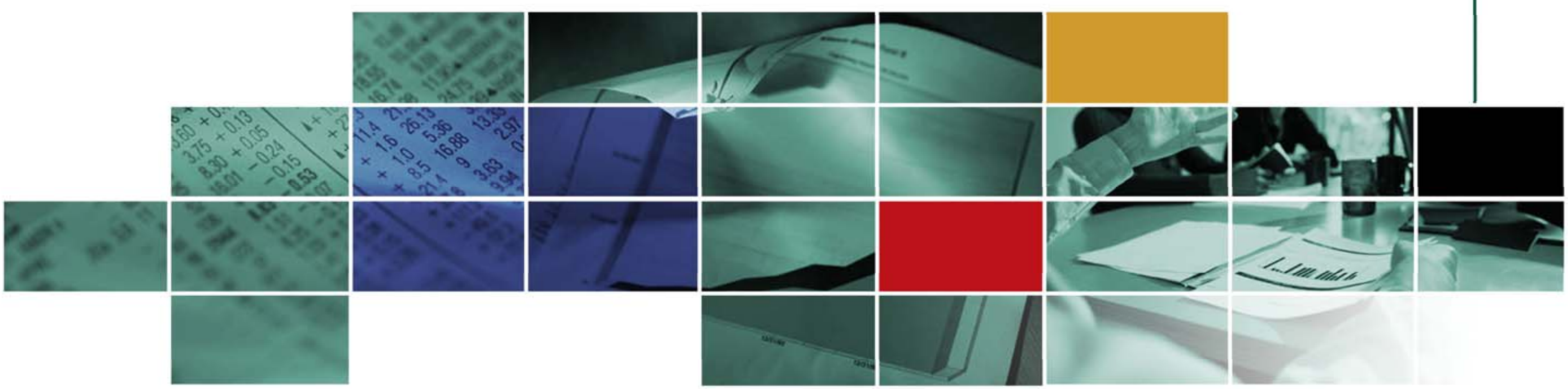
RVKuhns

& ASSOCIATES, INC.

TMRS Quarterly Summary



Capital Markets Review
As of June 30, 2010

Capital Markets Review

Second Quarter Economic Environment

The second quarter saw the first broad-market declines since the rebound began in March 2009, in most cases erasing the gains achieved in 2010 through April. Risk aversion reigned, largely stemming from the Greek sovereign debt crisis and the May 6th "flash crash," the latter of which produced the largest intra-day drop in the Dow's history. Indeed, only fixed income and private real estate remained positive through the first six months of 2010. As investors once again began to question global economic growth prospects, the safety of government securities lifted the BC US Aggregate Bond Index, despite relatively low starting-point yields. In private real estate, appraised valuations began to catch up to higher public-market valuations. It is notable, however, that new home sales fell sharply in May after the government's tax credits for home buyers expired.

A tension has emerged between global economic policymakers regarding the risks imposed by continued debt accumulation. Policymakers were in nearly unanimous agreement after the 2008 financial crisis that government spending was necessary to prevent severe recession, but conflicting views emerged during the second quarter. At the recent G-20 summit in Toronto, many international leaders expressed a desire to cut spending significantly, while the US continues to push for additional forms of stimulus. The Federal Reserve continues to hold the Federal Funds Target Rate to a range of 0% to 0.25%, while the central banks of Australia, New Zealand, and Canada each raised rates by 0.25% in the second quarter. In spite of mounting concerns over US Government debt levels, the US Dollar Index rose 6.1% during the quarter and 10.5% year-to-date. At the same time, US consumer prices as measured by the CPI, rose 0.15% this quarter, adding to their rise of 0.78% in the first quarter.

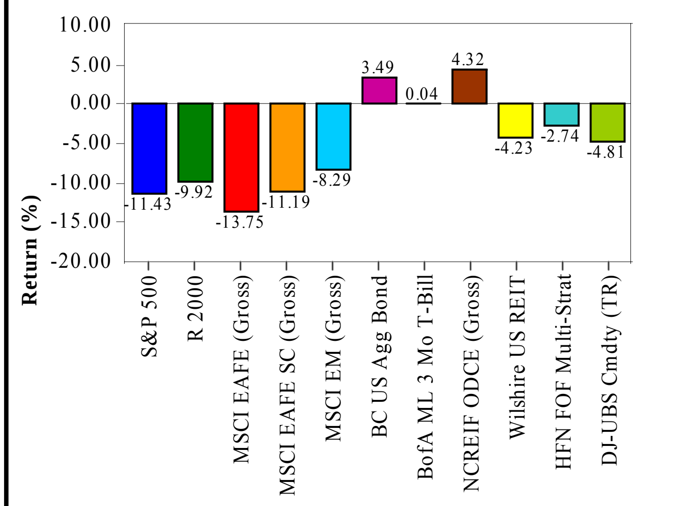
Second Quarter Equities

During the second quarter, equities posted losses around the globe after four straight quarters of gains. Fear over the European sovereign debt crisis and increasing caution over a fragile US economic recovery led to the market pullback. As the concerns centered on the US and developed economies in Europe, the MSCI Emerging Markets Index fared better than its counterparts. In the US, small-cap stocks outperformed large-cap stocks, though only marginally, while results between value and growth were mixed. Every sector of the S&P 500 Index posted losses; defensive sectors such as utilities and telecom achieved the best relative returns. Similar results were posted in the international developed markets, where small-cap equities slightly outperformed large caps. Sector results were also similar to that of the US, with defensive sectors including telecom and consumer staples posting the best relative returns. Among regions, Japan was the strongest performer after emerging markets.

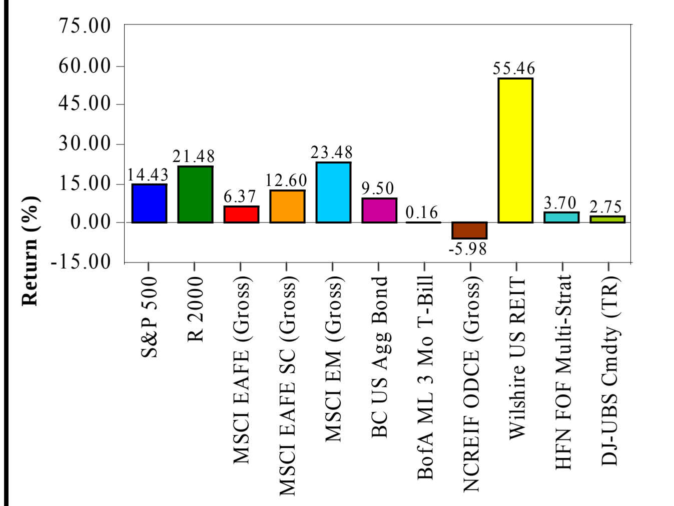
Second Quarter Fixed Income

Interest rates on Treasurys fell across the spectrum and the yield curve flattened as long-dated bonds dramatically outperformed their shorter-term counterparts. Within the aggregate market, higher-quality issues outperformed. While all sectors of the investment-grade domestic bond market were positive for the quarter, long duration Treasurys was the best performing sector by a wide margin. In a reversal from recent quarters, riskier high yield and emerging market issues were among the market's worst performers.

QTD



1 Year



Trailing-Period Performance

	Mth End Apr-2010	Mth End May-2010	MTD	QTD	CYTD	1 Year	2 Years	3 Years	5 Years	10 Years
S&P 500	1.58	-7.99	-5.23	-11.43	-6.65	14.43	-8.11	-9.81	-0.79	-1.59
R 2000	5.66	-7.59	-7.75	-9.92	-1.95	21.48	-4.55	-8.60	0.37	3.00
MSCI EAFE (Gross)	-1.73	-11.37	-0.97	-13.75	-12.93	6.37	-14.30	-12.94	1.35	0.59
MSCI EAFE SC (Gross)	1.75	-12.37	-0.39	-11.19	-6.91	12.60	-9.85	-12.76	1.44	5.41
MSCI EM (Gross)	1.23	-8.75	-0.72	-8.29	-6.04	23.48	-5.59	-2.22	13.07	10.34
BC US Agg Bond	1.04	0.84	1.57	3.49	5.33	9.50	7.76	7.55	5.54	6.47
BofA ML 3 Mo US T-Bill	0.01	0.02	0.01	0.04	0.05	0.16	0.55	1.57	2.77	2.69
NCREIF ODCE (Gross)	N/A	N/A	N/A	4.32	5.10	-5.98	-19.17	-10.95	-0.19	4.87
Wilshire US REIT	6.94	-5.34	-5.39	-4.23	5.17	55.46	-7.75	-10.33	-0.35	9.74
HFN FOF Multi-Strat	0.85	-2.60	-0.99	-2.74	-1.45	3.70	-6.40	-4.20	1.94	4.24
DJ-UBS Cmdty (TR)	1.94	-6.92	0.32	-4.81	-9.60	2.75	-26.26	-8.36	-1.32	4.41

Performance is annualized for periods greater than one year.

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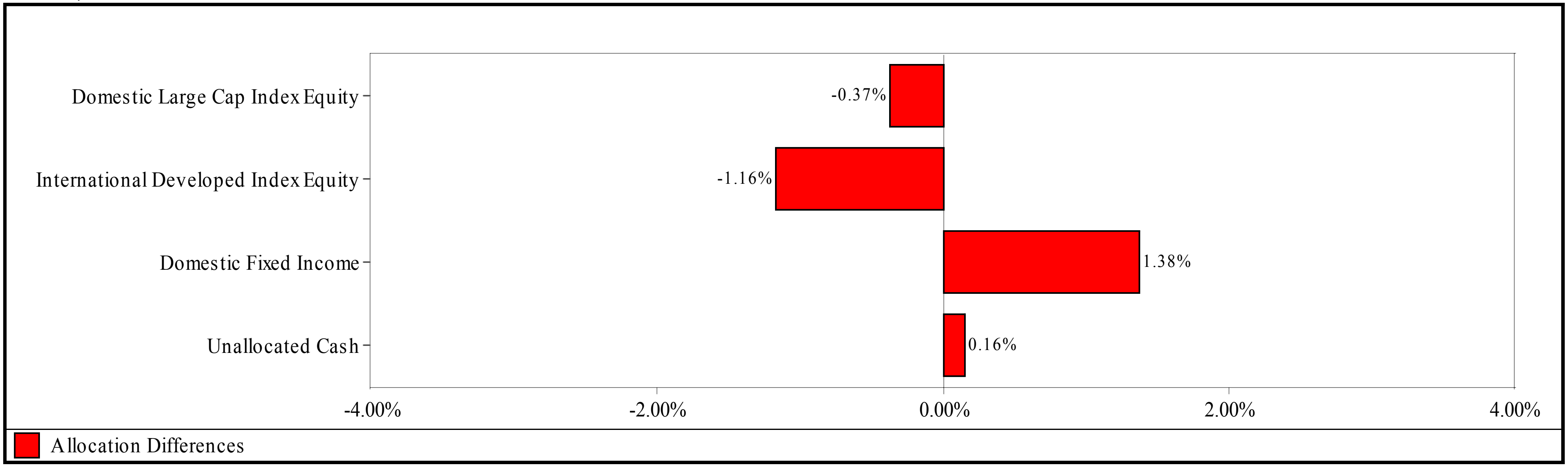
Texas Municipal Retirement System
Total Fund Composite
Asset Allocation vs. Target Allocation
As of June 30, 2010

June 30, 2010



June 30, 2010

	Market Value ($)	Allocation (%)	Target (%)
Domestic Large Cap Index Equity	2,162,070,410	13.03	13.40
International Developed Index Equity	2,029,785,992	12.24	13.40
Domestic Fixed Income	12,372,033,413	74.58	73.20
Unallocated Cash	25,746,350	0.16	-
Total Fund	16,589,636,165	100.00	100.00

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

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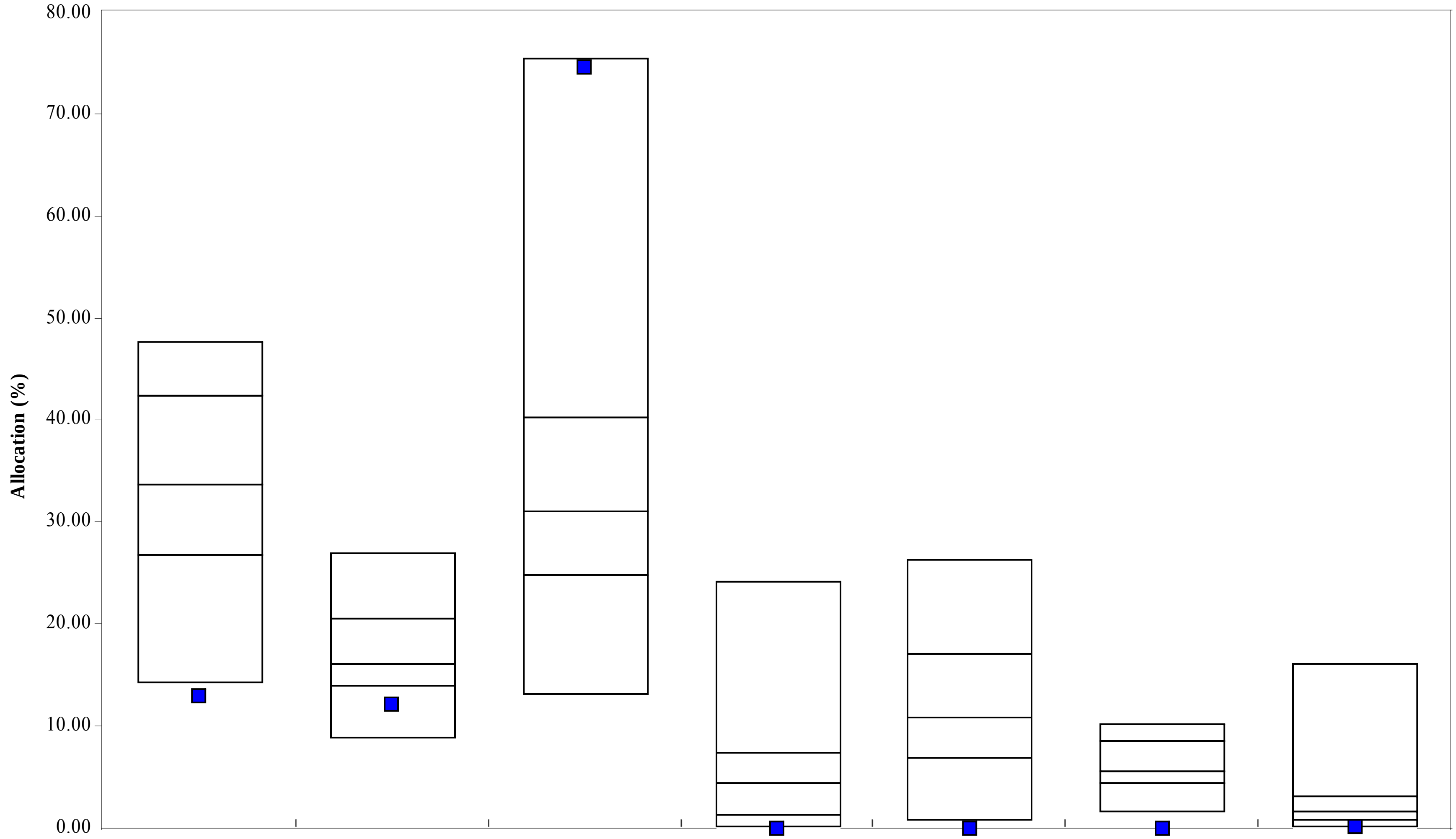
Texas Municipal Retirement System
All Public Plans > $1B-Total Fund
Plan Sponsor TF Asset Allocation
As of June 30, 2010



	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
■ Total Fund Composite	13.03 (97)	12.24 (80)	74.58 (6)	0.00 N/A	0.00 N/A	0.00 N/A	0.16 (92)
Median	33.63	16.18	31.09	4.37	10.80	5.60	1.63
Population	53	49	54	23	24	19	24

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

RVKuhns & ASSOCIATES, INC.

Texas Municipal Retirement System
Comparative Performance
As of June 30, 2010

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	2009	Since Inception	Inception Date
Total Fund Composite	**-1.14**	**1.32**	**9.33**	**6.74**	**3.18**	**4.89**	**8.00**	**10.24**	**9.07**	**01/01/1989**
Actual Allocation Benchmark	-0.92	1.39	8.17	5.84	3.48	4.37	6.97	4.06	8.37	
Difference	-0.22	-0.07	1.16	0.90	-0.30	0.52	1.03	6.18	0.70	
Domestic Fixed Income Composite	**3.31**	**5.38**	**10.64**	**8.08**	**3.96**	**5.45**	**8.40**	**6.69**	**9.26**	**01/01/1989**
Fixed Income Benchmark	3.49	5.33	9.50	7.19	4.27	4.94	7.38	0.27	8.56	
Difference	-0.18	0.05	1.14	0.89	-0.31	0.51	1.02	6.42	0.70	
Global Equity Composite	**-12.54**	**-9.55**	**10.95**	**N/A**	**N/A**	**N/A**	**N/A**	**30.27**	**-10.60**	**02/01/2008**
Global Equity Benchmark	-12.60	-9.61	10.85	N/A	N/A	N/A	N/A	30.07	-10.74	
Difference	0.06	0.06	0.10	N/A	N/A	N/A	N/A	0.20	0.14	
Domestic Equity Composite	**-11.32**	**-6.05**	**15.73**	**N/A**	**N/A**	**N/A**	**N/A**	**28.45**	**-8.57**	**02/01/2008**
R 3000 Index	-11.32	-6.05	15.72	-9.47	-0.48	3.48	-0.92	28.34	-8.60	
Difference	0.00	0.00	0.01	N/A	N/A	N/A	N/A	0.11	0.03	
International Equity Composite	**-13.84**	**-13.07**	**6.17**	**N/A**	**N/A**	**N/A**	**N/A**	**32.12**	**-12.77**	**02/01/2008**
MSCI EAFE Index (Net)	-13.97	-13.23	5.92	-13.38	0.88	6.67	0.16	31.78	-13.05	
Difference	0.13	0.16	0.25	N/A	N/A	N/A	N/A	0.34	0.28	
TMRS Unallocated Cash (SA)	**0.03**	**0.05**	**0.12**	**N/A**	**N/A**	**N/A**	**N/A**	**0.20**	**0.55**	**06/01/2008**
BofA ML 3 Mo US T-Bill Index	0.04	0.05	0.16	1.57	2.77	2.42	2.69	0.21	0.62	
Difference	-0.01	0.00	-0.04	N/A	N/A	N/A	N/A	-0.01	-0.07	

In accordance with GIPS, performance for investment managers and the Total Fund composite is calculated using different methodologies.

Historical performance shown for the Global Equity, International Equity, Domestic Equity, and Domestic Fixed Income composites is provided by State Street.

The Actual Allocation Benchmark is calculated monthly using beginning of month investment weights applied to each corresponding benchmark return.

The Fixed Income Benchmark is calculated monthly and consists of 100% Barclays US Aggregate Bond Index beginning July 1, 2009, and 100% Barclays Gov't/Credit Long Term Bond Index prior to July 1, 2009.

The Global Equity Benchmark is calculated monthly using beginning of month investment weights applied to each corresponding benchmark return.

Performance shown is gross of fees.

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