



TMRS Quarterly Summary

Period Ended: March 31, 2015

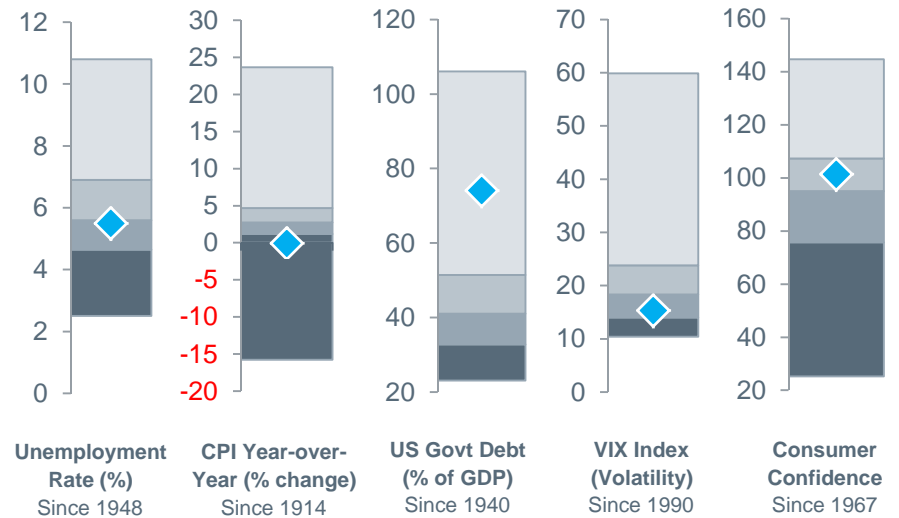


First Quarter Economic Environment

Key Economic Indicators

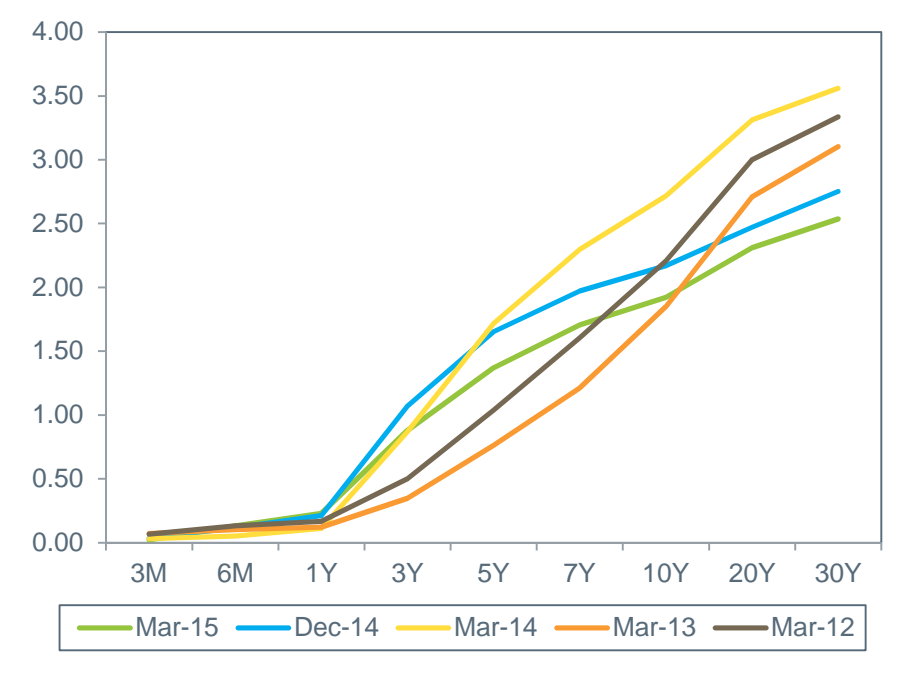
In a reversal of a multi-year trend, U.S. equity markets underperformed both developed international and emerging markets during the first quarter of 2015. The Federal Reserve, having exited its quantitative easing program in late 2014, continues to signal its willingness to raise interest rates at the earliest signs of inflation. In contrast, the European Central Bank and Bank of Japan continued to pursue aggressive monetary easing. The impact of these policies on current and expected interest rates led to a stronger U.S. dollar, which raises concerns regarding U.S. exports and the dollar value of earnings generated in foreign currencies. While the unemployment rate remained steady at 5.5% in March, additional non-farm payroll jobs came in well below expectations at just 126,000, despite downward revisions in January and February estimates. Globally, much attention was focused on oil prices, as OPEC producers refused to yield to pressure to cut production. In addition to price pressure from oversupply, weaker than expected global demand magnified downward pressure on oil prices.

Key Economic Indicators



Economic Indicators	Mar-15	Dec-14	Mar-14	Mar-12	20 Yr
Federal Funds Rate (%)	0.06	0.06	0.06	0.09	2.82
Breakeven Infl. - 1 Yr (%)	1.46 ▲	-0.21	1.79	2.18	N/A
Breakeven Infl. - 10 Yr (%)	1.78 ▲	1.68	2.14	2.34	N/A
CPI YoY (Headline) (%)	-0.10 ▼	0.80	1.50	2.70	2.30
Unemployment Rate (%)	5.50 ▼	5.60	6.60	8.20	6.00
Real GDP YoY (%)	3.00 ▲	2.40	1.90	2.60	2.50
PMI - Manufacturing	51.50 ▼	55.10	54.40	53.30	52.00
USD Total Wtd Idx	92.06 ▲	85.13	76.67	72.75	86.32
WTI Crude Oil per Barrel (\$)	48 ▼	53	102	103	54
Gold Spot per Oz (\$)	1,184 ▼	1,185	1,284	1,668	713

Treasury Yield Curve (%)



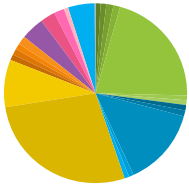
Market Performance (%)	QTD	YTD	1 Yr	5 Yr	10 Yr
S&P 500 (Cap Wtd)	0.95	0.95	12.73	14.47	8.01
Russell 2000	4.32	4.32	8.21	14.56	8.82
MSCI EAFE (Net)	4.88	4.88	-0.92	6.16	4.95
MSCI EAFE SC (Net)	5.56	5.56	-2.92	8.80	6.17
MSCI Emg Mkts (Net)	2.24	2.24	0.44	1.75	8.48
Barclays US Agg Bond	1.61	1.61	5.72	4.41	4.93
BofA ML 3 Mo US T-Bill	0.00	0.00	0.03	0.09	1.49
NCREIF ODCE (Gross)	3.40	3.40	13.46	14.52	6.99
Wilshire US REIT	4.67	4.67	25.25	16.14	9.59
HFN FOF Multi-Strat	2.54	2.54	4.86	3.36	2.91
Bloomberg Cmddy (TR)	-5.94	-5.94	-27.04	-5.71	-3.56

Treasury data courtesy of the U.S. Department of the Treasury. Economic data courtesy of Bloomberg Professional Service. Breakeven Inflation does not have 20 years of history; therefore, its 20-year average is shown as N/A.

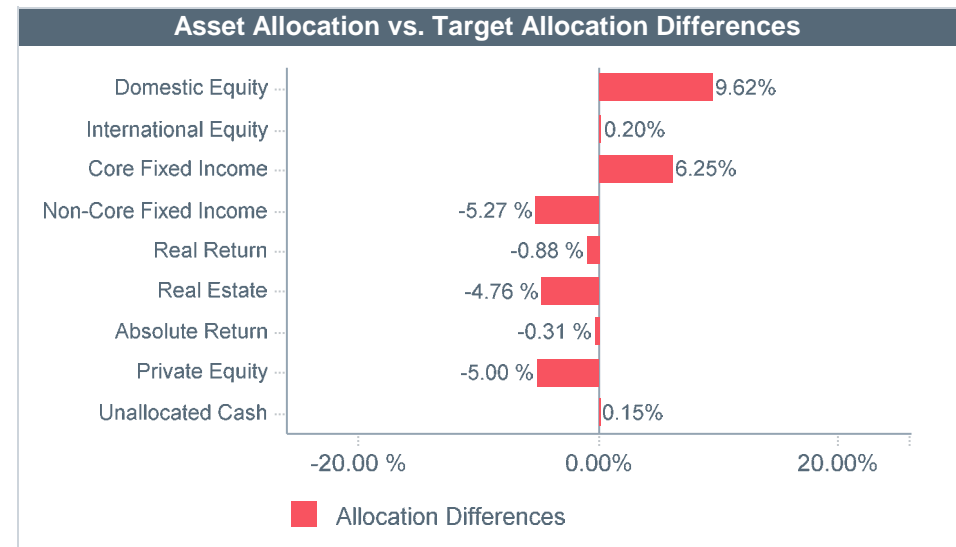


Total Fund Composite

Asset Alloc. by Manager, Asset Alloc. vs. Target, and Schedule of Investable Assets

Asset Allocation by Manager		
March 31, 2015: \$24,075,452,627		
		
	Market Value (\$)	Allocation (%)
■ Sasco U.S. Contrarian Value (SA)	219,353,900	0.91
■ Epoch U.S. Choice (SA)	237,132,064	0.98
■ SSgA Russell Fundamental US (CF)	293,209,053	1.22
■ UBS US Equity Min Vol Fund (CF) (NL)	297,334,223	1.24
■ Northern Trust R3000 Index (CF) (NL)	5,067,437,947	21.05
■ Champlain Mid-Cap Core (SA)	206,696,042	0.86
■ The Boston Company Opp Value (SA)	208,079,122	0.86
■ Citigroup Global Markets, Inc.	4,690	0.00
■ SSgA Russell Fund. Global Ex-US (CF)	228,396,867	0.95
■ UBS World Ex US Min Vol Fund (CF) (NL)	255,684,433	1.06
■ Northern Trust ACW ex US IMI (CF) (NL)	3,378,306,379	14.03
■ Wellington International Horizons (SA)	200,771,718	0.83
■ Lazard International Equity Plus (SA)	197,611,836	0.82
■ BlackRock, Inc. Core (SA)	6,659,840,297	27.66
■ PIMCO Core Plus Fixed Income (SA)	2,066,662,125	8.58
■ Guggenheim Bandera Strategic Credit Partners II, LP	252,654,288	1.05
■ Highland Bandera Strategic Credit Partners I, LP	254,201,591	1.06
■ Voya RMBS/CMBS (SA)	254,436,489	1.06
■ Ellington RMBS/CMBS (SA)	377,497,802	1.57
■ Colchester Global Inflation Linked Bond (SA)	992,983,663	4.12
■ Core Real Estate	640,228,077	2.66
■ Non-Core Real Estate	430,741,919	1.79
■ Harrison St. Real Estate Securities	191,004,640	0.79
■ Blackstone Treaty Oak Fund, LP	1,127,970,144	4.69
■ State Street Government STIF 6 (CF) - Cash	37,213,319	0.15

Asset Allocation vs. Target Allocation			
	Market Value (\$)	Allocation (%)	Target (%)
Domestic Equity	6,529,247,039	27.12	17.50
International Equity	4,260,771,234	17.70	17.50
Core Fixed Income	8,726,502,423	36.25	30.00
Non-Core Fixed Income	1,138,790,170	4.73	10.00
Real Return	992,983,663	4.12	5.00
Real Estate	1,261,974,635	5.24	10.00
Absolute Return	1,127,970,144	4.69	5.00
Private Equity	-	-	5.00
Unallocated Cash	37,213,319	0.15	0.00
Total Fund	24,075,452,627	100.00	100.00



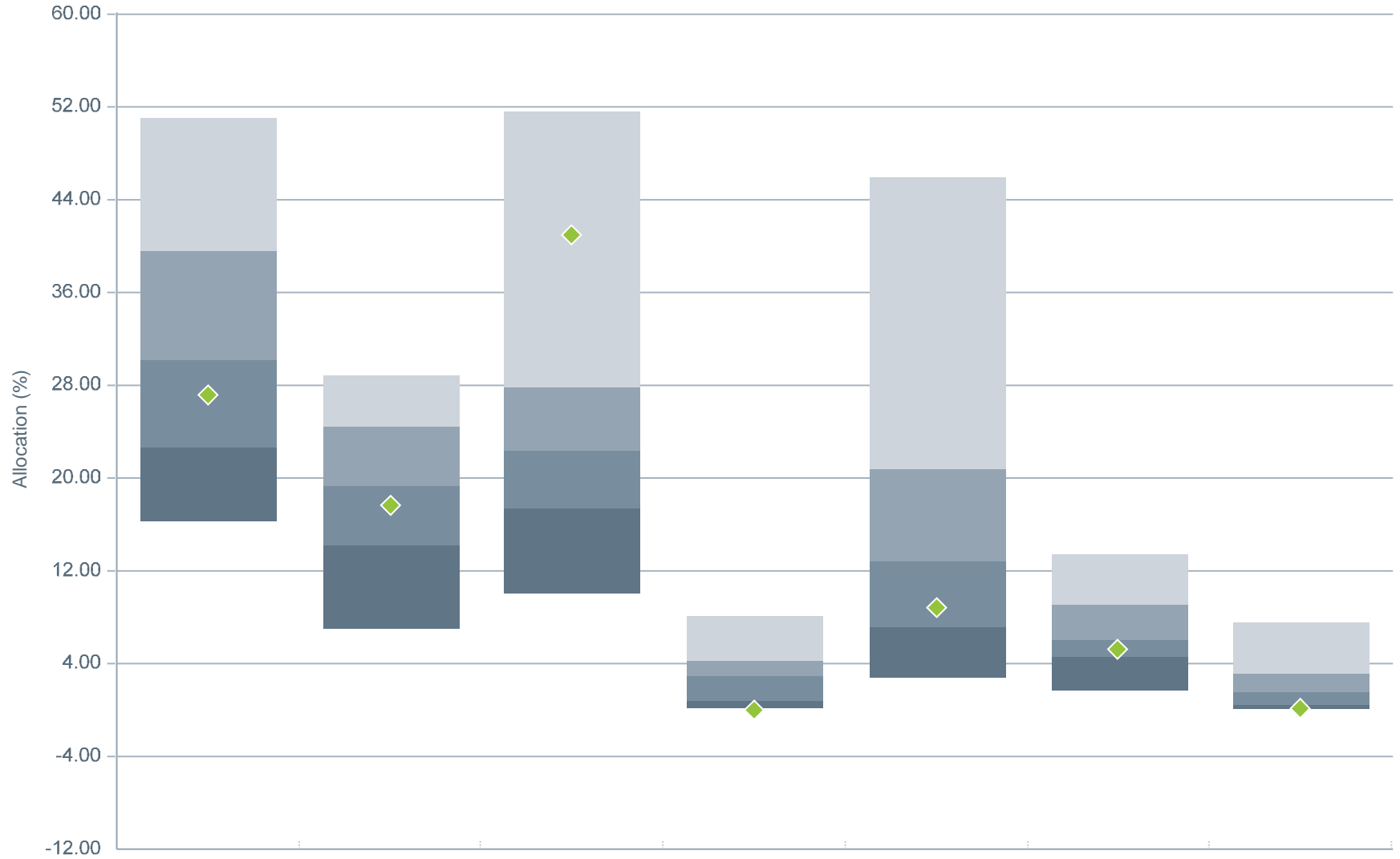
Schedule of Investable Assets						
Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return	Unit Value
CYTD	23,635,673,306	-35,448,356	475,227,676	24,075,452,627	2.08	102.08

Performance shown is gross of fees and provided by State Street. Allocations shown may not sum up to 100% exactly due to rounding. Gain/Loss figure includes both realized and unrealized gains and losses. The market value shown for Citigroup Global Markets, Inc. represents residual assets from Domestic Mid-Cap manager fundings.



Texas Municipal Retirement System
All Public Plans > \$1B-Total Fund
Plan Sponsor TF Asset Allocation

As of March 31, 2015



	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
◆ Total Fund Composite	27.12 (65)	17.70 (58)	40.98 (8)	0.00	8.81 (70)	5.24 (69)	0.15 (93)
Median	30.16	19.27	22.28	2.94	12.86	6.13	1.57
Population	74	71	71	44	57	46	57

Parentheses contain percentile ranks. Allocations shown may not sum up to 100% exactly due to rounding.



**Texas Municipal Retirement System
Comparative Performance**

As of March 31, 2015

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	2014	Since Incep.	Inception Date
Total Fund Composite	2.08	2.08	6.13	7.43	7.31	6.50	6.38	5.99	8.87	01/01/1989
Actual Allocation Benchmark	1.95	1.95	5.85	7.11	7.12	6.54	6.11	5.63	8.25	
Difference	0.13	0.13	0.28	0.32	0.19	-0.04	0.27	0.36	0.62	
Global Equity Composite	2.48	2.48	6.32	11.95	9.96	5.19	N/A	5.39	4.82	02/01/2008
Global Equity Benchmark	2.50	2.50	6.02	11.76	9.82	5.06	N/A	4.95	4.69	
Difference	-0.02	-0.02	0.30	0.19	0.14	0.13	N/A	0.44	0.13	
Domestic Equity Composite	1.71	1.71	12.17	16.28	14.62	9.31	N/A	12.61	8.52	02/01/2008
R 3000 Index	1.80	1.80	12.36	16.43	14.71	9.37	8.38	12.55	8.57	
Difference	-0.09	-0.09	-0.19	-0.15	-0.09	-0.06	N/A	0.06	-0.05	
International Equity Composite	3.69	3.69	-0.51	7.06	4.98	0.82	N/A	-3.11	0.86	02/01/2008
International Equity Benchmark	3.55	3.55	-1.34	6.52	4.57	0.47	4.16	-3.89	0.51	
Difference	0.14	0.14	0.83	0.54	0.41	0.35	N/A	0.78	0.35	
Core Fixed Income Composite	1.75	1.75	5.67	3.27	4.54	4.41	4.93	5.77	8.30	01/01/1989
Fixed Income Benchmark	1.61	1.61	5.72	3.10	4.41	4.52	4.70	5.97	7.71	
Difference	0.14	0.14	-0.05	0.17	0.13	-0.11	0.23	-0.20	0.59	
Non-Core Fixed Income Composite	1.29	1.29	N/A	N/A	N/A	N/A	N/A	N/A	2.10	10/01/2014
Non-Core Fixed Income Benchmark	0.14	0.14	N/A	N/A	N/A	N/A	N/A	N/A	0.60	
Difference	1.15	1.15	N/A	N/A	N/A	N/A	N/A	N/A	1.50	
Real Return Composite	-0.19	-0.19	1.60	2.50	N/A	N/A	N/A	4.44	4.20	02/01/2011
Barclays Wrld Gov Infl-Lnkd Index (Unhedged)	-1.13	-1.13	0.22	0.71	4.12	2.41	4.26	4.08	3.45	
Difference	0.94	0.94	1.38	1.79	N/A	N/A	N/A	0.36	0.75	
Real Estate Composite	3.90	3.90	16.04	14.25	N/A	N/A	N/A	20.35	13.09	01/01/2012
Real Estate Benchmark	3.28	3.28	12.52	12.46	13.93	2.80	7.11	12.40	12.46	
Difference	0.62	0.62	3.52	1.79	N/A	N/A	N/A	7.95	0.63	
Absolute Return Composite	1.95	1.95	N/A	N/A	N/A	N/A	N/A	N/A	2.82	08/01/2014
Absolute Return Benchmark	2.36	2.36	5.08	5.40	3.55	1.54	3.22	3.15	3.95	
Difference	-0.41	-0.41	N/A	N/A	N/A	N/A	N/A	N/A	-1.13	

Performance shown is gross of fees and provided by State Street. Performance is annualized for periods greater than one year. Real Estate performance is available quarterly. Real Estate fund returns are calculated by Private Edge and are lagged 1 quarter. Inception date shown for the Real Estate Composite represents the first full quarter following initial funding. Inception dates for non-real estate composites represents the first full month following initial funding.



**Texas Municipal Retirement System
Comparative Performance**

As of March 31, 2015

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	2014	Since Incep.	Inception Date
TMRS Unallocated Cash (SA)	0.15	0.15	0.34	0.17	0.14	N/A	N/A	0.18	0.26	06/01/2008
BofA ML 3 Mo US T-Bill Index	0.00	0.00	0.03	0.07	0.09	0.26	1.49	0.04	0.25	
Difference	0.15	0.15	0.31	0.10	0.05	N/A	N/A	0.14	0.01	

- Historical performance shown for the Global Equity, Domestic Equity, International Equity, and Total Fixed Income composites is provided by State Street.
- RVK cautions that for private market investments like Commercial Real Estate, for which there are no market prices, as are available for public securities, and for which an appraised value is calculated only quarterly, daily time weighted return calculations (public market return methodology) are imperfect at best and usually misleading.

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Custom Benchmark Comments

- The **Actual Allocation Benchmark** is calculated monthly using beginning of month asset class weights applied to each corresponding benchmark return and currently consists of the following:
 - Russell 3000 Index
 - International Equity Benchmark
 - Fixed Income Benchmark
 - Non-Core Fixed Income Benchmark
 - Barclays World Government Inflation-Linked Index (Unhedged)*
 - Real Estate Benchmark
 - Absolute Return Benchmark
 - BofA Merrill Lynch 3 Month US Treasury Bill Index

*As the Real Return asset class structure becomes diversified, the performance objective will be the Consumer Price Index + 4%.

The **Global Equity Benchmark** is calculated monthly and consists of 50% Russell 3000 Index and 50% MSCI EAFE Index (Net) through July 31, 2010; a blend of the Russell 3000 Index, MSCI All Country World Excluding US Investable Market Index (Net) and MSCI EAFE Index (Net) at beginning of month investment weights through November 30, 2012; and a blend of the Russell 3000 Index and the MSCI All Country World Excluding US Investable Market Index (Net) at beginning of the month weights thereafter.

The **International Equity Benchmark** is calculated monthly and consists of the MSCI EAFE Index (Net) through July 31, 2010; a blend of the MSCI All Country World Excluding US Investable Market Index (Net) and MSCI EAFE Index (Net) at beginning of month investment weights through January 31, 2012; and the MSCI All Country World Excluding US Investable Market Index (Net) thereafter.

The **Fixed Income Benchmark** is calculated monthly and consists of the Barclays Gov't/Credit Long Term Bond Index through June 30, 2009; and Barclays US Aggregate Bond Index thereafter.

The **Non-Core Fixed Income Benchmark** is calculated monthly and consists of 50% Barclays US Corporate: High Yield Index, 25% JPM GBI-EM Global Diversified Total Return Index (USD) (Unhedged), and 25% JPM CEMBI Broad Diversified Index. The return is composed of lagged and un-lagged returns in the same proportion as the market value of managers whose returns are being reported on a lagged versus non-lagged basis.

The **RMBS/CMBS Custom Index** is calculated monthly and consists of 67% Barclays US Corporate: High Yield Index and 33% Barclays US Corporate: Credit Index.

The **Absolute Return Benchmark** is calculated monthly and consists of the HFRI Fund of Funds Diversified Index through November 30, 2014; and HFRI Fund of Funds Diversified Index - 1 Month Lag thereafter.

The **Real Estate Benchmark** is calculated quarterly and consists of the NCREIF Open-End Diversified Core Equity Index (Gross) (AWA); interim months assume a 0.00% return. The return is composed of lagged and un-lagged returns in the same proportion as the market value of managers whose returns are being reported on a lagged versus non-lagged basis.

Real Estate Performance Comment

"Privately held real estate fund returns are one-quarter lagged and are provided by Private Edge. Quarterly returns are incorporated in the last month of that particular quarter. The returns for the first two months are zero.

Market values are previous quarter-end values as reported, rolled forward with current cash flows. Returns and market values provided by Private Edge are rolled into their respective Real Estate composite and the Total Plan composite.

Publicly traded real estate fund performance is non-lagged, reflecting monthly fluctuations. Detailed information regarding methodology can be found in the internal TMRS Performance Reporting Policy statement" (State Street Performance Team).

PORTLAND

CHICAGO

NEW YORK

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