



TMRS Quarterly Summary

Period Ended: September 30, 2015

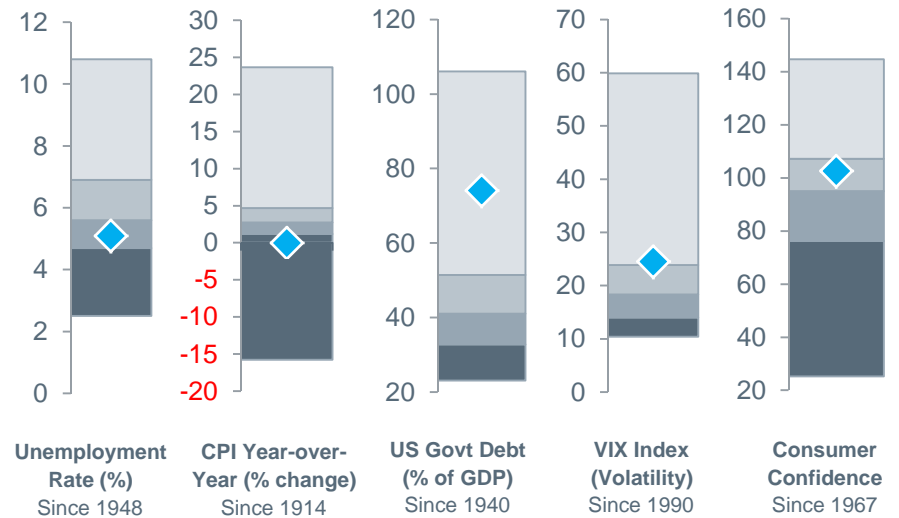


Third Quarter Economic Environment

Key Economic Indicators

US Dollar strength and weaker than anticipated global demand contributed to broad declines for most risk assets in Q3. Equity markets in emerging market and commodity-sensitive countries suffered the greatest losses, largely in response to weakening economic indicators in China and a subsequent devaluation of the Yuan. Fixed income markets provided a modest buffer for investors, as a flight to quality resulted in lower interest rates in developed markets. Perhaps the most significant event of the quarter was the unexpected decision by the People's Bank of China to devalue the Yuan against the US Dollar, which acted as a catalyst for a significant recalibration of global growth expectations. The VIX rose to an intra-day high above 40, representing its highest level since the Global Financial Crisis. US second quarter GDP growth was revised up to a healthy 3.9% annualized rate, but more recent economic data suggested weakening growth and inflation. At the much anticipated September meeting, the Fed cited moderating inflation and downside risks to global growth as reasons to leave interest rates constant.

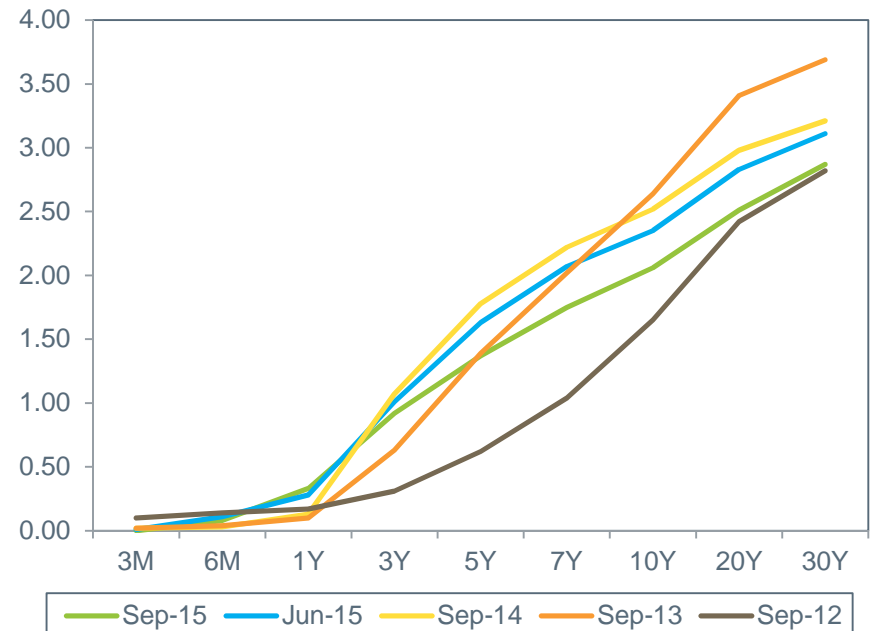
Key Economic Indicators



Economic Indicators

	Sep-15	Jun-15	Sep-14	Sep-12	20 Yr
Federal Funds Rate (%)	0.07 ▼	0.08	0.07	0.09	2.67
Breakeven Infl. - 1 Yr (%)	-1.75 ▼	0.73	-0.19	1.36	N/A
Breakeven Infl. - 10 Yr (%)	1.43 ▼	1.89	1.97	2.42	N/A
CPI YoY (Headline) (%)	0.0 ▼	0.1	1.7	2.0	2.3
Unemployment Rate (%)	5.1 ▼	5.3	5.9	7.8	6.0
Real GDP YoY (%)	2.0 ▼	2.7	2.9	2.4	2.4
PMI - Manufacturing	50.20 ▼	53.50	56.10	51.90	52.10
USD Total Wtd Idx	92.32 ▲	89.96	81.13	72.75	86.55
WTI Crude Oil per Barrel (\$)	45 ▼	59	91	92	55
Gold Spot per Oz (\$)	1,115 ▼	1,172	1,208	1,772	732

Treasury Yield Curve (%)



Market Performance (%)

	QTD	CYTD	1 Yr	5 Yr	10 Yr
S&P 500 (Cap Wtd)	-6.44	-5.29	-0.61	13.34	6.80
Russell 2000	-11.91	-7.73	1.25	11.73	6.55
MSCI EAFE (Net)	-10.23	-5.28	-8.66	3.98	2.97
MSCI EAFE SC (Net)	-6.83	2.62	0.30	7.30	4.65
MSCI Emg Mkts (Net)	-17.90	-15.48	-19.28	-3.57	4.27
Barclays US Agg Bond	1.23	1.13	2.94	3.10	4.64
BofA ML 3 Mo US T-Bill	0.01	0.02	0.02	0.08	1.33
NCREIF ODCE (Gross)	3.68	11.29	14.92	14.02	6.71
Wilshire US REIT	2.88	-3.01	11.67	12.52	6.81
HFN FOF Multi-Strat	-3.91	-1.41	-0.75	2.56	2.12
Bloomberg Comdty (TR)	-14.47	-15.80	-25.99	-8.89	-5.67

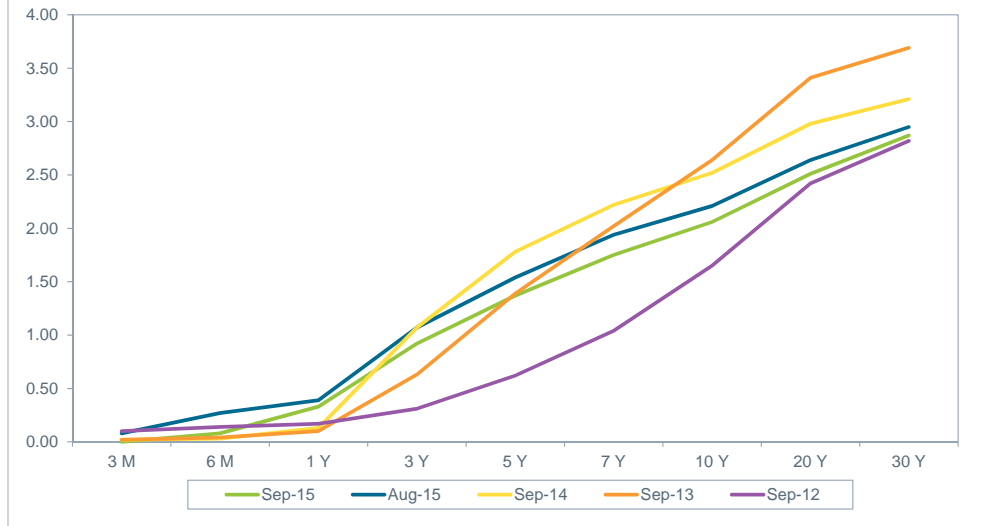
Treasury data courtesy of the US Department of the Treasury. Economic data courtesy of Bloomberg Professional Service. Breakeven Inflation does not have 20 years of history; therefore, its 20-year average is shown as N/A.

General Market Commentary

- At the much anticipated September meeting, the Fed announced it would hold interest rates constant. Fed Chair Yellen cited weak global economic data as the primary reason for holding rates steady, but hinted that a more gradual series of rate hikes could begin before the end of the year.
- Crude oil saw continued volatility during September, as the price per barrel dropped 8.35% to \$45. Experts cited decreased Chinese industrial consumption as well as increased US production, as US balances finished September 14% higher than a year ago.
- Continuing a 2015 trend, growth versus value spreads continued to widen during September. Year-to-date, the Russell 1000 Growth Index has outperformed its value counterpart by 742 bps while the MSCI ACW Ex US Growth Index has outperformed its value counterpart by 538 bps.
- Equity markets posted negative returns in September as the S&P 500 (Cap Wtd) Index returned -2.47% and the MSCI EAFE (Net) Index returned -5.08%. Emerging markets returned -3.01% as measured by the MSCI EM (Net) Index.
- The Barclays US Aggregate Bond Index returned 0.68% in September, underperforming the 0.77% return by the Barclays US Treasury Intermediate Term Index. International fixed income markets returned 0.71%, as measured by the Citi Non-US World Government Bond Index.
- Public real estate, as measured by the Wilshire US REIT Index, returned 3.30% in September and 12.52% over the trailing five-year period.
- The Cambridge US Private Equity Index returned 8.89% for the trailing one-year period and 15.74% for the trailing five-year period ending June 2015.
- Absolute return strategies, as measured by the HFN FOF Multi-Strat Index, returned -1.74% for the month and -0.74% over the trailing one-year period.
- Crude oil's price fell by 8.35% during the month and has decreased by 50.54% YoY.

Economic Indicators	Sep-15	Aug-15	Sep-14	10 Yr	20 Yr
Federal Funds Rate (%)	0.07 ▼	0.08	0.07	1.38	2.67
Breakeven Inflation - 1 Year (%)	-1.75 ▼	-1.29	-0.19	1.02	N/A
Breakeven Inflation - 5 Year (%)	1.08 ▼	1.29	1.64	1.82	N/A
Breakeven Inflation - 10 Year (%)	1.43 ▼	1.64	1.97	2.12	N/A
Breakeven Inflation - 30 Year (%)	1.63 ▼	1.83	2.11	2.35	N/A
Barclays US Agg Bond Index - Yield (%)	2.31 ▼	2.42	2.36	3.46	4.60
Barclays US Agg Bond Index - OAS (%)	0.59 ▲	0.57	0.43	0.71	0.68
Barclays US Agg Credit Index - OAS (%)	1.60 ▲	1.55	1.07	1.64	1.52
Barclays US Corp: HY Index - OAS (%)	6.30 ▲	5.44	4.24	5.74	5.76
Capacity Utilization (%)	77.54 ▼	77.77	78.47	76.75	78.35
Unemployment Rate (%)	5.1 —	5.1	5.9	7.0	6.0
PMI - Manufacturing (%)	50.2 ▼	51.1	56.1	52.4	52.1
Baltic Dry Index - Shipping	900 ▼	903	1,063	2,810	2,343
Consumer Conf (Conf Board)	102.60 ▲	101.30	89.04	75.11	93.32
CPI YoY (Headline) (%)	0.0 ▼	0.2	1.7	2.1	2.3
CPI YoY (Core) (%)	1.9 ▲	1.8	1.7	1.9	2.1
PPI YoY (%)	-4.1 ▼	-2.9	2.2	2.5	2.2
M2 YoY (%)	6.2 ▲	5.9	6.2	6.3	6.3
US Dollar Total Weighted Index	92.32 ▲	91.86	81.13	77.62	86.55
WTI Crude Oil per Barrel (\$)	45 ▼	49	91	81	55
Gold Spot per Oz (\$)	1,115 ▼	1,135	1,208	1,130	732

Treasury Yield Curve (%)



Treasury Yield Curve (%)	Sep-15	Aug-15	Sep-14	Sep-13	Sep-12
3 Month	0.00	0.08	0.02	0.02	0.10
6 Month	0.08	0.27	0.03	0.04	0.14
1 Year	0.33	0.39	0.13	0.10	0.17
3 Year	0.92	1.07	1.07	0.63	0.31
5 Year	1.37	1.54	1.78	1.39	0.62
7 Year	1.75	1.94	2.22	2.02	1.04
10 Year	2.06	2.21	2.52	2.64	1.65
20 Year	2.51	2.64	2.98	3.41	2.42
30 Year	2.87	2.95	3.21	3.69	2.82

Market Performance (%)	MTD	QTD	CYTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr
S&P 500 (Cap Wtd)	-2.47	-6.44	-5.29	-0.61	12.40	13.34	9.75	6.80
R 2000	-4.91	-11.91	-7.73	1.25	11.02	11.73	8.63	6.55
MSCI EAFE (Net)	-5.08	-10.23	-5.28	-8.66	5.63	3.98	3.77	2.97
MSCI EAFE SC (Net)	-3.37	-6.83	2.62	0.30	10.17	7.30	8.54	4.65
MSCI EM (Net)	-3.01	-17.90	-15.48	-19.28	-5.27	-3.57	2.56	4.27
Barclays US Agg Bond	0.68	1.23	1.13	2.94	1.71	3.10	4.85	4.64
BofA ML 3 Mo US T-Bill	0.00	0.01	0.02	0.02	0.06	0.08	0.13	1.33
NCREIF ODCE (Gross)	3.68	3.68	11.29	14.92	13.45	14.02	4.23	6.71
Wilshire US REIT	3.30	2.88	-3.01	11.67	10.09	12.52	7.51	6.81
HFN FOF Multi-Strat	-1.74	-3.91	-1.41	-0.74	3.94	2.56	1.84	2.12
Bloomberg Cmnty Index (TR)	-3.42	-14.47	-15.80	-25.99	-16.02	-8.89	-8.75	-5.67

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

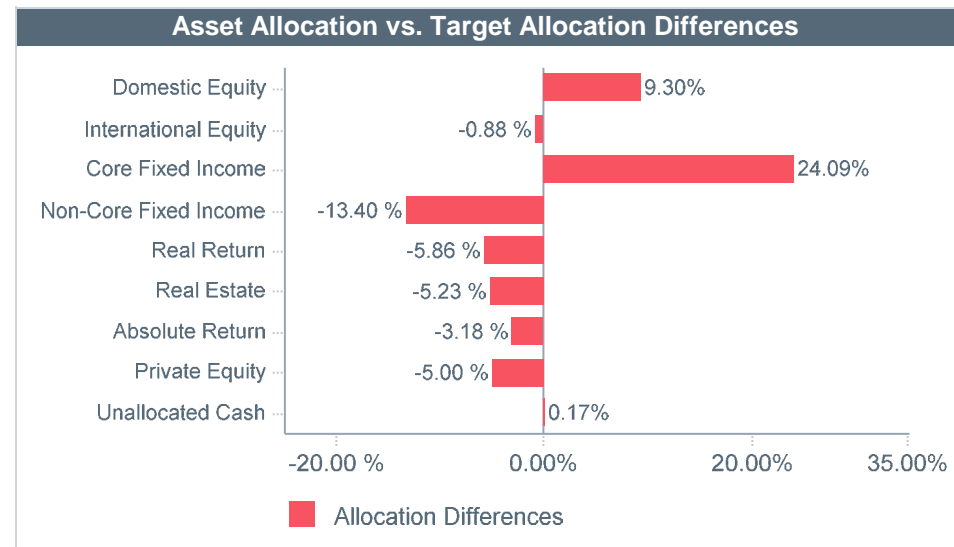


Total Fund Composite

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

Asset Allocation by Manager		
September 30, 2015: \$23,124,459,437		
	Market Value (\$)	Allocation (%)
■ Sasco U.S. Contrarian Value (SA)	190,138,197	0.82
■ Epoch U.S. Choice (SA)	216,014,426	0.93
■ SSgA Russell Fundamental US (CF)	269,551,351	1.17
■ UBS US Equity Min Vol Fund (CF) (NL)	288,391,210	1.25
■ Northern Trust R3000 Index (CF) (NL)	4,637,552,212	20.05
■ Champlain Mid-Cap Core (SA)	192,552,850	0.83
■ The Boston Company Mid Cap Opp Value (SA)	182,182,097	0.79
■ The Boston Company Small Cap Opp Value (SA)	219,875,188	0.95
■ SSgA Russell Fund. Global Ex-US (CF)	201,301,512	0.87
■ UBS World Ex US Min Vol Fund (CF) (NL)	244,809,180	1.06
■ Northern Trust ACW ex US IMI (CF) (NL)	2,694,160,767	11.65
■ Wellington International Horizons (SA)	190,373,862	0.82
■ Lazard International Equity Plus (SA)	181,396,734	0.78
■ Acadian Emerging Markets (SA)	164,480,242	0.71
■ William Blair Emerging Markets (SA)	165,848,729	0.72
■ BlackRock, Inc. Core (SA)	5,830,866,943	25.22
■ PIMCO Core Plus Fixed Income (SA)	2,051,297,248	8.87
■ Guggenheim Bandera Strategic Credit Partners II, LP	380,598,950	1.65
■ Highland Bandera Strategic Credit Partners I, LP	382,352,877	1.65
■ Voya RMBS/CMBS (SA)	381,718,496	1.65
■ Ellington RMBS/CMBS (SA)	382,326,322	1.65
■ Colchester Global Inflation Linked Bond (SA)	957,776,080	4.14
■ Core Real Estate	679,416,388	2.94
■ Non-Core Real Estate	422,838,149	1.83
■ Harrison St. Real Estate Securities	-121,520	0.00
■ Blackstone Treaty Oak Fund, LP	1,576,703,328	6.82
■ State Street Government STIF 6 (CF) - Cash	39,902,196	0.17
■ Transition Account	155,427	0.00

Asset Allocation vs. Target Allocation			
	Market Value (\$)	Allocation (%)	Target (%)
Domestic Equity	6,196,257,530	26.80	17.50
International Equity	3,842,371,025	16.62	17.50
Core Fixed Income	7,882,164,190	34.09	10.00
Non-Core Fixed Income	1,526,996,645	6.60	20.00
Real Return	957,776,080	4.14	10.00
Real Estate	1,102,133,017	4.77	10.00
Absolute Return	1,576,703,328	6.82	10.00
Private Equity	-	-	5.00
Unallocated Cash	39,902,196	0.17	0.00
Total Fund	23,124,304,010	100.00	100.00



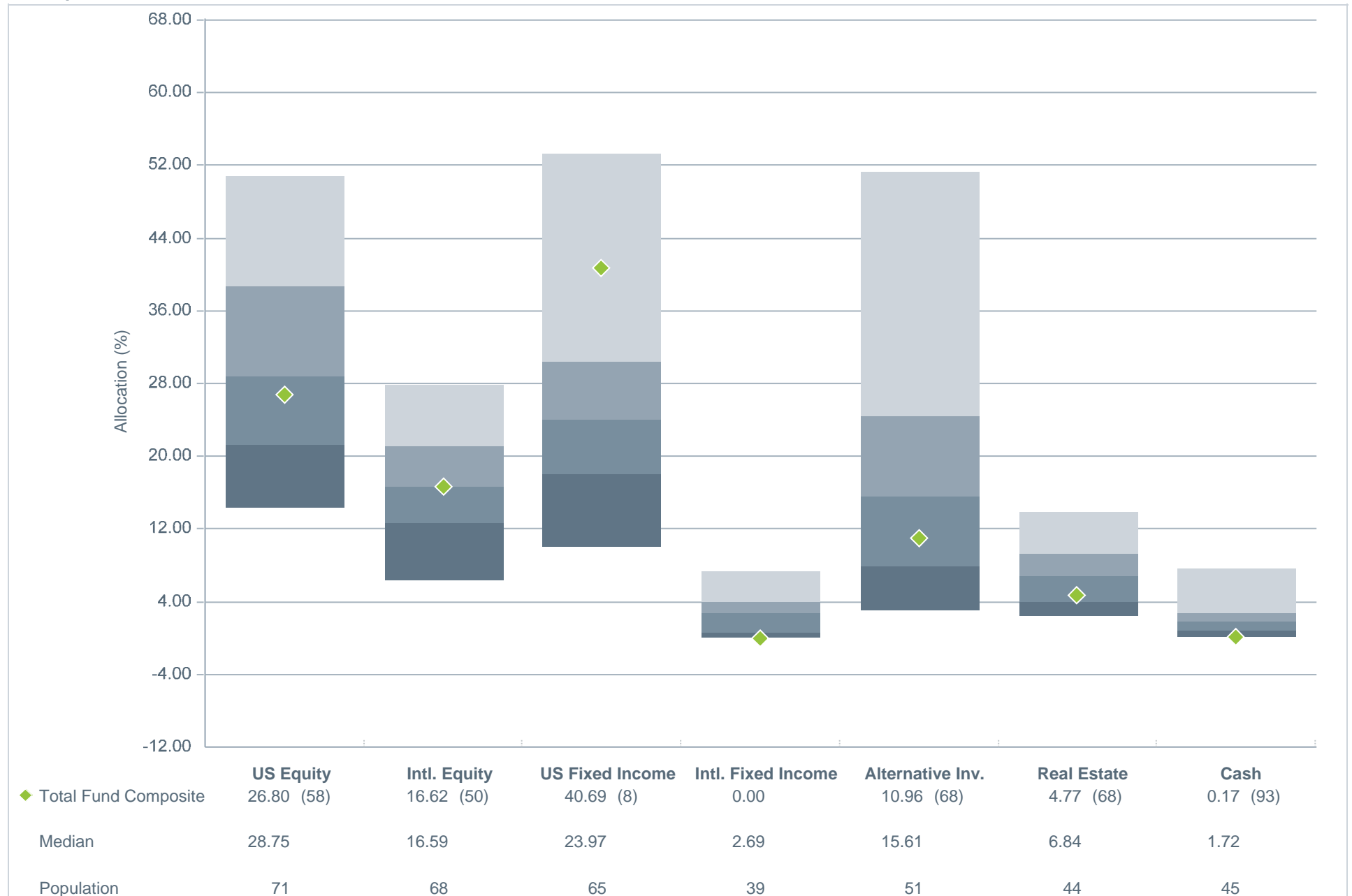
Schedule of Investable Assets						
Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return	Unit Value
CYTD	23,635,673,306	-631,354,701	120,140,832	23,124,459,437	-1.71	98.29

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. Asset Allocation vs. Target Allocation charts do not include the Transition Account.



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

As of September 30, 2015



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



**Texas Municipal Retirement System
Comparative Performance**

As of September 30, 2015

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	2014	Since Incep.	Inception Date
Total Fund Composite	-3.57	-1.71	-0.26	5.07	5.57	6.90	5.35	5.99	8.54	01/01/1989
Actual Allocation Benchmark	-3.96	-2.22	-0.74	4.78	5.31	6.84	5.23	5.70	7.93	
Difference	0.39	0.51	0.48	0.29	0.26	0.06	0.12	0.29	0.61	
Global Equity Composite	-8.89	-6.15	-4.94	8.29	8.11	6.55	N/A	5.39	3.31	02/01/2008
Global Equity Benchmark	-9.07	-6.36	-5.27	8.06	7.95	6.39	N/A	4.95	3.16	
Difference	0.18	0.21	0.33	0.23	0.16	0.16	N/A	0.44	0.15	
Domestic Equity Composite	-7.56	-5.93	-1.01	12.23	13.09	9.80	N/A	12.61	6.85	02/01/2008
Russell 3000 Index	-7.25	-5.45	-0.49	12.53	13.28	9.91	6.92	12.55	6.95	
Difference	-0.31	-0.48	-0.52	-0.30	-0.19	-0.11	N/A	0.06	-0.10	
International Equity Composite	-10.98	-6.59	-10.00	3.62	2.71	2.96	N/A	-3.11	-0.56	02/01/2008
International Equity Benchmark	-11.88	-7.84	-11.42	2.75	2.12	2.44	2.04	-3.89	-1.04	
Difference	0.90	1.25	1.42	0.87	0.59	0.52	N/A	0.78	0.48	
Core Fixed Income Composite	0.96	1.23	2.88	1.72	3.21	5.13	4.25	5.77	8.12	01/01/1989
Fixed Income Benchmark	1.23	1.13	2.94	1.71	3.10	5.19	4.21	5.97	7.54	
Difference	-0.27	0.10	-0.06	0.01	0.11	-0.06	0.04	-0.20	0.58	
Non-Core Fixed Income Composite	0.14	2.39	3.22	N/A	N/A	N/A	N/A	N/A	3.22	10/01/2014
Non-Core Fixed Income Benchmark	-5.27	-4.92	-4.48	N/A	N/A	N/A	N/A	N/A	-4.48	
Difference	5.41	7.31	7.70	N/A	N/A	N/A	N/A	N/A	7.70	
Real Return Composite	-2.30	-3.73	-3.70	-0.32	N/A	N/A	N/A	4.44	2.94	02/01/2011
Barclays Wrld Gov't Infl Lnkd Index (Unhedged)	-1.30	-2.44	-2.15	-0.47	2.51	3.42	4.03	4.08	2.78	
Difference	-1.00	-1.29	-1.55	0.15	N/A	N/A	N/A	0.36	0.16	
Real Estate Composite	6.53	11.40	17.54	14.68	N/A	N/A	N/A	20.35	13.34	01/01/2012
Real Estate Benchmark	3.82	10.93	14.53	13.15	14.43	3.61	6.86	12.40	12.84	
Difference	2.71	0.47	3.01	1.53	N/A	N/A	N/A	7.95	0.50	
Absolute Return Composite	-0.60	3.59	3.78	N/A	N/A	N/A	N/A	N/A	3.83	08/01/2014
Absolute Return Benchmark	-2.30	1.46	2.22	4.97	3.31	2.70	2.70	3.15	2.59	
Difference	1.70	2.13	1.56	N/A	N/A	N/A	N/A	N/A	1.24	

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 September 30, 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)	0.30	0.46	0.64	0.26	0.18	0.18	N/A	0.18	0.29	06/01/2008
BofA ML 3 Mo US T-Bill Index	0.01	0.02	0.02	0.06	0.08	0.13	1.33	0.04	0.23	
Difference	0.29	0.44	0.62	0.20	0.10	0.05	N/A	0.14	0.06	

- 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.

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.



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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