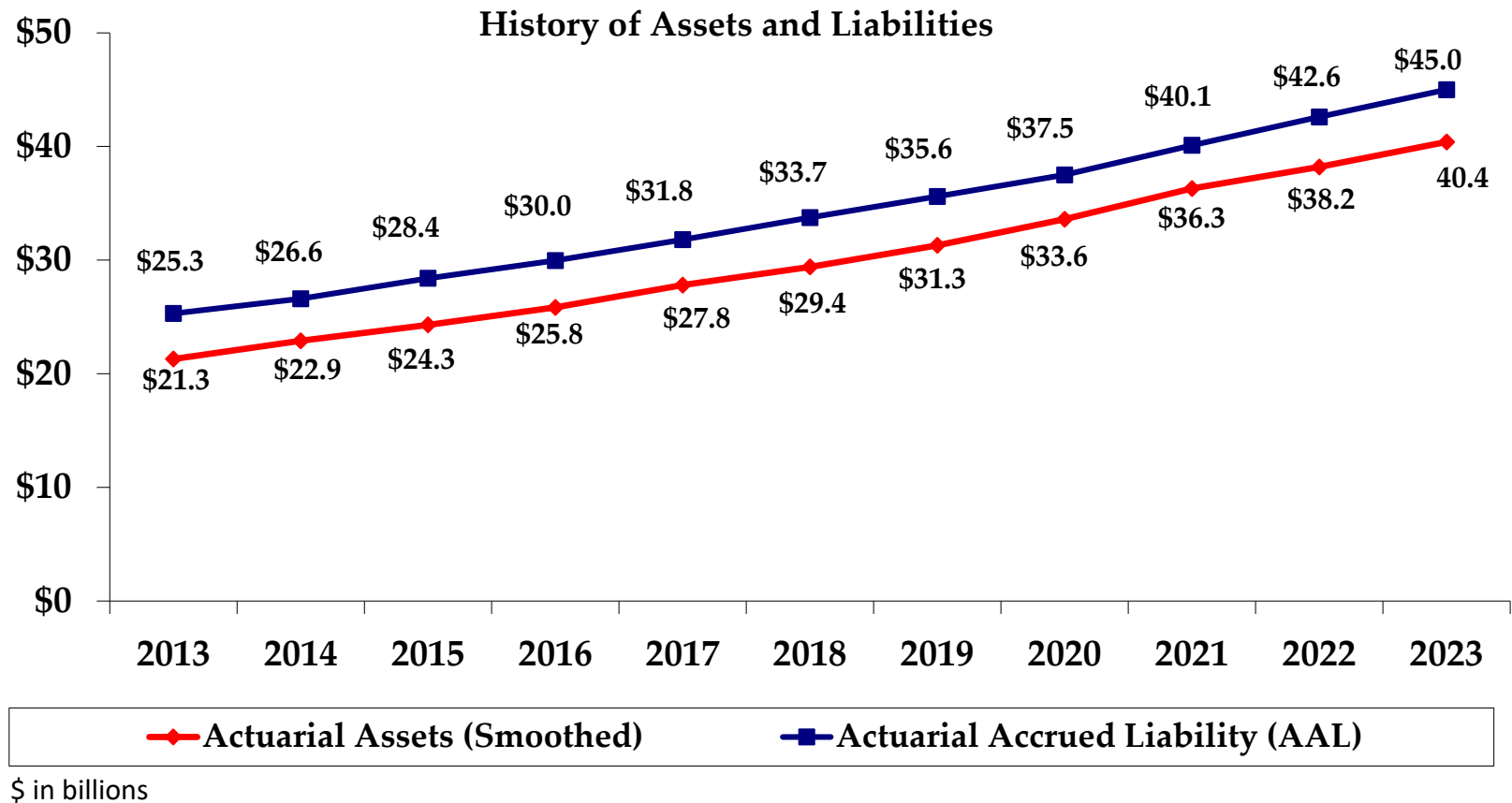
- **Actuarial Accrued Liability (AAL):** **\$45.0b**
  - Represents value of benefits accrued in the past
- **Actuarial Value of Assets:** **-40.4b**
  - Smoothed Value of Assets on the Valuation Date
- **Unfunded Actuarial Accrued Liability (UAAL):** **\$4.6b**
  - Difference between AAL and Actuarial Value of Assets
- **Funded Ratio:** **89.7%**
  - Assets as a % of the AAL

# Determination of Employer Contribution Requirements (Average for TMRS as a whole)

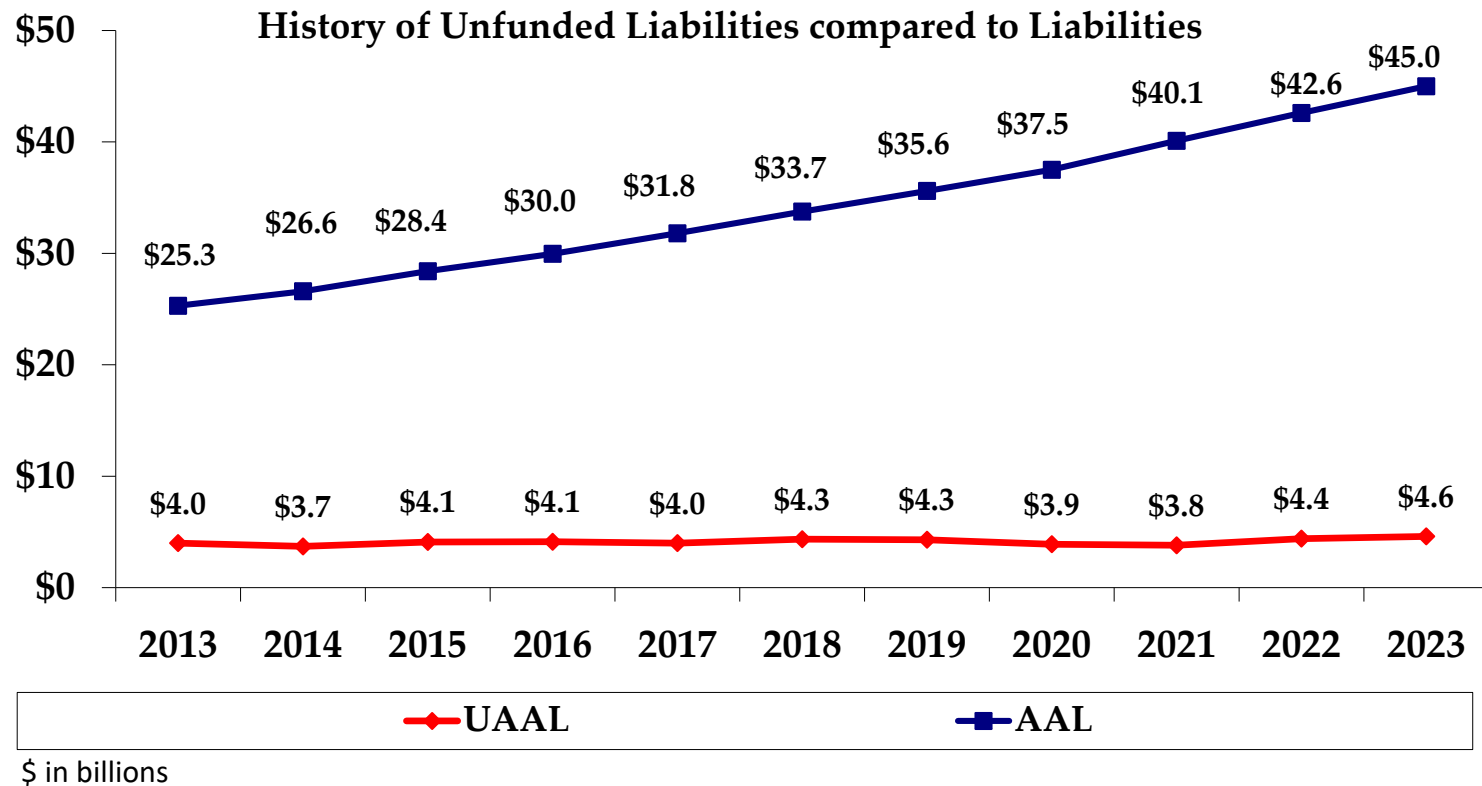
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- Normal Cost Rate: 9.52%
  - Contribution Rate needed to fund for new benefits being earned
  - For example, for a member with 10 years of service, this is the cost to earn the 11<sup>th</sup> year
  - Needed even if UAAL has been eliminated (100% funded ratio)
- Prior Service Rate: 4.90%
  - Contribution Rate needed to pay off the UAAL
  - Once a City reaches 100% funded ratio, no longer necessary
  - Will be a credit if assets are more than liabilities
- Total Employer Contribution Rate: 14.42%
  - Sum of the two rates above

# Assets and Liabilities continue to grow, the difference between the two is the UAAL



The UAAL has remained mostly flat for the last decade and has become much smaller in relation to the liability it represents (AAL)



For 2023, the UAAL increased due to the investment performance and liability experience, which was partially offset by assumption changes and additional contributions. However, benefit enhancements were also up.

Trends in the Annual Changes in the UAAL

\$ in millions	Year					Average
	2023	2022	2021	2020	2019	
Interest	\$296	\$256	\$265	\$288	\$293	\$ 280
Amortization payments	(400)	(339)	(337)	(352)	(340)	(354)
Payments towards Principal	(104)	(83)	(72)	(64)	(47)	(74)
Asset experience	109	290	(272)	(81)	(56)	(2)
Liability experience	345	402	259	(16)	(3)	197
Net Experience (Gains) and Losses	454	692	(13)	(97)	(59)	195
Assumption/Methods changes	(252)	-	-	-	85	(33)
Benefit modifications/New Cities	216	125	64	57	(35)	85
Contributions different than actuarially calculate	(80)	(145)	(105)	(241)	(20)	(118)
Net Discretionary Changes	(116)	(20)	(41)	(184)	30	(66)
Total Change in UAAL	234	589	(126)	(345)	(76)	55

# 104 cities adopted benefit changes in 2023, resulting in a \$216 million increase in the UAAL

Benefit Change		City Count
USC – Repeating	Increased Benefit	14
	Decreased Benefit	2
USC – Ad hoc		7
COLA – Repeating	Non-Retroactive	35
	Retroactive	8
COLA – Ad hoc		11
Increased city matching ratio		21
Increased Employee Contribution Rate		30
Adopted 20 Year Retirement Eligibility		11
Adopted 5 Year Vesting		5



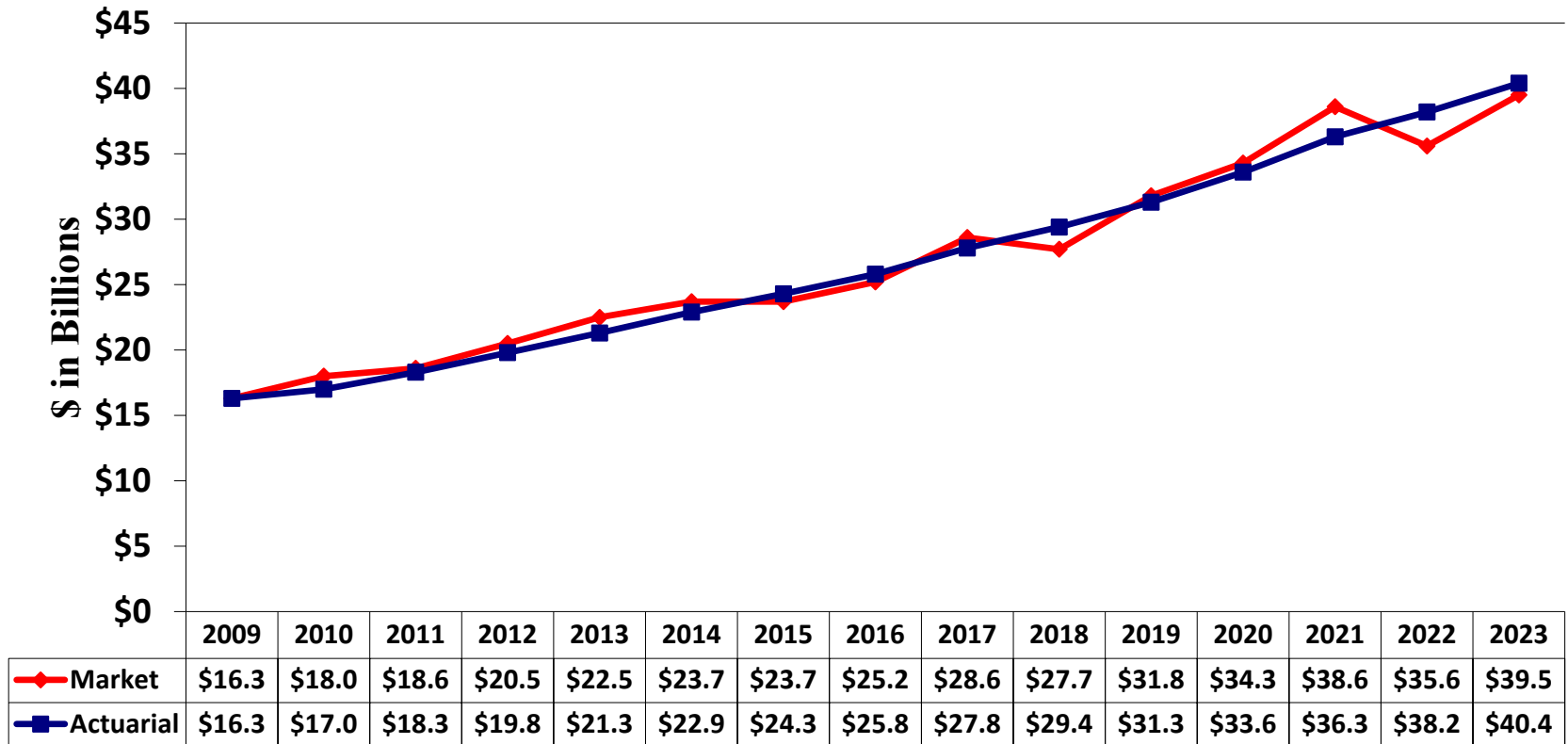
# Valuation results for cities without benefit changes remained relatively stable

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	Cities with no Benefit Change in 2023			Cities with Benefit Changes in 2023	
	2022	2023		2022	2023
UAAL	\$3.58	\$3.61		\$0.81	\$1.01
Funded Ratio	89.7%	90.2%		89.7%	87.9%
Contribution Rate	14.0%	14.3%		13.2%	14.8%

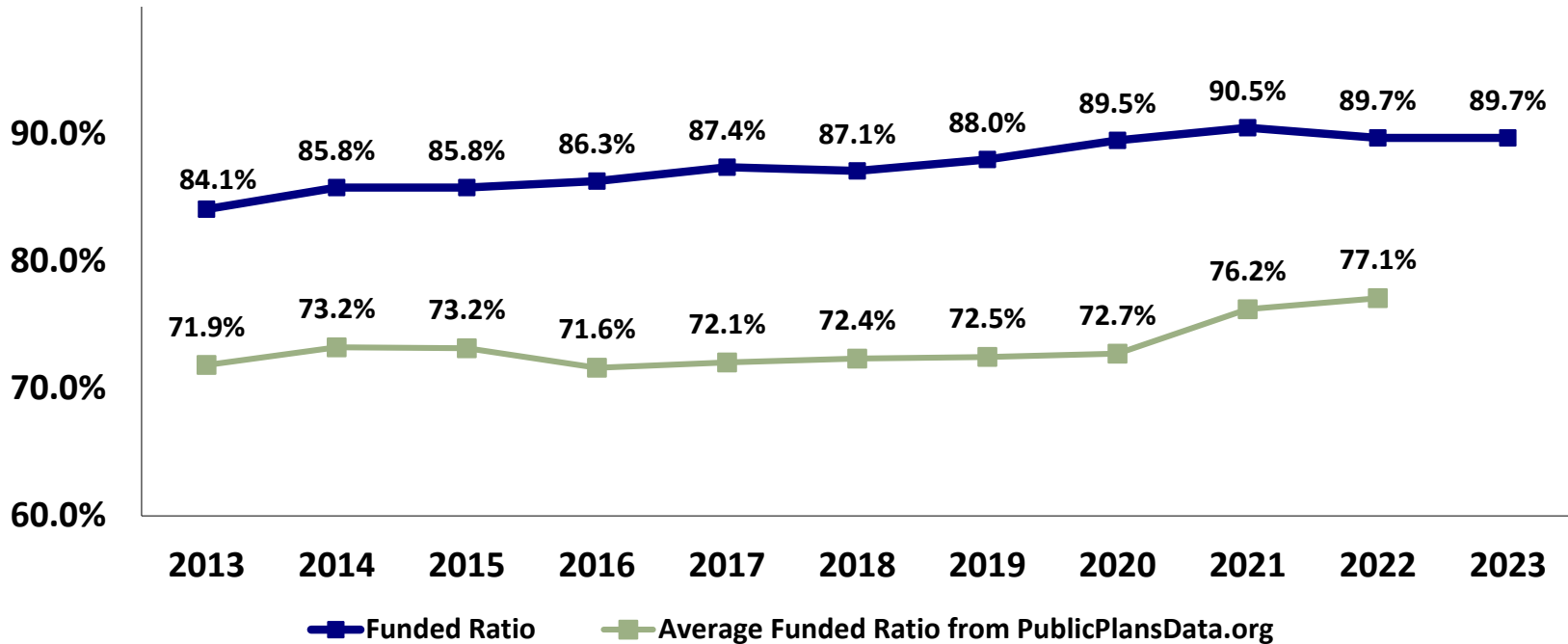
\$ in billions

All valuation results use a smoothed (actuarial) value of assets to dampen year to year fluctuations

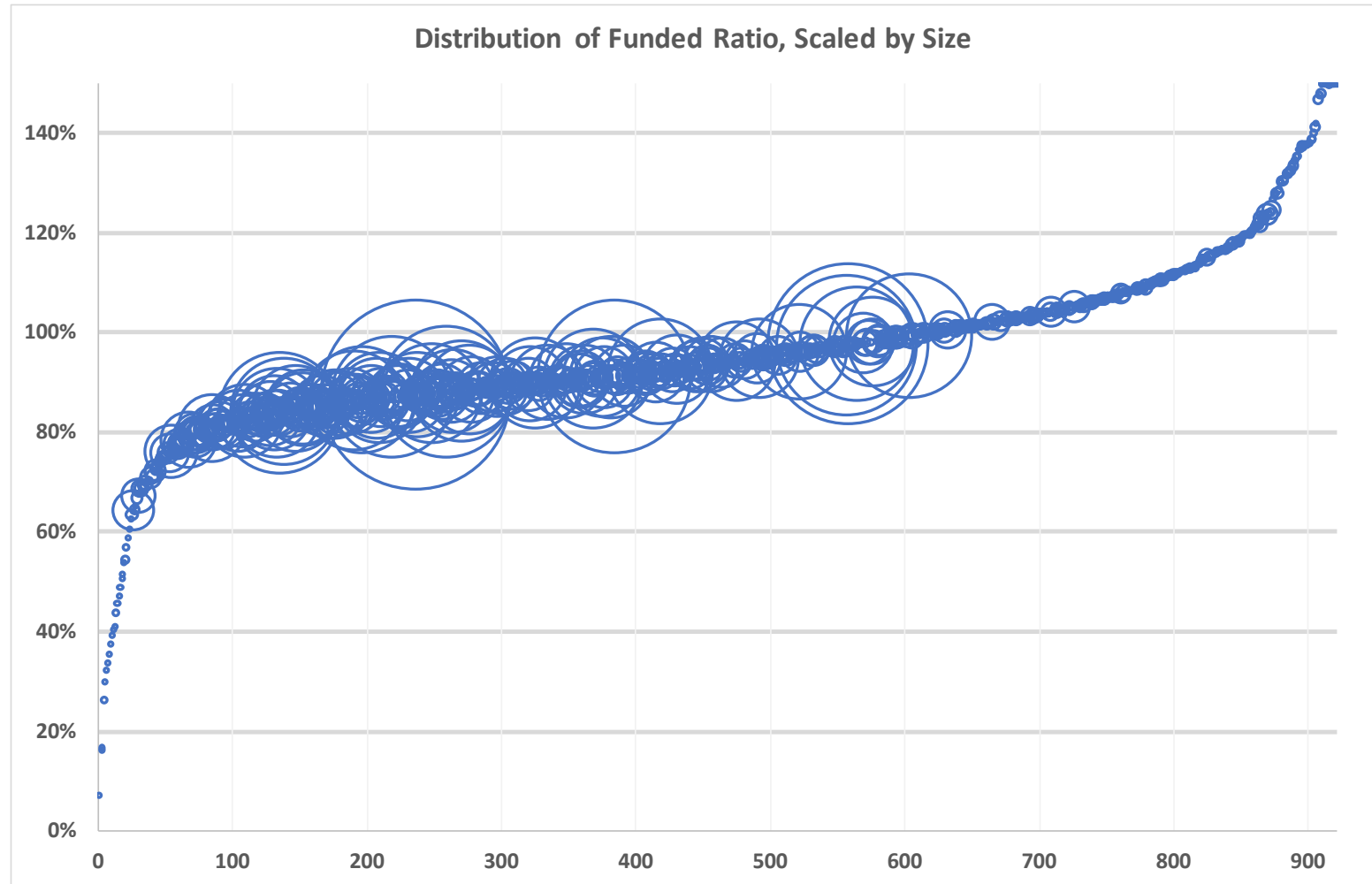


# The System-wide funded ratio is unchanged from 2022, but has improved since 2013

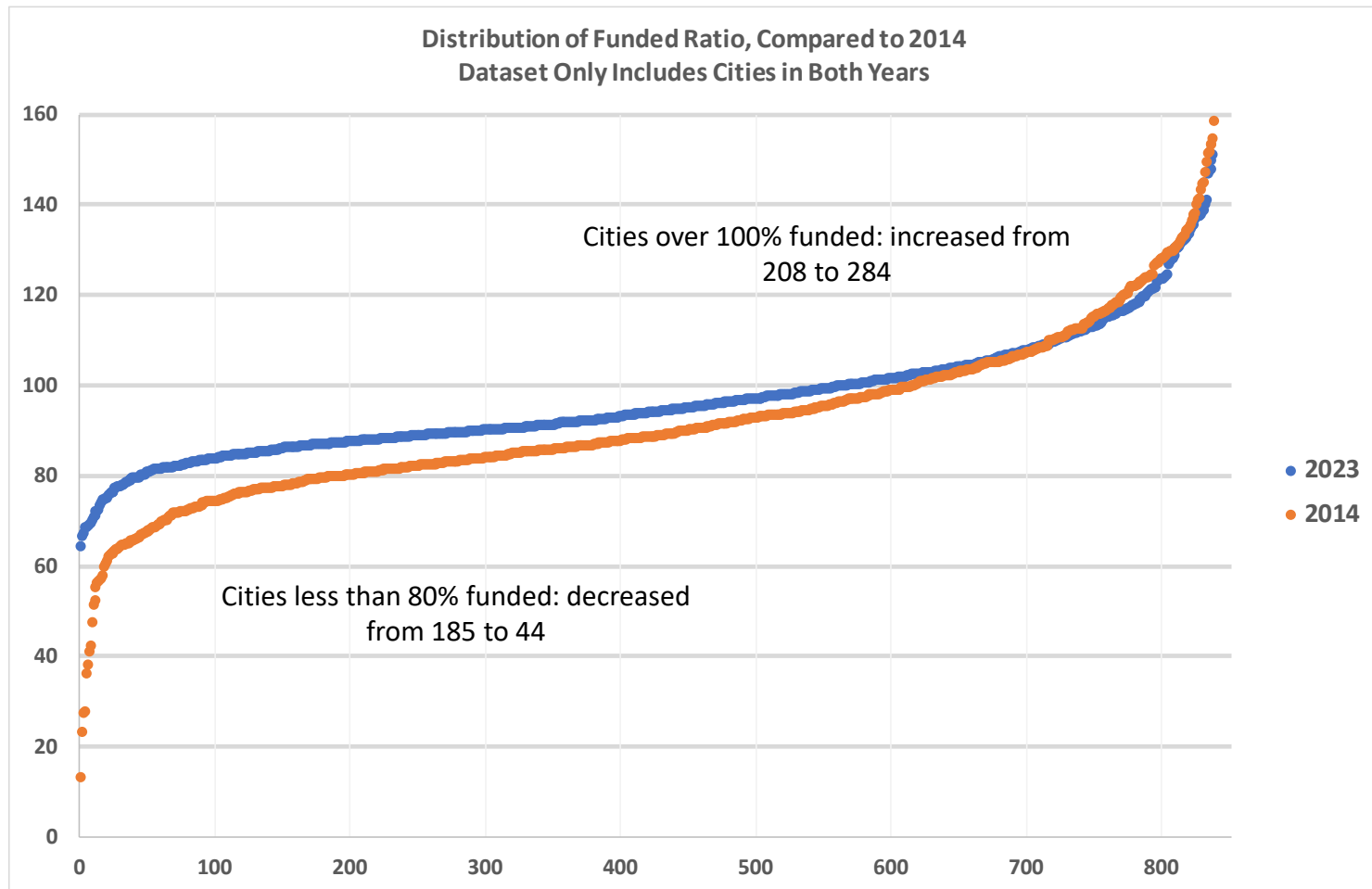
**Historical System-wide Funded Ratio for TMRS  
Peer Result Provided For Comparison**



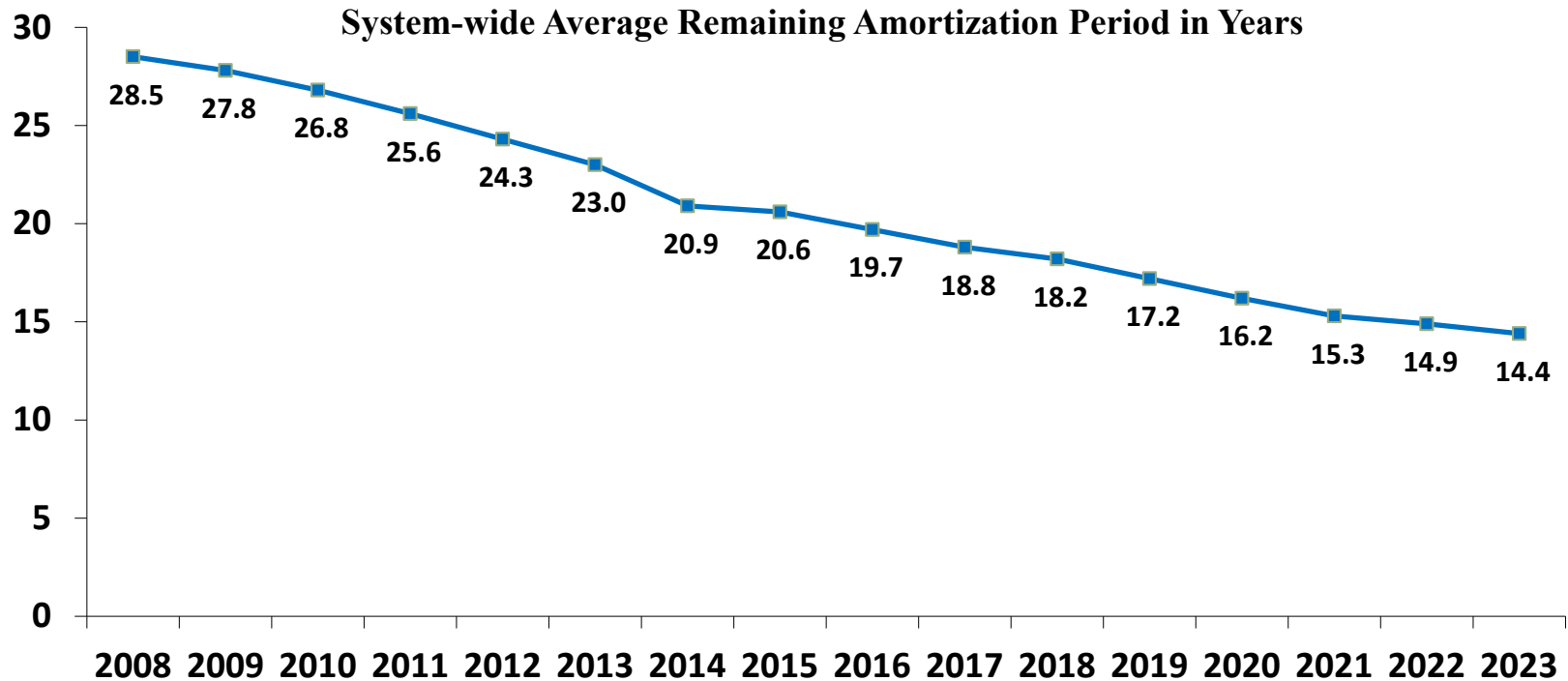
Most cities above 100% or below 80% are small, and most of the ones below 80% funded joined TMRS in the last decade



# The funded ratio at the individual City level has increased substantially since 2014

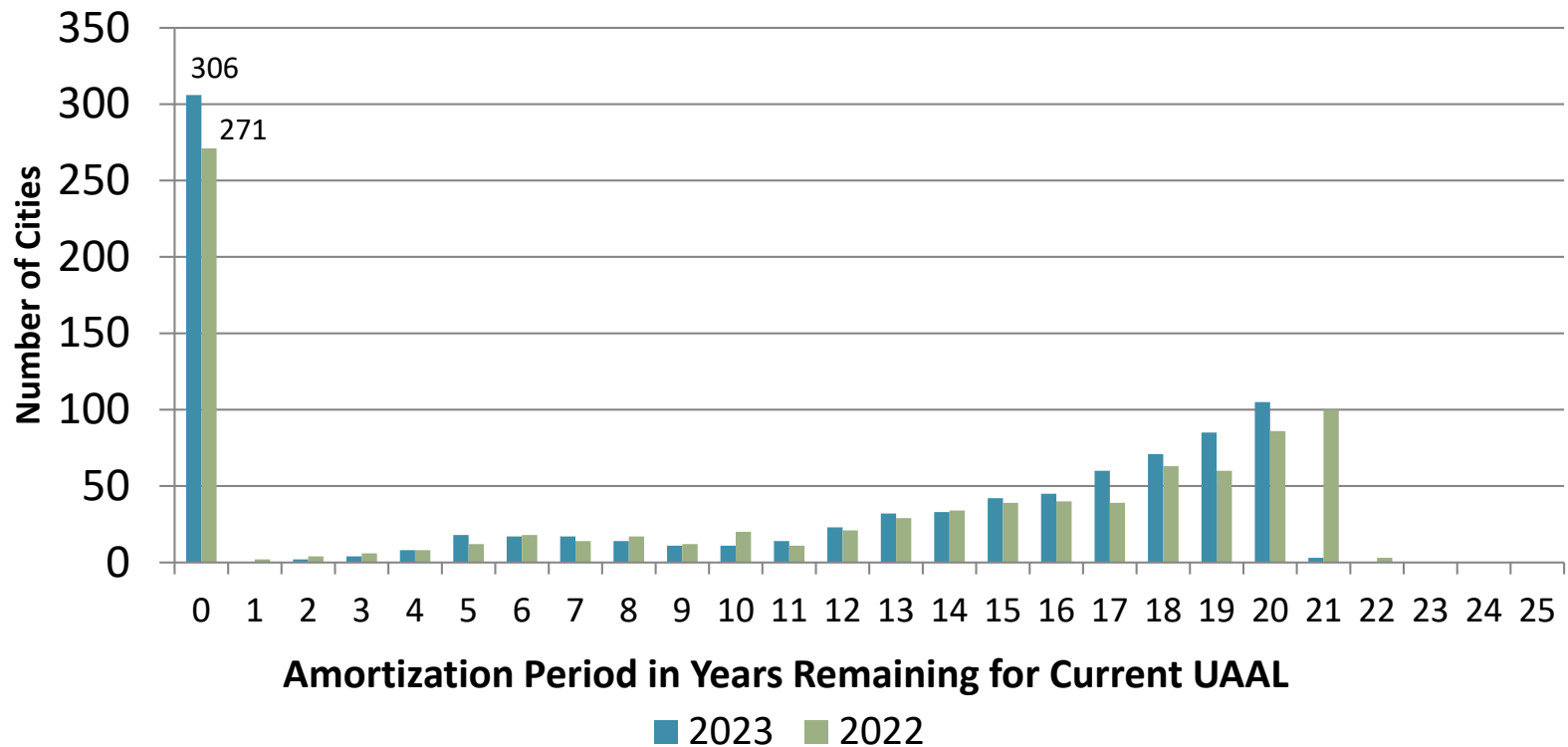


TMRS' funding policy utilizes closed amortization periods that forces any UAAL to be fully financed over a fixed number of years



# Every city has its own UAAL amortization payment schedule and all are moving towards \$0

## Distribution of Single Equivalent Amortization Periods



“0” reflects overfunded cities



# The new amortization layer and the corresponding increases in the contributions will keep pushing the funded ratio towards 100% over the next 20 years

### Projected Funded Ratio over Time

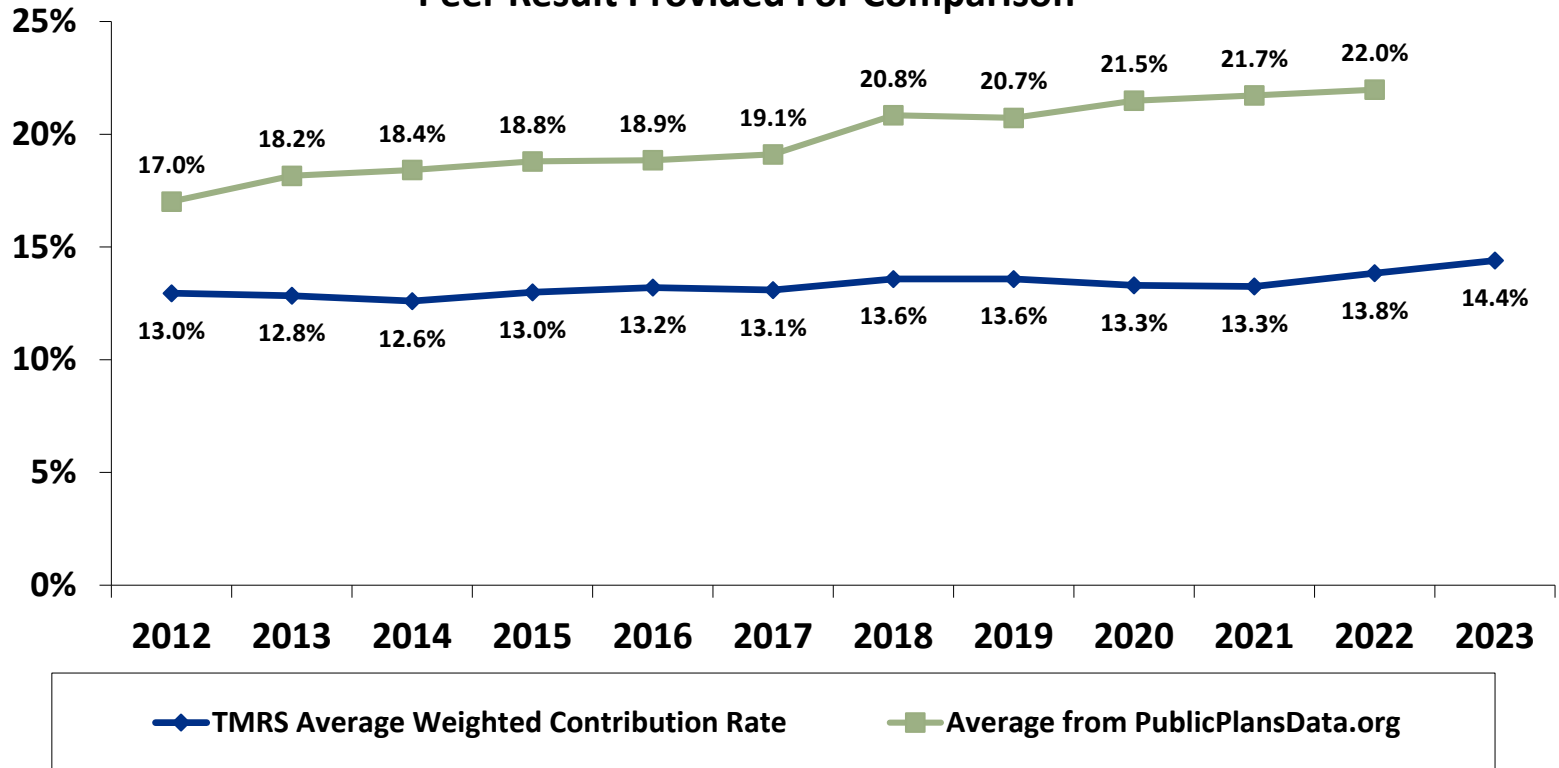


The data is TMRS System-wide  
Both projections based on current assumptions and benefits



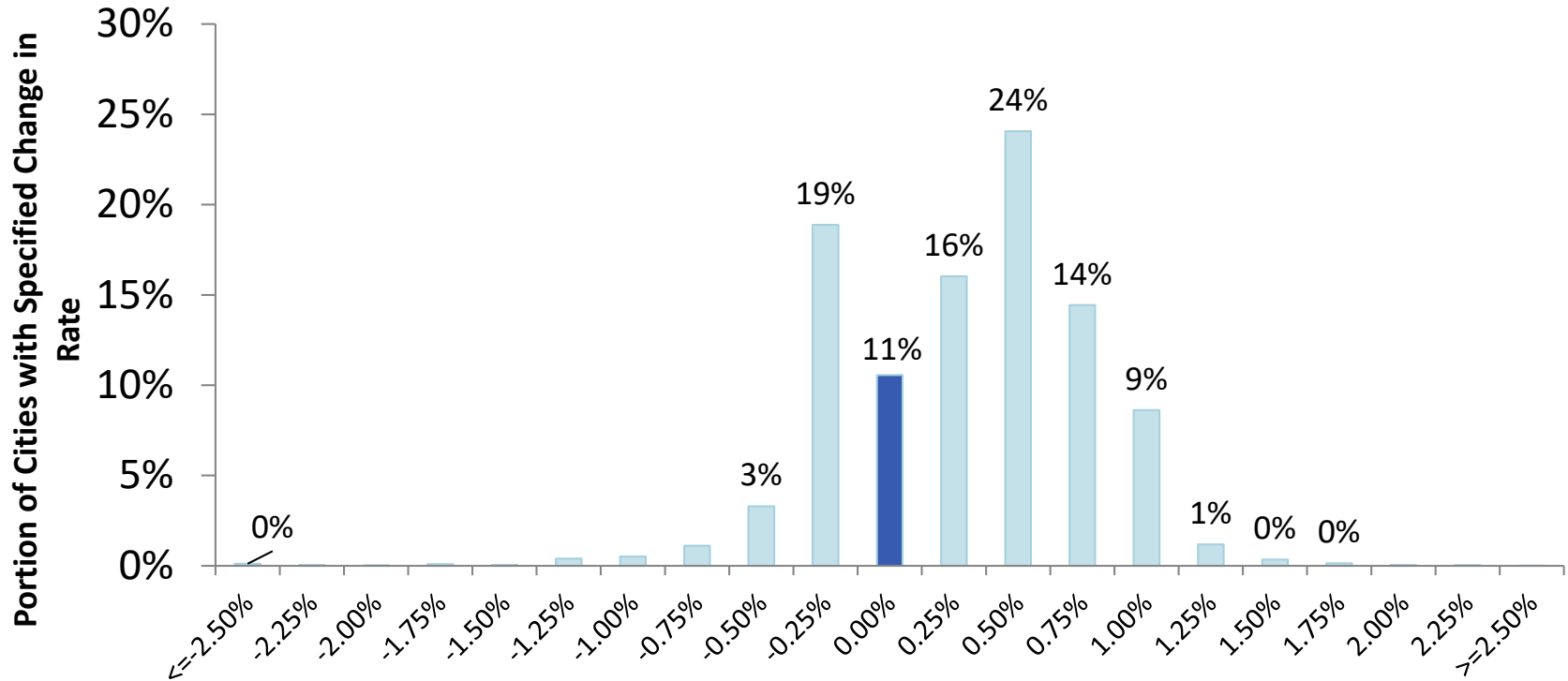
# System-wide, the average city contribution rate increased from the 2022 to 2023 valuation

### Historical System-wide City Contribution Rates for TMRS Peer Result Provided For Comparison



The change in contribution rates is dependent on whether the City enhanced benefits this year and the impact from higher inflation, with Cities with COLAs and USC seeing increases, and Cities without those provisions realizing decreases

### Distribution of Changes in Full Retirement Contribution Rate



Does not include impact from changes to benefits

Rounded to nearest 0.25% change in rate

Data weighted by payroll



# In Summary

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- System-wide actuarial health is strong
- Funded ratios unchanged:
  - Decrease due to benefit enhancements, investment and liability experience
  - Offset by increase from funding policy and assumption changes