

To: Sherry Mose, Executive Director, Houston Municipal Employees Pension System

From: Robert Appling, Brice Shirimbere

Subject: Wilshire Advisors, LLC Report on Review of HMEPS Investments under Section 2D(a)(1-8)

Date: June 18, 2026

Summary

The Houston Municipal Employees Pension System (HMEPS or System) requested that Wilshire Advisors, LLC (Wilshire) perform a review of HMEPS' investments as set forth in its governing Statute, Article 6243h, Tex. Rev. Civ. Stats., §2D(a)(1-8). Accordingly, Wilshire has conducted a review¹ of HMEPS' investments in accordance with the direction provided by the System and submits this report to HMEPS.² The accompanying chart provides the text of each subsection of §2D(a), the information reviewed by Wilshire, and Wilshire's finding with respect to each subsection.

- Policy compliance
- Asset allocation
- Portfolio structure
- Investment management due diligence and monitoring
- Performance benchmarking
- Fees and trading costs
- Leverage and hedging
- Investment-related disclosures in the annual report

In Wilshire's experience there is no single set of best practices applicable to all pension plans in developing and managing a successful investment program, and therefore the program, and its governance structure, should be customized to meet the long-term objectives of each individual pension plan. Wilshire finds that the HMEPS investment program is consistent with that standard, as the HMEPS investment portfolio is broadly diversified and driven by a disciplined governance structure, and a clearly defined decision-making process which has produced attractive risk-adjusted returns over the long term. A summary of our findings is outlined below.

Wilshire Overview and HMEPS Relationship

Since its founding in 1972, Wilshire has evolved from an investment technology firm into a global advisory company specializing in investment products, consulting services and technology solutions.

Wilshire employs 280 people worldwide in 10 offices³ and serves approximately 300 clients around the globe, with \$1.6 trillion in assets under advisement and \$176 billion in assets under management (as of December 31, 2025).

¹ See Appendix A. In its review, Wilshire has relied on the information and documentation provided by HMEPS and has not verified the information or documentation provided by HMEPS, except for the material prepared by Wilshire through its provision of investment consulting services under the investment consulting agreement with HMEPS.

² Wilshire submits this report with the understanding that HMEPS will demonstrate in its Annual Comprehensive Financial Report for the Year Ended June 30, 2026, that this review was conducted as provided in §2D(a).

³ Includes Frankfurt, Germany office which is the office of XTP, an unregulated Wilshire affiliate that isn't engaged in the provision of advisory services.

Wilshire’s consulting practice was established in 1981 to provide customized institutional consulting solutions designed to enhance every stage of the investment decision making process. We serve many of the world’s largest asset owners including a diverse mix of public and corporate pension plans (both defined contribution and defined benefit), endowment and foundation trusts, and other long-term investment trusts. Our intellectual property, combined with an established infrastructure and industry-leading technology platform, have helped effectively deliver both advisory services and discretionary services to institutional investors seeking economies of scale for the ultimate benefit of their participants.

Wilshire has served as the general Investment Consultant for HMEPS since 1995. In its role, Wilshire provides advisory services to HMEPS regarding, among other items, the System’s:

- Asset Allocation policy
- Capital Markets Assumptions
- Investment Policy Statement
- Sourcing, Hiring, Monitoring, and Terminating Investment Managers
- Performance Reporting
- Rebalancing Policy
- Liquidity Management

In addition to the deep and experienced team across Wilshire, HMEPS is served by Rob Appling and Brice Shirimbere.

Rob Appling is a Managing Director on Wilshire’s institutional client solutions team providing investment consulting services to public pensions, corporate plans, foundations, endowments, and health care clients. He joined Wilshire in 2015 and has over 20 years of investment consulting experience. Prior to joining Wilshire, Rob Appling spent seven years at Mercer as their Director of Investments. Prior to Mercer’s acquisition of Hammond Associates, Rob also served as a senior investment consultant for Hammond. Mr. Appling earned his bachelor’s degree in economics from Texas A&M University and holds an MBA with concentration in finance from the University of Missouri – St. Louis. He holds the Chartered Financial Analyst and Chartered Alternative Investment Analyst designations.

Brice Shirimbere is a Vice President on Wilshire’s investment solutions team and Wilshire’s institutional client solutions team. He develops and communicates customized risk management solutions, including asset allocation studies and investment strategy reviews for defined benefit, defined contribution, endowment, and foundation clients. Brice provides ongoing monitoring services, researches, and maintains Wilshire’s proprietary asset allocation models. In addition, Brice Shirimbere provides investment consulting services to corporate and public pension funds, defined contribution plans, endowments, foundations, and other non-profit organizations. Brice Shirimbere is a member of the Wilshire Asset Allocation Committee. He joined Wilshire in 2015. Previously, Brice worked as a consultant for actuarial firms where he was responsible for actuarial valuations and plan design for public and private pension plans. He earned a bachelor’s degree in economics from the University of San Diego and holds an MBA from the Anderson School of Business at the University of California Los Angeles.

Policy Compliance

HMEPS has an Investment Policy Statement (“IPS”) and an Ethics Policy that are periodically reviewed and updated. HMEPS maintains documentation demonstrating that the System and its key people are in compliance with these documents other than the exception listed in §2D(a)(1) on page 4 of this report. The HMEPS Ethics Policy states it was adopted by the Board in 2015 and includes provisions regarding receipt of gifts and a prohibition of insider trading. Based solely on materials and assertions provided by HMEPS, Wilshire has determined that the System maintains documents demonstrating that Trustees and key people identified by HMEPS are in compliance with their Ethics Policy.

Asset Allocation

HMEPS employs a diversified asset allocation with exposure to six asset classes, including: Global Equities, Fixed Income, Private Credit, Real Estate, Inflation-Linked and Private Equity. HMEPS regularly reviews the objectives, risks, expected returns and cash flows of each of these asset classes as well as the overall portfolio for both the target and actual asset allocation. A formal asset allocation study is conducted every ~5 years, which is consistent with best practices for institutional investors. The asset allocation studies analyze HMEPS' need for liquidity, cash income, and real return in determining an appropriate asset allocation. The last asset allocation study, which included analysis and projections for the plan's future liabilities, was conducted in May of 2023. The Board reviewed several potential policies for consideration, and approved changes to the asset allocation that included a reduction of global equities, high yield bonds and emerging market debt, removal of absolute return, and increase to fixed income, private credit, and inflation linked assets. Wilshire finds HMEPS' current strategic asset allocation to be consistent with its risk tolerance and liquidity needs and is comparable to other similar-sized public pension fund peers.

Portfolio Structure

HMEPS' investment portfolio contains a mix of publicly traded and privately held investment vehicles, with the publicly traded portfolio comprised of both active and passive strategies. The segments of the market deemed most inefficient and opportunity-rich are actively managed while the more efficient and competitive segments are passively managed.

Investment Management Due Diligence and Monitoring

HMEPS' IPS outlines the process for investment manager due diligence, in both public markets and private markets. The IPS also outlines the process to evaluate and monitor incumbent managers. Wilshire confirmed that HMEPS regularly reviews the investment performance of the portfolio and of the individual investment managers comprising it, including a detailed analysis of any managers on probation due to underperformance relative to established objectives.

Performance Benchmarking

HMEPS' IPS identifies the appropriate benchmarks to monitor and evaluate the investment performance of the investment portfolio, each asset class and the individual investment managers. Wilshire confirmed these benchmarks are industry standard for each respective asset class and are regularly used during investment performance reviews.

Fees and Trading Costs

HMEPS' IPS identifies the metrics used during the manager selection process, including fees. Wilshire reviewed the HMEPS Annual Comprehensive Financial Report ("ACFR") and Financial Statements and determined that investment-related expenses and trading costs are disclosed. The investment managers' fees associated with the pension fund are in accordance with expectations given the target asset allocation and mix of active and passive strategies.

Leverage and Hedging

HMEPS' IPS outlines their policy regarding use of leverage, foreign exchange, or other hedging transactions. HMEPS does not proactively engage in any such activity but may allow certain investment managers to do so. Wilshire reviewed HMEPS' ACFR and Financial Statements and determined that HMEPS evaluates the use of leverage, foreign exchange, and other hedging transactions. Wilshire identified no concerns relating to leverage, foreign exchange, or other hedging transactions.

Investment-related Disclosures

Wilshire reviewed HMEPS' ACFRs and determined that the ACFRs provide investment-related disclosures. HMEPS is responsible for the accuracy of these disclosures. In connection to these disclosures, HMEPS has received the Government Finance Officers Association ("GFOA") Certificate of Achievement of Excellence in Financial Reporting for annual periods between 2023 through 2025. HMEPS states that it has submitted the 2025 ACFR to the GFOA. Wilshire's responsibility is to review the information provided by HMEPS and determine whether HMEPS fulfills the requirements of Subsection 2D(a).

Review of HMEPS' investments as set forth in its governing Statute, Article 6243h, Tex. Rev. Civ. Stats., §2D(a)(1-8)

Subsection 2D(a):	Information Reviewed	Finding
(1) the pension system's compliance with its investment policy statement, ethics policies, including policies concerning the acceptance of gifts, and policies concerning insider trading	- HMEPS IPS (Appendix I rev. 5/18/2023) - HMEPS Ethics Policy, rev. 10/22/15 - Gifts: § 107 - Prohibition on Insider Trading: § 105.05 - Ethics Policy Acknowledgements by Trustees and Executive Director (2024-2026) and HMEPS-identified Key Staff (2024-2026) - Chapter 171 and 176, Tex. Local Gov't Code disclosures http://www.hmeps.org/cis.html; http://www.hmeps.org/ciq.html	HMEPS' IPS states that it was adopted by the HMEPS Board in 2011 with the following purpose: "The purpose of this Investment Policy Statement (IPS) is to delineate the investment policies and objectives of the System. These policies and objectives are intended to allow for sufficient flexibility in the management process to capture investment opportunities, yet provide parameters that will ensure prudence and care in the execution of the investment program. Specifically, these policies should assist the fiduciaries of the System in effectively monitoring and evaluating the investments of the fund." Based on Wilshire's review of the IPS, including the items reviewed with respect to §2D(a)(2)-(8), Wilshire has determined that HMEPS maintains documents showing that it is in compliance with the IPS. The HMEPS Ethics Policy states it was adopted by the HMEPS Board in 2015 and includes provisions regarding receipt of gifts and a prohibition of insider trading. Based solely on materials and assertions provided by HMEPS, Wilshire has determined that HMEPS maintains an Ethics Policy that complies with the requirements of §2D(a)(1). Wilshire notes that the City Council appointee in Trustee Position 10 has not reported his completion of required training and has not submitted his Ethics Policy Acknowledgement for 2026.
(2) the pension system's asset allocation, including a review and discussion of the various risks, objectives, and expected future cash flows	- IPS, Appendix I rev. 5/18/2023 - Wilshire Asset/Liability Analysis and Recommendations, 5/18/2023	Wilshire reviewed the IPS and the asset allocation review provided by HMEPS. Wilshire has determined that the HMEPS Board reviewed available asset classes and discussed the objectives, risks, and expected returns and cash flows of these asset classes. The HMEPS Board reviewed several potential policies for consideration, and approved changes to the asset allocation that included a reduction of global equities, high yield bonds and emerging market debt, removal of absolute return, and increase to fixed income, private credit, and inflation linked assets. Wilshire finds the process taken to update

the target allocation to be prudent and consistent with HMEPS' fiduciary duty.

(3) the pension system's portfolio structure, including the pension system's need for liquidity, cash income, real return, and inflation protection and the active, passive, or index approaches for different portions of the portfolio	• IPS, Appendix I rev. 5/18/2023 • Wilshire Asset/Liability Analysis and Recommendations, 5/18/2023 • HMEPS 2025 ACFR, 2024 ACFR and 2023 ACFR • HMEPS 2024 Financial Statements, 2023 Financial Statements and 2022 Financial Statements	HMEPS' portfolio structure is contained in each of the reviewed documents. Additionally, Wilshire has determined that HMEPS considered the pension system's need for liquidity, cash income, and real return in determining the asset allocation. The asset allocation review also considered active, passive and/or index approaches for different portions of the portfolio.
(4) investment manager performance reviews and an evaluation of the processes used to retain and evaluate managers	• IPS, Appendix I rev.5/18/2023 • Wilshire Quarterly Executive Summary reports, March 31, 2023 to December 31, 2025 • Wilshire Quarterly Managers on Probation reviews, March 31, 2023 to December 31, 2025, and Board actions	Wilshire confirmed that the HMEPS Board reviews a performance Executive Summary and recommendations on Managers on Probation on a quarterly basis.
(5) benchmarks used for each asset class and individual manager	• IPS, Appendix I rev. 5/18/2023 • Manager guidelines	Wilshire reviewed the IPS and related manager guidelines and has determined HMEPS has defined benchmarks for individual managers.
(6) an evaluation of fees and trading costs	• IPS, Appendix I rev. 5/18/2023 • HMEPS 2025 ACFR, 2024 ACFR and 2023 ACFR, Investment Section, Schedule of Fees and Commissions Paid • HMEPS 2024 Financial Statements, 2023 Financial Statements and 2023 Financial Statements	Wilshire reviewed the IPS and determined that an evaluation of fees is part of HMEPS' manager selection process. Wilshire also reviewed HMEPS' ACFR and Financial Statements and determined that investment related expenses and trading costs are disclosed.
(7) an evaluation of any leverage, foreign exchange, or other hedging transaction	• HMEPS 2025 ACFR, 2024 ACFR and 2023 ACFR • HMEPS 2024 Financial Statements, 2023 Financial Statements and 2022 Financial Statements	Wilshire reviewed HMEPS' ACFR and Financial Statements and determined that HMEPS evaluates the use of leverage, foreign exchange, and other hedging transactions.
(8) an evaluation of investment-related disclosures in the pension system's annual reports	• HMEPS 2025 ACFR (pp. 62-64; 68-75) • HMEPS 2024 ACFR (pp. 55-57; 61-68) • HMEPS 2023 ACFR (pp. 55-57; 61-68)	Wilshire reviewed HMEPS' ACFRs and determined that the ACFRs provide investment-related disclosures. HMEPS is responsible for the accuracy of these disclosures.

Appendix A

Documents Reviewed by Wilshire

- HMEPS Investment Policy Statement (Appendix I rev. 5/18/2023)
- HMEPS Ethics Policy, rev. 10/22/15
- Wilshire Asset/Liability Analysis and Recommendations, approved by the HMEPS Board on 5/18/2023 (HMEPS Asset Liability Study)
- Wilshire Quarterly Executive Summary reports, March 2023 to December 2025
- Wilshire Quarterly Managers on Probation reviews, March 2023 to December 2025
- HMEPS Annual Comprehensive Financial Report for the Year Ended June 30, 2025 (including June 30, 2025/2024 Financial Statements) (“2025 ACFR” and “2025/2024 Financial Statements”), https://hmeps.org/wp-content/uploads/2025/12/2025-HMEPS-Annual-Report_FNL.pdf
- HMEPS Annual Comprehensive Financial Report for the Year Ended June 30, 2024 (including June 30, 2024/2023 Financial Statements) (“2024 ACFR” and “2024/2023 Financial Statements”), <https://hmeps.org/wp-content/uploads/2025/03/2024-hmeps-acfr-c-1.pdf>
- HMEPS Annual Comprehensive Financial Report for the Year Ended June 30, 2023 (including June 30, 2023/2022 Financial Statements) (“2023 ACFR” and “2023/2022 Financial Statements”), <https://hmeps.org/wp-content/uploads/2025/03/2023-hmeps-acfr.pdf>
- Ethics Policy Acknowledgements by Trustees and Executive Director (2024-2026) and HMEPS-identified Key Staff (2024-2026)
- Chapter 171 and 176, Tex. Local Gov’t Code disclosures <http://www.hmeps.org/cis.html>; <http://www.hmeps.org/ciq.html>