



TMRS Quarterly Summary

Period Ended: March 31, 2016

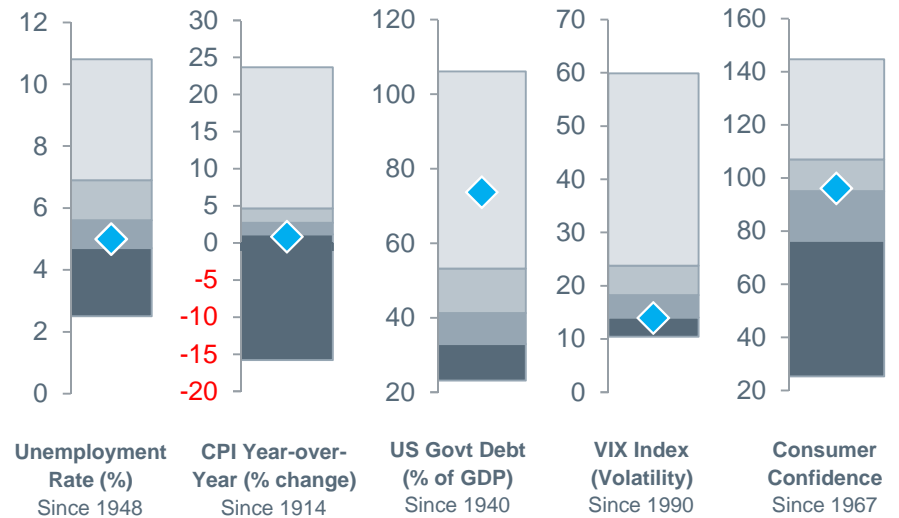


First Quarter Economic Environment

Key Economic Indicators

Negative investor sentiment and heightened volatility drove sharp declines in equity and commodity markets during the first two months of 2016. However, this trend reversed dramatically in March due to renewed optimism. By the quarter's end, global equities had sufficiently rallied to produce marginal overall gains for investors. Global fixed income appreciated as concern over disinflationary pressure and weak global growth led several developed market central banks to intensify accommodative monetary policies. In some cases, this included further experimentation with negative interest rates. In the US, investors reacted positively toward a perceived shift by the Federal Reserve toward a less aggressive monetary policy forecast. The US dollar reacted accordingly, reversing a prolonged strengthening trend over the past several years. The weakening dollar provided price support to dollar-based commodities, and also served as a tailwind for emerging market equity and debt assets.

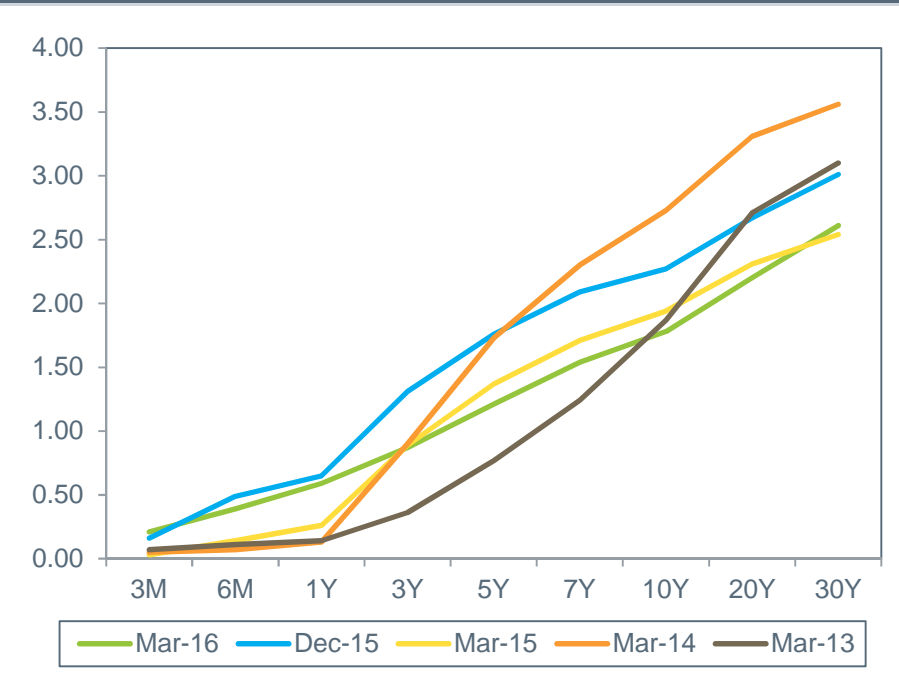
Key Economic Indicators



Economic Indicators

	Mar-16	Dec-15	Mar-15	Mar-13	20 Yr
Federal Funds Rate (%)	0.25 ▲	0.20	0.06	0.13	2.54
Breakeven Infl. - 1 Yr (%)	2.10 ▲	0.85	1.46	2.32	N/A
Breakeven Infl. - 10 Yr (%)	1.63 ▲	1.58	1.78	2.52	N/A
CPI YoY (Headline) (%)	0.9 ▲	0.7	-0.1	1.5	2.2
Unemployment Rate (%)	5.0 —	5.0	5.5	7.5	6.0
Real GDP YoY (%)	1.9 ▼	2.0	2.9	1.1	2.4
PMI - Manufacturing	51.80 ▲	48.00	52.30	52.50	52.10
USD Total Wtd Idx	89.84 ▼	94.46	92.14	76.20	86.73
WTI Crude Oil per Barrel (\$)	38 ▲	37	48	97	55
Gold Spot per Oz (\$)	1,233 ▲	1,061	1,184	1,597	751

Treasury Yield Curve (%)



Market Performance (%)

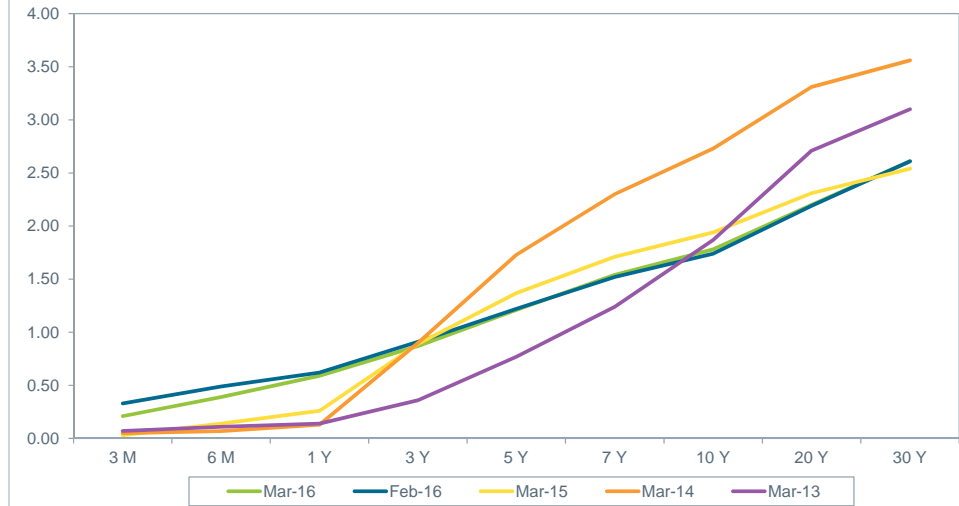
	QTD	CYTD	1 Yr	5 Yr	10 Yr
S&P 500 (Cap Wtd)	1.35	1.35	1.78	11.58	7.01
Russell 2000	-1.52	-1.52	-9.76	7.20	5.26
MSCI EAFE (Net)	-3.01	-3.01	-8.27	2.29	1.80
MSCI EAFE SC (Net)	-0.60	-0.60	3.20	5.58	3.44
MSCI Emg Mkts (Net)	5.71	5.71	-12.03	-4.13	3.02
Barclays US Agg Bond	3.03	3.03	1.96	3.78	4.90
BofA ML 3 Mo US T-Bill	0.07	0.07	0.12	0.08	1.15
NCREIF ODCE (Gross)	2.21	2.21	13.70	13.26	6.36
Wilshire US REIT	5.20	5.20	4.76	12.11	6.29
HFN FOF Multi-Strat	-3.20	-3.20	-6.77	1.10	1.12
Bloomberg Cmdbt (TR)	0.42	0.42	-19.56	-14.15	-6.16

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

- The European Central Bank announced further stimulus measures aimed at spurring the eurozone economy and raising inflation; including interest rate cuts, an expanded bond-buying program, and loans to commercial banks that would pay banks to lend to businesses and consumers.
- In prepared remarks, Janet Yellen said less favorable global economic and financial conditions "have increased the risks" to the Fed's outlook. The S&P 500 Index reached its highest level since December 30th after Yellen indicated the Fed will take a cautious stance in hiking interest rates.
- The US economy added 215,000 jobs in March, exceeding initial estimates. Despite the greater than expected increase in jobs, the unemployment rate ticked up slightly to 5.0%.
- Equity markets posted positive returns in March as the S&P 500 (Cap Wtd) Index returned 6.78% and the MSCI EAFE (Net) Index returned 6.51%. Emerging markets returned 13.23% as measured by the MSCI EM (Net) Index.
- The Barclays US Aggregate Bond Index returned 0.92% in March, outperforming the 0.19% return by the Barclays US Treasury Intermediate Term Index. International fixed income markets returned 3.91%, as measured by the Citi Non-US World Government Bond Index.
- Public real estate, as measured by the Wilshire US REIT Index, returned 10.40% in March and 12.11% over the trailing five-year period.
- The Cambridge US Private Equity Index returned 5.92% for the trailing one-year period and 14.26% for the trailing five-year period ending September 2015.
- Absolute return strategies, as measured by the HFN FOF Multi-Strat Index, returned 1.04% for the month and -6.84% over the trailing one-year period.
- Crude oil's price increased by 13.60% during the month, but has decreased by 19.45% YoY.

Treasury Yield Curve (%)



Economic Indicators	Mar-16	Feb-16	Mar-15	10 Yr	20 Yr
Federal Funds Rate (%)	0.25	▼	0.29	1.18	2.54
Breakeven Inflation - 1 Year (%)	2.10	▲	1.43	1.46	0.96
Breakeven Inflation - 5 Year (%)	1.51	▲	1.26	1.58	1.76
Breakeven Inflation - 10 Year (%)	1.63	▲	1.43	1.78	2.08
Breakeven Inflation - 30 Year (%)	1.79	▲	1.61	1.87	2.30
Barclays US Agg Bond Index - Yield (%)	2.16	▼	2.26	2.06	3.33
Barclays US Agg Bond Index - OAS (%)	0.56	▼	0.64	0.46	0.72
Barclays US Agg Credit Index - OAS (%)	1.54	▼	1.84	1.24	1.68
Barclays US Corp: HY Index - OAS (%)	6.56	▼	7.26	4.66	5.90
Capacity Utilization (%)	74.83	▼	75.29	77.29	76.45
Unemployment Rate (%)	5.0	▲	4.9	5.5	7.0
PMI - Manufacturing (%)	51.8	▲	49.5	52.3	52.0
Baltic Dry Index - Shipping	429	▲	329	602	2,703
Consumer Conf (Conf Board)	96.10	▲	94.00	101.44	75.04
CPI YoY (Headline) (%)	0.9	▼	1.0	-0.1	1.9
CPI YoY (Core) (%)	2.2	▼	2.3	1.8	1.9
PPI YoY (%)	-1.9	—	-1.9	-3.3	2.1
M2 YoY (%)	6.2	▲	5.7	6.1	6.4
US Dollar Total Weighted Index	89.84	▼	93.35	92.14	77.99
WTI Crude Oil per Barrel (\$)	38	▲	34	48	80
Gold Spot per Oz (\$)	1,233	▼	1,239	1,184	1,161

Treasury Yield Curve (%)	Mar-16	Feb-16	Mar-15	Mar-14	Mar-13
3 Month	0.21	0.33	0.03	0.05	0.07
6 Month	0.39	0.49	0.14	0.07	0.11
1 Year	0.59	0.62	0.26	0.13	0.14
3 Year	0.87	0.91	0.89	0.90	0.36
5 Year	1.21	1.22	1.37	1.73	0.77
7 Year	1.54	1.52	1.71	2.30	1.24
10 Year	1.78	1.74	1.94	2.73	1.87
20 Year	2.20	2.19	2.31	3.31	2.71
30 Year	2.61	2.61	2.54	3.56	3.10

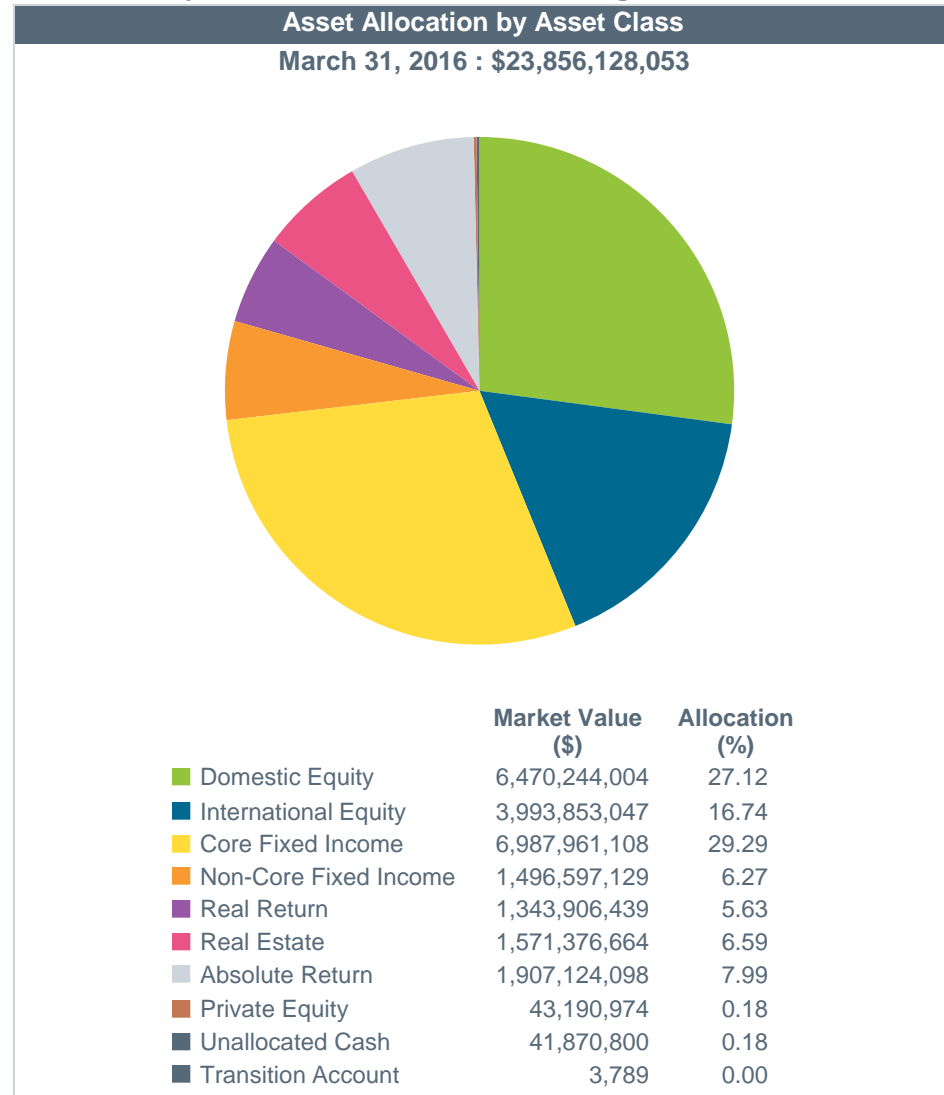
Market Performance (%)	MTD	QTD	CYTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr
S&P 500 (Cap Wtd)	6.78	1.35	1.35	1.78	11.82	11.58	16.97	7.01
Russell 2000	7.98	-1.52	-1.52	-9.76	6.84	7.20	16.42	5.26
MSCI EAFE (Net)	6.51	-3.01	-3.01	-8.27	2.23	2.29	9.69	1.80
MSCI EAFE SC (Net)	8.02	-0.60	-0.60	3.20	7.29	5.58	15.09	3.44
MSCI EM (Net)	13.23	5.71	5.71	-12.03	-4.50	-4.13	8.21	3.02
Barclays US Agg Bond	0.92	3.03	3.03	1.96	2.50	3.78	4.52	4.90
BofA ML 3 Mo US T-Bill	0.05	0.07	0.07	0.12	0.07	0.08	0.10	1.15
NCREIF ODCE (Gross)	2.21	2.21	2.21	13.70	13.64	13.26	9.07	6.36
Wilshire US REIT	10.40	5.20	5.20	4.76	11.07	12.11	24.86	6.29
HFN FOF Multi-Strat	1.04	-3.28	-3.28	-6.84	1.27	1.08	2.88	1.11
Bloomberg Cmdty Index (TR)	3.82	0.42	0.42	-19.56	-16.87	-14.15	-4.54	-6.16

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."



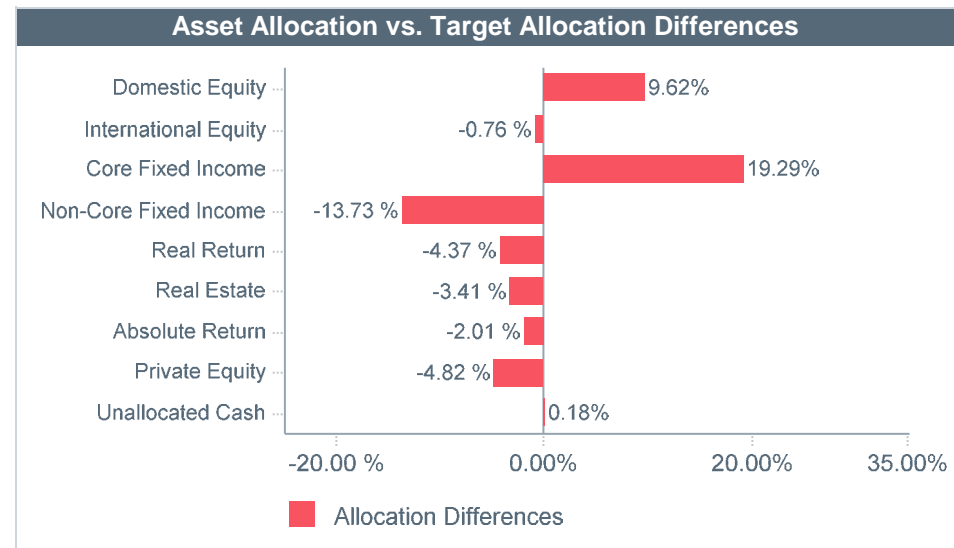
Total Fund Composite

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



Asset Allocation vs. Target Allocation

	Market Value (\$)	Allocation (%)	Target (%)
Domestic Equity	6,470,244,004	27.12	17.50
International Equity	3,993,853,047	16.74	17.50
Core Fixed Income	6,987,961,108	29.29	10.00
Non-Core Fixed Income	1,496,597,129	6.27	20.00
Real Return	1,343,906,439	5.63	10.00
Real Estate	1,571,376,664	6.59	10.00
Absolute Return	1,907,124,098	7.99	10.00
Private Equity	43,190,974	0.18	5.00
Unallocated Cash	41,870,800	0.18	0.00
Total Fund	23,856,124,264	100.00	100.00



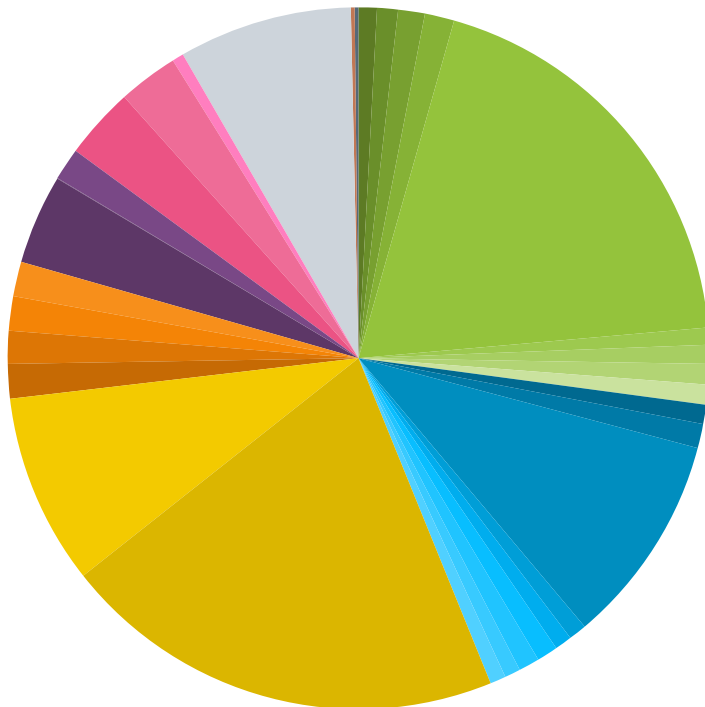
Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return	Unit Value
CYTD	23,572,748,495	-3,564,506	286,944,064	23,856,128,053	1.39	101.39

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. Domestic Equity includes Citi Global Markets, Inc.



March 31, 2016 : \$23,856,128,053



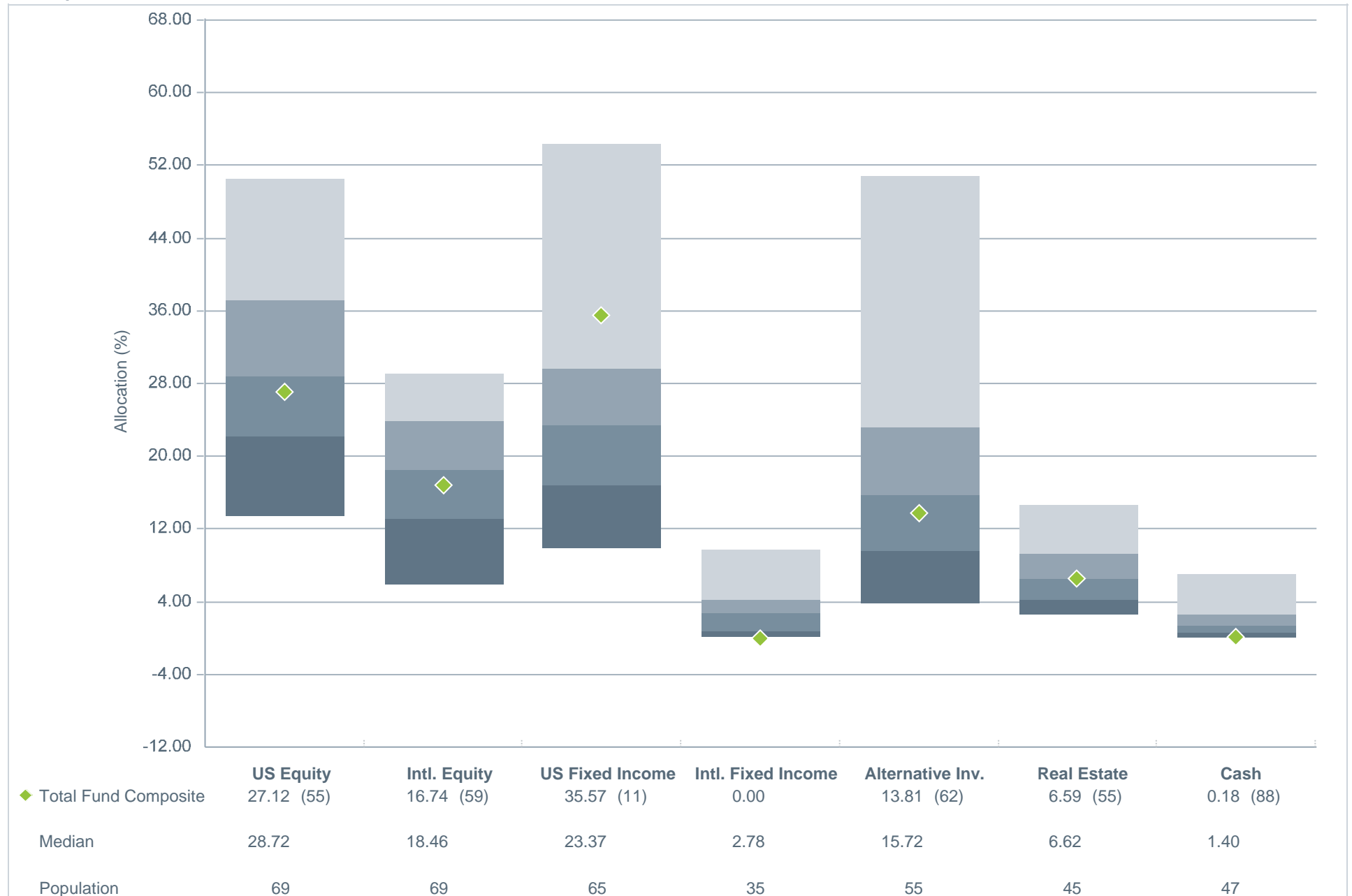
	Market Value (\$)	Allocation (%)
Sasco U.S. Contrarian Value (SA)	200,216,759	0.84
Epoch U.S. Choice (SA)	229,287,431	0.96
SSgA Russell Fundamental US Index NL (CF)	293,729,861	1.23
UBS US Equity Min Volatility Index (CF)	323,760,088	1.36
NT Collective Russell 3000 Index NL (CF)	4,581,842,521	19.21
The Boston Company Mid Cap Opp Value (SA)	188,556,264	0.79
Champlain Mid-Cap Core (SA)	209,240,247	0.88
Wellington US Small Cap Opp (SA)	222,697,647	0.93
The Boston Company Small Cap Opp Value (SA)	220,898,846	0.93
SSgA Russell Fundamental Gbl ex-US NL (CF)	210,315,469	0.88
UBS World Ex US Min Volatility NL (CF)	265,706,689	1.11
NT Daily Collective ACW Ex US IMI Non-Lending (CF)	2,322,463,465	9.74
Wellington International Horizons (SA)	198,243,810	0.83
Lazard International Equity Plus (SA)	187,813,102	0.79
Wasatch International Small Cap Growth (SA)	231,841,108	0.97
Wellington International Small Cap Opp (SA)	229,224,413	0.96
Acadian Emerging Markets (SA)	172,793,071	0.72
William Blair Emerging Markets (SA)	175,451,921	0.74
BlackRock, Inc. Core (SA)	4,888,541,473	20.49
PIMCO Core Plus Fixed Income (SA)	2,099,419,635	8.80
Guggenheim Bandera Strategic Credit Partners II, LP	377,419,305	1.58
Highland Bandera Strategic Credit Partners I, LP	359,913,996	1.51
Voya RMBS/CMBS (SA)	378,607,605	1.59
Ellington RMBS/CMBS (SA)	380,656,223	1.60
Colchester Global Inflation Linked Bond (SA)	984,779,193	4.13
MTP Energy Opportunities Fund II	5,609,024	0.02
Nuveen Real Asset Income	353,518,222	1.48
Core Real Estate	786,771,588	3.30
Non-Core Real Estate	659,700,201	2.77
Real Estate Liquid Funds	124,904,875	0.52
Absolute Return	1,907,124,098	7.99
Private Equity	43,190,974	0.18
State Street Government STIF 6 (CF) - Cash	41,870,800	0.18
Citigroup Global Markets, Inc.	14,339	0.00
Transition Account	3,789	0.00

Allocations shown may not sum up to 100% exactly due to rounding.



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

As of March 31, 2016



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, 2016

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	2015	Since Incep.	Inception Date
Total Fund Composite	1.39	1.39	-0.33	4.63	5.50	7.43	6.15	0.34	8.52	01/01/1989
Actual Allocation Benchmark	1.72	1.72	-0.54	4.47	5.26	6.99	5.88	-0.32	7.92	
Difference	-0.33	-0.33	0.21	0.16	0.24	0.44	0.27	0.66	0.60	
Global Equity Composite	0.77	0.77	-3.01	6.74	6.39	13.30	N/A	-1.38	3.83	02/01/2008
Global Equity Benchmark	0.52	0.52	-3.37	6.50	6.22	13.12	N/A	-1.47	3.67	
Difference	0.25	0.25	0.36	0.24	0.17	0.18	N/A	0.09	0.16	
Domestic Equity Composite	1.11	1.11	-0.90	10.77	10.80	16.94	N/A	-0.32	7.32	02/01/2008
Russell 3000 Index	0.97	0.97	-0.34	11.14	11.01	17.09	6.90	0.48	7.44	
Difference	0.14	0.14	-0.56	-0.37	-0.21	-0.15	N/A	-0.80	-0.12	
International Equity Composite	0.21	0.21	-6.56	1.71	1.38	9.15	N/A	-3.32	-0.08	02/01/2008
International Equity Benchmark	-0.23	-0.23	-8.08	0.76	0.74	8.54	1.05	-4.60	-0.59	
Difference	0.44	0.44	1.52	0.95	0.64	0.61	N/A	1.28	0.51	
Core Fixed Income Composite	2.97	2.97	2.00	2.48	3.96	5.04	4.95	0.80	8.06	01/01/1989
Fixed Income Benchmark	3.03	3.03	1.96	2.50	3.78	4.67	4.73	0.55	7.49	
Difference	-0.06	-0.06	0.04	-0.02	0.18	0.37	0.22	0.25	0.57	
Non-Core Fixed Income Composite	-0.45	-0.45	-0.64	N/A	N/A	N/A	N/A	1.09	0.96	10/01/2014
Non-Core Fixed Income Benchmark	5.38	5.38	-2.02	N/A	N/A	N/A	N/A	-6.90	-0.96	
Difference	-5.83	-5.83	1.38	N/A	N/A	N/A	N/A	7.99	1.92	
Real Return Composite	4.69	4.69	-0.93	-0.03	2.87	N/A	N/A	-5.55	3.19	02/01/2011
Barclays Wrld Gov't Infl Lnkd Index (Unhedged)	4.79	4.79	1.01	-0.13	2.48	4.72	4.45	-4.70	2.97	
Difference	-0.10	-0.10	-1.94	0.10	0.39	N/A	N/A	-0.85	0.22	
Real Estate Composite	4.93	4.93	16.39	15.39	N/A	N/A	N/A	15.25	13.86	01/01/2012
Real Estate Benchmark	3.25	3.25	14.96	13.80	13.66	6.46	6.53	15.00	13.04	
Difference	1.68	1.68	1.43	1.59	N/A	N/A	N/A	0.25	0.82	
Absolute Return Composite	-3.77	-3.77	-2.41	N/A	N/A	N/A	N/A	3.39	0.21	08/01/2014
Absolute Return Benchmark	-2.80	-2.80	-4.86	1.95	1.51	3.46	1.57	0.11	-0.71	
Difference	-0.97	-0.97	2.45	N/A	N/A	N/A	N/A	3.28	0.92	

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



**Texas Municipal Retirement System
Comparative Performance**

As of March 31, 2016

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	2015	Since Incep.	Inception Date
Private Equity Composite	3.66	3.66	N/A	N/A	N/A	N/A	N/A	N/A	3.66	01/01/2016
Russell 3000 Index + 3%	1.72	1.72	2.65	14.48	14.34	20.60	10.11	3.49	1.72	
Difference	1.94	1.94	N/A	N/A	N/A	N/A	N/A	N/A	1.94	
TMRS Unallocated Cash (SA)	0.38	0.38	1.06	0.52	0.32	0.27	N/A	0.84	0.37	06/01/2008
BofA ML 3 Mo US T-Bill Index	0.07	0.07	0.12	0.07	0.08	0.10	1.15	0.05	0.23	
Difference	0.31	0.31	0.94	0.45	0.24	0.17	N/A	0.79	0.14	

- 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 and Private Equity fund returns are calculated by Private Edge. Private Real Estate fund returns are lagged 1 quarter. Inception dates shown for the Private Real Estate and Private Equity funds and composites represent the first full quarter following initial funding. Inception dates for non-real estate and private equity funds and composites represent 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
 - Russell 3000 Index + 3%
 - 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** 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. As part of the transition to a non-lagged benchmark, the October 2015 return for the previously lagged portion of the Non-Core Fixed Income Benchmark includes linked returns for September and October.

Prior to October 2015, 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 **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.

The **Absolute Return Benchmark** is calculated monthly and consists of the HFRI Fund of Funds Diversified Index through November 30, 2014; the HFRI Fund of Funds Diversified Index - 1 Month Lag through October 31, 2015; and HFRI Fund of Funds Diversified Index thereafter.

Real Estate Performance Comments

"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).

H/2 CP, LP is a publicly traded real estate fund, previously classified as non-public. Performance from Oct 2015 - Dec 2015 is revised to reflect the change in calculation methodology.

PORTLAND

CHICAGO

NEW YORK

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