

December 2, 2021

Quarterly Board Executive Summary Presentation

Texas Municipal Retirement System
Period Ended: September 30, 2021



Total Fund Performance

How Did TMRS Perform Relative to Investment Policy Benchmarks?

	Performance (%)						
	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years
Total Fund	1.12	8.76	16.28	8.15	8.23	7.02	7.67
Actual Allocation Benchmark	0.89	8.74	16.22	8.16	8.03	6.87	7.48
Difference	0.23	0.02	0.06	-0.01	0.20	0.15	0.19

The Total Fund returned 1.12% net of fees in the third quarter and 16.28% over the trailing 12 months.

- Third Quarter – TMRS outperformed the Actual Allocation Benchmark (0.89%) by 23 basis points.
 - Outperformance for the quarter was driven primarily by Private Equity and Real Estate, which beat their custom benchmarks by 302 and 141 basis points, respectively.
- Trailing year – TMRS outperformed the Actual Allocation Benchmark (16.22%) by 6 basis points.
 - Private Equity and Real Estate also drove relative performance over the trailing 12-months as the asset classes outpaced their custom benchmarks by 425 and 376 basis points, respectively.
 - Hedge Funds and OPPM detracted from relative performance as they trailed their custom benchmarks by 365 and 178 basis points, respectively.

The Total Fund outperformed the Actual Allocation Benchmark net of fees in the 5, 7 and 10- year time periods ended September 30, 2021.

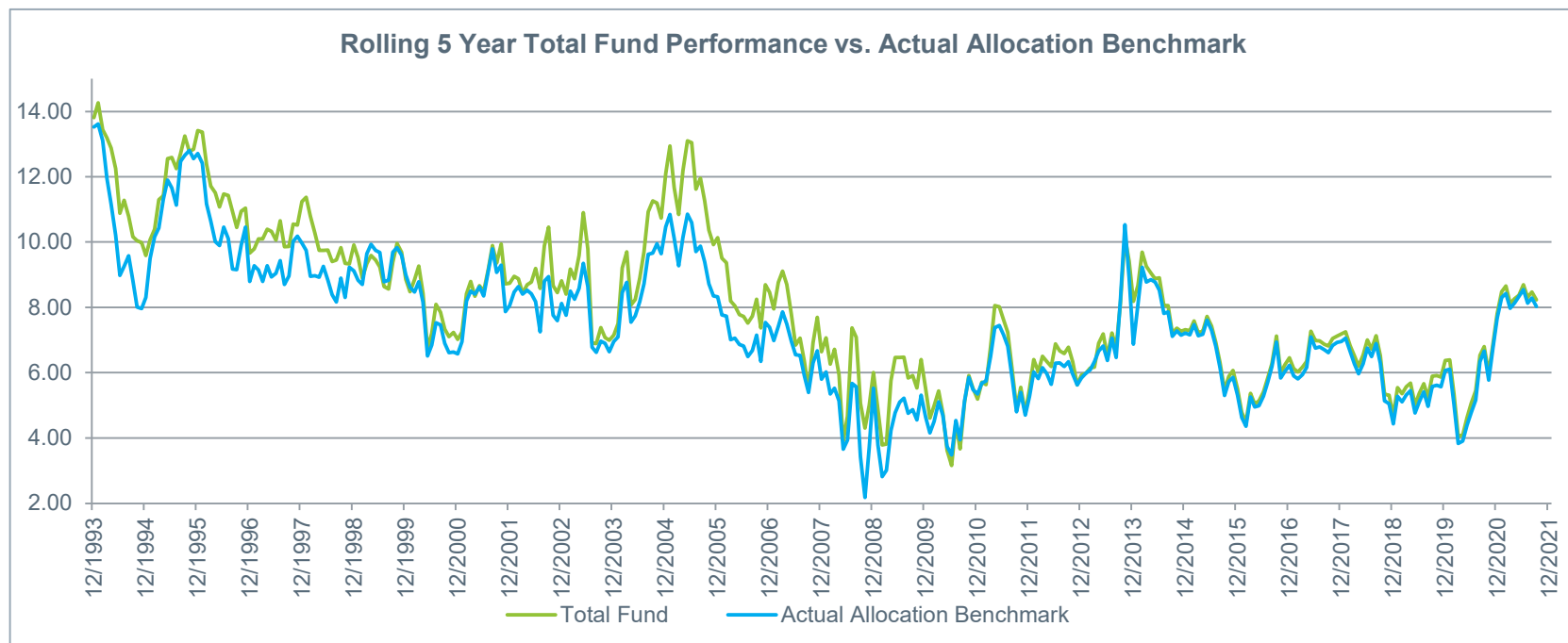
Performance shown is net of fees. Please see the Addendum of the Quarterly Board Presentation for custom benchmark definitions.

Total Fund Performance

How Did TMRS Perform Relative to Investment Policy Benchmarks?

The Total Fund performance expectation, as stated in the Investment Policy Statement, is to exceed the Actual Allocation Benchmark over rolling five-year periods.

- Five-year – TMRS outperformed the Actual Allocation Benchmark by 20 basis points, net of fees.
- The chart below (page 9 of the Quarterly Board Presentation) shows that TMRS has beaten the five-year rolling performance expectation 93% of time since 1993, and 97% over the last ten years.

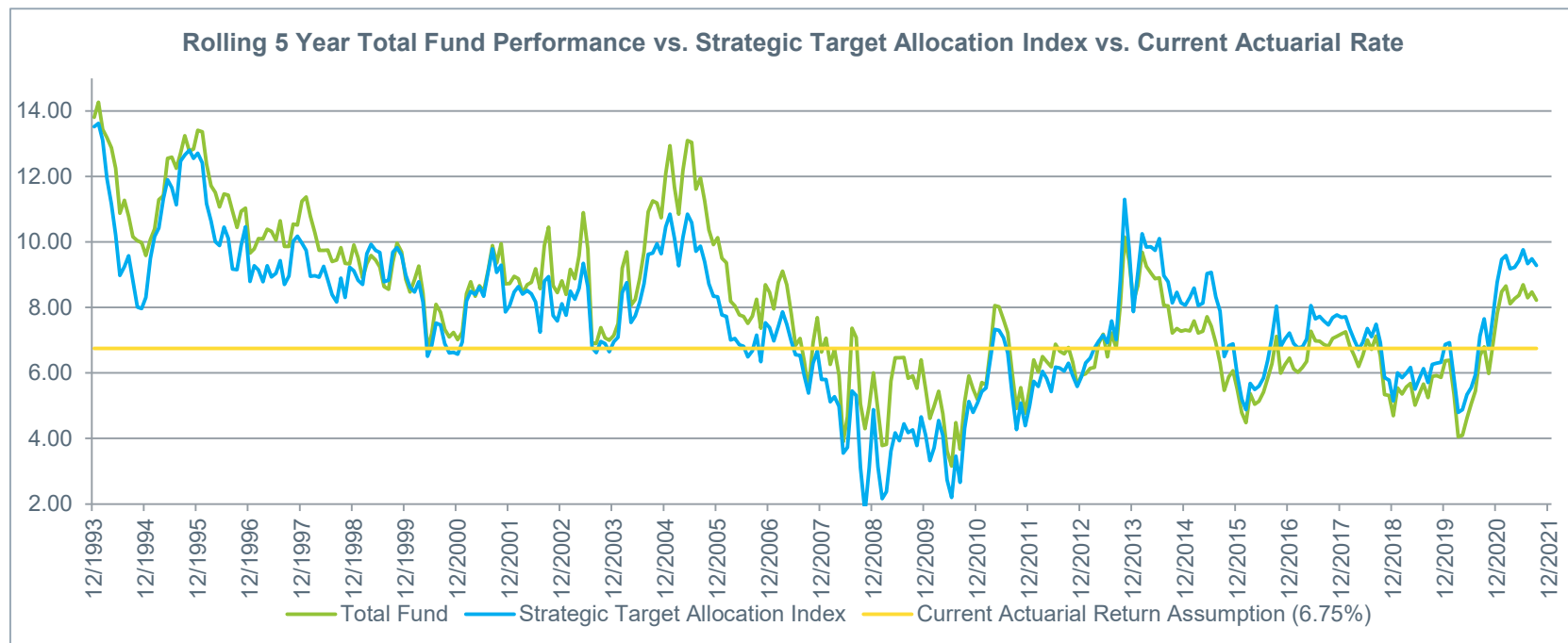


Total Fund Performance

How Did TMRS Perform Relative to Investment Policy Benchmarks?

Although not yet implemented to the Strategic Target Allocation, TMRS exceeded the Board's Assumed Long-Term Rate of Return of 6.75% for the five-year period.

- The chart below (page 10 of the Quarterly Board Presentation) illustrates TMRS' rolling five-year returns relative to the Strategic Target Allocation Index as a gauge for the effectiveness of the Board-approved Strategic Target Allocation, which was designed to meet or exceed the actuarial return assumption of 6.75%, once implemented. The five-year return for the Strategic Target Allocation Index was 9.28%.



Asset Class Performance

How Did TMRS' Asset Classes Perform Relative to Their Respective Benchmarks?

As shown on page 12 of the Quarterly Board Presentation, TMRS' Asset Class relative performance was mixed for the third quarter of 2021.

- Relative Outperformers – Four of the seven Asset Classes matched or exceeded their benchmarks, net of fees, in the quarter. Private Equity and Real Estate were the top relative performers, beating their custom benchmarks by 302 and 141 basis points, respectively, for the quarter.
- Relative Underperformers – OPPM was the primary detractor in the third quarter, trailing its custom index by 226 basis points. Core Fixed Income and Non-Core Fixed also modestly underperformed their benchmarks for the quarter.

The Investment Policy Statement performance expectations for each Asset Class performance is to meet or exceed their respective benchmarks over rolling five-year periods. As shown below, five of the seven asset classes outperformed their respective benchmarks for the 5-year period. Total Equity trailed its custom benchmark by 63 basis points and Other Public & Private Markets trailed its custom benchmark by 17 basis points.

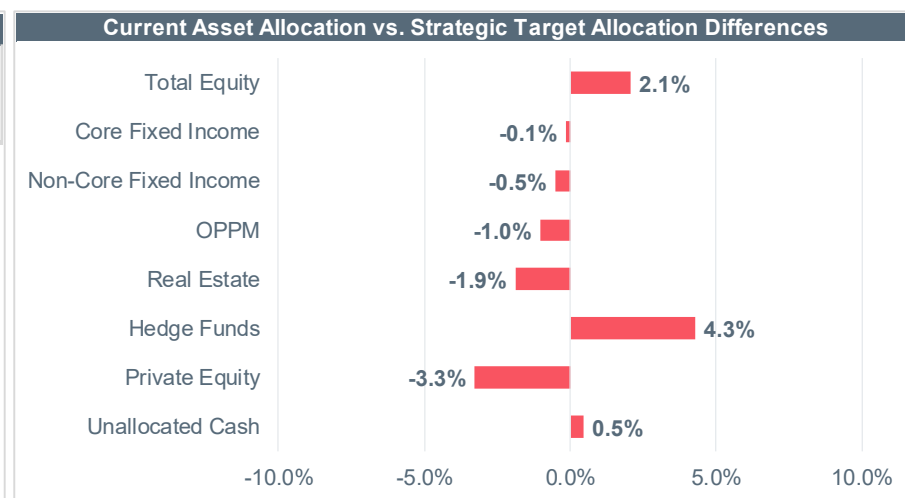
TMRS Composite Objectives - Policy Benchmarks				
Objective: Meet or exceed its policy benchmark performance net of fees over rolling five year periods.				
TMRS Composites	Benchmark	5 Year Composite Return	5 Year Benchmark Return	Meets Objective
Total Equity	Total Equity Benchmark	12.67	13.30	No
Core Fixed Income	Bloomberg US Agg Bond Index	3.30	2.94	Yes
Non-Core Fixed Income	Non-Core Fixed Income Benchmark	5.93	5.35	Yes
Other Public & Private Markets	OPPM Benchmark	5.05	5.22	No
Real Estate	NCREIF ODCE Index	8.11	6.52	Yes
Hedge Funds	Hedge Funds Benchmark	6.38	5.48	Yes
Private Equity	Private Equity Benchmark	21.70	21.02	Yes

Asset Allocation Relative to Target

How Is TMRS Positioned Relative to the Board's Strategic Target Allocation?

The Total Fund market value was \$36.4 billion as of September 30, 2021, an increase of nearly \$336 million from the end of the second quarter. All asset classes were within their respective Strategic Target Asset Allocation ranges as of quarter-end.

Current Asset Allocation vs. Strategic Target Allocation					
	Market Value (\$)	Current (%)	Target (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	36,423,407,051	100.0	100.0	-	-
Total Equity	13,499,498,311	37.1	35.0	25.0	45.0
Core Fixed Income	2,134,041,328	5.9	6.0	1.0	11.0
Non-Core Fixed Income	7,104,366,867	19.5	20.0	15.0	25.0
OPPM	3,998,369,247	11.0	12.0	7.0	17.0
Real Estate	3,688,351,043	10.1	12.0	7.0	17.0
Hedge Funds	3,381,084,971	9.3	5.0	0.0	10.0
Private Equity	2,454,699,758	6.7	10.0	5.0	15.0
Unallocated Cash	162,995,525	0.5	0.0	0.0	3.0



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