Quarterly Investment Update and Performance Review  
As of March 31, 2013

Asset Allocation  
The TMRS portfolio continues to move towards a well diversified structure. The Fixed Income portfolio continues to be reduced as it funds other asset classes. A slow and methodical pace into new asset classes and strategies via ongoing research and due diligence efforts, along with dollar cost averaging into new investments over multiple time periods, continues to be a prudent process.

Performance Summary (as of 3/31/2013)  
Total Fund Composite (gross of fees)
• 3 years 7.39%
• 5 years 6.22%
• 7 years 6.81%
• 10 years 6.47%
• Since inception* 9.01%

*inception date 1/1/1989

Fund Performance versus Benchmarks
• The Total Fund Composite (Gross) returned 6.22% over the trailing five-year period ending 3/31/2013. The Total Fund underperformed the Actual Allocation Benchmark by -0.11% over the same time period, partially due to modest underperformance by the fixed income composite; and it underperformed the Policy Index (Target Allocation) by 0.93% over the same time period, primarily due to strong recent performance by the alternate asset classes the system is currently in the process of funding. The assumed long term rate of return established by the actuary is 7%.
• The Domestic Equity Composite (Gross) returned 12.99% over the trailing three-year period ending 3/31/2013. Since inception (NTGI 12/1/2008), the domestic equity manager has closely tracked its benchmark, as expected in a domestic passive equity strategy.
• The Non-U.S. Equity Composite (Gross) returned 4.23% over the trailing three-year period ending 3/31/2013. Since inception (NTGI 9/1/2010), the Non-U.S. equity manager has outperformed its benchmark marginally, as expected in a non-US passive equity strategy.
• The Total Fixed Income Composite (Net) returned 5.05% over the trailing five-year period ending 3/31/2013 which includes a transitionary period between income and total return objectives. Since inception (PIMCO 2/1/2010 and BlackRock 10/1/2009), the fixed income managers have outperformed or closely tracked the Barclays US Agg Bond Index.
• The Real Return composite (Net) returned 6.60% for the year ending 3/31/2013. Since inception (Colchester 2/1/2011), the global inflation-linked bond manager has outperformed its benchmark.
Portfolio Diversification Update

- **Domestic Equities:** Target allocation reduced to 17.5% in August 2012. Current overweight will serve as placeholder for private equities. Fundamental rules-based strategy funded on 1/16/2013.

- **Int’l Equities:** Target allocation reduced to 17.5% in August 2012. Current overweight will serve as placeholder for private equities. Fundamental rules-based strategy funded on 1/16/2013.

- **Core Fixed Income:** Assets allocated to fixed income managers totaled 48.48% and will gradually move to the 30% target allocation as the core fixed income portfolio funds ongoing implementation of other asset classes.

- **Non-Core Fixed Income:** Educational session presented to the Board in March 2013. Board authorization for manager search will be requested in June 2013. Manager recommendations expected to be made in late 2013.

- **Real Return:** Fully funded through Global Inflation-Linked Bond strategy, pending diversification of the asset class. Implementation strategy for commodities may be proposed at a later date.

- **Real Estate:** As of April 30, 2013, allocated $1.2 billion to real estate funds and closed on $800M ($400M Core, $325M Value-Add, $75M Opportunistic).

- **Absolute Return:** Investment Staff and RV Kuhns have begun research on this asset class and implementation strategy will be proposed in late 2013.

- **Private Equity:** Educational sessions for the Board are planned for 2014.

Allocation percentages do not equal 100% due to rounding.