



TMRS Quarterly Summary

Period Ended: June 30, 2014



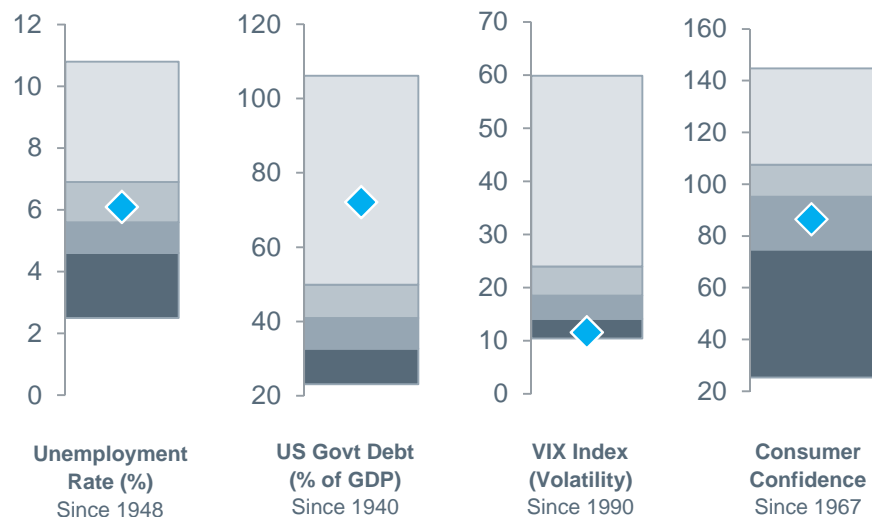
Capital Markets Review
As of June 30, 2014

Second Quarter Economic Environment

Key Economic Indicators

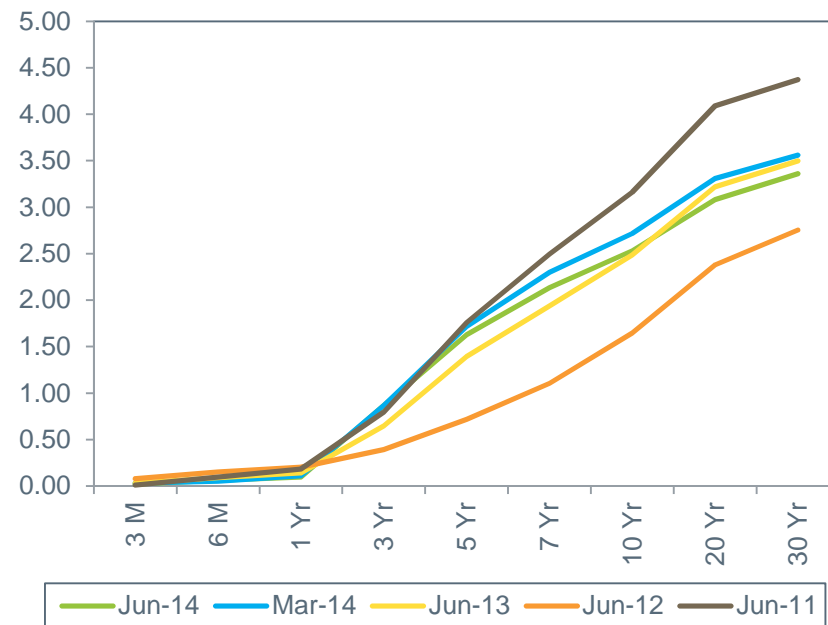
In the U.S., first quarter GDP growth was revised down to -2.9% and the IMF revised its 2014 U.S. growth forecast down to 2.0% from 2.8%, anticipating that the strengthening pace of recovery will only partially offset the first quarter's uninspiring performance. Following disappointing Q1 GDP numbers, recent data releases have indicated continued economic expansion and improving labor markets. In June, the economy added 288,000 jobs with the unemployment rate declining to 6.1%, the lowest rate since September 2008, while most inflation measures ticked up marginally. On the international front, the European Central Bank (ECB) announced several policy changes intended to increase liquidity for stressed banks and businesses. The benchmark policy rate was lowered by 10 basis points to 0.15%, bringing the interest rate on excess deposits to -0.10%. The negative rate requires banks to pay the ECB interest on excess reserves, which incentivizes banks to extend credit to the economy.

Key Economic Indicators



Economic Indicators	Jun-14	Mar-14	Jun-13	Jun-11	20 Yr
Federal Funds Rate (%)	0.09 ▲	0.06	0.07	0.07	2.97
Breakeven Infl. - 1 Yr (%)	1.46 ▼	1.79	0.74	1.01	1.19
Breakeven Infl. - 10 Yr (%)	2.24 ▲	2.14	1.99	2.38	2.05
Consumer Price Index (%)	2.10 ▲	1.50	1.50	3.60	2.41
Unemployment Rate (%)	6.10 ▼	6.70	7.50	9.10	6.01
Real GDP YoY (%)	N/A	1.50	1.30	1.90	2.53
PMI - Manufacturing	55.30 ▲	53.70	51.50	56.60	52.06
USD Total Wtd Idx (%)	75.91 ▼	76.86	77.72	69.08	86.43
WTI Crude Oil per Barrel (\$)	105 ▲	102	97	95	51.95
Gold Spot per Oz (\$)	1,327 ▲	1,284	1,235	1,500	684

Treasury Yield Curve (%)

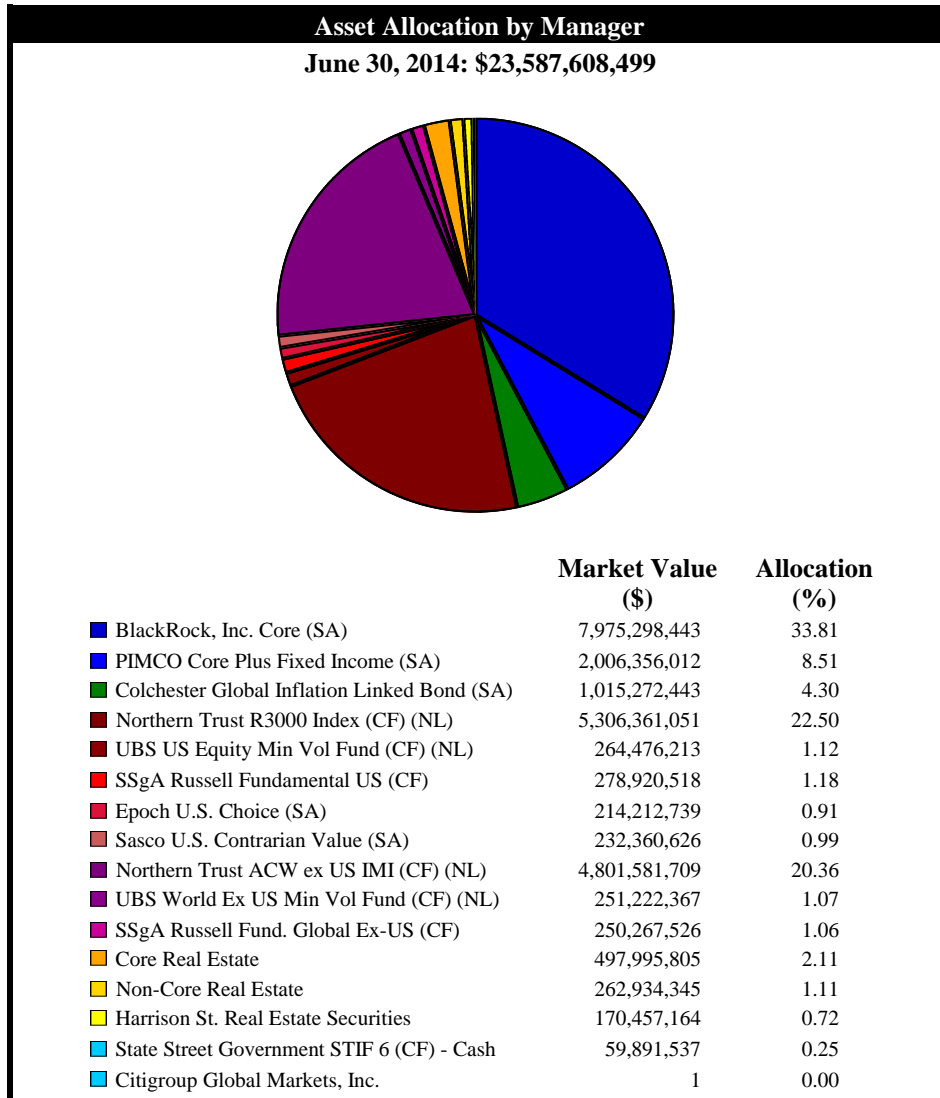


Market Performance (%)	QTD	YTD	1 Yr	5 Yr	10 Yr
S&P 500 (Cap Wtd)	5.24	7.14	24.61	18.83	7.78
R 2000	2.05	3.19	23.64	20.21	8.70
MSCI EAFE (Net)	4.09	4.78	23.57	11.77	6.93
MSCI EAFE SC (Net)	2.08	5.50	29.08	15.21	8.78
MSCI EM (Net)	6.60	6.14	14.31	9.24	11.94
Barclays US Agg Bond	2.05	3.93	4.38	4.85	4.93
BofAML 3 Mo US T-Bill	0.01	0.02	0.06	0.11	1.63
NCREIF ODCE (Gross)	2.93	5.53	12.75	10.00	7.14
Wilshire US REIT	7.22	18.08	13.54	24.04	9.55
HFN FOF Multi-Strat	1.41	2.17	7.59	4.00	3.18
Bloomberg Cmnty (TR)	0.08	7.08	8.21	1.99	0.87

Treasury data courtesy of the U.S. Department of the Treasury. Economic data courtesy of Bloomberg Professional Service. N/A is shown for data that is currently unavailable. HFN Index performance is preliminary and subject to change.

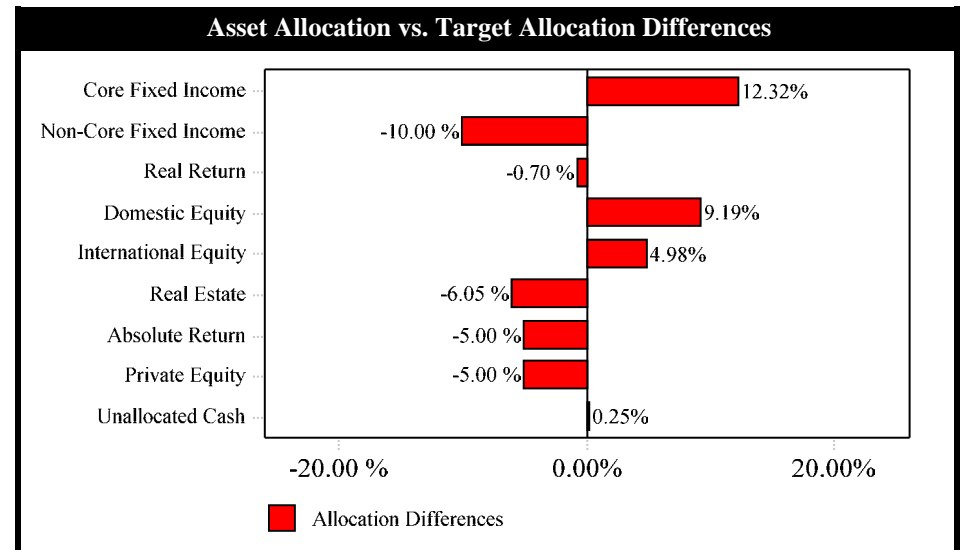


Texas Municipal Retirement System
Total Fund Composite
Asset Alloc. by Manager, Asset Alloc. vs. Target, and Schedule of Investable Assets
As of June 30, 2014



Asset Allocation vs. Target Allocation

	Market Value (\$)	Allocation (%)	Target (%)
Core Fixed Income	9,981,654,455	42.32	30.00
Non-Core Fixed Income	-	-	10.00
Real Return	1,015,272,443	4.30	5.00
Domestic Equity	6,296,331,149	26.69	17.50
International Equity	5,303,071,602	22.48	17.50
Real Estate	931,387,314	3.95	10.00
Absolute Return	-	-	5.00
Private Equity	-	-	5.00
Unallocated Cash	59,891,537	0.25	0.00
Total Fund	23,587,608,499	100.00	100.00



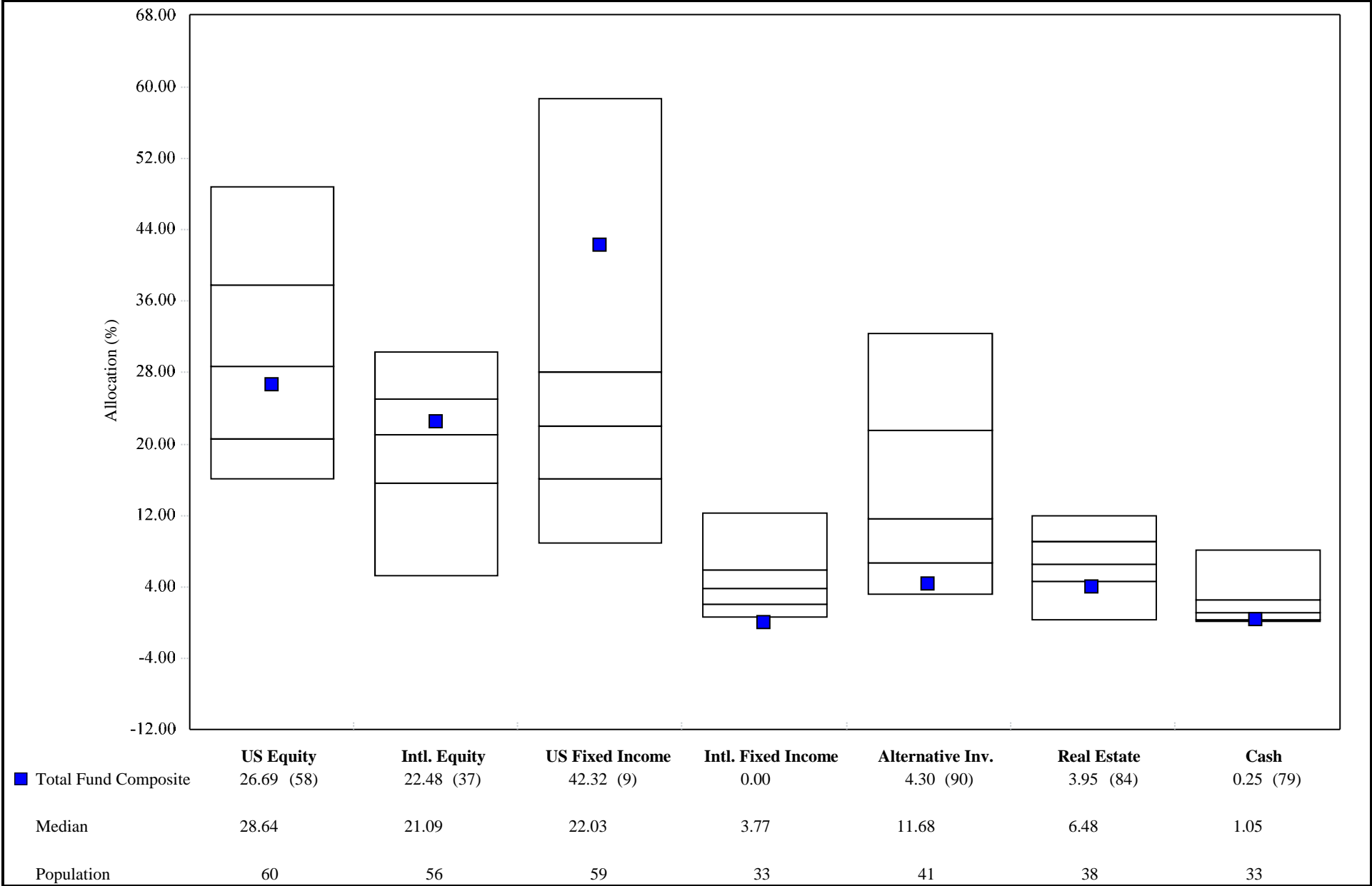
Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return	Unit Value
CYTD	22,374,178,482	-27,477,349	1,240,907,367	23,587,608,499	5.65	105.65

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. Market value shown for Citigroup Global Markets, Inc. represents residual cash from liquidation.



**Texas Municipal Retirement System
All Public Plans > \$1B-Total Fund
Plan Sponsor TF Asset Allocation
As of June 30, 2014**



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



Texas Municipal Retirement System
Comparative Performance
As of June 30, 2014

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	2013	Since Incep.	Inception Date
Total Fund Composite	3.63	5.65	13.85	7.99	8.97	7.96	7.71	9.75	9.04	01/01/1989
Actual Allocation Benchmark	3.50	5.30	13.67	7.70	8.53	7.42	6.80	9.70	8.41	
Difference	0.13	0.35	0.18	0.29	0.44	0.54	0.91	0.05	0.63	
Total Fixed Income Composite	2.12	4.01	4.52	3.98	5.27	5.71	6.14	-1.94	8.41	01/01/1989
Fixed Income Benchmark	2.05	3.93	4.38	3.67	4.85	5.20	5.25	-2.02	7.79	
Difference	0.07	0.08	0.14	0.31	0.42	0.51	0.89	0.08	0.62	
Real Return Composite	3.88	6.58	9.07	4.74	N/A	N/A	N/A	-4.06	5.83	02/01/2011
Barclays Wrld Gov Infl-Lnkd Index (Unhedged)	3.67	6.44	9.27	3.63	5.72	5.47	5.63	-4.84	5.26	
Difference	0.21	0.14	-0.20	1.11	N/A	N/A	N/A	0.78	0.57	
Global Equity Composite	4.97	6.63	23.90	11.37	15.02	N/A	N/A	24.87	5.19	02/01/2008
Global Equity Benchmark	4.86	6.36	23.78	11.18	14.86	N/A	N/A	24.49	5.03	
Difference	0.11	0.27	0.12	0.19	0.16	N/A	N/A	0.38	0.16	
Domestic Equity Composite	4.87	7.08	24.99	16.38	19.27	N/A	N/A	33.20	8.42	02/01/2008
R 3000 Index	4.87	6.94	25.22	16.46	19.33	6.47	8.23	33.55	8.44	
Difference	0.00	0.14	-0.23	-0.08	-0.06	N/A	N/A	-0.35	-0.02	
International Equity Composite	5.08	6.11	22.64	6.22	10.65	N/A	N/A	16.31	1.83	02/01/2008
International Equity Benchmark	4.85	5.77	22.28	5.91	10.35	0.06	6.25	15.82	1.52	
Difference	0.23	0.34	0.36	0.31	0.30	N/A	N/A	0.49	0.31	
Real Estate Composite	3.60	11.63	16.39	N/A	N/A	N/A	N/A	11.69	12.13	01/01/2012
NCREIF ODCE Index (Gross) (AWA) - 1 Quarter Lag	2.52	5.77	13.77	13.06	7.32	3.04	7.18	13.04	12.23	
Difference	1.08	5.86	2.62	N/A	N/A	N/A	N/A	-1.35	-0.10	
TMRS Unallocated Cash (SA)	0.00	0.00	0.01	0.07	0.09	N/A	N/A	0.12	0.24	06/01/2008
BofA ML 3 Mo US T-Bill Index	0.01	0.02	0.06	0.07	0.11	0.72	1.63	0.07	0.27	
Difference	-0.01	-0.02	-0.05	0.00	-0.02	N/A	N/A	0.05	-0.03	

- Historical performance shown for the Total Fixed Income, Global Equity, Domestic Equity, and International Equity 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.

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

Addendum

As of June 30, 2014

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
- Barclays World Government Inflation-Linked Index (Unhedged)*
- NCREIF Open-End Diversified Core Equity Index (Gross) (AWA)**
- 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%.

**Performance for the NCREIF Open-End Diversified Core Equity Index (Gross) (AWA) is available quarterly and lagged 1 quarter; interim months assume a 0.00% return.

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

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 50% Russell 3000 Index and 50% MSCI All Country World Excluding US Investable Market Index (Net) 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.

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).