

# Management's Discussion and Analysis

CONTINUED

## Financial Highlights

### Net Position Restricted for Pensions – Pension Trust Fund

Tables F-1 and F-2 display a summary of assets, liabilities and fiduciary net position for the Pension Trust Fund (including the FBAF) as of December 31, 2021 and 2020, 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 \$4.31 billion from 2020 to 2021, or 12.6%, primarily from investment returns in 2021.

**Table F-1**

<b>Summary of Fiduciary Net Position – Pension Trust Fund (dollars in millions)</b>				
<b>As of December 31</b>				
	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
<b>ASSETS</b>				
Investments, at fair value	\$ 38,790.2	\$ 34,522.3	\$ 4,267.9	12.4 %
Receivables	524.0	832.8	(308.8)	(37.1)
Cash and other assets	15.7	7.8	7.9	101.3
Capital assets, net	9.6	7.9	1.7	21.5
<b>Total assets</b>	<b>39,339.5</b>	<b>35,370.8</b>	<b>3,968.7</b>	<b>11.2</b>
<b>LIABILITIES</b>				
Payables and other liabilities	741.9	1,068.7	(326.8)	(30.6)
Due to depository bank	—	7.5	(7.5)	(100.0)
Funds held for SDBF	4.6	11.7	(7.1)	(60.7)
<b>Total liabilities</b>	<b>746.5</b>	<b>1,087.9</b>	<b>(341.4)</b>	<b>(31.4)</b>
<b>FIDUCIARY NET POSITION</b>	<b>\$ 38,593.0</b>	<b>\$ 34,282.9</b>	<b>\$ 4,310.1</b>	<b>12.6 %</b>

The most significant component of TMRS' fiduciary net position is the fair value of its Trust Fund investment portfolio. The change in investments reflects the net appreciation in the investment portfolio during 2021. The fluctuation of receivables and payables is due primarily to the change in unsettled trades from year to year (i.e., timing of trade activity near year-end).

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CONTINUED

**Table F-2**

<b>Summary of Changes in Fiduciary Net Position – Pension Trust Fund (dollars in millions)</b>				
<b>For the Year Ended December 31</b>				
	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
<b>ADDITIONS</b>				
City contributions	\$ 1,076.9	\$ 1,191.7	\$ (114.8)	(9.6) %
Member contributions	492.3	479.2	13.1	2.7
Net investment income	4,469.1	2,414.5	2,054.6	85.1
Other	0.5	—	0.5	—
<b>Total additions</b>	<b>6,038.8</b>	<b>4,085.4</b>	<b>1,953.4</b>	<b>47.8</b>
<b>DEDUCTIONS</b>				
Retirement benefits	1,645.3	1,544.0	101.3	6.6
Member account refunds	62.3	56.0	6.3	11.3
Administrative expenses	20.7	15.6	5.1	32.7
Income allocated to SDBF	0.4	0.7	(0.3)	(42.9)
<b>Total deductions</b>	<b>1,728.7</b>	<b>1,616.3</b>	<b>112.4</b>	<b>7.0</b>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	<b>4,310.1</b>	<b>2,469.1</b>	<b>1,841.0</b>	<b>74.6</b>
<b>FIDUCIARY NET POSITION</b>				
Beginning of year	34,282.9	31,813.8	2,469.1	7.8
<b>END OF YEAR</b>	<b>\$ 38,593.0</b>	<b>\$ 34,282.9</b>	<b>\$ 4,310.1</b>	<b>12.6 %</b>

The change in city contributions is due to lump sum contributions received from cities (\$214.4 million in 2020 compared with \$62.3 million in 2021).

Net investment income includes interest, dividends and net appreciation in the fair value of investments, less investment expenses. The increase in net investment income from 2020 to 2021 is due to the net appreciation experienced over the periods. The time-weighted net investment returns were 12.86% in 2021 and 7.65% in 2020.

The increase in retirement benefits is due to an increase in the number of retirement beneficiaries (from 64,121 in 2020 to 68,092 in 2021), and cost of living adjustments (COLA) that were applied in each year.