



Texas Municipal Retirement System

PERFORMANCE SUMMARY

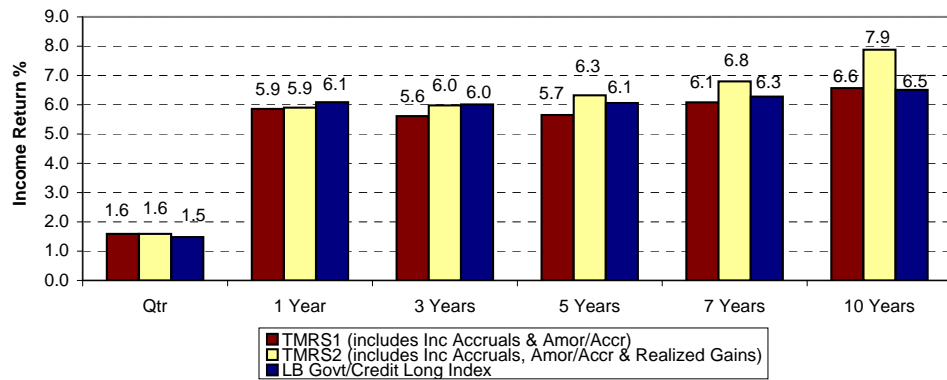
As Of: 12/31/2007

TMRS INCOME RATE OF RETURN

	<u>Qtr</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>
TMRS1	1.59	5.86	5.61	5.65	6.08	6.57
TMRS2	1.59	5.90	5.98	6.32	6.80	7.88
LB Govt/Credit Long Index	1.48	6.09	6.01	6.06	6.28	6.51

The income rate of return spotlights TMRS' investment objectives for consistent quality income to support the plan design.

TMRS' income rate of return including realized gains (as illustrated by TMRS2) has outperformed the Lehman Govt/Credit Long Index for the 5 yr, 7 yr and 10 yr time periods ending 12/31/07. TMRS' 10-year annualized income rate of return was 7.88% compared to 6.51% for the Lehman Index.



TMRS TOTAL RATE OF RETURN

	<u>Qtr</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>
TMRS	5.57	7.80	6.33	6.64	8.41	7.72
LB Govt/Credit Long Index	3.87	6.60	4.87	5.80	7.26	6.95
Hypothetical 50/50	0.26	6.24	6.89	9.47	5.66	6.85

TMRS outperformed the Lehman Govt/Credit Long Index in all time periods.

Yields of long term Treasuries averaged 4.8% for the year ended 12-31-07 and ranged from 4.29% to 5.36%.

Comparison of the TMRS total rate of return to a hypothetical allocation of 50%/50% to stocks and bonds shows that TMRS outperformed for the 1, 7, and 10-year periods. TMRS' long duration in a generally declining interest rate environment provided strong returns.

