TMRS Quarterly Summary

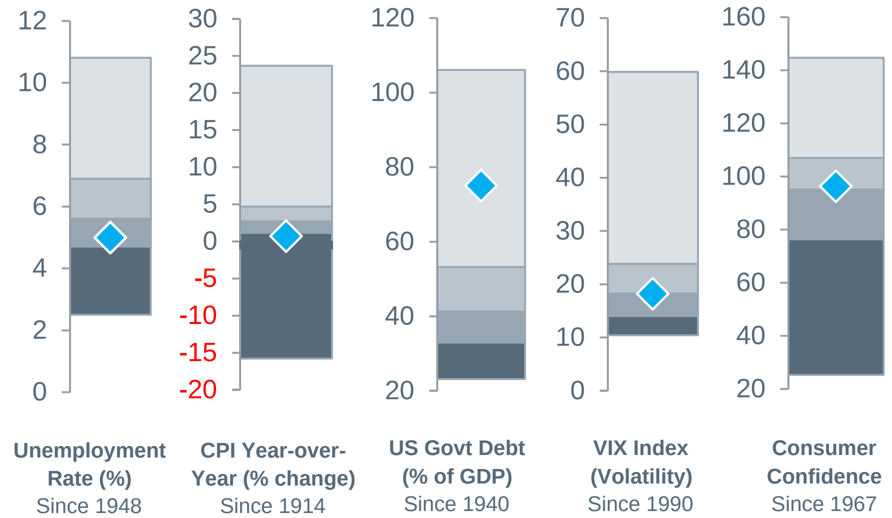
Period Ended: December 31, 2015

Fourth Quarter Economic Environment

Key Economic Indicators

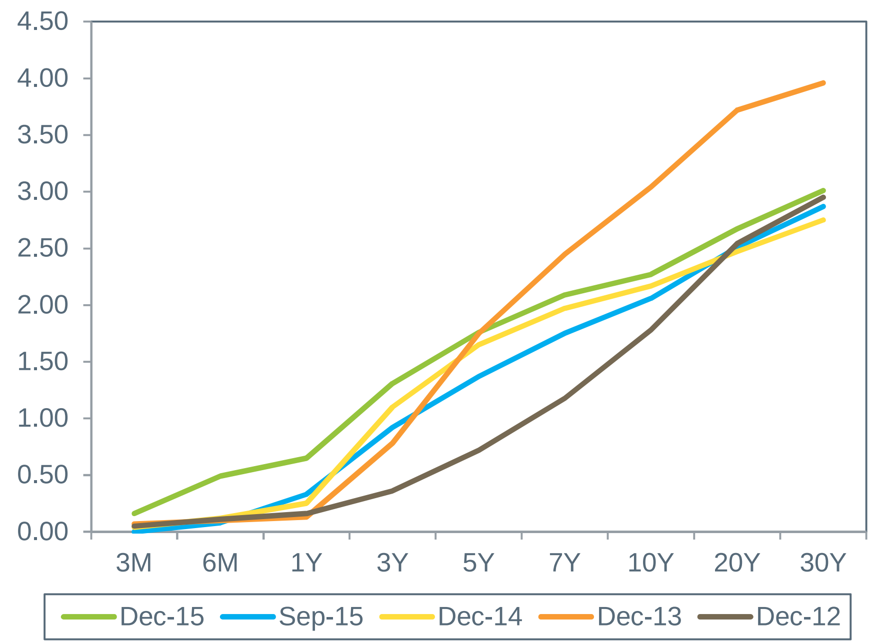
World equity markets rallied in October following a period of heightened volatility during the prior quarter. Positive price momentum proved to be short lived, however, as most markets gave back a significant portion of early gains by quarter's end. Headwinds included substantial US Dollar strengthening, diverging central bank monetary policies, commodity market dislocations, and emerging market asset volatility. World equity, bond, and commodity markets each ended the year in negative territory, with commodities and emerging market equities suffering the largest declines. In a move that was widely anticipated, the FOMC voted to raise the benchmark Federal Funds rate by 25 basis points during its December meeting. In Europe, Mario Draghi and the European Central Bank (ECB) expanded monetary stimulus measures. In China, pressure on foreign exchange reserves driven by the US Dollar peg led the People's Bank of China (PBoC) to formally adjust its currency management strategy, shifting to a trade-weighted basket of currencies to manage the value of the Yuan.

Key Economic Indicators



Economic Indicators	Dec-15		Sep-15	Dec-14	Dec-12	20 Yr
Federal Funds Rate (%)	0.20	▲	0.07	0.06	0.09	2.60
Breakeven Infl. - 1 Yr (%)	0.85	▲	-1.75	-0.21	1.31	N/A
Breakeven Infl. - 10 Yr (%)	1.58	▲	1.43	1.68	2.45	N/A
CPI YoY (Headline) (%)	0.7	▲	0.0	1.7	2.0	2.2
Unemployment Rate (%)	5.0	▼	5.1	6.0	7.8	6.0
Real GDP YoY (%)	1.8	▼	2.1	2.9	2.4	2.4
PMI - Manufacturing	48.00	▼	50.00	55.80	51.80	52.10
USD Total Wtd Idx	94.46	▲	92.32	85.13	73.54	86.65
WTI Crude Oil per Barrel ($)	37	▼	45	53	92	55
Gold Spot per Oz ($)	1,061	▼	1,115	1,185	1,675	741

Treasury Yield Curve (%)



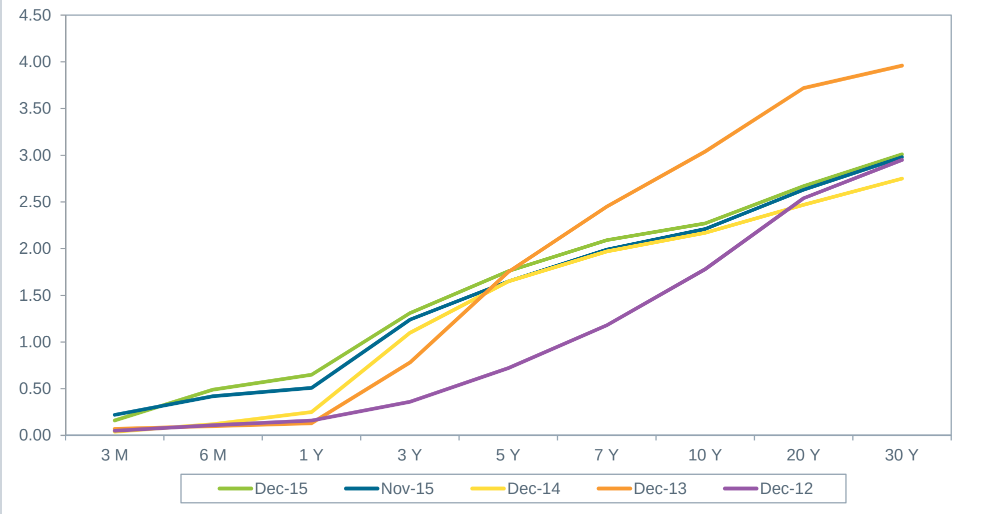
Market Performance (%)	QTD	CYTD	1 Yr	5 Yr	10 Yr
S&P 500 (Cap Wtd)	7.04	1.38	1.38	12.57	7.31
Russell 2000	3.59	-4.41	-4.41	9.18	6.80
MSCI EAFE (Net)	4.71	-0.81	-0.81	3.60	3.03
MSCI EAFE SC (Net)	6.79	9.59	9.59	6.32	4.55
MSCI Emg Mkts (Net)	0.66	-14.92	-14.92	-4.80	3.62
Barclays US Agg Bond	-0.57	0.55	0.55	3.25	4.52
BofA ML 3 Mo US T-Bill	0.03	0.05	0.05	0.07	1.24
NCREIF ODCE (Gross)	3.34	15.01	15.01	13.66	6.53
Wilshire US REIT	7.47	4.23	4.23	12.44	7.31
HFN FOF Multi-Strat	0.19	-1.23	-1.23	1.91	1.95
Bloomberg Cmdty (TR)	-10.52	-24.66	-24.66	-13.47	-6.43

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 Fed raised the target Federal Funds rate from zero to 25 basis points, which ultimately is a target within a range of 0.25% to 0.50%. This marks the first increase in the target rate since June 2006 and marks the end of a 7-year run with the benchmark rate near zero.
- Economic activity of the US manufacturing sector in December contracted further, as the impacts of the strong dollar and a weak global economy continue to play out. The manufacturing index fell to 48.2 in December, the lowest since June 2009.
- Oil prices continued their year-long slide ending the month at $37 per barrel, as big oil-producing nations continued to pump crude in an effort to defend their market share.
- Equity markets posted negative returns in December as the S&P 500 (Cap Wtd) Index returned -1.58% and the MSCI EAFE (Net) Index returned -1.35%. Emerging markets returned -2.23% as measured by the MSCI EM (Net) Index.
- The Barclays US Aggregate Bond Index returned -0.32% in December, underperforming the -0.19% return by the Barclays US Treasury Intermediate Term Index. International fixed income markets returned 1.46%, as measured by the Citi Non-US World Government Bond Index.
- Public real estate, as measured by the Wilshire US REIT Index, returned 1.95% in December and 12.44% over the trailing five-year period.
- The Cambridge US Private Equity Index returned 5.44% for the trailing one-year period and 14.16% for the trailing five-year period ending September 2015.
- Absolute return strategies, as measured by the HFN FOF Multi-Strat Index, returned -0.69% for the month and -1.23% over the trailing one-year period.
- Crude oil's price fell by 11.07% during the month and has decreased by 30.47% YoY.

Treasury Yield Curve (%)



Treasury Yield Curve (%)	Dec-15	Nov-15	Dec-14	Dec-13	Dec-12
3 Month	0.16	0.22	0.04	0.07	0.05
6 Month	0.49	0.42	0.12	0.10	0.11
1 Year	0.65	0.51	0.25	0.13	0.16
3 Year	1.31	1.24	1.10	0.78	0.36
5 Year	1.76	1.65	1.65	1.75	0.72
7 Year	2.09	1.99	1.97	2.45	1.18
10 Year	2.27	2.21	2.17	3.04	1.78
20 Year	2.67	2.63	2.47	3.72	2.54
30 Year	3.01	2.98	2.75	3.96	2.95

Economic Indicators	Dec-15		Nov-15	Dec-14	10 Yr	20 Yr
Federal Funds Rate (%)	0.20	▲	0.08	0.06	1.28	2.60
Breakeven Inflation - 1 Year (%)	0.85	▲	0.67	-0.21	1.00	N/A
Breakeven Inflation - 5 Year (%)	1.28	▼	1.29	1.21	1.79	N/A
Breakeven Inflation - 10 Year (%)	1.58	▼	1.62	1.68	2.10	N/A
Breakeven Inflation - 30 Year (%)	1.76	▼	1.81	1.90	2.32	N/A
Barclays US Agg Bond Index - Yield (%)	2.59	▲	2.48	2.25	3.40	4.55
Barclays US Agg Bond Index - OAS (%)	0.56	▲	0.53	0.48	0.72	0.67
Barclays US Agg Credit Index - OAS (%)	1.55	▲	1.47	1.25	1.66	1.52
Barclays US Corp: HY Index - OAS (%)	6.60	▲	6.02	4.83	5.81	5.77
Capacity Utilization (%)	76.49	▼	76.86	79.01	76.70	78.27
Unemployment Rate (%)	5.0	—	5.0	5.6	7.0	6.0
PMI - Manufacturing (%)	48.0	▼	48.4	54.9	52.1	52.1
Baltic Dry Index - Shipping	478	▼	584	782	2,754	2,331
Consumer Conf (Conf Board)	96.30	▲	92.60	93.06	75.25	93.29
CPI YoY (Headline) (%)	0.7	▲	0.5	0.8	2.0	2.2
CPI YoY (Core) (%)	2.1	▲	2.0	1.6	1.9	2.1
PPI YoY (%)	-2.7	▲	-3.2	-0.6	2.3	2.1
M2 YoY (%)	5.7	▼	6.0	5.9	6.3	6.3
US Dollar Total Weighted Index	94.46	▼	94.80	85.13	77.79	86.65
WTI Crude Oil per Barrel ($)	37	▼	42	53	81	55
Gold Spot per Oz ($)	1,061	▼	1,065	1,185	1,145	741

Market Performance (%)	MTD	QTD	CYTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr
S&P 500 (Cap Wtd)	-1.58	7.04	1.38	1.38	15.13	12.57	14.82	7.31
R 2000	-5.02	3.59	-4.41	-4.41	11.65	9.18	14.01	6.80
MSCI EAFE (Net)	-1.35	4.71	-0.81	-0.81	5.01	3.60	7.83	3.03
MSCI EAFE SC (Net)	0.73	6.79	9.59	9.59	10.44	6.32	13.55	4.55
MSCI EM (Net)	-2.23	0.66	-14.92	-14.92	-6.76	-4.80	7.50	3.62
Barclays US Agg Bond	-0.32	-0.57	0.55	0.55	1.44	3.25	4.09	4.52
BofA ML 3 Mo US T-Bill	0.03	0.03	0.05	0.05	0.05	0.07	0.10	1.24
NCREIF ODCE (Gross)	3.34	3.34	15.01	15.01	13.81	13.66	6.46	6.53
Wilshire US REIT	1.95	7.47	4.23	4.23	11.84	12.44	16.84	7.31
HFN FOF Multi-Strat	-0.69	0.19	-1.23	-1.23	3.55	1.91	3.40	1.95
Bloomberg Cmdty Index (TR)	-3.09	-10.52	-24.66	-24.66	-17.29	-13.47	-5.48	-6.43

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.

Texas Municipal Retirement System

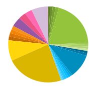
As of December 31, 2015

Total Fund Composite

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

Asset Allocation by Manager

December 31, 2015: $23,572,748,496

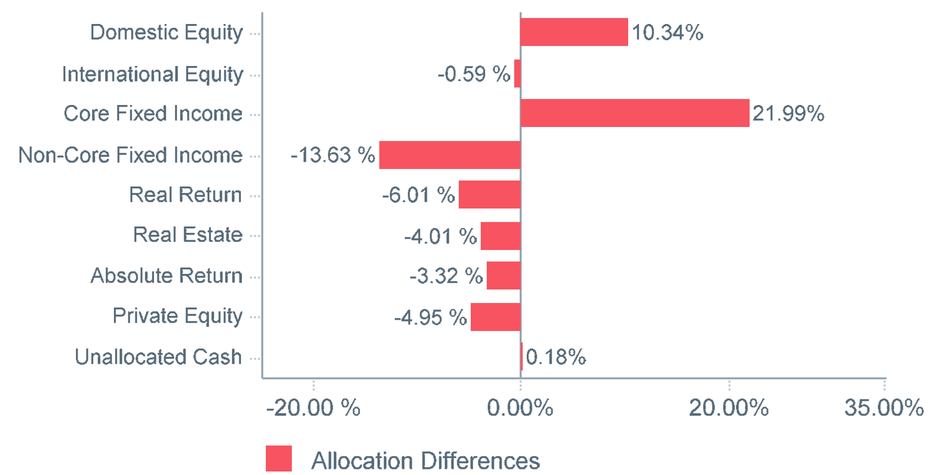


	Market Value ($)	Allocation (%)
Sasco U.S. Contrarian Value (SA)	190,441,422	0.81
Epoch U.S. Choice (SA)	235,086,706	1.00
SSgA Russell Fundamental US (CF)	283,949,672	1.20
UBS US Equity Min Vol Fund (CF) (NL)	306,609,950	1.30
Northern Trust R3000 Index (CF) (NL)	4,700,665,970	19.94
The Boston Company Mid Cap Opp Value (SA)	186,243,517	0.79
Champlain Mid-Cap Core (SA)	203,587,963	0.86
Wellington US Small Cap Opp (SA)	225,740,831	0.96
The Boston Company Small Cap Opp Value (SA)	229,879,276	0.98
SSgA Russell Fund. Global Ex-US (CF)	207,036,893	0.88
UBS World Ex US Min Vol Fund (CF) (NL)	255,766,500	1.09
Northern Trust ACW ex US IMI (CF) (NL)	2,327,050,582	9.87
Wellington International Horizons (SA)	205,151,720	0.87
Lazard International Equity Plus (SA)	187,549,586	0.80
Wasatch International Small Cap Growth (SA)	236,414,221	1.00
Wellington International Small Cap Opp (SA)	235,616,349	1.00
Acadian Emerging Markets (SA)	162,576,419	0.69
William Blair Emerging Markets (SA)	169,001,010	0.72
BlackRock, Inc. Core (SA)	5,499,067,808	23.33
PIMCO Core Plus Fixed Income (SA)	2,042,385,767	8.66
Guggenheim Bandera Strategic Credit Partners II, LP	376,403,328	1.60
Highland Bandera Strategic Credit Partners I, LP	363,139,238	1.54
Voya RMBS/CMBS (SA)	382,621,465	1.62
Ellington RMBS/CMBS (SA)	379,284,476	1.61
Colchester Global Inflation Linked Bond (SA)	939,661,781	3.99
Core Real Estate	713,997,715	3.03
Non-Core Real Estate	698,677,651	2.96
Blackstone Treaty Oak Fund, LP	1,575,416,819	6.68
Private Equity	11,704,634	0.05
State Street Government STIF 6 (CF) - Cash	41,647,159	0.18
Citigroup Global Markets, Inc.	240,984	0.00
Transition Account	131,085	0.00

Asset Allocation vs. Target Allocation

	Market Value ($)	Allocation (%)	Target (%)
Domestic Equity	6,562,446,289	27.84	17.50
International Equity	3,986,163,280	16.91	17.50
Core Fixed Income	7,541,453,575	31.99	10.00
Non-Core Fixed Income	1,501,448,507	6.37	20.00
Real Return	939,661,781	3.99	10.00
Real Estate	1,412,675,366	5.99	10.00
Absolute Return	1,575,416,819	6.68	10.00
Private Equity	11,704,634	0.05	5.00
Unallocated Cash	41,647,159	0.18	0.00
Total Fund	23,572,617,411	100.00	100.00

Asset Allocation vs. Target Allocation Differences

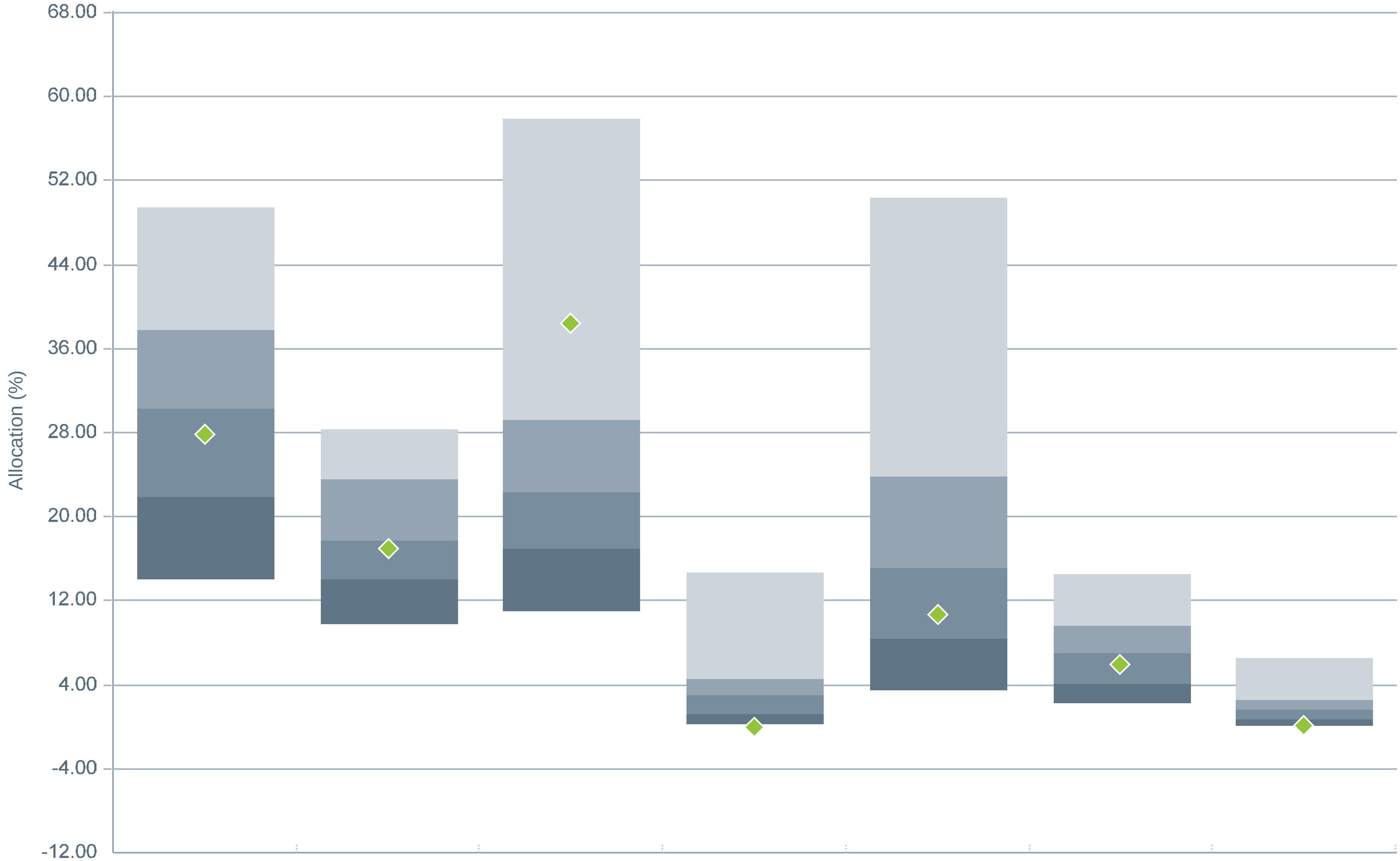


Schedule of Investable Assets

Periods Ending	Beginning Market Value ($)	Net Cash Flow ($)	Gain/Loss ($)	Ending Market Value ($)	% Return	Unit Value
CYTD	23,635,673,306	-604,980,011	542,055,200	23,572,748,496	0.34	100.34

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.

RVK



	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
Total Fund Composite	27.84 (58)	16.91 (55)	38.36 (9)	0.00	10.72 (72)	5.99 (59)	0.18 (91)
Median	30.23	17.76	22.39	3.08	15.09	7.06	1.62
Population	73	68	67	38	53	43	51

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

Texas Municipal Retirement System
Comparative Performance

As of December 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	**2.09**	**0.34**	**0.34**	**5.29**	**5.63**	**6.76**	**5.42**	**5.99**	**8.54**	**01/01/1989**
Actual Allocation Benchmark	1.96	-0.31	-0.31	4.95	5.32	5.65	5.33	5.70	7.93	
Difference	0.13	0.65	0.65	0.34	0.31	1.11	0.09	0.29	0.61	
Global Equity Composite	**5.09**	**-1.38**	**-1.38**	**9.08**	**7.27**	**11.06**	**N/A**	**5.39**	**3.85**	**02/01/2008**
Global Equity Benchmark	5.22	-1.47	-1.47	8.87	7.14	10.92	N/A	4.95	3.72	
Difference	-0.13	0.09	0.09	0.21	0.13	0.14	N/A	0.44	0.13	
Domestic Equity Composite	**5.96**	**-0.32**	**-0.32**	**14.35**	**11.93**	**14.86**	**N/A**	**12.61**	**7.41**	**02/01/2008**
Russell 3000 Index	6.27	0.48	0.48	14.73	12.18	15.04	7.35	12.55	7.55	
Difference	-0.31	-0.80	-0.80	-0.38	-0.25	-0.18	N/A	0.06	-0.14	
International Equity Composite	**3.50**	**-3.32**	**-3.32**	**2.90**	**2.05**	**6.79**	**N/A**	**-3.11**	**-0.11**	**02/01/2008**
International Equity Benchmark	3.52	-4.60	-4.60	2.02	1.47	6.28	1.99	-3.89	-0.58	
Difference	-0.02	1.28	1.28	0.88	0.58	0.51	N/A	0.78	0.47	
Core Fixed Income Composite	**-0.43**	**0.79**	**0.79**	**1.49**	**3.45**	**4.34**	**4.06**	**5.77**	**8.02**	**01/01/1989**
Fixed Income Benchmark	-0.57	0.55	0.55	1.44	3.25	3.28	4.06	5.97	7.44	
Difference	0.14	0.24	0.24	0.05	0.20	1.06	0.00	-0.20	0.58	
Non-Core Fixed Income Composite	**-1.27**	**1.09**	**1.09**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**1.52**	**10/01/2014**
Non-Core Fixed Income Benchmark	-2.08	-6.90	-6.90	N/A	N/A	N/A	N/A	N/A	-5.21	
Difference	0.81	7.99	7.99	N/A	N/A	N/A	N/A	N/A	6.73	
Real Return Composite	**-1.89**	**-5.55**	**-5.55**	**-1.82**	**N/A**	**N/A**	**N/A**	**4.44**	**2.39**	**02/01/2011**
Barclays Wrld Gov't Infl Lnkd Index (Unhedged)	-2.31	-4.70	-4.70	-1.91	2.24	3.98	3.85	4.08	2.15	
Difference	0.42	-0.85	-0.85	0.09	N/A	N/A	N/A	0.36	0.24	
Real Estate Composite	**3.46**	**15.25**	**15.25**	**15.71**	**N/A**	**N/A**	**N/A**	**20.35**	**13.41**	**01/01/2012**
Real Estate Benchmark	3.68	15.02	15.02	13.48	14.04	4.24	6.72	12.40	13.01	
Difference	-0.22	0.23	0.23	2.23	N/A	N/A	N/A	7.95	0.40	
Absolute Return Composite	**-0.20**	**3.39**	**3.39**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**3.00**	**08/01/2014**
Absolute Return Benchmark	-0.66	0.80	0.80	4.27	2.45	4.12	2.42	3.15	1.67	
Difference	0.46	2.59	2.59	N/A	N/A	N/A	N/A	N/A	1.33	

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.

RVK

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	2014	Since Incep.	Inception Date
TMRS Unallocated Cash (SA)	**0.37**	**0.84**	**0.84**	**0.38**	**0.25**	**0.23**	**N/A**	**0.18**	**0.33**	**06/01/2008**
BofA ML 3 Mo US T-Bill Index	0.03	0.05	0.05	0.05	0.07	0.10	1.24	0.04	0.23	
Difference	0.34	0.79	0.79	0.33	0.18	0.13	N/A	0.14	0.10	

- 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** 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 **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.

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 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).

PORTLAND CHICAGO NEW YORK

RVK