

Annual Comprehensive Financial Report

FOR THE YEAR ENDED DECEMBER 31, 2025

TEXAS MUNICIPAL RETIREMENT SYSTEM



Annual Comprehensive Financial Report

For the Year Ended December 31, 2025

Prepared by:
Debbie Muñoz, Executive Director
Cindy Demers, Chief Financial Officer

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Introductory Section

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PPCC Public Pension Standards Award for Funding and Administration



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

It is my pleasure to present the Texas Municipal Retirement System (TMRS) Annual Comprehensive Financial Report (Report) for the year ended December 31, 2025. Each year, this Report reflects not only the financial strength of our system, but also the collective dedication of our staff, our Board of Trustees (Board), and the thousands of public servants we proudly support.

TMRS Background

For nearly eighty years, TMRS has remained a trusted partner to Texas cities, ensuring meaningful and lasting retirement security for more than 265,000 members who serve our 946 participating cities. Today, our system continues to grow and evolve, delivering billions in lifetime benefits to active and retired city employees and their beneficiaries.

TMRS is a cash balance retirement plan. Each member's benefit is based on member contributions, interest credits, city funded monetary credits, age at retirement, and other actuarial factors. In 2025, TMRS paid $2.2 billion in benefits, an increase of $147.4 million, or 7.2%, from $2.05 billion in benefits paid in 2024.

Investments

TMRS's 2025 net investment return was 13.75%, and Trust Fund investments totaled $49.1 billion as of December 31, 2025, an increase of $5.88 billion from 2024 year-end. TMRS's three-, five- and ten-year net investment returns were 12.01%, 8.00% and 8.07%, respectively. The Investment Section provides additional investment program detail.

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

Actuarial Valuation Report

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

Each participating city is responsible for establishing and funding its own retirement plan benefits and receives an annual actuarial valuation prepared by GRS. The Valuation calculates each city's annual contribution rate based on the city's assets, liabilities, and actuarial experience. City contribution rates and annual actuarial valuations are available on the TMRS website.

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

While each city has its own funded ratio, TMRS's system-wide funded ratio was 90.4% as of December 31, 2025, compared to 89.4% as of December 31, 2024.

2025 Operational Activities

Every year, TMRS's Senior Staff unite around a shared Action Plan, and I am proud to share that every item on the 2025 Action Plan has been completed. These accomplishments reflect innovation, teamwork, and deep dedication to those we serve.

2025 Operational Highlights include:

- Delivered major technology upgrades that made member services easier, faster, and more secure by completing key multi year system improvements.
- Enhanced TMRS's public presence by modernizing the website, expanding social media and improving branding efforts.
- Advanced long term investment strategies.
- Centralized compliance work, ensuring strong oversight of all regulatory, investment, and organizational policies.
- Advanced TMRS's commitment to excellence by earning the Quality Texas Foundation Progress Level Award and submitted the final application for the Governor's Texas Award for Performance Excellence.
- Improved processes and service delivery by replacing legacy reporting with modern, self-service data tools.
- Successfully completed the 2023-2025 Strategic Plan thereby strengthening the TMRS's foundation for continued success.

Each milestone represents progress toward a more agile, informed, and member-centered organization.

Staff Update

In 2025, I was honored to become the first female Executive Director of TMRS. Upon assuming this role, I focused on maintaining TMRS's tradition of excellence by fostering strong leadership within the organization.

To ensure we continued to uphold our values and deliver outstanding service, I promoted the following colleagues to the Executive Leadership team: Tom Masthay as Chief Investment Officer, Anali Alanis as Chief Operating Officer, Colin Davidson as Chief Service Officer, Cindy Demers as Chief Financial Officer, and Nick O'Keefe as Chief Investment Legal and Compliance Officer. These promotions strengthened our leadership structure and positioned TMRS for ongoing success as we moved forward together.

In addition, I promoted key members of our Senior Staff: Darren Schlissel advanced to Managing Director - Credit; Kenneth Oliver was promoted to Director of Actuarial Services; April Hernandez was appointed Deputy Chief Service Officer and Director of City and Member Services; Andi Focht-Williams assumed the role of Director of Risk, Compliance and Quality; and Brian Farrar became Director of Procurement and Contract Management.

The ongoing success of TMRS is founded on the dedication and skill of our staff, and I am pleased to recognize and celebrate these well-earned promotions.

TMRS Accountability, Transparency, and Financial Integrity

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

TMRS' independent auditors, CliftonLarsonAllen LLP, performed an audit of the Report's 2025 financial statements. Information regarding the scope of their audit is included in the Independent Auditors' Report in the Financial Section.

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

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

Achievements in Financial Reporting and System Administration

The Government Finance Officers Association of the United States and Canada (GFOA) awarded TMRS's Annual Comprehensive Financial Report for the year ended December 31, 2024, its Certificate of Achievement for Excellence in Financial Reporting. To receive this Certificate, a governmental entity must publish an easily readable and efficiently organized annual comprehensive financial report that satisfies both generally accepted accounting principles and applicable legal requirements. This was the 38th consecutive year that TMRS has achieved this recognition.

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

The GFOA also recognized TMRS's 2024 Popular Annual Financial Report for Outstanding Achievement in Popular Annual Financial Reporting.

TMRS received the Public Pension Coordinating Council's 2025 Public Pension Standards Award for Funding and Administration in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

New Trustee Appointments and Board Leadership

In October 2025, Governor Abbott appointed four new Trustees to the Board: Bryan Langley, City Manager of Kyle; Jaime Reyes II, Assistant Fire Chief for the City of Plano; Isaac Tawil, City Manager of McAllen; and Pamela Williams, Director of Human Resources for the City of Abilene.

In December 2025, the Board elected Jim Parrish as Board Chair and Tommy Gonzalez as Vice Chair. This decision underscores the Board's collective confidence in their abilities to guide TMRS forward.

Further strengthening its governance structure, the Board appointed three Trustees to serve on both its Stakeholder Advisory Committee and Audit Committee. Additionally, the Board expanded the Budget and Compensation Committee to include all six Trustees, ensuring broader participation and oversight. And finally, to enhance investment oversight, the Board also established a new Investment Committee, comprising all six Trustees.

Each Trustee brings valuable experience from their respective cities, offering unique insights and demonstrating a strong commitment to public service. Their collective dedication strengthens the Board and reinforces its mission to serve TMRS' members and their beneficiaries for generations to come.

On behalf of TMRS's members, staff, and stakeholders, we extend our gratitude to our Trustees for their service and dedication to advancing TMRS's mission.

Honored to Serve

As I reflect on the past year, I am filled with pride and optimism for the future. TMRS is thriving because our mission is clear and our people believe deeply in the work we do. We have a strong strategic plan, a talented team, and a Board committed to fulfilling its fiduciary responsibilities.

I am honored to lead this next chapter as Executive Director, and I look forward to working alongside our Board, staff, members, and cities to advance a vision that is member focused and grounded in long-term sustainability.

It is a privilege to serve our hard-working members and lead this remarkable organization, and I am excited about what we will achieve in the years to come.

Respectfully,



Debbie J. Muñoz
Executive Director

June 9, 2026

Board of Trustees

AS OF DECEMBER 31, 2025



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



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



Bryan Langley
City Manager
City of Kyle
Term expires: February 1, 2031



Jaime Reyes, II
Assistant Fire Chief-Operations
City of Plano
Term expires: February 1, 2027



Isaac Tawil
City Manager
City of McAllen
Term expires: February 1, 2031



Pamela Williams
Director of Human Resources
City of Abilene
Term expires: February 1, 2027

Board Committees

AS OF DECEMBER 31, 2025

Stakeholder Advisory Committee

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

Chair: Jaime Reyes, II
Vice Chair: Pamela Williams
Member: Jim Parrish

Group Representatives

- Christi Klyn, Texas Municipal Human Resources Association
- Paulette Hartman, Texas City Management Association
- Mitch Landry, Texas Municipal Police Association
- Greg Shipley, Combined Law Enforcement Associations of Texas
- Brad McCutcheon, Texas State Association of Fire Fighters
- Monty Wynn, Texas Municipal League
- Casey Srader, Government Finance Officers Association of Texas

Individual Representatives

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

Audit Committee

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

Chair: Tommy Gonzalez
Vice Chair: Bryan Langley
Member: Isaac Tawil

Budget and Compensation Committee

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

Chair: Isaac Tawil
Vice Chair: Jaime Reyes, II
Members: All Trustees

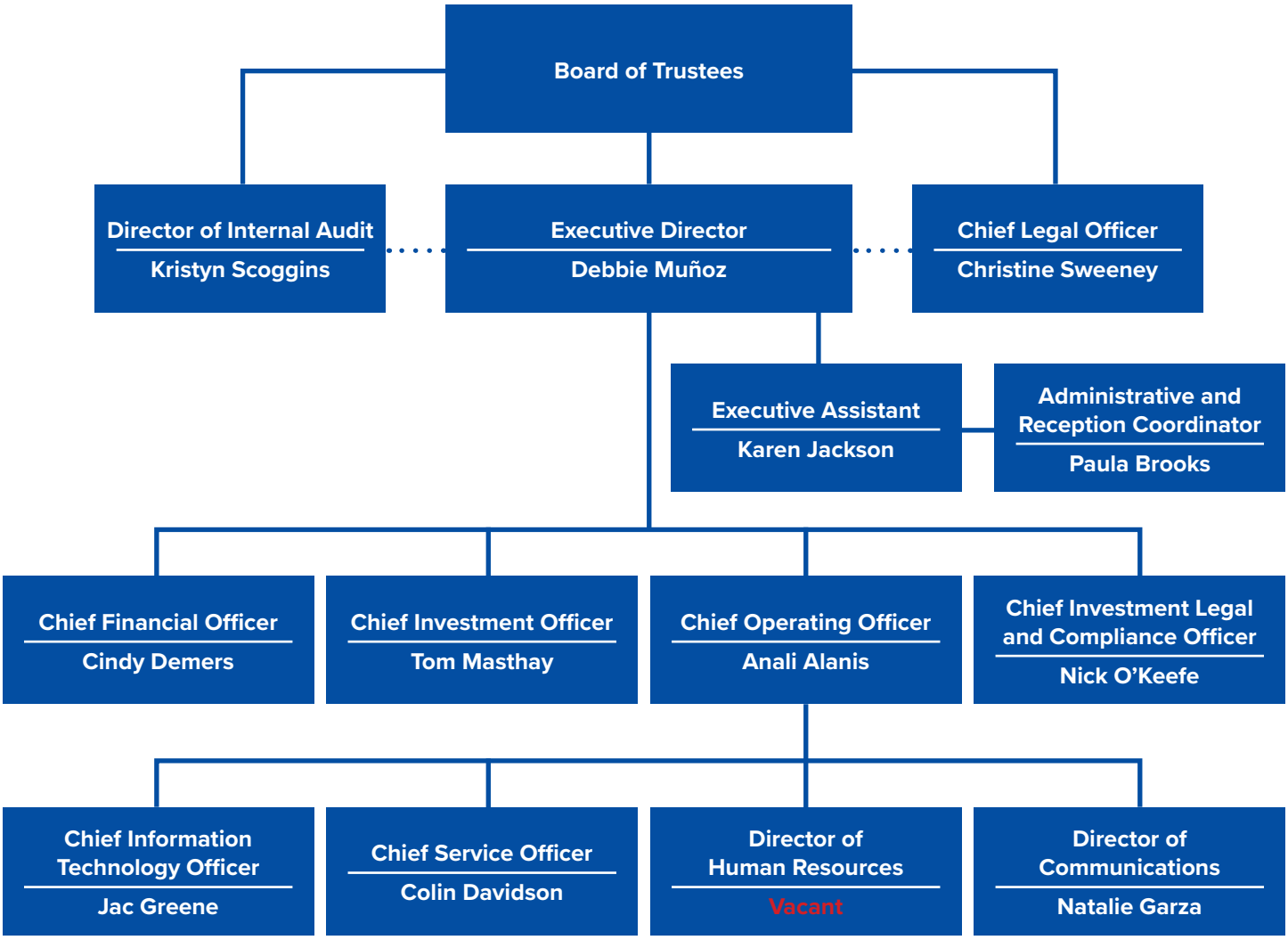
Investment Committee

The Investment Committee advises and assist the Board in fulfilling its fiduciary oversight responsibilities with respect to the investment of TMRS assets.

Chair: Bryan Langley
Vice Chair: Pamela Williams
Members: All Trustees

Organization Chart

JUNE 2026



Professional Advisors

AS OF DECEMBER 31, 2025

Actuary

Gabriel, Roeder, Smith & Company
Irving, TX

Custodian

State Street Bank and Trust Company
Boston, MA

Depository Bank

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

Fiduciary Counsel

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

Independent Auditor

CliftonLarsonAllen LLP
Baltimore, MD

Investment Consultants

Albourne America, LLC
San Francisco, CA

NEPC, LLC
Boston, MA

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

2025 Highlights

AS OF DECEMBER 31, 2025

Financial Highlights (dollars in millions)	
City Contributions	$1,608.2
Member Contributions	$678.9
Retirement Benefits Paid	$2,197.9
Member Account Refunds	$90.7
Fiduciary Net Position	$49,405.5
System Funded Ratio	90.4 %

Investments (dollars in millions)	
Investments	$49,126.2
Time-Weighted Net Investment Returns:	
1 Year	13.75 %
3 Years	12.01 %
5 Years	8.00 %
10 Years	8.07 %
Actuarial Investment Return Assumption	6.75 %

Membership Statistics	
Active Members	130,121
Retired Members	78,774
Inactive, Vested and Non-Vested Members	56,171
Total Members	265,066

Highlights presented are for the Pension Trust Fund.

Participating Cities	
Total Participating Cities	943
New Participating Cities	6
Number of Cities with:	
City Match -- 1:1	158
City Match -- 1.5:1	92
City Match -- 2:1	693
Member Contribution Rate -- 3%	3
Member Contribution Rate -- 5%	291
Member Contribution Rate -- 6%	105
Member Contribution Rate -- 7%	489
Member Contribution Rate -- 8%	55
5-Year Vesting	913
10-Year Vesting	30

GFOA Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Texas Municipal Retirement System

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrill

Executive Director/CEO

This Certificate of Achievement for Excellence in Financial Reporting was presented to TMRS by the Government Finance Officers Association (GFOA) for the year ended December 31, 2024. This is the 38th consecutive year that TMRS has received this prestigious award.

PPCC Public Pension Standards Award for Funding and Administration

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2025

Presented to

Texas Municipal Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

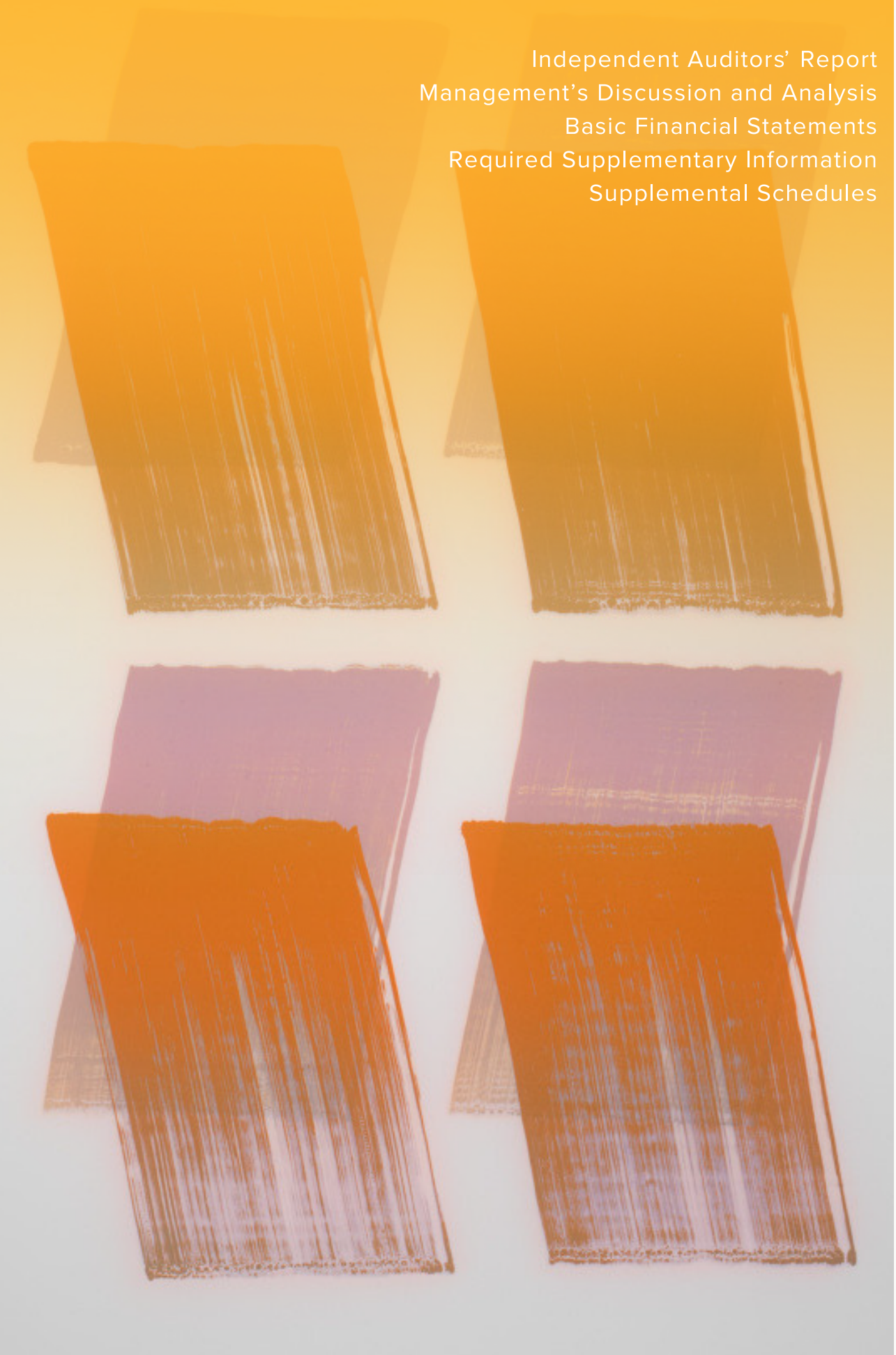
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Robert A. Wylie
Program Administrator

This Public Pension Standards Award for Funding and Administration was presented to TMRS by the Public Pension Coordinating Council (PPCC) for 2025. This is the 20th consecutive year that TMRS has received the award for meeting these standards.

Financial Section

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



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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 financial statements of the Texas Municipal Retirement System (TMRS), as of and for the year ended December 31, 2025, 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 accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the TMRS as of December 31, 2025, 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.

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See CLAglobal.com/disclaimer.

Board of Trustees
Texas Municipal Retirement System

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and money-weighted rate of return – pension trust fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Board of Trustees
Texas Municipal Retirement System

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 15, 2026

Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Texas Municipal Retirement System (TMRS) for the year ended December 31, 2025.

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

Overview of the Financial Statements

TMRS administers two fiduciary funds:

- The Pension Trust Fund, which accounts for the resources available for service and disability retirement benefits to retirees and their beneficiaries;
- The Supplemental Death Benefits Fund (SDBF), which provides a lump-sum death benefit to the beneficiaries of active members and retirees of participating cities that provide supplemental death benefits.

The Basic Financial Statements include:

- The Statement of Fiduciary Net Position, which presents the assets available for future payments of benefits to members, retirees and beneficiaries and current liabilities owed as of December 31, 2025.
- The Statement of Changes in Fiduciary Net Position, which includes the annual additions (investment income and contributions) and deductions (benefit payments and other expenses) for the year ended December 31, 2025.
- The Notes to the Financial Statements provide additional information, which is essential to a full understanding of the data in the Basic Financial Statements.

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

The Supplemental Schedules (Tables F-18, F-19, and F-20) include additional information regarding changes in fiduciary net position by fund, administrative and investment expenses, and professional services for the year ended December 31, 2025.

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

Financial Highlights

Net Position Restricted for Pensions – Pension Trust Fund

Tables F-1 and F-2 provide a summary of assets, liabilities, and fiduciary net position for the Pension Trust Fund as of December 31, 2025 and 2024, and a summary of changes in fiduciary net position for the years then ended. The fiduciary net position of the Pension Trust Fund increased by $6.0 billion from 2024 to 2025, or 13.8%, reflecting appreciation in the investment portfolio's value during 2025.

Table F-1

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

	2025	2024	Increase/ (Decrease)	% Change
ASSETS				
Investments, at fair value	$ 49,126.2	$ 43,244.0	$ 5,882.2	13.6 %
Receivables	258.8	241.6	17.2	7.1
Cash and other assets	76.1	14.0	62.1	443.6
Capital assets, net	5.5	3.5	2.0	57.1
Total assets	49,466.6	43,503.1	5,963.5	13.7
LIABILITIES				
Payables and other liabilities	39.2	79.5	(40.3)	(50.7)
Funds held for SDBF	21.9	17.0	4.9	28.8
Total liabilities	61.1	96.5	(35.4)	(36.6)
FIDUCIARY NET POSITION	**$ 49,405.5**	**$ 43,406.5**	**$ 5,999.0**	**13.8 %**

Columns may not total due to rounding.

The most significant component of the fiduciary net position is the fair value of Trust Fund investments. The change in investments is due to the increase in the portfolio's value, or investment gains, during 2025. The fluctuation of receivables and payables is due primarily to the timing of investment trade activity resulting in open trades receivable and payable at year-end.

Table F-2

Summary of Changes in Fiduciary Net Position — Pension Trust Fund (dollars in millions)
For the Year Ended December 31

	2025	2024	Increase/ (Decrease)	% Change
ADDITIONS				
City contributions	$ 1,608.2	$ 1,349.1	$ 259.1	19.2 %
Member contributions	678.9	636.1	42.8	6.7
Net investment income/(loss)	6,029.7	4,100.4	1,929.3	47.1
Total additions	8,316.8	6,085.6	2,231.2	36.7
DEDUCTIONS				
Retirement benefits	2,197.9	2,050.5	147.4	7.2
Member account refunds	90.7	87.9	2.9	3.3
Administrative expenses	28.2	26.3	1.9	7.2
Income allocated to SDBF	1.0	0.6	0.4	66.7
Total deductions	2,317.8	2,165.4	152.4	7.0
CHANGE IN FIDUCIARY NET POSITION	**5,999.0**	**3,920.2**	**2,078.8**	**53.0**
FIDUCIARY NET POSITION				
Beginning of year	43,406.5	39,486.3	3,920.2	9.9
END OF YEAR	**$ 49,405.5**	**$ 43,406.5**	**$ 5,999.0**	**13.8 %**

Columns may not total due to rounding.

Net investment income/(loss) includes interest, dividends, and net appreciation/(depreciation) in the fair value of investments, less investment expenses. The change from 2024 to 2025 is due to investment performance over the periods. Time-weighted net investment returns were 13.75% in 2025 and 10.41% in 2024.

The increase in retirement benefits is due to growth in the number of retired member accounts from 75,706 in 2024 to 78,774 in 2025 and cost-of-living adjustments that may be applied.

Net Position – Supplemental Death Benefits Fund

Tables F-3 and F-4 provide a summary of fiduciary net position as of December 31, 2025 and 2024 for the SDBF and a summary of changes in fiduciary net position for the years then ended. The fiduciary net position of the SDBF increased by 26.2% due to increases in actuarially determined contribution rates effective January 1, 2023. These rates are set to ensure annual benefit claims can be met.

Table F-3

Summary of Fiduciary Net Position — SDBF (dollars in millions)
As of December 31

	2025	2024	Increase/ (Decrease)	% Change
TOTAL ASSETS AND FIDUCIARY NET POSITION	$ 23.6	$ 18.7	$ 4.9	26.2 %

Table F-4

Summary of Changes in Fiduciary Net Position — SDBF (dollars in millions)
For the Year Ended December 31

	2025	2024	Increase/ (Decrease)	% Change
ADDITIONS				
City contributions	$ 18.9	$ 20.7	$ (1.8)	-8.7 %
Income allocated from Interest Reserve Account	1.0	0.6	0.4	66.7
Total additions	19.9	21.3	(1.4)	(6.6)
DEDUCTIONS				
Supplemental death benefits	15.0	10.7	4.3	41.1
Total deductions	15.0	10.7	4.3	41.1
CHANGE IN FIDUCIARY NET POSITION	**4.9**	**10.6**	**(5.7)**	**54.7**
FIDUCIARY NET POSITION				
Beginning of year	18.7	8.0	10.7	133.8
END OF YEAR	**$ 23.6**	**$ 18.7**	**$ 5.0**	**26.9 %**

Columns may not total due to rounding.

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

Requests for Information

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

Table F-5

Statement of Fiduciary Net Position
As of December 31, 2025

	Pension Trust Fund	Supplemental Death Benefits Fund	Total
ASSETS			
Cash	$ 68,709,080	$ —	$ 68,709,080
Receivables			
Contributions	183,134,561	1,624,871	184,759,432
Interest and dividends	66,282,682	—	66,282,682
Unsettled investment trades	9,372,669	—	9,372,669
Total receivables	258,789,912	1,624,871	260,414,783
Investments, at fair value			
Short term investments	616,742,158	—	616,742,158
Public equity	18,406,282,009	—	18,406,282,009
Private equity	7,630,924,944	—	7,630,924,944
Tactical opportunities	1,713,238,279	—	1,713,238,279
Credit - fixed income securities	4,197,575,836	—	4,197,575,836
Credit funds	6,965,333,425		6,965,333,425
Real assets	9,596,101,075		9,596,101,075
Total investments	49,126,197,726	—	49,126,197,726
Capital assets, net	5,530,688	—	5,530,688
Other assets	7,395,121	—	7,395,121
Funds held by Interest Reserve Account	—	21,941,325	21,941,325
TOTAL ASSETS	49,466,622,527	23,566,196	49,490,188,723
LIABILITIES			
Accounts payable and other accrued liabilities	28,600,486	—	28,600,486
Unsettled investment trades payable	10,613,139	—	10,613,139
Funds held for Supplemental Death Benefits Fund	21,941,325	—	21,941,325
TOTAL LIABILITIES	61,154,950	—	61,154,950
FIDUCIARY NET POSITION			
Net position restricted for pensions	49,405,467,577	—	49,405,467,577
Fiduciary net position restricted for other benefits	—	23,566,196	23,566,196
TOTAL FIDUCIARY NET POSITION	**$ 49,405,467,577**	**$ 23,566,196**	**$ 49,429,033,773**

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

Table F-6

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2025

	Pension Trust Fund	Supplemental Death Benefits Fund	Total
ADDITIONS			
Contributions			
City	$ 1,608,171,218	$ 18,906,310	$ 1,627,077,528
Member	678,926,053	—	678,926,053
Total contributions	2,287,097,271	18,906,310	2,306,003,581
Net investment income			
Net appreciation in fair value of investments	5,093,786,923	—	5,093,786,923
Interest and dividends	979,082,469	—	979,082,469
Total investment income	6,072,869,392	—	6,072,869,392
Less investment expense	(43,198,176)	—	(43,198,176)
Net investment income	6,029,671,216	—	6,029,671,216
Other	(392)	—	(392)
Income allocated from Interest Reserve Account	—	1,023,452	1,023,452
TOTAL ADDITIONS	8,316,768,095	19,929,762	8,336,697,857
DEDUCTIONS			
Retirement benefits	2,197,859,214	—	2,197,859,214
Supplemental death benefits	—	15,052,506	15,052,506
Member account refunds	90,762,625	—	90,762,625
Administrative expenses	28,183,414	—	28,183,414
Income allocated to Supplemental Death Benefits Fund	1,023,452	—	1,023,452
TOTAL DEDUCTIONS	2,317,828,705	15,052,506	2,332,881,211
CHANGE IN FIDUCIARY NET POSITION	5,998,939,390	4,877,256	6,003,816,646
FIDUCIARY NET POSITION			
Fiduciary net position restricted for pensions			
Beginning of year	43,406,528,187	—	43,406,528,187
End of year	49,405,467,577	—	49,405,467,577
Fiduciary net position restricted for other benefits			
Beginning of year	—	18,688,940	18,688,940
End of year	—	23,566,196	23,566,196
TOTAL FIDUCIARY NET POSITION	**$ 49,405,467,577**	**$ 23,566,196**	**$ 49,429,033,773**

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statements include only the operations of TMRS. TMRS is not a component unit of any other entity and has no component units. TMRS manages two fiduciary funds: the Pension Trust Fund and the Supplemental Death Benefits Fund (SDBF).

B. Basis of Accounting

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

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

TMRS invests city and active member contributions in a diversified investment portfolio. Investments are exposed to various risks, such as interest rate risk, credit risk and market volatility risk (see Note 5.C. Investment Risk). Due to the risks associated with investments, changes in the fair value of investments will occur in the future and any such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

C. Basis of Presentation

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

The following is a brief description of each fund.

Pension Trust Fund

The Pension Trust Fund records the resources held in trust for the benefit of TMRS' members. TMRS is not legally required to create reserves but establishes the following accounts:

Benefit Accumulation Fund (BAF). The activity affecting each participating city's account is recorded in the BAF. The BAF is increased by contributions from participating cities and active members and decreased by benefit payments and refunds. Effective each December 31, the Board approves an interest credit to the BAF, allocated to each city in proportion to its BAF balance at January 1 of that year. The BAF received a 13.54% interest credit effective December 31, 2025.

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

Endowment Fund. The Endowment Fund includes the Interest Reserve Account and Perpetual Endowment Account. Investment income accumulated during the year is held in the Interest Reserve Account until it is allocated by the Board to the Benefit Accumulation Fund. Non-vested member account balances that have not received any employee contributions for at least seven years are held in the Perpetual Endowment Account.

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

Full Benefit Arrangement Fund (FBAF). Any portion of a retiree's annual retirement benefit that exceeds the limit set by Section 415(b) of the Internal Revenue Code (IRC) cannot be paid from the Pension Trust Fund. Cities contribute the excess amounts directly to the FBAF and the excess benefits are paid to the retiree from the FBAF.

Supplemental Death Benefits Fund (SDBF)

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

D. Investments

As of December 31, 2025, the Pension Trust Fund included short-term investments, public equity, private equity, tactical opportunities, including hedge funds, real assets, and credit, including public and private fixed income investments. Investment transactions are reported on a trade-date basis, with resulting gains/(losses) from sales determined by the average cost method. Short-term investments are reported at cost, which approximates fair value. Fixed income securities are valued by pricing vendors using quoted market prices, broker prices or other valuation methodologies. Public equity securities are valued by TMRS' custodian bank using the last trade date quoted market price supplied by various pricing data vendors. Fair values of commingled public equity funds are determined based on the funds' net asset values at the date of valuation. Fair values of private equity, tactical opportunities, real assets and credit funds are reported at their net asset values as provided by the fund's investment manager, which are based on audited financial statements of the respective funds. Withdrawal from private fund investments prior to a fund's liquidation may be allowed, subject to constraints as set forth in the fund's documents.

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

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

E. Capital Assets

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

2. Plan Description

A. Pension Plan and Trust Fund

TMRS administers a defined benefit cash-balance plan for the eligible employees of 943 participating cities. Under GASB, TMRS is an agent multiple-employer public employee retirement system.

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

Table F-7

TMRS Member Accounts **As of December 31, 2025**	
Active member accounts	
Vested	72,550
Non-vested	57,751
TOTAL	130,301
Inactive member accounts entitled to but not yet receiving benefits	
Vested	44,495
Non-vested	47,914
TOTAL	92,409
Retirees and beneficiaries currently receiving benefits	91,685
TOTAL MEMBER ACCOUNTS	**314,395**

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

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

Depending on a city's plan provisions, a member is eligible to retire at age 60 with either five or 10 years of service, or at any age with 20 or 25 years of service. If a member becomes eligible to retire in one participating city, they are eligible to retire in all participating cities.

If a vested member leaves city employment before reaching retirement eligibility, they can leave their contributions with TMRS, receive interest on their contributions, and when they reach the city's retirement eligibility, receive a lifetime monthly retirement benefit.

Contributions.

Active Members. Active member contribution rates are adopted by a participating city and may be either 5%, 6%, 7% or 8% of the member's total compensation. A city withholds the member's contribution from wages on a pre-tax basis and sends it to TMRS monthly.

Cities. A participating city's contribution rate is determined annually using the Entry Age Normal actuarial cost method that develops the annual cost of the city's retirement plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that attributable to benefits earned prior to the current year, known as prior service cost. Both are calculated as a level percent of the city's reported payroll. The normal cost contribution rate is the percentage of total gross payroll that, if applied to all employees' compensation throughout their period of anticipated employment with the city, would be sufficient to pay the expected benefits. The prior service contribution rate amortizes any unfunded actuarial accrued liability over the amortization period for that city. Both the normal cost and prior service contribution rates include the projected costs of annually repeating benefits adopted by a city, such as updated service credit and cost of living adjustments.

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

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

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

Retirement Benefits.

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

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

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

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

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

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

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

Table F-8

Strategic Target Allocation
As of December 31, 2025

Asset Class	Minimum %	Target %	Maximum %
Public Equity	25%	35%	45%
Private Equity	10%	20%	25%
Tactical Opportunities	0%	6%	11%
Credit	16%	21%	26%
Real Assets	13%	18%	23%
Total		100%	

As of December 31, 2025, the annual money-weighted rate of return on Pension Trust Fund assets, net of investment expenses, was 13.70% . The money-weighted rate of return reflects investment performance, net of investment expense, adjusted for assets invested.

B. Supplemental Death Benefits Fund

TMRS administers the Supplemental Death Benefits Fund (SDBF), which is an optional death benefit plan that operates like a group-term life insurance plan. The SDBF allows participating cities to provide supplemental death benefits for their active members, with optional coverage for their retirees. The SDBF had 828 participating cities as of December 31, 2025.

Table F-9

Supplemental Death Benefits Fund Member Accounts **As of December 31, 2025**	
Active member accounts	89,876
Inactive vested member accounts	13,673
Retirees eligible for benefits	42,500
Total	**146,049**

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

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

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

3. TMRS as Employer

A. Pension Plan

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

TMRS' net pension liability (NPL) and pension expense were measured as of the December 31, 2024 actuarial valuation, TMRS' measurement date for GASB Statement No. 68. The NPL of $7,533,652 is included in accounts payable and other accrued liabilities in the accompanying Statement of Fiduciary Net Position. TMRS' pension expense of $3,043,162 for the fiscal year 2025 is included in administrative expenses in the accompanying Statement of Changes in Fiduciary Net Position.

Table F-10

TMRS as Employer — Actuarial Valuation **As of Measurement Date**	
Member Accounts	
Active member accounts	112
Inactive member accounts	73
Retiree accounts	77
Total	262
Net Pension Liability	
Total pension liability	$ 77,184,427
Fiduciary net position	69,650,775
Net pension liability	$ 7,533,652
Plan Fiduciary Net Position as a % of Total Pension Liability	90.24 %
Sensitivity of the NPL to changes in the discount rate	
1% increase to 7.75%	$ (831,417)
Current rate assumption of 6.75%	$ 7,533,652
1% decrease to 5.75%	$ 17,641,140

B. Supplemental Death Benefits

As an employer, TMRS provides a supplemental death benefit to beneficiaries of its employees and retirees. TMRS contributes to the Supplemental Death Benefits Fund (SDBF) at an actuarially determined contribution rate. For 2025, the rate was 0.27% of payroll for covered members, of which 0.08% represented the retiree-only (other post-employment benefit) portion. TMRS' employer contributions to the SDBF for the years ended December 31, 2025, 2024 and 2023 were $49,256, $52,425 and $51,050, respectively, representing contributions for both employee and retiree coverage.

C. TMRS Insurance Benefits

TMRS' employees and retirees are eligible for insurance through the Texas Employees Group Benefits Program (GBP), administered by the Employees Retirement System of Texas (ERS), if they meet retiree insurance eligibility rules as defined by state law. If a retiree does not qualify for insurance benefits through the GBP, TMRS reimburses the retiree for a private policy depending upon the length of the retiree's service. The GBP is administered through a trust governed and managed by ERS. TMRS provides its employees with health, life, disability and dental insurance benefits, and subsidizes the cost of health coverage for its retirees. TMRS' contributions to the GBP for active employees for the years ended December 31, 2025, 2024 and 2023 were $1,264,823, $1,200,563 and $1,277,599, respectively. TMRS paid GBP and reimbursed for private health insurance plans for retirees totaling $133,763, $119,432, and $88,028, respectively.

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

D. Deferred Compensation

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

4. Cash

A. Cash in Banks

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

Demand deposit account balances with TMRS' depository bank totaled $193,512, with a book value of ($3,746,627) as of December 31, 2025. The negative book value represents uncleared checks and is classified as accounts payable and other accrued liabilities on the Statement of Fiduciary Net Position. Cash on deposit with TMRS' custodian bank totaled $68,709,080 as of December 31, 2025.

B. Custodial Credit Risk

TMRS' deposits are subject to custodial credit risk, which is the risk that, in the event of a bank failure, the deposits might not be recovered. Demand deposits held by the depository bank as of December 31, 2025, to the extent not insured by the Federal Deposit Insurance Corporation (FDIC), were collateralized by securities held by a third-party independent custodian, in TMRS' name, under a joint custody agreement giving TMRS unconditional rights and claims to collateral. Securities pledged as collateral had a fair value of $21,601,606 as of December 31, 2025. The current FDIC coverage limit is $250,000 for deposits held in non interest-bearing accounts. Deposits denominated in a foreign currency are neither collateralized nor insured as of December 31, 2025. See Table F-15 for more information.

5. Investments

A. Fair Value of Investments

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

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

Table F-11

Fair Value of Investments
As of December 31, 2025

		Fair Value Measurements Using		
	Total Fair Value	Level 1	Level 2	Level 3
Credit - fixed income securities				
U.S. Treasury bonds/notes	$ 681,978,174	$ —	$ 681,978,174	$ —
U.S. government agency	21,038,380	—	21,038,380	—
U.S. government-sponsored enterprise	63,351,567	—	63,351,567	—
Municipal bonds	2,237	—	2,237	—
Corporate bonds	1,616,304,188	—	1,616,304,188	—
Collateralized mortgage obligations	810,429,977	—	810,429,977	—
Other asset-backed securities	1,004,471,313	—	1,004,471,313	—
	4,197,575,836	—	4,197,575,836	—
Public equities				
Equity securities - domestic	5,033,932,827	5,033,932,827	—	—
Equity securities - international	5,710,371,790	5,710,371,790	—	—
Global equity REITs	163,532,991	163,532,991	—	—
	10,907,837,608	10,907,837,608	—	—
Total investments by fair value level	**$ 15,105,413,444**	**$ 10,907,837,608**	**$ 4,197,575,836**	**$ —**
Investments measured at Net Asset Value (NAV)				
Equity commingled funds	7,498,444,401			
Private equity	7,630,924,944			
Tactical opportunities	1,713,238,279			
Credit funds	6,965,333,425			
Real assets	9,596,101,075			
Total investments measured at NAV	**33,404,042,124**			
Short term investments at amortized cost	**616,742,158**			
Total investments	**$ 49,126,197,726**			

Public equity securities classified as Level 1 are valued using prices quoted in active markets for those investments. Fixed income securities classified as Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. TMRS did not hold any Level 3 investments as of December 31, 2025.

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

Table F-12

Investments Measured at Fair Value
As of December 31, 2025

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity commingled funds	$ 7,498,444,401	$ —	Daily	1-2 days
Tactical opportunities	1,713,238,279	526,730,141	Varies	Varies: 30-90 days+
Private equity funds	7,630,924,944	3,276,509,579	N/A	N/A
Real Assets	9,596,101,075	3,404,341,134	Varies	Varies: 45-90 days
Credit	6,965,333,425	4,445,210,367	Varies	Varies: 10 days+
Total	**$ 33,404,042,124**	**$ 11,652,791,221**		

B. Investments Measured at Net Asset Value

- **Equity commingled funds.** Equity commingled funds offer daily liquidity and provide return and risk characteristics that approximate the overall domestic and international securities included in an underlying index.
- **Private equity.** Private equity asset class primarily invests in non-publicly traded equity and debt. These investments are typically closed-end funds with duration of 10 - 14 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received as the underlying assets are liquidated.
- **Tactical opportunities.** The tactical opportunities asset class invests in hedge funds and related strategies. TMRS invests in open-end funds, which typically have provisions that may limit withdrawals, and closed-end funds with duration of 4-8 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received as the underlying assets are liquidated or paid off by the borrower.
- **Real assets.** Real assets asset class invests in real estate, infrastructure, and natural resources. TMRS invests in open-end funds, which typically have provisions that may limit withdrawals, and closed-end funds with duration of 8 - 12 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received in the form of quarterly income, as redemption proceeds, and/or as the underlying assets of the funds are liquidated.
- **Credit funds.** Credit funds include public and private fixed income investments. Liquidity, volatility, expected return and investment horizon vary with each strategy. TMRS invests in open-end funds, which typically have provisions that may limit withdrawals, and closed-end funds with duration of 6 - 10 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received as the underlying assets are liquidated or paid off by the borrower.

C. Investment Risk

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

Custodial Credit Risk.

Custodial credit risk is the risk that, in the event of failure of the counterparty, TMRS will not be able to recover the value of its investments or collateral securities that are in the possession of the counterparty. TMRS' assets may be held in the name of agents, nominees, depository trust companies or other entities. As of December 31, 2025, all investment securities were registered in TMRS' name or in the name of its custodian and are held by the custodian.

Credit Default Risk.

Credit default risk is the risk that an issuer or other counterparty to an investment will not fulfill its repayment obligations. TMRS' investment guidelines set minimum credit ratings for the core fixed income portfolio to manage credit default risk. Investment guidelines established with the individual investment managers address the management of credit default risk for the non-core fixed income portfolio. As of December 31, 2025, TMRS' core fixed income portfolio complied with the investment guidelines on credit default risk.

Table F-13

Fixed Income Securities with Exposure to Credit Default Risk
As of December 31, 2025

Bond Rating	Total Fair Value	U.S. Government-Sponsored Enterprise	Municipal Bonds	Corporate Bonds	Collateralized Mortgage Obligations	Other Asset-Backed Securities	Non-Core Fixed Income Securities
Securities subject to credit default risk							
AAA	$ 191,022,249	$ —	$ —	$ 1,298,058	$ 46,609,230	$ 9,804,034	$ 143,114,961
AA	107,889,864	—	—	8,469,327	28,043,647	504,895	71,376,890
A	311,841,950	—	2,237	234,026,981	38,209,290	24,770	39,603,442
BBB	651,148,085	—	—	420,758,073	43,521,151	151,449	186,868,861
BB	528,740,988	—	—	396,202,041	69,717,138	—	62,821,809
B	402,998,826	—	—	381,919,162	11,849,291	—	9,230,373
CCC	210,598,772	—	—	171,290,180	12,678,726	—	26,629,866
CC	2,330,113	—	—	2,330,113	—	—	—
C	1,296,600	—	—	—	—	—	1,296,600
D	—	—	—	—	—	—	—
Not Rated	1,086,691,835	63,351,567	—	10,253	559,801,504	403,253	463,528,512
Total	**$ 3,494,559,282**	**$ 63,351,567**	**$ 2,237**	**$ 1,616,304,188**	**$ 810,429,977**	**$ 10,888,401**	**$ 1,004,471,314**
Securities not subject to credit default risk							
U.S. Treasury bonds/notes	681,978,174						
U.S. government agency	21,038,380						
Total	**$ 4,197,575,836**						

Table F-13 excludes credit funds which are exposed to credit default risk but for which credit ratings are not available.

Concentration of Credit Risk.

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

Concentration risk is managed through diversification of investment managers, investment vehicles, sectors and geographic/economic locations. As of December 31, 2025, there was no single issuer that comprised more than 5% of TMRS' Fiduciary Net Position.

Interest Rate Risk.

Interest rate risk is the risk that changes in interest rates will affect the fair value of an investment. TMRS' fixed income securities held in the Credit asset class are exposed to interest rate risk.

Fixed Income. Interest rate risk of the fixed income portfolio is controlled through duration management. Duration is a measure of the sensitivity of the price of a fixed income investment to a change in interest rates, and is expressed as a number of years. TMRS' investment guidelines require duration of the core fixed income portfolio align with duration of the asset class benchmark, the ICE BofA 1-3 year A-BBB US Corporate Index which was 1.9 years as of December 31, 2025. As of December 31, 2025, TMRS' consolidated fixed income portfolio had an effective duration of 2.3 years and was therefore in alignment with the investment guidelines established with the investment managers related to interest rate risk.

Table F-14

Fixed Income Securities with Exposure to Interest Rate Risk
As of December 31, 2025

		Fair Value	Effective Duration
Securities subject to interest rate risk			
U.S. Treasury bonds/notes	$	681,978,174	2.15
U.S. government agency		21,038,380	1.14
U.S. government-sponsored enterprise		63,351,567	2.14
Municipal bonds		2,237	3.85
Corporate bonds		1,616,304,188	2.51
Collateralized mortgage obligations		810,429,976	2.00
Other asset-backed securities		1,004,471,314	2.32
Totals	**$**	**4,197,575,836**	**2.30**

Table F-14 excludes credit funds which are exposed to interest rate risk but for which duration information is not available.

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

Table F-15

Foreign Currency Exposure (in U.S. dollars)
As of December 31, 2025

Currency	Cash Equivalents	Foreign Currency Contracts	Credit	Public Equities	Private Equity	Real Assets	Total
Australian Dollar	$ 1,800,933	$ (541)	$ —	$ 211,146,889	$ —	$ 29,292,374	$ 242,239,655
Brazilian Real	1,328,849	—	—	78,858,149	—	—	80,186,998
Canadian Dollar	1,392,860	13,435	—	422,958,535	—	—	424,364,830
Chilean Peso	229,031	—	—	16,097,930	—	—	16,326,961
Czech Koruna	86,773	—	—	2,390,764	—	—	2,477,537
Colombian Peso	164,345	—	—	2,569,457	—	—	2,733,802
Danish Krone	212,871	(1,599)	—	68,769,253	—	—	68,980,525
Egyptian Pound	17,275	—	—	834,246	—	—	851,521
Euro Currency	5,376,903	(10,245)	19,980,535	1,327,915,779	100,151,621	231,397,145	1,684,815,738
Hong Kong Dollar	68,518	—	—	685,821	—	—	754,339
Hungarian Forint	21,191	2,176	—	13,384,358	—	—	13,407,725
Indian Rupee	1,307,836	6,260	—	375,895,103	—	—	377,209,199
Indonesian Rupiah	249,936	—	—	22,831,833	—	—	23,081,769
Japanese Yen	7,825,854	(54,333)	—	993,914,312	—	—	1,001,685,833
Malaysian Ringgit	569,545	—	—	24,305,476	—	—	24,875,021
Mexican Peso	299,070	—	—	33,667,247	—	—	33,966,317
New Israeli Shequel	270,762	—	—	36,937,005	—	—	37,207,767
New Taiwan Dollar	1,055,639	—	—	492,509,670	—	—	493,565,309
New Zealand Dollar	31,299	—	—	5,682,764	—	—	5,714,063
Norwegian Krone	204,614	(1,458)	—	22,986,266	—	—	23,189,422
Peruvian Soles	3,814			38,914			42,728
Philippine Peso	126,552	—	—	10,375,017	—	—	10,501,569
Polish Zloty	69,605	(2,438)	—	27,618,725	—	—	27,685,892
Pound Sterling	2,196,328	9,849	—	525,944,738	—	140,293	528,291,208
Qatari Rial	26,476	—	—	14,009,787	—	—	14,036,263
Saudi Riyal	223,690	—	—	53,739,798	—	—	53,963,488
Singapore Dollar	327,791	32	—	70,918,837	—	—	71,246,660
South African Rand	629,574	(40,381)	—	77,205,453	—	—	77,794,646
South Korean Won	10,827,702	7,514	—	339,448,072	—	—	350,283,288
Swedish Krona	279,853	568	—	119,348,503	—	—	119,628,924
Swiss Franc	472,207	(1,244)	—	285,487,154	—	—	285,958,117
Thailand Baht	485,896	—	—	26,050,424	—	—	26,536,320
Turkish Lira	84,227	—	—	11,719,827	—	—	11,804,054
UAE Dirham	139,369	—	—	44,777,066	—	—	44,916,435
Total	**$ 38,407,188**	**$ (72,405)**	**$ 19,980,535**	**$ 5,761,023,171**	**$ 100,155,621**	**$ 260,829,812**	**$ 6,180,323,923**

C. Derivatives

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

Table F-16 details TMRS' exposure to derivatives at December 31, 2025.

Table F-16

Futures Contracts
As of December 31, 2025

Futures Contract	Expiration Date	Notional	Accumulated Gain/(Loss)
U.S. 10-Yr Treasury Note Futures	3/20/2026	$ (45,199,875)	$ 153,891
U.S. 5-Yr Treasury Note Futures	3/31/2026	(24,702,859)	37,078
U.S. 2-Yr Treasury Note Futures	3/31/2026	(23,175,586)	(4,336)
U.S. 2-Yr Treasury Note Futures	3/31/2026	34,032,617	(14,060)
U.S. Ultra Bond Futures	3/20/2026	(6,608,000)	114,093
U.S. 5-Yr Treasury Note Futures	3/31/2026	(105,151,110)	330,589
U.S. Ultra 10-Yr Bond Futures	3/20/2026	(25,073,406)	153,005
EURO FX Currency Futures	3/16/2026	(19,289,750)	(71,675)
AUD SPI 200 Futures	3/19/2026	4,917,751	18,198
CND S+P/TSX 60 IX Futures	3/19/2026	6,519,876	27,902
EURO STOXX 50 Futures	3/20/2026	15,846,520	202,935
EURO DAX Index Futures	3/20/2026	724,930	7,528
JPY TOPIX Index Futures	3/12/2026	11,106,479	130,151
GBP FTSE 100 Index Futures	3/20/2026	8,290,106	160,794
ZAR FTSE/JSE Top 40 Futures	3/19/2026	1,781,739	35,025
U.S. IFSC Nifty 50 Futures	1/27/2026	3,836,223	(23,909)
U.S. FTSE Taiwan Index Futures	1/29/2026	6,529,440	113,576
Total		**$ (155,614,906)**	**$ 1,370,786**

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

6. Commitments and Contingencies

As of December 31, 2025, TMRS had $11.7 billion of unfunded commitments to private investment funds.

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

Table F-17

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

Year	Rate of Return
2025	13.70 %
2024	10.40 %
2023	11.64 %
2022	(7.36)%
2021	12.92 %
2020	7.55 %
2019	14.68 %
2018	(2.38)%
2017	13.82 %
2016	7.55 %

Table F-18

Combined Schedule of Changes in Fiduciary Net Position
For the Year Ended December 31, 2025

	Benefit Accumulation Fund	Supplemental Disability Benefits Fund	Endowment Fund	Expense Fund	Full Benefit Arrangement Fund	Total Pension Trust Fund	Supplemental Death Benefits Fund	Total
ADDITIONS								
City contributions	$ 1,605,757,486	$ —	$ —	$ —	$ 2,413,732	$ 1,608,171,218	$ 18,906,310	$ 1,627,077,528
Member contributions	678,926,053	—	—	—	—	678,926,053	—	678,926,053
Net investment income	—	—	6,044,219,909	(14,548,693)	—	6,029,671,216	—	6,029,671,216
Other	—	—	(392)	—	—	(392)	—	(392)
Total additions	**2,284,683,539**	**—**	**6,044,219,517**	**(14,548,693)**	**2,413,732**	**8,316,768,095**	**18,906,310**	**8,335,674,405**
DEDUCTIONS								
Retirement benefits	2,195,416,088	29,394	—	—	2,413,732	2,197,859,214	—	2,197,859,214
Supplemental death benefits	—	—	—	—	—	—	15,052,506	15,052,506
Member account refunds	90,762,625	—	—	—	—	90,762,625	—	90,762,625
Administrative expenses	—	—	—	28,183,414	—	28,183,414	—	28,183,414
Total deductions	**2,286,178,713**	**29,394**	**—**	**28,183,414**	**2,413,732**	**2,316,805,253**	**15,052,506**	**2,331,857,759**
FUND TRANSFERS								
Operating budget transfer	—	—	(40,051,174)	40,051,174	—	—	—	—
Allocation from Interest Reserve	5,802,817,383	8,648	(5,803,849,483)	—	—	(1,023,452)	1,023,452	—
Escheated funds	(4,124,017)	—	4,124,017	—	—	—	—	—
Net fund transfers	**5,798,693,366**	**8,648**	**(5,839,776,640)**	**40,051,174**	**—**	**(1,023,452)**	**1,023,452**	**—**
CHANGE IN FIDUCIARY NET POSITION	**5,797,198,192**	**(20,746)**	**204,442,877**	**(2,680,933)**	**—**	**5,998,939,390**	**4,877,256**	**6,003,816,646**
FIDUCIARY NET POSITION								
Beginning of year	**42,859,125,598**	**188,097**	**540,574,421**	**6,640,071**	**—**	**43,406,528,187**	**18,688,940**	**43,425,217,127**
End of year	**$ 48,656,323,790**	**$ 167,351**	**$ 745,017,298**	**$ 3,959,138**	**$ —**	**49,405,467,577**	**$ 23,566,196**	**$ 49,429,033,773**

See accompanying Independent Auditors' Report.

Table F-19

Schedule of Administrative and Investment Expenses
For the Year Ended December 31, 2025

	Administrative Expenses	Investment Expenses
Personnel services		
Staff salaries and payroll taxes	$ 13,168,223	$ 7,071,993
Employee benefits	4,331,790	1,404,852
Contract labor/temporary services	331,337	—
Total personnel services	17,831,350	8,476,845
Professional services		
Actuarial	684,496	—
Audit	227,250	—
Custodial and banking	—	1,515,000
Information services consulting	338,124	—
Investment consulting	—	2,102,378
Legal	288,953	780,286
Other services	669,229	—
Total professional services	2,208,052	4,397,664
Facilities	2,818,806	—
City and member outreach	682,166	—
Information technology	—	
Cloud services	1,544,195	1,349,468
Hardware/software and support	1,073,833	—
Total information technology	2,618,028	1,349,468
Other administrative		
Board of Trustees and Committees	68,063	—
Depreciation/Amortization	395,143	—
Professional development	337,695	24,423
Supplies/document storage/miscellaneous	997,298	16,084
Travel	226,813	284,209
Total other administrative	2,025,012	324,716
Investment management fees paid from Trust Fund	—	28,649,483
Totals	**$ 28,183,414**	**$ 43,198,176**

See accompanying Independent Auditors' Report.

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

Table F-20

Schedule of Professional Services
For the Year Ended December 31, 2025

Actuarial		
Gabriel, Roeder, Smith & Company	$	684,496
Audit		
CliftonLarsonAllen LLP		227,250
Information services consulting		
Network/Cloud Security		250,418
Enterprise-wide IT Service Management Support		87,705
Total information services consulting		338,123
Legal		
Fiduciary counsel		121,800
Other legal services		167,153
Total legal		288,953
Other services		
Recruiting		76,308
Professional Development, Coaching and Training		161,545
Governmental relations support		108,000
Organizational Process Improvement		221,775
Disability review		28,140
Organizational Health		64,908
Insurance risk management		8,554
Total other services		669,229
Total Professional Services	**$**	**2,208,052**[1]

See accompanying Independent Auditors' Report.

[1] Excludes investment related professional and consulting services

Investment Section



Report on Investment Activity
Letter from the Chief Investment Officer
Outline of Investment Policies Asset Allocation
Investment Summary
Largest Holdings
Investment Results
Investment Expenses
Investment Managers

Report on Investment Activity

June 9, 2026

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

www.NEPC.com | 617.374.1300

Dear Trustees:

The following is a report on the performance of the plan for the fiscal year ended December 31, 2025, with background on the underlying capital market environment.

Market Review for the Year Ended December 31, 2025

Calendar year 2025 was characterized by strong, broad-based gains across asset classes. International equity markets, as measured by the MSCI ACWI-ex U.S. Index, returned 32.4% for the year, significantly outperforming U.S. stocks, which returned 17.9%, as measured by the S&P 500 Index. International equity markets were driven by a weaker U.S. dollar and favorable valuations. Within the U.S., the breadth of performance expanded beyond mega-cap growth companies, with value stocks and smaller company stocks also seeing strong performance for the year. Interest sensitive fixed income delivered positive returns in 2025, with the Bloomberg U.S. Aggregate Bond Index returning 7.3%, its largest gain since 2020. The Federal Reserve reduced interest rates by a cumulative 75 basis points in 2025, bringing the target range for the federal funds rate to 3.50%-3.75%. Key economic data showed a growing and resilient U.S. economy despite recession fears early in the year. The U.S. real GDP grew by 2.1% in 2025, supported by strong consumer spending and private investments. The year ended with inflation levels moderating with the CPI posting a year-over-year increase of 2.7%.

The TMRS Investment Portfolio

As of December 31, 2025, the fair value of the TMRS total investment portfolio was $49.3 billion and its one-year return, net-of-fees, was 13.8%. In the same period, the median fund in the InvMetrics peer group of Public Defined Benefit plans greater than $10 billion in assets returned 13.4%. TMRS's five-year annualized return net-of-fees for the period ended December 31, 2025, was 8.0%, outperforming the Trust Fund Benchmark by 1.6% and the Board's Actuarial Return Assumption of 6.75%.

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

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

Best Regards,

Samuel Austin, III, Partner, NEPC

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

Investment performance has continued to contribute positively to the financial objectives of TMRS. Key performance highlights are:

- *Trust Fund Growth*. In 2025, the Trust Fund grew $6B (from $43.3B to $49.3B).
- *Actuarial Return Target Outperformance.* Performance over the 1-, 3-, 5-, 10-year periods exceeded the 6.75% actuarial return target with returns of 13.75%, 12.01%, 8.00%, and 8.07%, respectively.
- *Benchmark Outperformance.* Performance has exceeded benchmarks over the 1-, 3-, 5-, and 10-year time periods by 0.84%, 0.52%, 1.61%, and 0.93%, respectively. Additionally, in 2025, all five of TMRS' asset classes outearned their benchmarks.
- *Positive Peer Performance Trend.* Since the Board's adoption of a new asset allocation in 2021, performance relative to peers has significantly improved. As of December 31, 2025, TMRS' 5-year relative-to-peer performance was in the 38th percentile.

Supporting TMRS investment reporting efforts are TMRS' custodian bank, State Street, who independently calculates performance and TMRS' general investment consultant, NEPC, who provides further performance verification. Additional performance details can be found in NEPC performance reports available on TMRS' website.

Additionally, TMRS claims compliance with the Global Investment Performance Standards (GIPS®). Performance for each of the 2021-2025 performance periods has been independently verified. GIPS® is registered trademark of the CFA Institute. CFA Institute does not endorse or promote TMRS, nor does it warrant the accuracy or quality of the content contained herein. A copy of the 2025 GIPS Asset Owner report can be obtained by emailing invrisk@tmrs.com.

Sincerely,



Tom Masthay
Chief Investment Officer
June 9, 2026

Outline of Investment Policies

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

Investment Program Objective

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

Standards of Care

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

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

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

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

Investment Management

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

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

Asset Allocation

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

The Board has adopted the following long-term Asset Allocation as part of its Investment Policy Statement as of January 1, 2025:

Table I-1

Asset Allocation

Asset Class	Minimum %	Target %	Maximum %	Benchmark
Public Equity	25%	35%	45%	MSCI All Country World Investable Market Index ex-China ex-Hong Kong Net
Private Equity	10%	20%	25%	Cambridge Global Private Equity & Venture Capital
Tactical Opportunities	0%	6%	11%	HFRI Asset Weighted Composite
Credit	16%	21%	26%	40% ICE BofA 1-3 yr. A-BBB US Corporate Index 60% CS Leverage Loans Index + 100 bps
Real Assets	13%	18%	23%	50% Cambridge Infrastructure 50% NCREIF NFI-ODCE (net)
Cash Equivalents		0%		FTSE 1 Month US T-Bill
Total		**100%**		

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

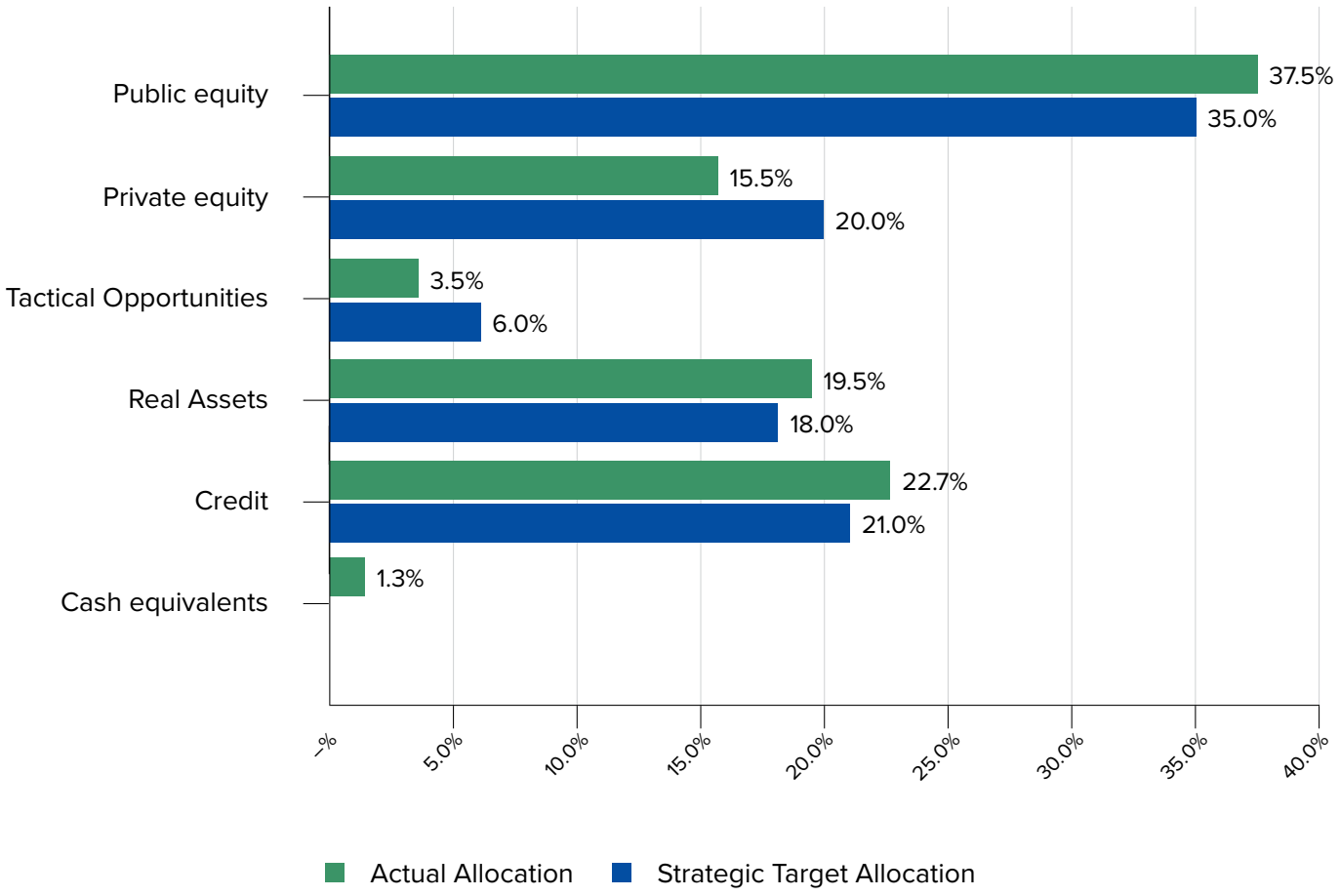
An Asset Allocation Study that comprehensively reviews the Asset Allocation is completed at least every four years. The Board verifies or amends its Asset Allocation upon review of an Asset Allocation Study.

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

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

Asset Allocation

Actual Allocation compared to Strategic Target Allocation
As of December 31, 2025



Investment Summary

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

Table I-2

Investment Summary by Asset Class
As of December 31, 2025

		Fair Value	Percent of Total
Public Equity			
Domestic public equity securities	$	5,033,932,827	10.2 %
International public equity securities		5,710,371,790	11.6
REITS		163,532,991	0.3
Commingled public equity funds		7,498,444,401	15.2
Total public equity		18,406,282,009	37.5
Private Equity			
Private equity funds		7,630,924,944	15.5
Total private equity		7,630,924,944	15.5
Tactical Opportunities			
Tactical opportunities		1,713,238,279	3.5
Total tactical opportunities		1,713,238,279	3.5
Real Assets			
Real assets		9,596,101,075	19.5
Total real assets		9,596,101,075	19.5
Credit			
Credit		11,162,909,261	22.7
Total credit		11,162,909,261	22.7
Cash equivalents			
Short term investments		616,742,158	1.3
Total cash equivalents		616,742,158	1.3
Total Investments	**$**	**49,126,197,726**	**100.0 %**
Other investment-related items			
Custodial cash		68,709,080	
Interest and dividends receivable		66,282,682	
Unsettled trades receivable		9,372,669	
Management fees payable		(8,552,419)	
Unsettled trades payable		(10,613,139)	
Trust fund net assets value	**$**	**49,251,396,599**	

Largest Holdings

Table I-3

Largest Holdings – Public Equities
As of December 31, 2025

Ranking	Security Name	CUSIP Number	Shares/Units	Fair Value	Fund
1	NVIDIA CORP	67066G104	1,686,911	$ 314,608,902	NGCO
2	APPLE INC	037833100	1,030,221	$ 280,075,881	NGCO
3	MICROSOFT CORP	594918104	490,199	$ 237,070,040	NGCO
4	TAIWAN SEMICONDUCTOR MANUFAC	688910900	4,114,000	$ 202,947,121	NGUQ/NGNM
5	AMAZON.COM INC	023135106	666,304	$ 153,796,289	NGCO
6	ALPHABET INC CL A	02079K305	403,920	$ 126,426,960	NGCO
7	BROADCOM INC	11135F101	311,430	$ 107,785,923	NGCO
8	ALPHABET INC CL C	02079K107	339,126	$ 106,417,739	NGCO
9	META PLATFORMS INC CLASS A	30303M102	150,621	$ 99,423,416	NGCO
10	TESLA INC	88160R101	196,211	$ 88,240,011	NGCO

Table I-4

Largest Holdings – Fixed Income Securities
As of December 31, 2025

Description	Coupon	Maturity	Par Value	Fair Value
US TREASURY NOTE/BOND	3.875%	7/15/2028	$ 406,121,000	$ 409,706,285
US TREASURY NOTE/BOND	3.750%	4/15/2028	$ 233,000,000	$ 234,287,870
US TREASURY NOTE/BOND	3.750%	5/15/2028	$ 35,000,000	$ 35,202,344
SYNCHRONY CARD ISSUANCE TRUST	5.540%	7/15/2029	$ 28,155,000	$ 28,396,592
VOLKSWAGEN AUTO LOAN ENHANCED	5.020%	6/20/2028	$ 27,092,521	$ 27,250,449
CHASE ISSUANCE TRUST	5.160%	9/15/2028	$ 25,100,000	$ 25,341,382
COLT FUNDING LLC	5.949%	7/25/2069	$ 17,964,847	$ 18,175,251
COMM MORTGAGE TRUST	6.999%	8/10/2044	$ 16,510,000	$ 17,571,874
PARKER HANNIFIN CORP	4.250%	9/15/2027	$ 15,960,000	$ 16,067,444
ASHTEAD CAPITAL INC	4.375%	8/15/2027	$ 15,550,000	$ 15,548,451

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

Total Trust Fund and Asset Class returns for the year ended December 31, 2025 are provided in Table I-5.

Table I-5

Total Trust Fund and Asset Class Returns				
	1 Year	3 Years	5 Years	10 Years
Total fund	**13.75 %**	**12.01 %**	**8.00 %**	**8.07 %**
Benchmark	12.68 %	11.49 %	6.39 %	7.14 %
Public equity	**22.61 %**	**20.36 %**	**10.69 %**	**11.33 %**
Benchmark	21.77 %	19.88 %	10.69 %	11.58 %
Private equity	**14.45 %**	**11.08 %**	**14.88 %**	**16.16 %**
Benchmark	12.60 %	13.86 %	8.38 %	11.44 %
Tactical opportunities	**12.09 %**	**10.98 %**	**6.77 %**	**6.44 %**
Benchmark	9.66 %	7.42 %	5.71 %	5.06 %
Credit	**6.77 %**	**8.19 %**	**4.40 %**	**4.82 %**
Benchmark	6.35 %	6.92 %	1.91 %	3.30 %
Real assets	**7.74 %**	**3.60 %**	**8.21 %**	**8.22 %**
Benchmark	5.95 %	3.00 %	5.28 %	5.38 %
Cash equivalents	**4.23 %**	**5.15 %**	**3.42 %**	**2.26 %**
Benchmark	4.35 %	4.95 %	3.25 %	2.17 %

Rates of return. Returns are calculated from December 31, 2025 values, net of external investment management fees through December 31, 2020, and net of external and internal investment management fees from January 1, 2021 to December 31, 2025, using time-weighted rate of return.

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

Investment Expenses

Table I-6

Schedule of Investment Expenses
For the Year Ended December 31, 2025

Staff salaries and payroll taxes	$	7,071,993
Employee benefits		1,404,852
Custodial and banking services		1,515,000
Investment consulting		2,102,378
Legal		780,286
Information technology		1,349,468
Other administrative		324,716
Management fees paid from Trust Fund		28,649,483
Total investment expenses	**$**	**43,198,176**

Table I-7

Schedule of External Investment Fees
For the Year Ended December 31, 2025

Asset Class	Management Fees Paid From Trust Fund (1)	Management Fees Netted from NAV (2)	Total Investment Management Fees (3) = (1)+(2)	Brokerage Fees / Commissions (4)	Performance Fees / Carried Interest Netted from NAV (5)	Total Direct / Indirect Fees and Commissions (6) = (3)+(4)+(5)
Global equity	$ 20,368,029	$ 141,667	$ 20,509,696	$ 2,297,909	$ 8,570,198	$ 31,377,803
Fixed income	—	97,214,356	97,214,356	—	114,208,992	211,423,348
Real assets	—	24,209,133	24,209,133	—	72,623,964	96,833,097
Alternative/other	8,281,454	51,544,326	59,825,780	124,635	16,928,824	76,879,239
Alternative/other	—	112,388,650	112,388,650	—	85,719,030	198,107,680
Cash equivalents	—	497,004	497,004	—	—	497,004
Totals	**$ 28,649,483**	**$ 285,995,136**	**$ 314,644,619**	**$ 2,422,544**	**$ 298,051,008**	**$ 615,118,171**

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

Investment Managers

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

Table I-8

Investment Managers **As of December 31, 2025**
Acadian Asset Management LLC
Arrowstreet Capital L.P
Columbia Threadneedle Investments
Dimensional Fund Advisors LP
Ellington Management Group LLC
Jacobs Levy Equity Management Inc
LibreMax Capital LLC
Northern Trust Corp
Oak Hill Advisors LP
Wellington Management Group LLP
William Blair & Co LLC

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Actuarial Section

Pension Trust Fund

Actuary's Certification Letter
Summary of Actuarial Assumptions
Definitions
Participating Cities and Active Members
Retiree and Beneficiary Data
Summary of Actuarial Liabilities and Funding Progress
Funded Portion of Actuarial Liabilities by Type

Supplemental Death Benefits Fund (SDBF)

Actuary's Certification Letter
Summary of Actuarial Assumptions
Membership and Contribution Rate Data

Actuary's Certification Letter (Pension Trust Fund)

P: 469.524.0000 | www.grsconsulting.com

May 18, 2026

Board of Trustees
Texas Municipal Retirement System
Austin, Texas 78731

Dear Trustees:

In accordance with the Texas Municipal Retirement System (TMRS) Act, the annual actuarial valuation of the assets and liabilities of the TMRS Pension Trust Fund was completed as of December 31, 2025.

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

The participating cities' contribution rates are certified annually by the Board of Trustees which is responsible for establishing and maintaining the funding policy. These rates are actuarially determined and are based upon the plan provisions in effect as of April 1, 2026 and the actuarial assumptions and methodology adopted by the Board. The Board's current policy is that the contribution rates determined by a given actuarial valuation become effective one year after the valuation date. For example, the rates determined by the December 31, 2025 actuarial valuation will be applicable for the calendar year beginning January 1, 2027 and ending December 31, 2027.

To test how well the financing objective for each city plan is being achieved, annual actuarial valuations are made. These actuarial valuations recognize differences in the past year between the actuarial assumptions and the actual experience, and any benefit changes for each plan. A separate actuarial valuation for each participating city was made based upon the plan of benefits in effect as of April 1, 2026.

TMRS staff supplied data for retired, active and inactive Members as of December 31, 2025. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. TMRS staff also supplied the asset data and financial information as of December 31, 2025. The amounts of the assets in the actuarial valuations agree with the amounts as reported by TMRS.

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

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

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

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

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

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

Respectfully Submitted,

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

Janie Shaw, MAAA, ASA, EA
Consultant

Summary of Actuarial Assumptions and Methods (Pension Trust Fund)

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Summaries of meaningful actuarial assumptions and methods are provided below. A full description of all actuarial assumptions and methods can be found in the Actuarial Valuation Report as of December 31, 2025 (www.tmrs.com/actuarial-valuations).

I. Economic Assumptions

A. General Inflation.

2.50% per year.

B. Discount/Crediting Rates.

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

C. Overall Payroll Growth.

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

D. Individual Salary Increases.

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

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

E. Cost of Living Adjustments (COLAs).

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

F. Load for Updated Service Credit (USC).

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

II. Demographic Assumptions

A. Termination Rates.

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

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

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

Termination rates end at first eligiblity for retirement.

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

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

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

Forfeiture rates end at first eligibility for retirement.

C. Mortality Rates.

1. Service Retirees and Beneficiary Mortality Rates.

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

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

2. Disabled Retiree Mortality Rates.

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

3. Pre-Retirement Mortality Rates.

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

D. Annuity Purchase Rates (APRs).

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

E. Disability Rates.

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

F. Service Retirement Rates.

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

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

III. Methods and Assumptions

A. Valuation of Assets.

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

B. Actuarial Cost Method.

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

C. Amortization Policy.

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

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

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

D. Small City Methodology.

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

Definitions (Pension Trust Fund)

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

Participating Cities and Active Members (Pension Trust Fund)

Table A-1

Participating Cities and Active Members Accounts					
Valuation Date	Number of Active Cities	Active Members Accounts			
		Number	Annual Payroll	Average Annual Pay	% Increase in Average Annual Pay
12/31/2016	864	108,891	$ 5,884,788,962	$ 54,543	1.2%
12/31/2017	875	110,208	$ 6,188,490,343	$ 56,490	3.6%
12/31/2018	879	111,851	$ 6,444,177,866	$ 58,040	2.7%
12/31/2019	878	114,384	$ 6,790,788,227	$ 60,033	3.4%
12/31/2020	886	114,497	$ 7,161,381,734	$ 62,577	4.2%
12/31/2021	892	116,053	$ 7,345,701,461	$ 63,723	1.8%
12/31/2022	909	119,723	$ 7,896,581,238	$ 66,984	5.1%
12/31/2023	921	124,493	$ 8,676,096,637	$ 71,053	6.1%
12/31/2024	926	127,974	$ 9,445,052,641	$ 74,822	5.3%
12/31/2025	935	130,301	$ 10,066,121,887	$ 77,949	4.2%

As of December 31, 2025, there were eight cities with no active contributing members and no city contributions due. Thus, there were 943 total cities, with 935 of them active.

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

Retiree and Beneficiary Data (Pension Trust Fund)

Table A-2

Retiree and Beneficiary Data								
Year Ended	Added to Rolls		Removed from Rolls		End of Year		% Increase in Annual Benefit	Average Annual Benefit
	Number of Accounts	Annual Benefit	Number of Accounts	Annual Benefit	Number of Accounts	Annual Benefit		
12/31/2016	4,073	$ 82,664,225	943	$ 13,821,624	59,611	$ 1,059,345,041	7.0%	$ 17,771
12/31/2017	4,198	$ 95,727,539	1,033	$ 14,068,157	62,776	$ 1,141,004,423	7.7%	$ 18,176
12/31/2018	4,448	$ 98,030,847	1,173	$ 16,549,004	66,051	$ 1,222,486,266	7.1%	$ 18,508
12/31/2019	4,758	$ 107,229,230	1,184	$ 18,442,625	69,625	$ 1,311,272,871	7.3%	$ 18,833
12/31/2020	4,871	$ 117,495,300	1,394	$ 20,566,206	73,102	$ 1,408,201,965	7.4%	$ 19,264
12/31/2021	5,115	$ 115,206,771	1,542	$ 23,545,014	76,675	$ 1,499,863,722	6.5%	$ 19,561
12/31/2022	5,464	$ 170,491,842	1,531	$ 23,328,304	80,608	$ 1,647,027,260	9.8%	$ 20,433
12/31/2023	4,994	$ 164,389,250	1,447	$ 25,069,967	84,155	$ 1,786,346,543	8.5%	$ 21,227
12/31/2024	5,092	$ 141,685,886	1,539	$ 27,489,629	87,708	$ 1,900,542,800	6.4%	$ 21,669
12/31/2025	5,637	$ 151,064,553	1,660	$ 29,468,207	91,685	$ 2,022,139,146	6.4%	$ 22,055

The number of retirement accounts is greater than the number of people who are retired because some retirees worked for more than one participating city in TMRS. As of December 31, 2025, there were 14,216 more retirement accounts than retirees. In addition, this schedule excludes 1,305 retirees who received a single payment in lieu of a monthly benefit. Upon their death, these retirees are still entitled to supplemental death benefits for their beneficiaries if their city provides this benefit.

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

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

Table A-3

Summary of Actuarial Liabilities and Funding Progress (dollars in millions)								
Annual Report Year	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (1) / (2) (3)	Unfunded AAL (UAAL) (2) - (1) (4)	Covered Payroll (5)	UAAL as a % of Covered Payroll (4) / (5) (6)	City Contributions (7)	Average City Rate (7) / (5) (8)
2016	$ 25,844.0	$ 29,963.3	86.3%	$ 4,119.2	$ 5,884.8	70.0%	$ 767.1	13.0%
2017	$ 27,813.6	$ 31,811.6	87.4%	$ 3,998.0	$ 6,188.5	64.6%	$ 837.1	13.5%
2018	$ 29,385.1	$ 33,731.5	87.1%	$ 4,346.4	$ 6,444.2	67.4%	$ 880.1	13.7%
2019[1]	$ 31,313.8	$ 35,584.9	88.0%	$ 4,271.1	$ 6,790.8	62.9%	$ 928.7	13.7%
2020[2]	$ 33,609.6	$ 37,535.9	89.5%	$ 3,926.3	$ 7,161.4	54.8%	$ 1,191.7	16.6%
2021[3]	$ 36,282.0	$ 40,081.9	90.5%	$ 3,799.9	$ 7,345.7	51.7%	$ 1,076.9	14.7%
2022[4]	$ 38,208.7	$ 42,597.5	89.7%	$ 4,388.8	$ 7,896.6	55.6%	$ 1,144.8	14.5%
2023[5]	$ 40,358.2	$ 44,981.1	89.7%	$ 4,622.9	$ 8,676.1	53.3%	$ 1,185.5	13.7%
2024	$ 42,827.3	$ 47,900.7	89.4%	$ 5,073.4	$ 9,445.1	53.7%	$ 1,349.1	14.3%
2025[6]	$ 46,236.6	$ 51,171.3	90.4%	$ 4,934.7	$ 10,066.1	49.0%	$ 1,608.2	16.0%

[1]Actuarial assumptions were modified as of the December 31, 2019 valuation.

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

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

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

[5]Actuarial assumptions were modified as of the December 31, 2023 valuation.

[6]City contributions in 2025 include 119.0 million in additional lump sum contributions, of which 111.1 million was contributed by one city that issued pension obligation bonds. Excluding these additional contributions, the average city rate would have been 14.8%.

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

Columns (1) and (2) of the table also include the assets and liabilities of the Supplemental Disability Benefits Fund.

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

Table A-4

Funded Portion of Actuarial Liabilities by Type (dollars in millions)							
Valuation Date	Actuarial Liabilities for			Net Assets Available for Benefits	Portion of Actuarial Liabilities Covered by Net Assets (%)		
	Current Member Contributions	Retirees and Beneficiaries	Current Members (Employer-Financed Portion)				
	(1)	(2)	(3)		(1)	(2)	(3)
12/31/2016	$ 5,530.00	$ 12,478.40	$ 11,954.90	$ 25,844.00	100.0%	100.0%	65.5%
12/31/2017	$ 5,747.30	$ 13,412.00	$ 12,652.30	$ 27,813.60	100.0%	100.0%	68.4%
12/31/2018	$ 5,986.10	$ 14,403.10	$ 13,342.30	$ 29,385.10	100.0%	100.0%	67.4%
12/31/2019	$ 6,210.50	$ 15,467.50	$ 13,906.90	$ 31,313.80	100.0%	100.0%	69.3%
12/31/2020	$ 6,447.70	$ 16,508.80	$ 14,579.40	$ 33,609.60	100.0%	100.0%	73.1%
12/31/2021	$ 6,691.00	$ 17,979.80	$ 15,411.10	$ 36,282.00	100.0%	100.0%	75.3%
12/31/2022	$ 6,917.90	$ 19,694.60	$ 15,985.00	$ 38,208.70	100.0%	100.0%	72.5%
12/31/2023	$ 7,259.60	$ 20,777.00	$ 16,944.50	$ 40,358.20	100.0%	100.0%	72.7%
12/31/2024	$ 7,653.30	$ 22,034.10	$ 18,213.30	$ 42,827.30	100.0%	100.0%	72.1%
12/31/2025	$ 8,050.30	$ 23,287.40	$ 19,833.60	$ 46,236.60	100.0%	100.0%	75.1%

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

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

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

Actuary's Certification Letter (Supplemental Death Benefits Fund)

P: 469.524.0000 | www.grsconsulting.com

May 18, 2026

Board of Trustees
Texas Municipal Retirement System
Austin, Texas 78731

Dear Trustees:

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

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

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

The contribution rates for the cities participating in the SDBF are certified annually by the Board of Trustees which is responsible for establishing and maintaining the funding policy. These rates are determined actuarially, based on the plan provisions in effect as of April 1, 2026 and the actuarial assumptions and methodology adopted by the Board. The current actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. These assumptions were adopted by the Board in 2023 and were first used in the December 31, 2023 valuation. The Actuarial Experience Investigation Study report dated September 28, 2023 details the analysis and changes to assumptions since the prior valuation. The Board's current policy is that the contribution rates determined by a given actuarial valuation become effective one (1) year after the valuation date. For example, the rates determined by the December 31, 2025 actuarial valuation will be applicable for the calendar year beginning January 1, 2027 and ending December 31, 2027.

TMRS staff supplied the data for active and retired Members as of December 31, 2025. We did not audit this data, but we did apply a number of tests to the data and we concluded that it was reasonable and consistent with the prior year's data. TMRS staff also supplied the asset data and financial information as of December 31, 2025.

GRS prepared the following schedules in the Actuarial Section:

Participating Employers and Covered Members
Average Contribution Rates

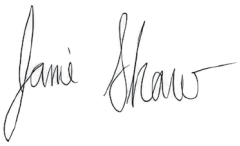
All of our work and all of the actuarial assumptions and methods conform with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of the TMRS Act and, where applicable, the Internal Revenue Code and the Statements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

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

Respectfully Submitted,



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



Janie Shaw, MAAA, ASA, EA
Consultant

Summary of Actuarial Assumptions (Supplemental Death Benefits Fund)

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

I. Assumptions

A. Mortality Rates.

Same as for the Pension Trust Fund.

B. Discount/Crediting Rate.

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

C. Actuarial Cost Method.

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

D. Valuation of Assets.

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

E. Contribution Rate Calculation.

The contribution rate for the SDBF is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members, and is calculated separately for actives and retirees.

II. Benefit Provisions

A. Participation in SDBF.

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

B. Benefit Eligibility.

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

C. Benefit Amount.

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

Membership and Contribution Rate Data (Supplemental Death Benefits Fund)

Table A-5

Participating Cities and Covered Members

Actuarial Valuation Date	Number of Participating Cities	Active Members	Retired Members	Inactive Members	Total Members	Annual Payroll	Average Annual Pay	% Increase in Average Annual Pay
12/31/2016	753	72,742	26,884	8,513	108,139	$ 3,887,244,457	$ 53,439	2.7%
12/31/2017	764	73,757	28,947	8,989	111,693	$ 4,096,626,695	$ 55,542	3.9%
12/31/2018	768	75,035	30,453	9,555	115,043	$ 4,279,380,674	$ 57,032	2.7%
12/31/2019	766	76,953	32,039	9,957	118,949	$ 4,559,480,007	$ 59,250	3.9%
12/31/2020	777	77,880	33,723	10,409	122,012	$ 4,886,294,497	$ 62,741	5.9%
12/31/2021	783	79,205	35,323	11,284	125,812	$ 5,023,116,464	$ 63,419	1.1%
12/31/2022	800	81,535	37,237	12,166	130,938	$ 5,390,625,108	$ 66,114	4.2%
12/31/2023	813	84,842	38,924	12,770	136,536	$ 5,929,365,834	$ 69,887	5.7%
12/31/2024	818	87,714	40,598	13,286	141,598	$ 6,482,461,536	$ 73,905	5.7%
12/31/2025	828	89,876	42,500	13,673	146,049	$ 6,962,915,598	$ 77,472	4.8%

Table A-6

Average Contribution Rates

Actuarial Valuation Date	Active Coverage	Retiree Coverage
12/31/2016	0.17%	0.05%
12/31/2017	0.17%	0.06%
12/31/2018	0.17%	0.06%
12/31/2019[1]	0.12%	0.16%
12/31/2020	0.12%	0.16%
12/31/2021[2]	0.25%	0.17%
12/31/2022[2]	0.25%	0.17%
12/31/2023[3]	0.19%	0.17%
12/31/2024[3]	0.19%	0.18%
12/31/2025[4]	0.12%	0.16%

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

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

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

[4]Premium calculations determined by the December 31, 2025 actuarial valuation do not include a load for adverse experience for active or retiree coverage.

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

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Statistical Section

Statistical Section Overview
Financial Trends Information
Demographic Information



Statistical Section Overview

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

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

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

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

The Schedules of Principal Participating Cities show the top 10 participating cities based on membership size for the Pension Trust Fund and the Supplemental Death Benefits Fund as of December 31, 2025 and 2016.

Table S-1 (1 of 2)

Fiduciary Net Position — Last 10 Years (Pension Trust Fund)
For the Year Ended December 31

	2016	2017	2018	2019	2020
Assets					
Cash	$ 27,225,142	$ 9,884,675	$ 1,558,193	$ 193,356	$ 2,867,326
Receivables	1,303,373,082	1,044,073,551	776,615,427	478,902,839	832,754,091
Investments, at fair value	25,830,231,450	28,921,028,586	27,973,620,811	31,871,201,335	34,522,349,701
Invested securities lending collateral	—	—	—	—	—
Capital assets, net	9,766,674	9,732,194	9,141,099	8,482,497	7,941,114
Other assets	368,307	405,087	467,613	470,275	4,910,730
Total assets	27,170,964,655	29,985,124,093	28,761,403,143	32,359,250,302	35,370,822,962
Liabilities					
Accounts payable and other accrued liabilities	27,587,168	32,623,226	125,878,994	30,338,457	31,766,265
Unsettled investment trades payable	1,890,218,410	1,284,876,114	935,255,033	501,738,825	1,044,469,796
Securities lending collateral					
Funds held for Supplemental Death Benefits Fund	19,953,304	18,250,136	16,639,677	13,361,745	11,693,867
Total liabilities	1,937,758,882	1,335,749,476	1,077,773,704	545,439,027	1,087,929,928
Fiduciary net position	**$ 25,233,205,773**	**$ 28,649,374,617**	**$ 27,683,629,439**	**$ 31,813,811,275**	**$ 34,282,893,034**

Table S-1 (2 of 2)

Fiduciary Net Position — Last 10 Years (Pension Trust Fund)
For the Year Ended December 31

	2021	2022	2023	2024	2025
Assets					
Cash	$ 9,959,259	$ 5,785,347	$ 44,018,072	$ 5,387,692	$ 68,709,080
Receivables	523,963,113	339,496,611	221,625,311	241,552,532	258,789,912
Investments, at fair value	38,790,225,854	35,497,407,048	39,270,961,792	43,243,964,551	49,126,197,726
Invested securities lending collateral	—	—	—	—	—
Capital assets, net	9,585,115	2,938,554	2,381,758	3,479,947	5,530,688
Other assets	5,748,571	4,853,356	12,200,087	8,605,441	7,395,121
Total assets	39,339,481,912	35,850,480,916	39,551,187,020	43,502,990,163	49,466,622,527
Liabilities					
Accounts payable and other accrued liabilities	21,851,012	22,500,046	29,805,802	28,224,477	28,600,486
Unsettled investment trades payable	719,990,711	225,503,368	29,010,791	51,287,402	10,613,139
Securities lending collateral					
Funds held for Supplemental Death Benefits Fund	4,625,805	1,986,715	6,028,714	16,950,097	21,941,325
Total liabilities	746,467,528	249,990,129	64,845,307	96,461,976	61,154,950
Fiduciary net position	**$ 38,593,014,384**	**$ 35,600,490,787**	**$ 39,486,341,713**	**$ 43,406,528,187**	**$ 49,405,467,577**

Table S-2 (1 of 2)

Changes in Fiduciary Net Position — Last 10 Years (Pension Trust Fund)
For the Year Ended December 31

	2016	2017	2018	2019	2020
Additions to net position by source					
City contributions	$ 768,252,338	$ 838,363,116	$ 881,531,535	$ 930,236,155	$ 1,191,723,159
Member contributions	389,919,391	410,527,770	427,808,238	453,608,174	479,187,524
Net investment income/(loss)	1,602,187,418	3,497,133,077	(858,122,961)	4,279,485,297	2,414,460,057
Other	25,956	47,105	18,501	32,880	47,400
Total additions to net position	2,760,385,103	4,746,071,068	451,235,313	5,663,362,506	4,085,418,140
Deductions from net position by type					
Retirement Benefits					
Service retirements	1,005,485,139	1,077,485,262	1,159,702,957	1,247,542,653	1,335,234,201
Disability retirements	17,019,188	17,005,751	17,060,303	17,080,384	17,178,149
Partial lump sum distributions	139,559,781	156,915,521	158,490,461	180,929,339	191,627,456
Total retirement benefits	1,162,064,108	1,251,406,534	1,335,253,721	1,445,552,376	1,544,039,806
Member account refunds					
Withdrawal/ineligibility	52,935,465	58,344,609	63,195,632	61,089,736	54,413,400
Death	1,246,130	1,061,303	1,060,228	1,596,204	1,600,143
Total member account refunds	54,181,595	59,405,912	64,255,860	62,685,940	56,013,543
Administrative expenses	18,095,315	18,124,164	16,585,866	24,183,038	15,625,982
Income allocated to SDBF	1,000,892	965,614	885,044	759,316	657,050
Total deductions from net position	1,235,341,910	1,329,902,224	1,416,980,491	1,533,180,670	1,616,336,381
Change in fiduciary net position	**1,525,043,193**	**3,416,168,844**	**(965,745,178)**	**4,130,181,836**	**2,469,081,759**
Fiduciary net position, beginning of year	23,708,162,580	25,233,205,773	28,649,374,617	27,683,629,439	31,813,811,275
Fiduciary net position, end of year	**$ 25,233,205,773**	**$ 28,649,374,617**	**$ 27,683,629,439**	**$ 31,813,811,275**	**$ 34,282,893,034**

Table S-2 (2 of 2)

Changes in Fiduciary Net Position — Last 10 Years (Pension Trust Fund)
For the Year Ended December 31

	2021	2022	2023	2024	2025
Additions to net position by source					
City contributions	$ 1,076,907,798	$ 1,144,820,990	$ 1,185,483,912	$ 1,349,072,854	$ 1,608,171,218
Member contributions	492,319,722	529,914,380	582,825,289	636,105,958	678,926,053
Net investment income/(loss)	4,469,101,837	(2,816,630,403)	4,119,210,666	4,100,361,886	6,029,671,216
Other	560,172	29,274,135	26,239	18,354	(392)
Total additions to net position	6,038,889,529	(1,112,620,898)	5,887,546,106	6,085,559,052	8,316,768,095
Deductions from net position by type					
Retirement Benefits					
Service retirements	1,433,417,512	1,533,860,921	1,676,637,423	1,813,462,288	1,936,147,138
Disability retirements	17,238,392	17,206,656	17,727,662	18,327,351	18,437,884
Partial lump sum distributions	194,678,511	230,427,012	210,262,547	218,710,206	243,274,192
Total retirement benefits	1,645,334,415	1,781,494,589	1,904,627,632	2,050,499,845	2,197,859,214
Member account refunds					
Withdrawal/ineligibility	60,352,469	72,229,111	68,512,648	86,144,091	89,268,653
Death	1,983,618	1,617,077	2,132,786	1,782,028	1,493,972
Total member account refunds	62,336,087	73,846,188	70,645,434	87,926,119	90,762,625
Administrative expenses	20,679,140	24,377,951	26,212,728	26,312,870	28,183,414
Income allocated to SDBF	418,537	183,971	209,386	633,744	1,023,452
Total deductions from net position	1,728,768,179	1,879,902,699	2,001,695,180	2,165,372,578	2,317,828,705
Change in fiduciary net position	**4,310,121,350**	**(2,992,523,597)**	**3,885,850,926**	**3,920,186,474**	**5,998,939,390**
Fiduciary net position, beginning of year	34,282,893,034	38,593,014,384	35,600,490,787	39,486,341,713	43,406,528,187
Fiduciary net position, end of year	**$ 38,593,014,384**	**$ 35,600,490,787**	**$ 39,486,341,713**	**$ 43,406,528,187**	**$ 49,405,467,577**

Table S-3 (1 of 2)

Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund)
For the Year Ended December 31

	2016	2017	2018	2019	2020
Assets					
Contributions receivable	$ 674,746	$ 680,620	$ 666,823	$ 711,366	$ 897,510
Funds held by Interest Reserve Account	19,953,304	18,250,136	16,639,677	13,361,745	11,693,867
Total assets	20,628,050	18,930,756	17,306,500	14,073,111	12,591,377
Fiduciary net position	**$ 20,628,050**	**$ 18,930,756**	**$ 17,306,500**	**$ 14,073,111**	**$ 12,591,377**

Table S-3 (2 of 2)

Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund)
For the Year Ended December 31

	2021	2022	2023	2024	2025
Assets					
Contributions receivable	$ 1,189,678	$ 1,167,274	$ 1,950,138	$ 1,738,843	$ 1,624,871
Funds held by Interest Reserve Account	4,625,805	1,986,715	6,028,714	16,950,097	21,941,325
Total assets	5,815,483	3,153,989	7,978,852	18,688,940	23,566,196
Fiduciary net position	**$ 5,815,483**	**$ 3,153,989**	**$ 7,978,852**	**$ 18,688,940**	**$ 23,566,196**

Table S-4 (1 of 2)

Changes in Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund)
For the Year Ended December 31

	2016	2017	2018	2019	2020
Additions to net position by source					
City contributions	$ 6,983,501	$ 7,286,154	$ 7,758,059	$ 8,321,181	$ 8,945,812
Income allocated from Interest Reserve Account	1,000,892	965,614	885,044	759,316	657,050
Total additions to net position	7,984,393	8,251,768	8,643,103	9,080,497	9,602,862
Deductions from net position by type					
Supplemental death benefits - active	3,759,923	5,177,812	4,912,215	6,812,283	5,346,471
Supplemental death benefits - retiree	4,726,250	4,771,250	5,355,144	5,501,603	5,738,125
Total deductions from net position	8,486,173	9,949,062	10,267,359	12,313,886	11,084,596
Change in fiduciary net position	(501,780)	(1,697,294)	(1,624,256)	(3,233,389)	(1,481,734)
Fiduciary net position, beginning of year	21,129,830	20,628,050	18,930,756	17,306,500	14,073,111
Fiduciary net position, end of year	**$ 20,628,050**	**$ 18,930,756**	**$ 17,306,500**	**$ 14,073,111**	**$ 12,591,377**

Table S-4 (2 of 2)

Changes in Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund)
For the Year Ended December 31

	2021	2022	2023	2024	2025
Additions to net position by source					
City contributions	$ 10,655,161	$ 11,218,958	$ 19,233,365	$ 20,744,961	$ 18,906,310
Income allocated from Interest Reserve Account	418,537	183,971	209,386	633,744	1,023,452
Total additions to net position	11,073,698	11,402,929	19,442,751	21,378,705	19,929,762
Deductions from net position by type					
Supplemental death benefits - active	11,608,967	7,096,911	7,743,722	4,215,205	8,479,672
Supplemental death benefits - retiree	6,240,625	6,967,512	6,874,166	6,453,411	6,572,833
Total deductions from net position	17,849,592	14,064,423	14,617,888	10,668,617	15,052,506
Change in fiduciary net position	(6,775,894)	(2,661,494)	4,824,863	10,710,088	4,877,256
Fiduciary net position, beginning of year	12,591,377	5,815,483	3,153,989	7,978,852	18,688,940
Fiduciary net position, end of year	**$ 5,815,483**	**$ 3,153,989**	**$ 7,978,852**	**$ 18,688,940**	**$ 23,566,196**

Table S-5

Schedule of Average Benefit Payments for New Retirements — Last 10 Years

For Year Ended December 31	Years Credited Service						
	0 - 5	> 5 - 10	> 10 - 15	> 15 - 20	> 20 - 25	> 25 - 30	> 30
2016							
Average Monthly Benefit	$203.35	$444.09	$1,005.40	$1,298.39	$1,628.25	$2,482.32	$4,124.83
Number of Active Retirees	103	443	460	442	680	528	717
2017							
Average Monthly Benefit	$238.17	$465.54	$892.55	$1,368.13	$1,668.07	$2,572.89	$4,340.74
Number of Active Retirees	135	450	473	443	708	518	756
2018							
Average Monthly Benefit	$259.99	$491.85	$985.34	$1,388.46	$1,666.64	$2,545.11	$4,205.29
Number of Active Retirees	129	416	511	506	765	505	752
2019							
Average Monthly Benefit	$226.15	$481.63	$999.41	$1,375.40	$1,687.76	$2,554.41	$4,510.90
Number of Active Retirees	134	426	495	481	875	546	832
2020							
Average Monthly Benefit	$216.72	$485.03	$1,032.59	$1,450.21	$1,843.08	$2,763.42	$4,570.67
Number of Active Retirees	137	555	507	539	869	565	849
2021							
Average Monthly Benefit	$207.11	$498.40	$1,035.12	$1,469.68	$1,860.82	$2,729.39	$4,664.14
Number of Active Retirees	155	554	490	562	974	565	806
2022							
Average Monthly Benefit	$234.17	$509.68	$1,146.81	$1,509.75	$1,885.68	$2,881.10	$4,792.22
Number of Active Retirees	182	585	500	556	1012	648	867
2023							
Average Monthly Benefit	$212.20	$534.68	$1,110.92	$1,540.86	$1,935.06	$3,072.21	$4,811.12
Number of Active Retirees	162	524	487	534	869	592	746
2024							
Average Monthly Benefit	$234.75	$530.14	$1,150.84	$1,624.80	$1,964.43	$3,020.57	$5,081.26
Number of Active Retirees	212	663	493	495	860	563	736
2025							
Average Monthly Benefit	$245.55	$570.73	$1,174.84	$1,608.66	$2,134.59	$3,140.74	$5,240.58
Number of Active Retirees	239	726	600	516	892	628	777

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

The number of active retirees in 2025 excludes 87 retirees that received a single payment in lieu of a monthly benefit.

Table S-6

Schedule of Retirement Benefit Recipients by Type of Benefit

As of December 31, 2025

Amount of Monthly Benefit	Benefit Recipients		Type of Benefit		Benefit Payment Options								
					Life Only		Survivor Lifetime Options				Guaranteed Term Options		
	Retirees	Beneficiary	Service	Disability	Retiree	Alternate	100%	75%	50%	2/3	5 yrs	10 yrs	15 yrs
$ 0 - 100	936	159	1,057	38	270	175	447	33	96	4	22	11	37
$ 101 - 500	10,302	2,132	12,005	429	3,763	1,023	4,410	473	1,369	92	282	288	734
$ 501 - 1,000	11,183	2,374	13,141	416	3,929	603	4,625	719	1,948	139	421	336	837
$ 1,001 - 1,500	10,271	1,697	11,758	210	3,424	298	4,095	770	1,832	148	396	290	715
$ 1,501 - 2,000	7,915	1,153	8,967	101	2,613	122	2,998	627	1,459	167	329	222	531
$ 2,001 - 2,500	6,456	721	7,133	44	2,097	73	2,286	570	1,178	122	259	204	388
$ 2,501 - 3,000	4,694	526	5,193	27	1,557	46	1,643	374	895	79	230	123	273
$ 3,001 - 3,500	3,584	382	3,962	4	1,169	30	1,190	344	718	66	181	90	178
$ 3,501 - 4,000	2,852	221	3,071	2	943	11	868	303	560	57	124	73	134
$ 4,001 & Over	10,580	636	11,212	4	3,332	30	2,817	1,454	2,296	124	439	278	446
Subtotals	68,773	10,001	77,499	1,275	23,097	2,411	25,379	5,667	12,351	998	2,683	1,915	4,273
Totals		**78,774**		**78,774**									**78,774**

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

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

The schedule does not include 1,305 retirees who received a single payment in lieu of a monthly retirement benefit and who remain eligible for the retiree supplemental death benefit.

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

- **Retiree Life Only** provides the largest monthly retirement benefit. A retiree receives a lifetime monthly retirement benefit with no survivor benefits. At the retiree's death, all TMRS payments will cease.
- **Retiree Life and Survivor** provides a reduced lifetime monthly retirement benefit with a lifetime monthly benefit after the retiree's death to their beneficiary. At the retiree's death, the beneficiary receives a percentage (50%, 75% or 100%) of the retiree's monthly benefit each month for the rest of the beneficiary's life. A Retiree Life and 2/3 Survivor benefit is no longer an option for new retirees.
- **Retiree Life and Guaranteed Term** provides a reduced lifetime monthly retirement benefit with a monthly benefit to their beneficiary(ies) if the retiree dies before the guaranteed payment term ends. At retirement, the retiree selects a guaranteed payment term of 5, 10 or 15 years that begins at their retirement date. Then, if the retiree dies before their selected term ends, the beneficiary(ies) receives their benefit for the remainder of that term.

Table S-7

Schedule of Principal Participating Cities (Pension Trust Fund)
Current Year and Nine Years Ago

Participating City	2025			2016		
	Rank	Current Member Accounts	Percentage of Total	Rank	Current Member Accounts	Percentage of Total
San Antonio	1	7,756	6.0%	1	6,797	6.2%
Corpus Christi	2	2,948	2.3	3	2,358	2.2
Arlington	3	2,816	2.2	2	2,462	2.3
Laredo	4	2,536	1.9	5	2,134	2.0
Plano	5	2,527	1.9	4	2,270	2.1
Garland	6	2,215	1.7	6	1,967	1.8
San Antonio Water System	7	2,066	1.6	9	1,648	1.5
Amarillo	8	1,904	1.5	8	1,809	1.7
Lubbock	9	1,868	1.4	7	1,743	1.6
McAllen	10	1,780	1.4	10	1,579	1.5
All others		101,885	78.2		84,124	77.1
Total		**130,301**	**100.0 %**		**108,891**	**100.0 %**

Table S-8

Schedule of Principal Participating Cities (Supplemental Death Benefits Fund)
Current Year and Nine Years Ago

Participating City	2025					2016				
	Rank	Current Member Accounts	Retiree Accounts	Total Accounts	Percentage of Total	Rank	Current Member Accounts	Retiree Accounts	Total Accounts	Percentage of Total
Arlington	1	2,816	1,873	4,689	3.5 %	1	2,462	1,325	3,787	3.8 %
Laredo	2	2,536	1,287	3,823	2.9	3	2,134	719	2,853	2.9
Garland	3	2,215	1,444	3,659	2.8	2	1,967	1,036	3,003	3.0
Irving	4	1,679	1,036	2,715	2.0	4	1,421	731	2,152	2.2
Grand Prairie	5	1,496	775	2,271	1.7	7	1,283	531	1,814	1.8
Denton	6	1,477	764	2,241	1.7	5	1,245	398	1,643	1.7
Brownsville	7	1,217	703	1,920	1.4	6	1,158	435	1,593	1.6
Abilene	8	1,060	819	1,879	1.4	8	1,023	645	1,668	1.7
McKinney	9	1,476	369	1,845	1.4	17	962	179	1,141	1.1
Frisco	10	1,488	305	1,793	1.4	9	1,080	104	1,184	1.2
All Others		72,416	33,125	105,541	79.8		57,581	21,330	78,911	79.0
Total		**89,876**	**42,500**	**132,376**	**100.0 %**		**72,316**	**27,433**	**99,749**	**100.0%**