COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2015 & 2014

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

PERSPECTIVE ON RETIREMENT

TCDRS provides lifetime retirement benefits that Texans can count on.

Our members work hard to make our communities better and safer places to live. We are designed to ensure benefits remain reliable for the employees of yesterday, today and tomorrow.

Maintaining a long-term view is one of our greatest strengths. Nowhere is keeping that perspective more important than with our investments. Investment returns play a vital role in our retirement benefits.

Thinking long term enables TCDRS to weather short-term fluctuations in the market and keeps us focused on what's important: helping our employers provide reliable retirement benefits to their employees.

Our results also reflect this long-term perspective:

- Public employers continue to join the system each year and we now serve more than 700 diverse counties and governmental districts across Texas.
- We help more than 270,000 Texans save for retirement.
- We generate value for all of Texas. In 2015, we paid $1.2 billion in benefits and most of that money went to Texas addresses.

TCDRS continues to be one of the best-funded retirement systems in the nation. We are proud of the services we've provided for nearly 50 years, and we look forward to providing reliable benefits to every generation of Texans who chooses a career in public service.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2015 & 2014

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

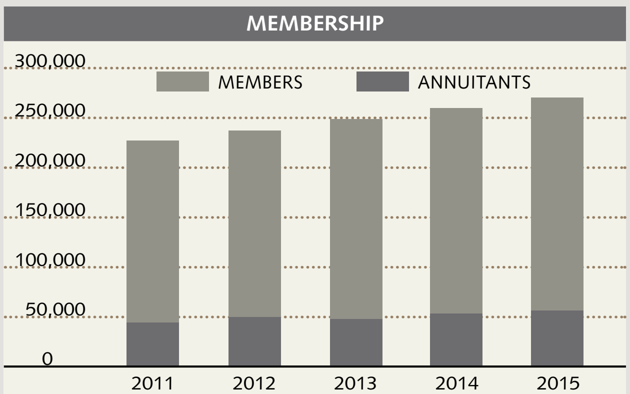
901 MoPac Expy. South • Barton Oaks Plaza IV, Suite 500 • Austin, Texas 78746

Prepared by the Actuarial Services, Communications, Finance and Investment Divisions

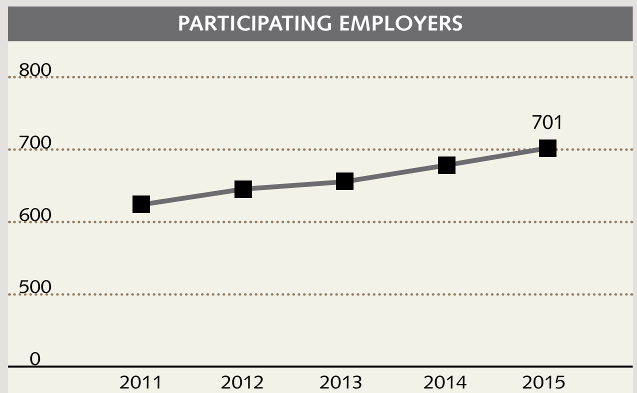
TCDRS: AT A GLANCE

TCDRS partners with counties and districts to provide reliable retirement, disability and survivor benefits for their employees.

SERVING OUR MEMBERSHIP

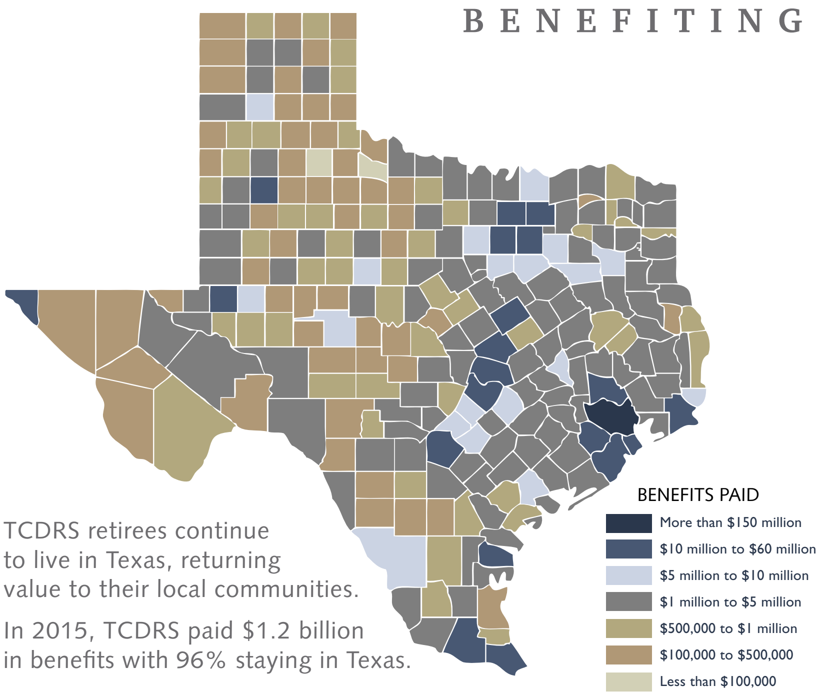


We serve a membership of more than 270,000, including more than 56,000 retirees and beneficiaries.



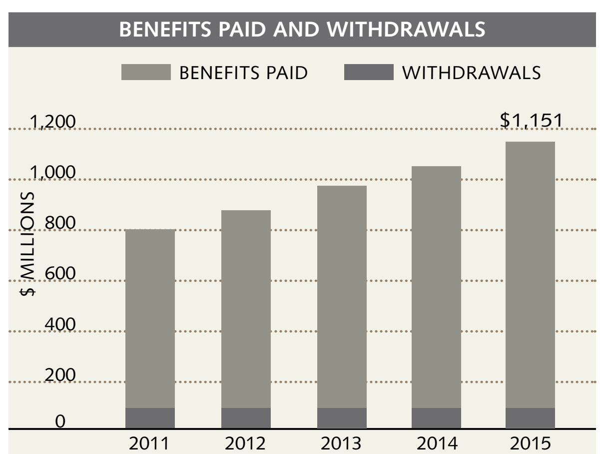
Since 1967, the system has grown to include 701 counties and districts.

BENEFITING TEXAS



TCDRS retirees continue to live in Texas, returning value to their local communities.

In 2015, TCDRS paid $1.2 billion in benefits with 96% staying in Texas.

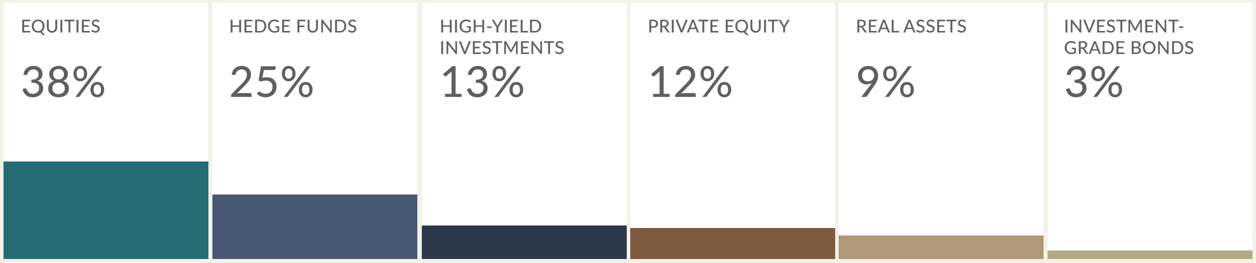


RETIREE PROFILE (as of Jan. 1, 2016)

Average Age at Retirement	Average Years of Service	Average Annual Benefit
61	17	$21,024

INVESTING FOR THE LONG TERM

ASSET ALLOCATION TARGETS



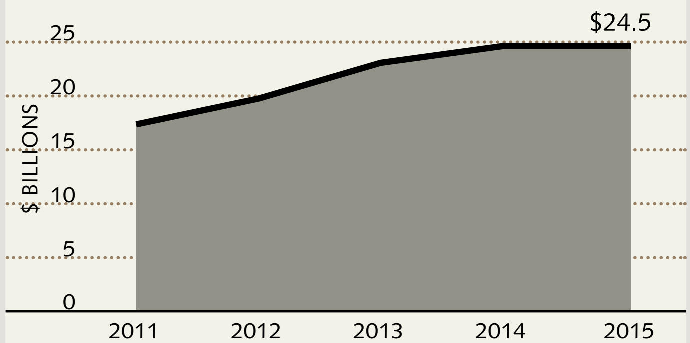
TOTAL FUND RETURN—NET OF ALL FEES

Annualized Returns	2015 Return	5 Year	10 Year	20 Year	25 Year	30 Year
Total Fund	-0.7%	6.6%	5.5%	6.8%	7.8%	8.3%

Our investments have exceeded our target return of 8% over the long term.

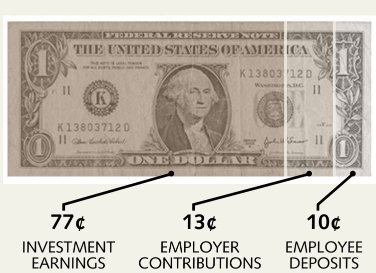
Fiduciary net position totaled $24.5 billion. Broad diversity in our investment portfolio reduces possible overall losses due to negative experience in any single asset class or investment.

FIDUCIARY NET POSITION



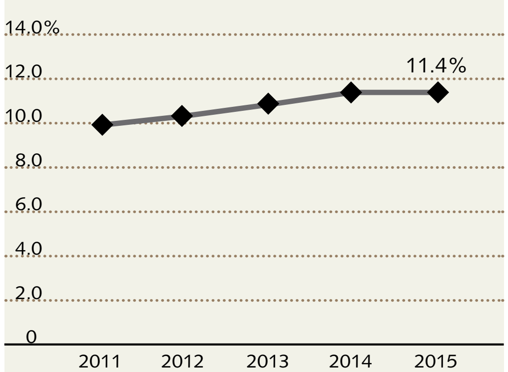
FUNDING PLANS RESPONSIBLY

BENEFIT FUNDING

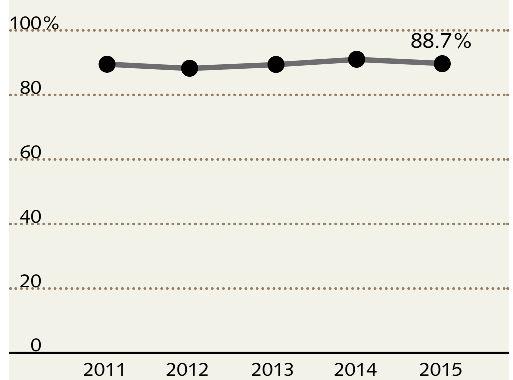


(Estimated)

AVERAGE REQUIRED EMPLOYER CONTRIBUTION RATES



FUNDED RATIO



Investment earnings fund nearly 80¢ of every dollar of benefits. Employers must pay 100% of their required contributions every year. Each plan is funded independently by a county or district and its employees. Our conservative funding methods ensure any debt is paid down to zero within 20 years. This means money is there when needed and debt is not pushed to future generations.

All figures as of Dec. 31, 2015, except where noted.

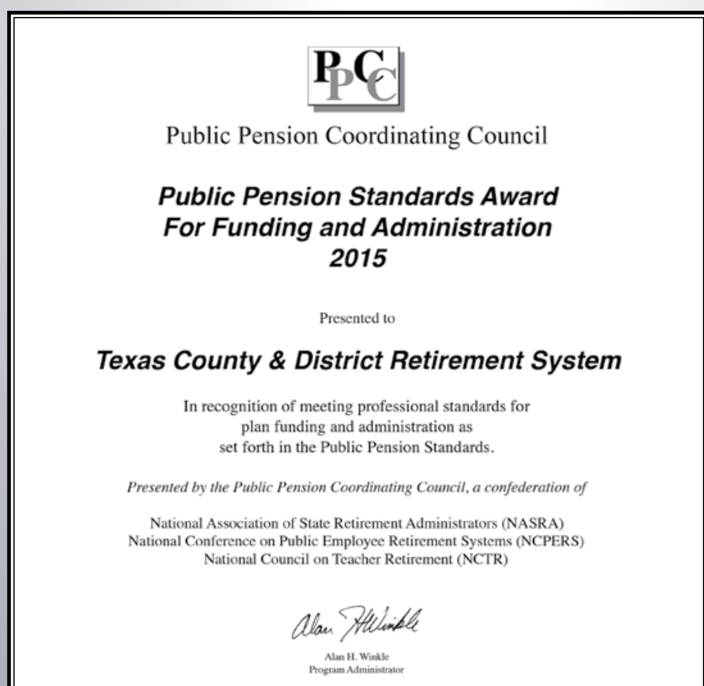
TABLE OF CONTENTS

INTRODUCTORY

LOOKING AHEAD

TCDRS is designed to provide reliable retirement benefits for Texas employees of yesterday, today and tomorrow. Our more than 700 employers have the flexibility they need to meet the demands of their changing workforce and budget.

The Certificate of Achievement for Excellence in Financial Reporting was presented by the Government Finance Officers Association of the United States and Canada for the fiscal year ended Dec. 31, 2014. This was the 23rd consecutive year that TCDRS has received this prestigious award, which recognizes comprehensive annual financial reports that have achieved the highest standards in government accounting and reporting.



PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2015

Presented to

Texas County & District Retirement System

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

TCDRS was awarded the Public Pension Coordinating Council's (PPCC) Public Pension Standards award for the 13th consecutive year. This award is in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Post Office Box 2034
Austin, Texas 78768-2034

901 MoPac Expy. South
Barton Oaks Plaza IV
Suite 500
Austin, Texas 78746

Tel. 800-823-7782
512-328-8889

Fax 512-328-8887

www.tcdrs.org

LETTER OF TRANSMITTAL

June 1, 2016

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Texas County & District Retirement System (TCDRS) for the year ended Dec. 31, 2015, our 48th full year of operations. Our theme this year highlights our long-term view, which is one of TCDRS' greatest strengths. Maintaining a long-term view allows us to build a strong and positive financial future. For nearly 50 years, TCDRS has been a model for providing responsibly funded benefits. Our 2015 accomplishments reflect our commitment to making sure that TCDRS' next 50 years are just as successful.

TCDRS partners with 701 Texas counties and governmental districts to provide retirement, disability and survivor benefits. By providing attractive benefits, we help our employers hire and retain talented staff. Each employer maintains its own customized plan of retirement benefits. In addition, employers have the flexibility and local control to adjust their benefits each year based on their needs and budgets. Our number of participating employers continues to grow. For the 10-year period ended Dec. 31, 2015, the number of participating employers increased by 26%.

Our members include generations of Texans who have chosen careers in public service. We now serve more than 270,000 Texans, including over 56,000 retirees and beneficiaries. Over the past decade the number of members has risen by 51%, and the number of benefit recipients has grown by 86%. Our unique savings-based plan design ensures that benefits remain reliable for the Texas employees of yesterday, today and tomorrow. Members save for their own retirement over the length of their careers. At retirement, benefits are based on a member's final savings balance and employer matching, which makes costs more predictable for our employers and benefits more predictable for our members.

In 2015, we paid out $1.2 billion in benefits to retirees and former members. Over 96% of these benefits went to Texas addresses. These benefits act as an economic engine to our local economies. On average, our current retirees began taking a benefit at age 61 after working 17 years. The average annual benefit for current retirees is $21,024 as of Dec. 31, 2015.

The TCDRS Board of Trustees provides leadership for the system. Our nine-person board is appointed by the governor and confirmed by the Texas Senate. The board appoints a director, who is responsible for all day-to-day operations, and a chief investment officer, who oversees investment operations. The board also appoints legal counsel, a consulting actuary, an independent auditor, a medical board and investment consultants.

INVESTMENTS

When it comes to managing investments, we focus on the long term. Employers and members save for benefits in advance over the course of an employee's career. These funds are pooled and invested, with the returns compounding over time. As a result, investment earnings fund most of the benefits our members receive. Our investment horizon of 30-plus years helps us weather short-term storms in the market.

The TCDRS Board of Trustees constructs the investment portfolio to achieve our long-term investment return goal of 8% with an acceptable amount of risk. In 2015, the TCDRS portfolio returned -0.7%, net of all fees, which exceeded the policy benchmark return of -2.5% by a total of 1.8%. Our 30-year return is 8.3% for the period ended Dec. 31, 2015.

To ensure that the investment process is protected by appropriate safeguards, the board has adopted and periodically reviews an investment policy that defines and restricts investment authority. The policy also emphasizes the importance of a long-term investment philosophy with minimization of risk.

MAJOR INITIATIVES

This year we made great strides in ensuring that TCDRS is designed for long-term success. The board adopted updated annuity purchase rates to reflect improving longevity, ensure retirement costs and benefits are in balance, and strengthen the retirement system for the future. The updated rates will be effective for benefits earned after Jan. 1, 2018. In addition, the board modified the mortality assumptions to be consistent with the updated annuity purchase rates.

We completed significant work to improve our technology infrastructure. This helps to ensure that TCDRS continues to provide excellent services to our members and employers, and ensures that our assets are safeguarded. In 2015, TCDRS:

- Completed a redesign of TCDRS.org with a new global landing page, as well as an updated look for all member and employer pages. The investments section of the website includes new content and data graphics, an investment mission video, and other enhancements that better share our great investment story with our readers. The redesigned website makes finding investment information easier and better illustrates how investment returns are a critical piece of retirement plan funding.
- Developed several web video series, including one highlighting benefit milestones for members and one covering our investment asset classes.
- Made significant progress on the final phase of a project to replace aging pension administration software. This phase of the project covers the management of members' financial accounts, determining eligibility, calculating benefits and reporting. Development and testing will be completed in 2016.
- Implemented the new Governmental Accounting Standards Board (GASB) reporting standards for pensions, including production of the GASB 68 reports, the SOC 1 Report (which gives employers' auditors assurance of the accuracy of financial information from TCDRS), a funding policy, and education for employers to help them more easily implement the new reporting standards.
- Completed security audits in 2015 and began implementing recommendations to improve both physical and information systems security in order to safeguard our assets.
- Consolidated our data center facilities at a co-location facility to take advantage of competitive pricing, best practice facilities, increased responsiveness and redundancy.

FUNDING

TCDRS is one of the nation's best-funded retirement systems. As of Dec. 31, 2015, TCDRS was 88.7% funded in aggregate. The actuarial value of assets and actuarial liabilities totaled $25.40 billion and $28.63 billion, respectively. The net position for pension benefits at year end 2015 and 2014 was $24.53 billion and $24.72 billion, respectively, a decrease of $0.19 billion (-0.7%).

We do not receive funding from the State of Texas. Each plan is funded by our employers, members and investment earnings. Employers pay 100% of their required contributions every year. Many participating employers make additional contributions over the required amounts in order to provide a buffer against future adverse experience or to prefund benefit enhancements.

In addition, TCDRS has one of the most conservative funding policies in the nation. By paying the required contribution rate, employers are paying for their current employees' future benefits and are paying down any unfunded liabilities to zero within 20 years. The average amortization period of TCDRS plans is 10.5 years.

TCDRS maintains a reserve fund to help keep rates stable and to offset future adverse experience. In 2015, the board used $408 million of general reserves to offset the effect of 2015 investment results. A total of $450 million in the general reserves account is available as of Dec. 31, 2015.

Cash flow from deposits and contributions currently matches the amounts required to meet annual benefits paid to TCDRS retirees, member account withdrawals and the administrative expenses of the organization in 2015. However, as the system matures and the number of members receiving benefits increases, the net cash flow from these sources and uses will become negative. Investment returns and changes in employers' plans will also affect annual cash flow and the change in net position.

The recent history of net investment income, contributions and deposits, benefit payments and administrative costs is shown in the Statistical Section on page 77. Information on funding progress for all employers as a group is in the Actuarial Section, Table 6: Funding Progress, on page 65. In addition, each employer receives a customized Summary Valuation Report, which provides detailed information on their individual annual plan evaluation.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

This report fulfills the requirements established by the Texas Government Code for public retirement systems to publish an annual financial report. TCDRS management is responsible for the accuracy of the data and the completeness and fairness of the presentation within this report.

The financial statements have been prepared in accordance with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB).

A comprehensive framework of internal controls exists to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules. Internal controls also provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The concept of reasonable assurance recognizes that first, the cost of a control should not exceed the benefits likely to be derived, and second, the valuation of the cost and benefits requires estimates and judgments by management.

KPMG LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on TCDRS' financial statements for the year ended Dec. 31, 2015. The independent auditor's opinion is located at the front of the Financial Section of this report (see page 20).

Immediately following the independent auditor's opinion, Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements the Letter of Transmittal and should be read in conjunction with it.

AWARDS AND ACKNOWLEDGMENTS

TCDRS proudly accepted a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for the fiscal year ended Dec. 31, 2014. This was the 23rd consecutive year that the system achieved this prestigious award, which recognizes comprehensive annual financial reports that are readable and efficiently organized, and that satisfy accepted accounting principles and applicable legal requirements.

TCDRS was also awarded the Public Pension Coordinating Council's (PPCC) Public Pension Standards award for 2015, which is the 13th consecutive year that the system received this award in recognition of meeting professional standards for plan funding and administration.

SUMMARY

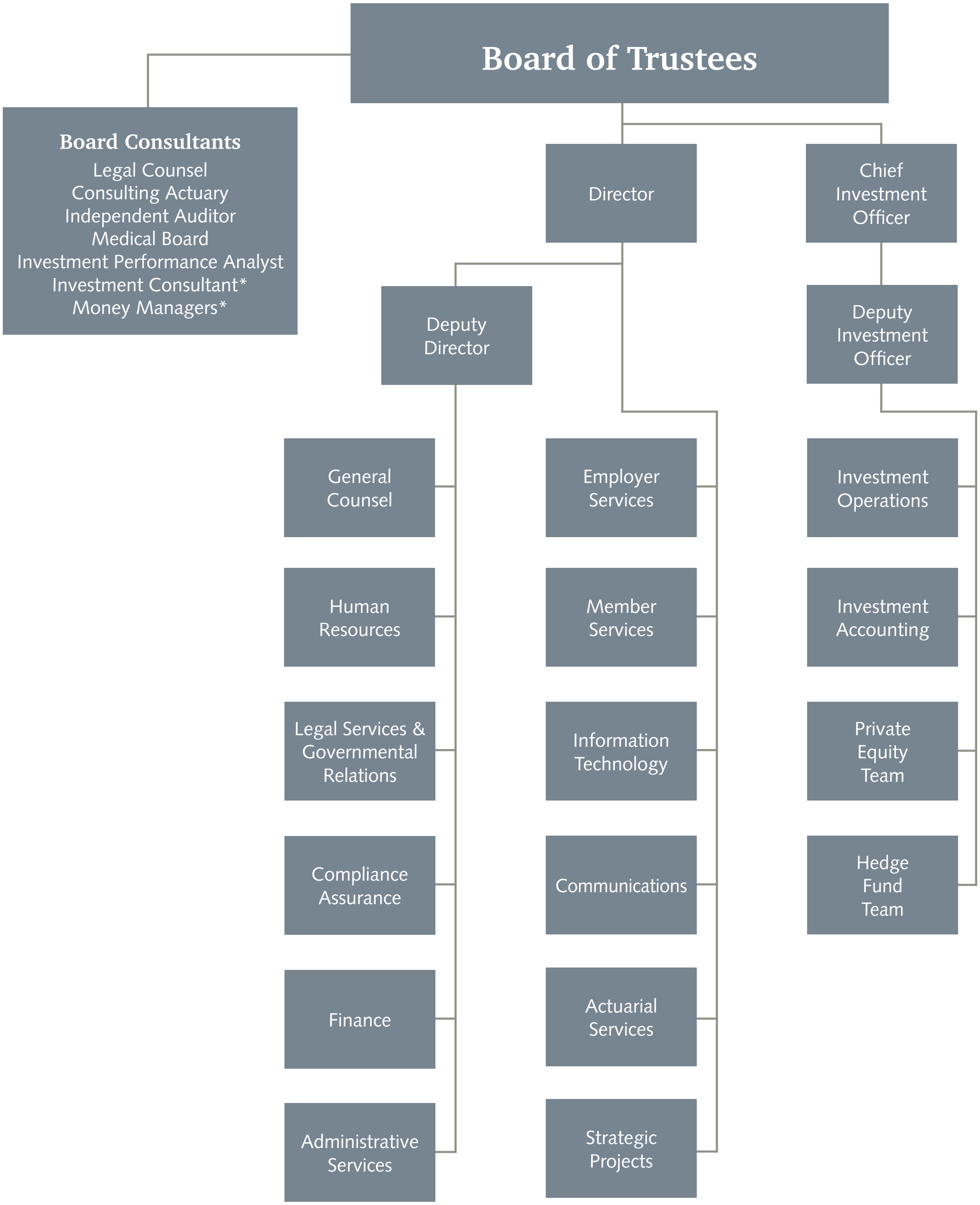
TCDRS staff under the direction of the board of trustees worked together to produce this report. Our thanks go out to everyone who has contributed to the preparation of this report and who works diligently to make the Texas County & District Retirement System a model for providing retirement benefits and to ensure TCDRS' continued success in the future.

At TCDRS we are proud to serve those who serve Texas, and we are dedicated to providing responsibly funded benefits and best-in-class services to our employers and members.

Sincerely,

Robert A. Eckels Chair	Amy Bishop Director	Paul J. Williams Chief Investment Officer

ORGANIZATION CHART



** For information regarding investment professionals' fees, see Tables 8–9 in the Investment Section.*

BOARD OF TRUSTEES As of Dec. 31, 2015

[STANDING] Kristeen Roe, Mary Louise Garcia, Bob Willis, Deborah Hunt, Jerry Bigham
[SEATED] Jan Kennady, Robert A. Eckels, Bridget McDowell, H.C. "Chuck" Cazalas

CHAIR
Robert A. Eckels
Retiree
Harris County Judge
Term expires Dec. 31, 2019

VICE-CHAIR
H.C. "Chuck" Cazalas
Retiree
Nueces County Commissioner
Term expires Dec. 31, 2017

Jerry Bigham
Retiree
Randall County
Justice of the Peace
Term expires Dec. 31, 2015

Mary Louise Garcia
County Clerk
Tarrant County
Term expires Dec. 31, 2017

Deborah Hunt
Tax Assessor-Collector
Williamson County
Term expires Dec. 31, 2015

Jan Kennady
Retiree
Comal County Commissioner
Term expires Dec. 31, 2015

Bridget McDowell
County Auditor
Taylor County
Term expires Dec. 31, 2019

Kristeen Roe
Tax Assessor-Collector
Brazos County
Term expires Dec. 31, 2017

Bob Willis
County Commissioner
Polk County
Term expires Dec. 31, 2019

EXECUTIVE STAFF AND PROFESSIONAL ADVISORS

INVESTMENT STAFF

Paul J. Williams
Chief Investment Officer

Sandra Bragg
Deputy Investment Officer

ADMINISTRATIVE STAFF

Amy Bishop
Director

Tom Harrison
Deputy Director

Ann McGeehan
General Counsel

PROFESSIONAL ADVISORS

Vinson & Elkins LLP
Bradshaw & Bickerton PLLC
Investment Counsel

Milliman, Inc.
Consulting Actuary

Bank of New York Mellon
Investment Performance Analyst

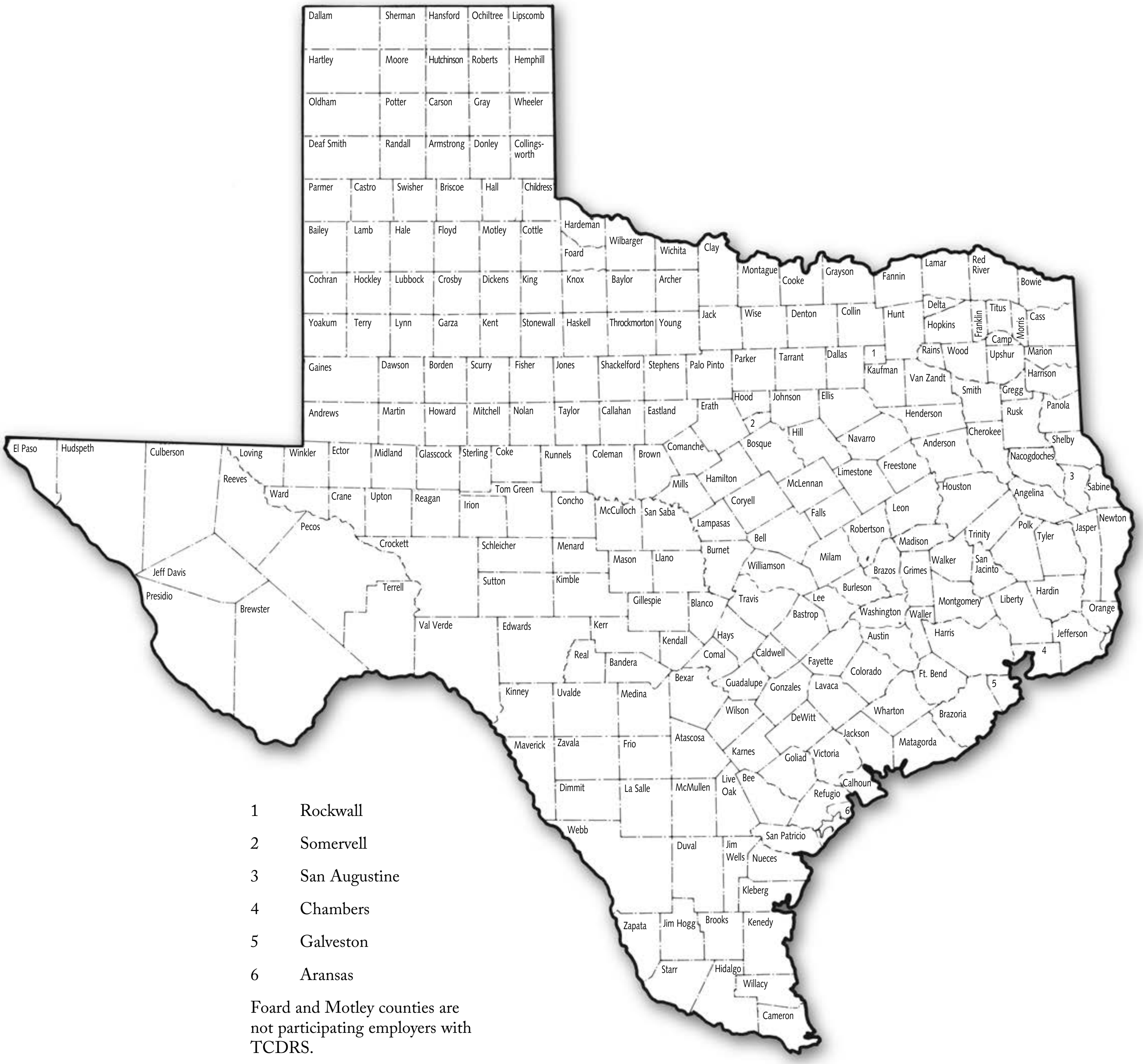
Cliffwater LLC
Investment Consultant

KPMG LLP
Independent Auditor

Jackson Walker LLP
Fiduciary & Benefit Plan Administration Counsel

Ace Alsup, M.D., Chairman
John P. Vineyard Jr., M.D.
Shelby H. Carter, M.D.
Medical Board

PARTICIPATING COUNTIES AND DISTRICTS As of Dec. 31, 2015



1 Rockwall

2 Somervell

3 San Augustine

4 Chambers

5 Galveston

6 Aransas

Foard and Motley counties are not participating employers with TCDRS.

PARTICIPATING COUNTIES AND DISTRICTS As of Dec. 31, 2015

A

Acton Municipal Utility District
Agua Special Utility District
Alamo Area Council of Governments
Anderson County
Anderson County Appraisal District
Andrews County
Andrews County Central Appraisal District
Angelina County
Angelina County Appraisal District
Angelina-Nacogdoches Counties Water Control & Improvement District #1
Angleton Drainage District
Aquilla Water Supply District — Hill County
Aransas County
Aransas County Appraisal District
Aransas County Navigation District #1
Archer County
Archer County Appraisal District
Armstrong County
Atascosa County
Atascosa County Appraisal District
Athens Municipal Water Authority
Austin County
Austin County Appraisal District

B

Bacliff Municipal Utility District
Bailey County
Bandera County
Bastrop County
Bastrop County Emergency Services District #1
Bastrop County Emergency Services District #2
Baylor County
Baylor County Appraisal District
Bayview Irrigation District #11
Bayview Municipal Utility District
Bee County
Bell County
Bell County Appraisal District
Bell County Water Control & Improvement District #1
Benbrook Water Authority
Bexar Appraisal District
Bexar County
Bexar County Emergency Services District #2
Bexar County Emergency Services District #7
Bexar County Water Control & Improvement District #10
Bexar-Medina-Atascosa Water Control & Improvement District #1
Bexar Metro 911 Network District
Bistone Municipal Water Supply District — Limestone County
Blanco County
Borden County
Borden County Appraisal District
Bosque County
Bosque County Central Appraisal District
Bowie County
Brazoria County
Brazoria County Appraisal District
Brazoria County Conservation & Reclamation District #3
Brazoria County Drainage District #4
Brazoria County Drainage District #5
Brazos Central Appraisal District
Brazos County
Brazos County Emergency Communications District
Brazos Regional Public Utility Agency
Brazos River Authority
Brazos Valley Council of Governments
Brazos Valley Groundwater Conservation District
Brewster County
Brewster County Appraisal District
Bright Star-Salem Special Utility District
Briscoe County
Brookesmith Special Utility District
Brooks County
Brookshire-Katy Drainage District
Brookshire Municipal Water District
Brown County
Brownsville Irrigation District
Brushy Creek Municipal Utility District — Williamson County
Burleson County
Burnet Central Appraisal District
Burnet County

C

Caldwell County
Caldwell County Appraisal District
Calhoun County
Calhoun County Appraisal District
Calhoun County E911 Emergency Communications District
Callahan County
Callahan County Appraisal District
Cameron County
Cameron County Appraisal District
Cameron County Drainage District #1
Cameron County Drainage District #3
Cameron County Drainage District #5
Cameron County Emergency Communication District
Cameron County Irrigation District #2
Cameron County Irrigation District #6
Cameron County Regional Mobility Authority
Camp Central Appraisal District
Camp County
Carson County
Cass County
Cass County Appraisal District
Castro County
Central Appraisal District of Bandera County
Central Appraisal District of Johnson County
Central Appraisal District of Taylor County
Central Texas Groundwater Conservation District
Central Texas Regional Mobility Authority
Central Water Control & Improvement District — Angelina County
Chambers County
Chambers County Appraisal District
Chambers County Public Hospital District
Cherokee County
Childress County
Childress County Appraisal District
Childress County Hospital District
Clay County
Clay County Appraisal District
Coastal Bend Groundwater Conservation District
Coastal Plains Groundwater Conservation District
Cochran County
Cochran County Appraisal District
Coke County
Coke County Appraisal District
Coke County Soil & Water Conservation District # 219
Coleman County
Collin County
Collin County Central Appraisal District
Collingsworth County
Colorado County
Comal Appraisal District
Comal County
Comal County Emergency Services District #3
Comanche County
Combined Consumers Special Utility District
Concho County
Concho County Hospital District
Concho Valley Council of Governments
Cooke County
Cooke County Appraisal District
Coryell County
Cottle County
Cow Creek Groundwater Conservation District
Crane County
Crane County Hospital District
Crockett County
Crockett County Appraisal District
Crockett County Water Control & Improvement District #1

Crosby County
Crosby County Appraisal District
Crosby Municipal Utility District
Cross Roads Special Utility District
Culberson County

D

Dallam County
Dallam County Appraisal District
Dallas Central Appraisal District
Dallas County
Dallas County Park Cities Municipal Utility District
Dawson County
Dawson County Central Appraisal District
Deaf Smith County
Deaf Smith County Hospital District
Delta County
Delta County Appraisal District
Delta County Municipal Utility District
Delta Lake Irrigation District
Denco Area 911 District — Denton County
Denton Central Appraisal District
Denton County
Denton County Fresh Water Supply District 1A
Denton County Transportation Authority
DeWitt County
DeWitt County Appraisal District
Dickens County
Dickens County Appraisal District
Dimmit County
Donley County
Duval County
Duval County Appraisal District
Duval County Groundwater Conservation District

E

East Fork Special Utility District
East Medina County Special Utility District
Eastland County
Eastland County Appraisal District
Ector County
Ector County Appraisal District
Ector County Hospital District
Edwards Aquifer Authority — Bexar County
Edwards Central Appraisal District
Edwards County
El Paso Central Appraisal District
El Paso County
El Paso County 911 District
El Paso County Emergency Services District #2
El Paso County Hospital District
Ellis County
Emerald Bay Municipal Utility District
Emergency Communication District of Ector County
Erath County

F

Falls County
Falls County Appraisal District
Fannin County
Fannin County Appraisal District
Fayette County
Fern Bluff Municipal Utility District
Fisher County
Fisher County Hospital District
Floyd County
Fort Bend Central Appraisal District
Fort Bend County
Fort Bend County Water Control & Improvement District #2
Fort Clark Municipal Utility District
Four Way Special Utility District
Franklin County
Freestone County
Freestone County Appraisal District
Frio County
Frio County Appraisal District

G

Gaines County
Gaines County Appraisal District
Galveston Central Appraisal District
Galveston County
Galveston County Consolidated Drainage District
Galveston County Drainage District #1
Galveston County Drainage District #2
Galveston County Emergency Communication District
Galveston County Fresh Water Supply District #6
Galveston County Health District
Galveston County Water Control & Improvement District #1
Garza Central Appraisal District
Garza County
Garza County Health Care District
Gillespie Central Appraisal District
Gillespie County
Gillespie County Soil & Water Conservation District
Glasscock County
Goliad County
Gonzales County
Gonzales County Appraisal District
Graham Regional Medical Center
Gray County
Gray County Appraisal District
Grayson Central Appraisal District
Grayson County
Greater Harris County 911 Emergency Network
Greenbelt Municipal & Industrial Water Authority — Donley County
Gregg County
Grimes County
Grimes County Appraisal District
Guadalupe Appraisal District
Guadalupe County
Gulf Coast Water Authority — Galveston County

H

Hale County
Hall County
Hall County Appraisal District
Hamilton County
Hansford County
Hansford County Hospital District
Hardeman County
Hardin County
Hardin County Appraisal District
Harlingen Irrigation District Cameron County #1
Harris County
Harris County Appraisal District
Harris County Emergency Services District #46
Harris County Emergency Services District #48
Harris County Emergency Services District #50
Harris County Housing Authority
Harris County Water Control & Improvement District #1
Harris County Water Control & Improvement District #36
Harris County Water Control & Improvement District #50
Harrison County
Hartley County
Hartley County Appraisal District
Haskell County
Haskell Memorial Hospital District
Hays Caldwell Public Utility Agency
Hays County
Hays County Emergency Services District #5
Hays County Emergency Services District #6
Hays County Emergency Services District #8
Heart of Texas Council of Governments
Hemphill County
Hemphill County Appraisal District
Hemphill County Hospital District
Hemphill County Underground Water Conservation District
Henderson County
Henderson County 911 Communication District
Henderson County Appraisal District
Hidalgo & Cameron Counties Irrigation District #9

PARTICIPATING COUNTIES AND DISTRICTS As of Dec. 31, 2015

Hidalgo County
Hidalgo County Appraisal District
Hidalgo County Drainage District #1
Hidalgo County Irrigation District #1
Hidalgo County Irrigation District #2
Hidalgo County Irrigation District #6
High Plains Underground Water Conservation District #1
Hill County
Hockley County
Hockley County Appraisal District
Hood County
Hopkins County
Hopkins County Appraisal District
Hopkins-Rains Soil & Water Conservation District
Housing Authority of the City of Abilene
Housing Authority of the City of Edinburg
Housing Authority of the City of Huntington
Housing Authority of the City of Mercedes
Housing Authority of the City of Pharr
Housing Authority of the County of Hidalgo
Houston County
Houston County Appraisal District
Howard County
Hudspeth County
Hunt County
Hunt County Appraisal District
Hutchinson County
Hutchinson County Appraisal District

I

Iraan General Hospital District
Irion County
Irion County Appraisal District

J

Jack County
Jack County Appraisal District
Jackson County
Jackson County Appraisal District
Jackson County County-Wide Drainage District
Jasper County
Jasper County Water Control & Improvement District #1
Jeff Davis County
Jefferson County
Jefferson County Appraisal District
Jefferson County Drainage District #3
Jefferson County Drainage District #6
Jefferson County Drainage District #7
Jefferson County Water Control & Improvement District #10
Jim Hogg County
Jim Hogg County Appraisal District
Jim Hogg County Emergency Services District #1
Jim Hogg County Water Control & Improvement District #2
Jim Wells County
Johnson County
Jonah Water Special Utility District
Jones County
Jones County Appraisal District

K

Karnes County
Karnes County Appraisal District
Karnes County Hospital District
Kaufman County
Kaufman County Appraisal District
Kendall Appraisal District
Kendall County
Kendall County Water Control & Improvement District #1
Kenedy County
Kenedy County Central Appraisal District
Kenedy County Fire & Emergency Services District #1
Kent County
Kent County Tax Appraisal District
Kerr County
Kerr Emergency 911 Network
Kimble County
King County
King County Appraisal District
Kinney County
Kinney County Appraisal District
Kleberg County
Knox County

L

La Salle County
La Salle County Appraisal District
Laguna Madre Water District — Cameron County
Lake Cities Municipal Utility Authority
Lake Kiowa Special Utility District
Lakeway Municipal Utility District — Travis County
Lamar County
Lamar County Appraisal District
Lamb County
Lampasas County
Lampasas County Appraisal District
Lavaca County
Lavaca-Navidad River Authority — Jackson County
Lee County
Leon County
Leon County Central Appraisal District
Liberty County
Liberty County Central Appraisal District
Limestone County
Limestone County Appraisal District
Lipscomb County
Live Oak County
Live Oak County Appraisal District
Llano County
Loving County
Loving County Appraisal District
Lower Trinity Groundwater Conservation District
Lower Valley Water District
Lubbock Central Appraisal District
Lubbock County
Lubbock County Water Control & Improvement District #1
Lubbock Emergency Communication District
Lubbock Reese Redevelopment Authority
Lumberton Municipal Utility District
Lynn County
Lynn County Appraisal District
Lynn County Hospital District

M

Macedonia-Eylau Municipal Utility District — Bowie County
Mackenzie Municipal Water Authority — Briscoe County
Madison County
Madison County Appraisal District
Marion-Cass Soil & Water Conservation District
Marion County
Marion County Appraisal District
Marshall-Harrison County Health District
Martin County
Martin County Appraisal District
Mason County
Mason County Soil & Water Conservation District #223
Matagorda County
Matagorda County Drainage District
Matagorda County Hospital District
Matagorda County Navigation District #1
Maverick County
Maverick County Hospital District
Maverick County Water Control & Improvement District #1
McCamey County Hospital District
McCulloch County
McCulloch County Appraisal District
McLennan County
McLennan County 911 Emergency Assistance District
McLennan County Appraisal District
McLennan County Water Control & Improvement District #2
McMullen County
Medical Arts Hospital — Dawson County

Medina County
Medina County 911 District
Medina County Appraisal District
Memorial Medical Center — Calhoun County
Menard County
Mesa Underground Water Conservation District
Middle Rio Grande Development Council
Midland Central Appraisal District
Midland County
Midland Emergency Communication District
Milam Appraisal District
Milam County
Mills Central Appraisal District
Mills County
Mitchell County
Mitchell County Appraisal District
Monahans Housing Authority
Montague County
Montague County Tax Appraisal District
Montgomery Central Appraisal District
Montgomery County
Montgomery County Emergency Communication District
Montgomery County Emergency Service District #1
Montgomery County Emergency Service District #3
Montgomery County Emergency Service District #8
Montgomery County Hospital District
Montgomery County Housing Authority
Moore County
Moore County Appraisal District
Moore County Hospital District
Morris County
Mustang Special Utility District

N

Nacogdoches County
Navarro Central Appraisal District
Navarro County
Newton Central Appraisal District
Newton County
Nolan County
Nortex Regional Planning Commission
North Central Texas Municipal Water Authority
North East Texas Regional Mobility Authority
North Hunt Special Utility District
North Plains Groundwater Conservation District
North Texas Emergency Communication Center
North Texas Tollway Authority
Northeast Texas Municipal Water District
Northeast Texas Public Health District
Nueces County
Nueces County Appraisal District
Nueces County Drainage District #2
Nueces County Emergency Services District #2
Nueces County Water Control & Improvement District #3
Nueces County Water Control & Improvement District #4

O

Ochiltree County
Oldham County
Oldham County Appraisal District
Orange County
Orange County Appraisal District
Orange County Drainage District
Orange County Emergency Services District #1
Orange County Emergency Services District #2
Orange County Navigation & Port District
Orange County Water Control & Improvement District #1

P

Palo Duro River Authority
Palo Pinto Appraisal District
Palo Pinto County
Palo Pinto Soil & Water Conservation District
Panola County
Parker County
Parker County Appraisal District
Parker County Emergency Services District #1
Parker County Hospital District
Parker County Special Utility District
Parmer County
Parmer County Appraisal District
Pecan Valley Groundwater Conservation District
Pecos County
Pecos County Appraisal District
Pecos County Water Control & Improvement District #1
Permian Basin Regional Planning Commission
Permian Regional Medical Center
Pineywoods Groundwater Conservation District
Polk Central Appraisal District
Polk County
Polk County Fresh Water Supply District #2
Port of Bay City Authority
Port of Beaumont Navigation District
Port of Corpus Christi Authority
Port of Port Arthur Navigation District
Post Oak Savannah Groundwater Conservation District
Potter County
Potter-Randall County Emergency Communications District
Prairielands Groundwater Conservation District
Presidio Appraisal District
Presidio County

R

Rains County
Rains County Appraisal District
Randall County
Randall County Appraisal District
Rankin County Hospital District — Upton County
Reagan County
Reagan Hospital District
Real County
Red Bluff Water Power Control District — Reeves County
Red River Appraisal District
Red River Authority — Wichita County
Red River County
Red River County Soil & Water Conservation District
Reeves County
Reeves County Appraisal District
Reeves County Hospital District
Refugio County
Refugio County Drainage District #1
Refugio Groundwater Conservation District
Rio Grande Council of Governments
Roberts County
Robertson County
Robertson County Appraisal District
Rockwall Central Appraisal District
Rockwall County
Runnels County
Rusk County
Rusk County Appraisal District
Rusk County Groundwater Conservation District

S

Sabine County
Sabine County Appraisal District
Sabine-Neches Navigation District of Jefferson County
Sabine Pass Port Authority
San Augustine County
San Jacinto County
San Jacinto County Appraisal District
San Patricio County
San Patricio County Appraisal District
San Patricio County Drainage District
San Patricio County Navigation District
San Patricio Municipal Water District
San Saba County
Santo Special Utility District
Schleicher County

PARTICIPATING COUNTIES AND DISTRICTS As of Dec. 31, 2015

Scurry County
Scurry County Appraisal District
Scurry County Hospital District
Shackelford County
Shackelford County Appraisal District
Shelby County
Shelby County Appraisal District
Sherman County
Sherman County Appraisal District
Smith County
Smith County 911 Communications District
Smith County Appraisal District
Somervell County
Somervell County Central Appraisal District
Somervell County Water District
South Plains Association of Governments
South Rains Special Utility District
South Texas Development Council
Southeast Texas Groundwater Conservation District
Starr County
Starr County Appraisal District
Stephens County
Stephens County Tax Appraisal District
Sterling County
Sterling County Appraisal District
Stonewall County
Stonewall County Appraisal District
Stonewall Memorial Hospital District
Stratford Hospital District — Sherman County
Sutton County
Sutton County Hospital District
Swisher County
Swisher County Appraisal District

T

Tarrant Appraisal District
Tarrant County
Tarrant County 911 Emergency Assistance District
Tax Appraisal District of Cottle County
Taylor County
Terrell County
Terrell County Water Control & Improvement District #1
Terry County
Terry Memorial Hospital District
Texas Association of Counties
Texas County & District Retirement System
Texas Eastern 911 Network
Throckmorton County
Titus County
Titus County Appraisal District
Titus County Fresh Water Supply District
Tom Green County
Travis Central Appraisal District
Travis County
Travis County Emergency Services District #1 North Lake Travis Fire & Rescue
Travis County Emergency Services District #2
Travis County Emergency Services District #4
Travis County Emergency Services District #12
Travis County Water Control & Improvement District—Point Venture
Tri-County Special Utility District
Trinity Bay Conservation District
Trinity County
Trinity County Appraisal District
Trophy Club Municipal Utility District #1
Two Way Special Utility District
Tyler County
Tyler County Appraisal District

U

United Irrigation District — Hidalgo County
Upper Brushy Creek Water Control & Improvement District
Upper Leon River Municipal Water District
Upper Trinity Groundwater Conservation District
Upshur County
Upton County
Upton County Appraisal District
Uvalde County

V

Val Verde County
Valley Municipal Utility District #2 — Cameron County
Valwood Improvement Authority — Dallas County
Van Zandt County
Van Zandt County Appraisal District
Velasco Drainage District — Brazoria County
Victoria County
Victoria County Drainage District #3
Victoria County Groundwater Conservation District

W

Walker County
Walker County Special Utility District
Waller County
Waller County Appraisal District
Ward County
Ward County Central Appraisal District
Ward Memorial Hospital
Washington County
Webb County
Webb County Appraisal District
West Central Texas Council of Governments
West Central Texas Municipal Water District
West Jefferson County Municipal Water District
West Nueces-Las Moras Soil & Water Conservation District #236
Wharton County
Wharton County Water Control & Improvement District #1
Wharton County Water Control & Improvement District #2
Wheeler County
Wheeler County Appraisal District
White River Municipal Water District — Dickens County
Wichita Appraisal District
Wichita County
Wichita County Water Improvement District #2
Wichita-Wilbarger 911 District
Wickson Creek Special Utility District — Brazos County
Wilbarger County
Wilbarger County Appraisal District
Wilbarger County Hospital District
Willacy County
Willacy County Appraisal District
Willacy County Housing Authority
Williamson Central Appraisal District
Williamson County
Williamson County Emergency Services District #3
Williamson County Emergency Services District #5
Wilson County
Wilson County Appraisal District
Winkler County
Winkler County Appraisal District
Wintergarden Groundwater Conservation District
Wise County
Wise County Appraisal District
Wood County
Wood County Appraisal District

Y

Yoakum County
Yoakum County Appraisal District
Young County

Z

Zapata County
Zapata County Appraisal District
Zapata Soil & Water Conservation District
Zavala County
Zavala County Appraisal District

FINANCIAL

SAVING FOR THE FUTURE

We help more than 270,000 Texans save for retirement. Our members have one thing in common: their jobs make our communities better and safer places to live. As one of the best-funded retirement systems in the nation, our members can count on their retirement benefit when they need it.

KPMG LLP
Suite 1900
111 Congress Avenue
Austin, TX 78701-4091

Independent Auditors' Report

The Board of Trustees
Texas County & District Retirement System

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position of the Texas County & District Retirement System (TCDRS) as of December 31, 2015 and 2014 and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise TCDRS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Texas County & District Retirement System as of December 31, 2015 and 2014, and the changes in fiduciary net position for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, Schedules of Funding Progress and Employer Contributions for the Group Term Life Insurance Fund, and Schedule of Money-Weighted Rates of Return on pages 22 – 25 and 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with audit standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TCDRS' basic financial statements. The Introductory Section on pages 6 – 18, Other Supplementary Information – Changes in Fiduciary Net Position by Fund and Interfund Transfers, Changes in Endowment Fund, Changes in Income Fund, Administrative Revenues and Expenses, Investment Expenses, and Professional/Consultant Fees and Services on pages 42 – 48; the Investment Section on pages 50 – 58, the Actuarial Section on pages 60 – 74; and the Statistical Section on pages 76 – 82 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information – Changes in Fiduciary Net Position by Fund and Interfund Transfers, Changes in Endowment Fund, Changes in Income Fund, Administrative Revenues and Expenses, Investment Expenses, and Professional/Consultant Fees and Services are the responsibility of management and were derived from and directly related to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Other Supplementary Information – Changes in Fiduciary Net Position by Fund and Interfund Transfers, Changes in Endowment Fund, Changes in Income Fund, Administrative Revenues and Expenses, Investment Expenses, and Professional/Consultant Fees and Services are fairly stated in all material respects in relation to the basic financial statements as whole.

The Introductory, Investment, Actuarial, and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

Austin, Texas
June 1, 2016

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FINANCIAL

INTRODUCTION

This section provides an overview and analysis of the system's financial position and performance, focusing on the current year's results, changes in those results (including three-year trends), and other currently known information. Readers are encouraged to consider this information in conjunction with information provided in other areas of the Financial Section, as well as information presented in the Letter of Transmittal in the Introductory Section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of the Statements of Fiduciary Net Position, Statements of Changes in Fiduciary Net Position and the Notes to the Financial Statements. Required Supplementary Information and Other Supplementary Information are also presented.

- The Statements of Fiduciary Net Position report the assets less liabilities and the resulting net position restricted for pension or insurance benefits at the end of 2015, compared to 2014.
- The Statements of Changes in Fiduciary Net Position report the transactions that occurred during 2015 and 2014 for which additions less deductions equal the net increase or decrease in fiduciary net position.
- Notes to the Financial Statements include additional information not readily evident in the statements themselves. The notes are considered essential to a full understanding of the information provided in the financial statements.
- Required Supplementary Information provides the money-weighted rate of return information. In addition, there is historical funding progress and employer contributions information for the Group Term Life Fund.
- Other Supplementary Information provides detailed information, including activity by fund, administrative and investment expenses, and professional and consultant fees and services. These schedules support summary data presented in the basic financial statements.

TCDRS operates two trusts, both of which are accounted for as fiduciary funds. The Pension Trust Fund accounts for and provides retirement, disability and survivor benefits to the employees of participating employers. The Group Term Life Fund (GTLF or Group Term Life) provides a program of group term life insurance for the employees and, if covered, retirees of electing employers. No assets of the Pension Trust Fund may be used to pay any insurance benefit due from the GTLF, nor may assets of the GTLF be used to pay any benefit due from the Pension Trust Fund. Discussion and analysis is provided separately for each of the two trusts.

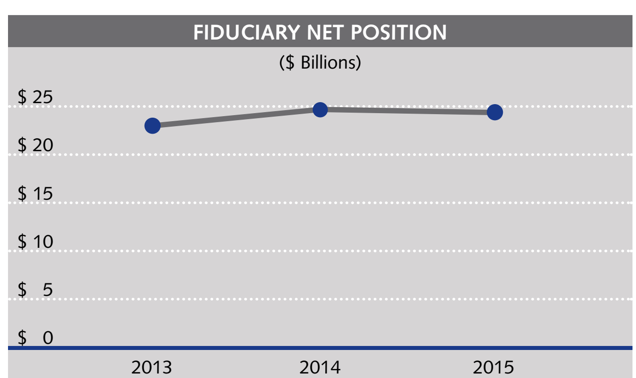
The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position show financial information for both the Pension Trust Fund and the GTLF.

FINANCIAL ANALYSIS: PENSION TRUST FUND

The Pension Trust Fund is comprised of six individual funds, each with a specific operational purpose. Note A in the Notes to the Financial Statements has additional information about each of these funds.

Summary information about fiduciary net position and the changes in fiduciary net position showing comparative detail for 2015, 2014 and 2013 is presented on page 23.

Net position (the amount that assets exceed liabilities) restricted for pensions at year end 2015 totaled $24.53 billion. The 2014 amount was $24.72 billion and for 2013 was $23.15 billion. The decrease in fiduciary net position in 2015 was $0.19 billion, while fiduciary net position increased in 2014 by $1.57 billion, and in 2013 by $3.26 billion.



SUMMARY INFORMATION ABOUT FIDUCIARY NET POSITION

Pension Trust Fund
($ Millions)

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	2015 – 2014 $ Change	2015 – 2014 % Change	2014 – 2013 $ Change	2014 – 2013 % Change
Assets							
Investments, at Fair Value	$ 24,418	$ 24,618	$ 23,049	$ (200)	(0.8)%	$ 1,569	6.8%
Invested Securities-Lending Collateral	39	41	48	(2)	(4.9)	(7)	(14.6)
Receivables, Cash and Cash Equivalents, Other	148	129	132	19	14.7	(3)	(2.3)
Capital Assets, Net	19	17	16	2	11.8	1	6.3
Total Assets	**24,624**	**24,805**	**23,245**	**(181)**	**(0.7)**	**1,560**	**6.7**
Liabilities							
Securities-Lending Collateral	39	41	48	(2)	(4.9)	(7)	(14.6)
Other Liabilities	55	49	51	6	12.2	(2)	(3.9)
Total Liabilities	**94**	**90**	**99**	**4**	**4.4**	**(9)**	**(9.1)**
Net Position Restricted for Pensions	**$ 24,530**	**$ 24,715**	**$ 23,146**	**$ (185)**	**(0.7)%**	**$ 1,569**	**6.8%**

Due to rounding, totals and detail may not equal. Percentages shown are based on rounded amounts and may differ slightly from actual.

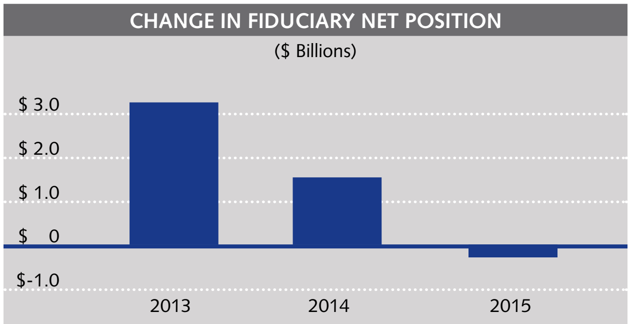
SUMMARY INFORMATION ABOUT CHANGES IN FIDUCIARY NET POSITION

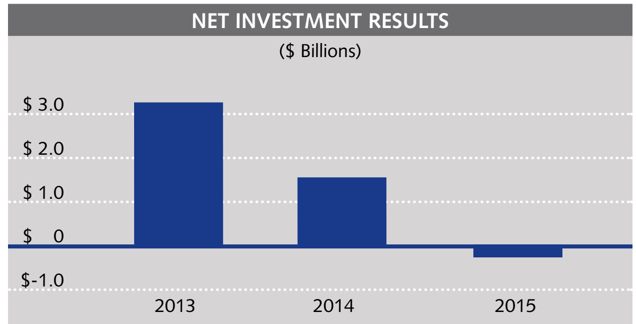
Pension Trust Fund
($ Millions)

	Years Ended Dec. 31, 2015	Years Ended Dec. 31, 2014	Years Ended Dec. 31, 2013	2015 – 2014 $ Change	2015 – 2014 % Change	2014 – 2013 $ Change	2014 – 2013 % Change
Additions							
Employee Deposits	$ 415	$ 383	$ 367	$ 32	8.4%	$ 16	4.4%
Employer Contributions	743	684	644	59	8.6	40	6.2
Net Investment Results	(172)	1,568	3,240	(1,740)	(111.0)	(1,672)	(51.6)
Other Income	2	2	2	0	0.0	0	0.0
Total Additions	**988**	**2,637**	**4,253**	**(1,649)**	**(62.5)**	**(1,616)**	**(38.0)**
Deductions							
Benefits Paid	1,069	964	880	105	10.9	84	9.5
Withdrawals	82	82	91	0	0.0	(9)	(9.9)
Administrative Expenses	18	18	18	0	0.0	0	0.0
Other Expenses	4	4	3	0	0.0	1	33.3
Total Deductions	**1,173**	**1,068**	**992**	**105**	**9.8**	**76**	**7.7**
Net Increase (Decrease) in Fiduciary Net Position	**(185)**	**1,569**	**3,261**	**(1,754)**	**(111.8)**	**(1,692)**	**(51.9)**
Net Position Restricted for Pensions	**$ 24,530**	**$ 24,715**	**$ 23,146**	**$ (185)**	**(0.7)%**	**$ 1,569**	**6.8%**

Due to rounding, totals and detail may not equal. Percentages shown are based on rounded amounts and may differ slightly from actual.

FINANCIAL



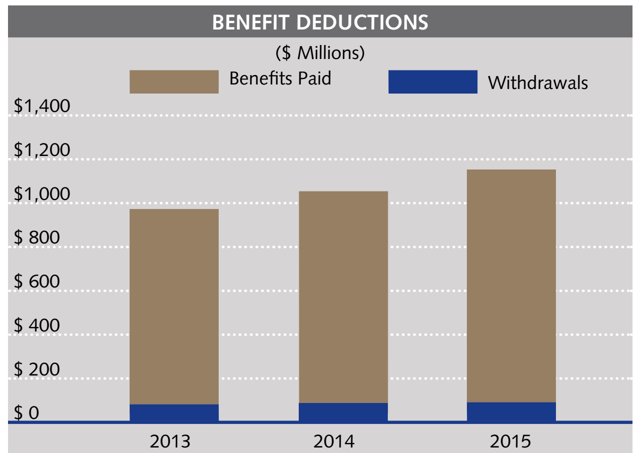


The decrease in 2015 fiduciary net position was primarily due to a net investment loss of $0.17 billion — a -0.7% overall return, net of all fees. Net investment results for 2015 consist of the depreciation in fair value of investments of $229 million, offset by $96 million in interest and dividends, net income from securities-lending activity of $2 million, and $42 million of investment activity expenses. Net investment income in 2014 was $1.57 billion and in 2013 was $3.24 billion.

The disparate impacts of three factors impacted asset class returns over the course of 2015: concerns about the slowing rate of economic growth in China, the strengthening value of the U.S. dollar and the continuing decline in the price of oil. Returns by asset classes were mixed in 2015, with 49% of the investment portfolio experiencing increases and 51% of the portfolio declining. Overall, 77% of the portfolio had gains or losses within the range of negative 4% to positive 5%, while private real estate and private equity saw double-digit gains, and master limited partnerships and commodities had double-digit declines. The results from investing activities for all asset classes, net of all fees, are presented on page 53.

Additions to fiduciary net position in 2015 also included $415 million in employee deposits and $743 million in employer contributions. Employee deposits increased $32 million and employer contributions rose $59 million over 2014 amounts. In 2014, employee deposits increased by $16 million and employer contributions rose by $40 million. Together, employee deposits and employer contributions increased during 2015 by 8.5% and in 2014 by 5.5% over the previous year's amounts, primarily due to growth in covered payroll.

Deductions for benefits paid and withdrawals for 2015 were $1.15 billion, a 10.0% increase over the



previous year. These deductions for 2014 were $1.05 billion, a 7.8% increase over 2013, and in 2013, these deductions were $971 million, an 11.4% increase over 2012. Higher deductions in 2015 and 2014 were due to several factors, including increases in the number of retiree and beneficiary accounts in 2015 (a 6.0% increase) and in 2014 (a 6.7% increase) along with higher average benefits. Withdrawals were flat in 2015 and increased 9.9% in 2014.

OTHER CURRENTLY KNOWN INFORMATION: PENSION TRUST FUND

TCDRS' investment return for 2015 was -0.7%, net of all fees, which exceeded its policy benchmark return of -2.5% by 1.8%.

FINANCIAL ANALYSIS: GROUP TERM LIFE FUND (GTLF)

The GTLF provides an optional program of group term life insurance for the employees and, if covered, retirees of electing employers. An actuarial valuation is performed annually to determine employers' premium rates and to maintain adequate funding over the long term. Based on actuarial analysis, the amount of fiduciary net position is expected to be sufficient to cover any adverse experience that may occur.

Summary information about fiduciary net position and the changes in fiduciary net position showing comparative detail for 2015, 2014 and 2013 is presented below.

The net position restricted for insurance benefits at year end 2015 was $29.7 million, an increase of $3.3 million (12.3%) over the 2014 amount. The increase is due to an interest allocation of $1.9 million, along with a $1.2 million decline in insurance benefits. For the year ended Dec. 31, 2015, employer premiums rose $0.3 million (5.7%), while insurance benefits declined by $1.2 million (26.6%) related to fewer active members having claims (down 29%) and their claims were for a lower average benefit (down 11%).

At year end 2014, the net position restricted for insurance benefits was $26.4 million, which was an increase of $1.6 million (6.5%) over the 2013 amount. For the year ended Dec. 31, 2014, employer premiums rose by $0.3 million while insurance benefits increased $0.3 million.

REQUESTS FOR INFORMATION

This annual report is designed to provide a general overview of TCDRS' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to TCDRS, Finance Division, P.O. Box 2034, Austin, Texas 78768-2034.

SUMMARY INFORMATION ABOUT FIDUCIARY NET POSITION

Group Term Life Fund

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	2015 – 2014 $ Change	2015 – 2014 % Change	2014 – 2013 $ Change	2014 – 2013 % Change
Total Assets	$ 29,918,402	$ 26,793,739	$ 25,423,439	$ 3,124,663	11.7%	$ 1,370,300	5.4%
Total Liabilities	244,338	371,046	613,284	(126,708)	(34.1)	(242,238)	(39.5)
Net Position Restricted for Benefits	**$ 29,674,064**	**$ 26,422,693**	**$ 24,810,155**	**$ 3,251,371**	**12.3%**	**$ 1,612,538**	**6.5%**

SUMMARY INFORMATION ABOUT CHANGES IN FIDUCIARY NET POSITION

Group Term Life Fund

	Years Ended Dec. 31, 2015	2014	2013	2015 – 2014 $ Change	2015 – 2014 % Change	2014 – 2013 $ Change	2014 – 2013 % Change
Additions							
Employer Premiums	$ 4,766,129	$ 4,510,866	$ 4,203,456	$ 255,263	5.7%	$ 307,410	7.3%
Income Allocation from Pension Trust Fund	1,889,834	1,738,911	1,625,589	150,923	8.7	113,322	7.0
Total Additions	**6,655,963**	**6,249,777**	**5,829,045**	**406,186**	**6.5**	**420,732**	**7.2**
Deductions							
Insurance Benefits	3,404,592	4,637,239	4,318,663	(1,232,647)	(26.6)	318,576	7.4
Total Deductions	**3,404,592**	**4,637,239**	**4,318,663**	**(1,232,647)**	**(26.6)**	**318,576**	**7.4**
Net Increase in Fiduciary Net Position	**3,251,371**	**1,612,538**	**1,510,382**	**1,638,833**	**101.6**	**102,156**	**6.8**
Net Position Restricted for Benefits	**$ 29,674,064**	**$ 26,422,693**	**$ 24,810,155**	**$ 3,251,371**	**12.3%**	**$ 1,612,538**	**6.5%**

STATEMENTS OF FIDUCIARY NET POSITION

	Dec. 31, 2015			Dec. 31, 2014		
	Pension Trust Fund	Group Term Life Fund	Total	Pension Trust Fund	Group Term Life Fund	Total
ASSETS						
Cash and Cash Equivalents	$ 25,123,259	—	$ 25,123,259	$ 26,616,754	$ —	$ 26,616,754
Receivables:						
Contributions	104,566,054	—	104,566,054	83,736,203	—	83,736,203
Investment Interest and Dividends	16,004,403	—	16,004,403	18,397,930	—	18,397,930
Securities-Lending Interest	176,733	—	176,733	231,148	—	231,148
Foreign Currency & Exchange Contracts	501,140	—	501,140	265,781	—	265,781
Employer Premiums	—	243,435	243,435	—	205,519	205,519
Other	176,581	—	176,581	182,936	—	182,936
Total Receivables	121,424,911	243,435	121,668,346	102,813,998	205,519	103,019,517
Prepaid Expenses and Other Assets	1,994,614	—	1,994,614	224,096	—	224,096
Investments, at Fair Value:						
U.S. Equities	3,915,643,420	—	3,915,643,420	4,895,945,348	—	4,895,945,348
International Equities	4,661,048,923	—	4,661,048,923	4,395,179,639	—	4,395,179,639
Global Equities	512,500,022	—	512,500,022	489,629,627	—	489,629,627
Hedge Funds	6,188,413,589	—	6,188,413,589	6,153,679,967	—	6,153,679,967
High-Yield Investments	3,421,841,960	—	3,421,841,960	3,451,647,583	—	3,451,647,583
Private Equity	2,568,020,567	—	2,568,020,567	2,231,642,975	—	2,231,642,975
REITs	772,654,712	—	772,654,712	514,283,980	—	514,283,980
Master Limited Partnerships	472,358,195	—	472,358,195	559,520,364	—	559,520,364
Private Real Estate Partnerships	491,450,067	—	491,450,067	468,717,458	—	468,717,458
Commodities	246,097,341	—	246,097,341	327,535,599	—	327,535,599
TIPS	48,642,878	—	48,642,878	49,381,201	—	49,381,201
Investment-Grade Bonds	950,888,291	—	950,888,291	995,121,734	—	995,121,734
Cash and Cash Equivalents	168,076,759	—	168,076,759	85,535,716	—	85,535,716
Total Investments	24,417,636,724	—	24,417,636,724	24,617,821,191	—	24,617,821,191
Invested Securities-Lending Collateral	39,219,985	—	39,219,985	40,774,522	—	40,774,522
Funds Held by Pension Trust Fund	—	29,674,967	29,674,967	—	26,588,220	26,588,220
Capital Assets, Net	18,918,548	—	18,918,548	17,347,160	—	17,347,160
Total Assets	**24,624,318,041**	**29,918,402**	**24,654,236,443**	**24,805,597,721**	**26,793,739**	**24,832,391,460**
LIABILITIES						
Accounts and Investments Payable	25,745,421	—	25,745,421	23,076,512	—	23,076,512
Insurance Benefits Payable	—	244,338	244,338	—	371,046	371,046
Funds Held for Group Term Life Fund	29,674,967	—	29,674,967	26,588,220	—	26,588,220
Securities-Lending Collateral	39,219,985	—	39,219,985	40,774,522	—	40,774,522
Total Liabilities	**94,640,373**	**244,338**	**94,884,711**	**90,439,254**	**371,046**	**90,810,300**
Net Position Restricted for Benefits	**$ 24,529,677,668**	**$ 29,674,064**	**$ 24,559,351,732**	**$ 24,715,158,467**	**$ 26,422,693**	**$ 24,741,581,160**

See accompanying Notes to the Financial Statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	Year Ended Dec. 31, 2015			Year Ended Dec. 31, 2014		
	Pension Trust Fund	Group Term Life Fund	Total	Pension Trust Fund	Group Term Life Fund	Total
ADDITIONS						
Contributions and Deposits						
Employee Deposits	$ 414,806,917	$ —	$ 414,806,917	$ 383,186,524	$ —	$ 383,186,524
Employer Contributions	743,149,234	—	743,149,234	684,212,315	—	684,212,315
Employer Premiums	—	4,766,129	4,766,129	—	4,510,866	4,510,866
Total	1,157,956,151	4,766,129	1,162,722,280	1,067,398,839	4,510,866	1,071,909,705
Investment Income						
From Investment Activities						
Net Appreciation (Depreciation) in Fair Value of Investments	(229,283,232)	—	(229,283,232)	1,501,262,812	—	1,501,262,812
Interest and Dividends	96,120,797	—	96,120,797	101,371,295	—	101,371,295
Total Investment Activity Income (Loss)	(133,162,435)	—	(133,162,435)	1,602,634,107	—	1,602,634,107
Less Investment Activity Expenses	41,601,487	—	41,601,487	36,460,292	—	36,460,292
Net Income (Loss) from Investment Activities	(174,763,922)	—	(174,763,922)	1,566,173,815	—	1,566,173,815
From Securities-Lending Activities						
Securities-Lending Income	2,144,444	—	2,144,444	2,490,425	—	2,490,425
Less Securities-Lending Expenses:						
Borrower Rebates and Management Fees	19,050	—	19,050	3,533	—	3,533
Net Income from Securities-Lending Activities	2,125,394	—	2,125,394	2,486,892	—	2,486,892
Total Net Investment Income (Loss)	(172,638,528)	—	(172,638,528)	1,568,660,707	—	1,568,660,707
Building Operations and Miscellaneous Income	2,475,483	—	2,475,483	1,588,730	—	1,588,730
Income Allocation from Pension Trust Fund	—	1,889,834	1,889,834	—	1,738,911	1,738,911
Total Additions	**987,793,106**	**6,655,963**	**994,449,069**	**2,637,648,276**	**6,249,777**	**2,643,898,053**
DEDUCTIONS						
Benefits Paid	1,069,109,567	—	1,069,109,567	964,456,438	—	964,456,438
Withdrawals	82,058,823	—	82,058,823	82,202,752	—	82,202,752
Interest Allocation to Group Term Life Fund	1,889,834	—	1,889,834	1,738,911	—	1,738,911
Insurance Benefits	—	3,404,592	3,404,592	—	4,637,239	4,637,239
Administrative and Building Operations Expenses	20,215,681	—	20,215,681	20,048,081	—	20,048,081
Total Deductions	**1,173,273,905**	**3,404,592**	**1,176,678,497**	**1,068,446,182**	**4,637,239**	**1,073,083,421**
Net Increase (Decrease) in Net Position	**(185,480,799)**	**3,251,371**	**(182,229,428)**	**1,569,202,094**	**1,612,538**	**1,570,814,632**
Net Position Restricted for Benefits:						
Beginning of Period, Jan. 1	**24,715,158,467**	**26,422,693**	**24,741,581,160**	**23,145,956,373**	**24,810,155**	**23,170,766,528**
End of Period, Dec. 31	**$ 24,529,677,668**	**$ 29,674,064**	**$ 24,559,351,732**	**$ 24,715,158,467**	**$ 26,422,693**	**$ 24,741,581,160**

See accompanying Notes to the Financial Statements.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Texas County & District Retirement System (TCDRS or system) was created in 1967 by the Texas Legislature. The system partners with Texas counties and districts to provide their employees with retirement, disability and survivor benefits. TCDRS is governed by the Texas Legislature and overseen by an independent board of trustees, which is responsible for the administration of the system. TCDRS does not receive state funding. Each plan is funded independently by the county or district, its employees and by investment earnings.

The TCDRS Board of Trustees provides leadership for the system, which serves more than 270,000 TCDRS members and retirees. Our independent, nine-member board is comprised of system members and retirees appointed by the governor and confirmed by the Texas Senate. TCDRS trustees serve staggered six-year terms and have oversight of all system operations, including the annual budget, policy determination, legislative proposals and investment policy. The board appoints a director to manage the day-to-day operations of TCDRS and an investment officer to oversee TCDRS investments.

The financial statements of TCDRS have been prepared to conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements report the operations of TCDRS, which consists of two fiduciary funds: the Pension Trust Fund and the Group Term Life Fund (GTLF). The Pension Trust Fund is used to provide retirement, survivor, disability and withdrawal benefits and to pay the operating expenses of the system. The GTLF is used to operate a voluntary program of group term life insurance benefits.

New Accounting Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application,* which is expected to expand the disclosures related primarily to investments. The statement describes fair value as an exit price. It requires the use of valuation techniques that will provide sufficient information to measure fair value. The statement establishes a hierarchy of inputs to valuation techniques to measure fair value. The requirements of the statement will be implemented in the 2016 CAFR.

In June 2015, the GASB issued Statements No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans,* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Postemployment benefits other than pensions are known as “OPEB”. The two new statements replace Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The purpose of the two new OPEB statements will ensure consistency with the accounting and financial reporting for pensions as promulgated by Statements 67 and 68. The requirements of Statement No. 74 will be implemented in the 2017 CAFR for the Group Term Life Fund. The requirements of Statement No. 75 will be implemented in the 2017 CAFR for employers participating in the Group Term Life Fund with fiscal years beginning after June 15, 2017, and who offer coverage to their retirees.

Basis of Accounting

The system’s funds are maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of when payment is made. Employee deposits and employer contributions are recognized in the period the employer reports compensation for its employees pursuant to statutory requirements. Benefit payments are recognized when due and payable in accordance with the plans’ terms.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The system invests in a diversified portfolio of assets. Investments, in general, are exposed to various risks, such as interest rate, credit and market volatility. It is possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Basis of Presentation

TCDRS maintains separate funds and accounts in accordance with the TCDRS Act. This is done to help ensure observance of limitations and restrictions on the use of resources available to TCDRS.

In the Pension Trust Fund, the assets of all employer plans are pooled for investment purposes. However, each employer's plan is accounted for separately, so that each employer's assets are used only for the funding of its individual plan.

The costs of administering TCDRS are paid from investment earnings and general reserves of the pooled assets of all plans.

The TCDRS Act requires that all assets of the retirement system be credited to one of the following funds and accounts, according to the purpose for which they are held:

Employees Saving Fund

The Employees Saving Fund (ESF) contains an account for each member. Each account is increased as a member makes deposits and earns interest. Accounts are reduced for payments due to withdrawals and benefit payments.

Subdivision Accumulation Fund

The Subdivision Accumulation Fund (SAF) receives employer contributions and contains an account for each participating employer to fund retirement benefits. An account is increased as an employer makes contributions. Annually, the board decides on the income allocation to each employer's SAF balance. Employer accounts increase if there is a positive allocation of earnings; accounts decrease if there is a negative allocation. When an employee retires, an amount equal to the employee's account balance is transferred to the Current Service Annuity Reserve Fund (CSARF) for the purpose of funding the employee's benefits. If the employer provides retirement benefits in excess of the basic benefit, then the account is also reduced monthly by the amount of the additional benefit payments.

Current Service Annuity Reserve Fund

The CSARF receives employee account balances and employer matching funds when an employee chooses to retire, and annual interest. It maintains all funds reserved for basic benefits granted and in force, and is reduced by all such benefit payments.

Endowment Fund

The Endowment Fund contains accounts that hold the general reserves of the system, inactive accounts from the ESF and reserves to transfer to the Expense Fund for subsequent year operating expenses. Refer to the schedule of Changes in Endowment Fund on page 44.

General reserves are maintained in the Endowment Fund to keep rates stable and to help offset future adverse experience. The Endowment Fund may increase or decrease based on allocation decisions to or from the general reserves by the board of trustees.

Income Fund

All investment income is credited to the Income Fund. It accounts for investment earnings and expenses, and annual allocations to other funds. The fund is reduced by investment expenses and by the statutory allocation of interest to the ESF, CSARF and GTLF. In addition, the board makes an allocation to the SAF.

If any excess exists after all allocations are made, the remainder is transferred to the Endowment Fund. Refer to the Changes in Income Fund schedule on page 45 for additional information.

Expense Fund

TCDRS pays administrative and investment operating expenses from this fund. As mentioned in the Endowment Fund and the Income Fund, operating expenses are financed from general reserves at the beginning of the year, and the Income Fund finances the investment expenses by reimbursing the Expense Fund.

The Group Term Life Fund reports the net position available to pay insurance benefits for covered participants. Premiums paid by employers and an annual allocation are added to the fund, while insurance benefits are paid from the fund.

Investments

Investments consist of a diversified portfolio, including equities, hedge funds, high-yield investments, private equity, real assets and investment-grade bonds along with cash and cash equivalents. The portfolio is further diversified within each of the asset classes.

Investment purchases and sales are recorded as of their trade dates. Investments are reported at fair value, and are primarily valued on the basis of market valuations provided by FT Interactive Data. Government securities (including TIPS) and other fixed-income securities are priced using a matrix methodology. REIT investments are priced using their primary exchange closing price. U.S. and international commingled equity investments, commodities, hedge fund investments, private equity and private real estate partnerships are valued based on the net asset value provided by the respective investment company or partnership. Security transactions and any resulting gains or losses are accounted for by the specific identification method on a trade-date basis.

For the years ended Dec. 31, 2015 and 2014, the annual money-weighted rate of return on investments, net of investment expenses, was -0.66% and 6.84%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. In the Required Supplementary Information is a table of the annual money-weighted rates of return for the 10-year period ended Dec. 31, 2015.

Capital Assets

Capital assets, which consist of land, building and improvements, software, and equipment and furniture are reported at historical cost and are depreciated on a straight-line basis over the estimated useful lives. TCDRS has elected to capitalize items that individually exceed $5,000. The estimated useful lives for building and improvements range from 20 to 40 years, for furniture and components 10 years, for office equipment 3 to 5 years, for computer software 3 to 5 years, and for tenant improvements 2 to 12 years.

B: PLAN DESCRIPTION

Pension Trust Fund

TCDRS is a statewide, agent multiple-employer, public-employee retirement system. The system serves 701 participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCDRS Act. Because of that, employers have the flexibility and local control to select benefits and pay for those benefits based on their needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan. Membership in TCDRS as of Dec. 31, 2015 and 2014 is summarized in Table 1.

Benefits

A percentage of each employee's paycheck is deposited into his or her TCDRS account. That percentage (from 4% to 7%) is set by the employer.

The employee's savings grow, by law, at a rate of 7%, compounded annually. The employer selects a matching rate — at least "dollar for dollar," up to $2.50 per $1.00 in the employee's account. At retirement, the employee's account balance is combined with employer matching and converted into a lifetime monthly benefit.

Employees receive a month of service time for each month that they make a deposit into their account. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes employer matching, at age 60 or older. Employers may choose 5-, 8- or 10-year vesting. In addition, employees may retire before age 60 if

TABLE 1: MEMBERSHIP		
	Dec. 31,	
Pension Trust Fund:	**2015**	**2014**
Inactive Plan Members (or Beneficiaries) Currently Receiving Benefits	**56,362**	**53,169**
Inactive Plan Members Entitled to But Not Yet Receiving Benefits Accounts:		
Vested	19,735	18,111
Nonvested	65,673	61,360
Total	**85,408**	**79,471**
Active Plan Members' Accounts:		
Vested	63,869	61,896
Nonvested	65,348	63,964
Total	**129,217**	**125,860**
Number of Plans:		
Counties	252	252
Districts	449	425
Inactive Plan	1	1
Total	**702**	**678**
Group Term Life Fund:		
Annuitants	**7,652**	**7,216**
Terminated Employees:		
Vested	**5,951**	**5,569**
Current Employees:		
Vested	16,615	15,953
Nonvested	17,933	17,441
Total	**34,548**	**33,394**
Number of Plans:		
Counties	126	125
Districts	172	164
Total	**298**	**289**

they meet one of the following requirements, set by the employer:

- **"Rule of" eligibility:** Under these rules, a vested employee can retire if their age plus years of service time add up to at least 75 or 80.
- **20-year or 30-year retirement at any age:** This lets employees retire when they have at least 20 or 30 years of service time.

Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options, which are detailed on page 69.

Employers may elect to provide other optional benefits. Prior service gives employees monetary credit for time worked for an organization before it joined the system. Buybacks allow current employees to re-establish a closed TCDRS account from previous service with an employer. Partial lump-sum payments at retirement allow employees to withdraw part of their TCDRS account balance as a lump sum at retirement with a reduced monthly benefit.

In addition, an employer may choose to adopt a cost-of-living adjustment (COLA) for its retirees. This adjusts retiree benefits to restore purchasing power lost due to the effects of inflation.

Contributions

A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required, by law, to contribute at actuarially determined rates, which are determined annually.
- Investment income funds a large part of the benefits employees earn.

Employers have the option of paying more than the required contribution rate each year. Extra contributions can help employers "pre-fund" benefit increases, such as a cost-of-living adjustment to retirees, and they can be used to help offset or mitigate future increases in the required rate due to negative plan experience. There are two approaches for making extra contributions: (a) paying an elected contribution rate higher than the required rate and (b) making an extra lump-sum contribution to the employer account.

Administrative costs of TCDRS are financed through the system's general reserves, which are part of the Endowment Fund.

Group Term Life Fund (GTLF)

TCDRS also administers the Group Term Life program, a group term life insurance. The fund for this benefit is a separate trust administered by the board. The fund receives monthly participating employers' premiums and pays benefits when due. The obligations of the program are payable only from this fund, and are not an obligation of, or a claim against, the TCDRS Pension Trust Fund. The fund's assets are pooled with those of the Pension Trust Fund under provisions of the TCDRS Act and annually receive an allocation of income based on

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the fund value. This optional program provides group term life insurance coverage to currently eligible employees, and if elected by employers, to retirees. Participation in the Group Term Life program as of Dec. 31, 2015 and 2014 is summarized in Table 1 on page 31.

Benefits

Current employees of participating employers are insured for an amount equivalent to the employee's current annual compensation. Employers may also choose to cover retirees. Retirees are insured for $5,000. Life insurance proceeds are payable as a lump sum. The coverage provided to retirees is a postemployment benefit other than pension benefits (OPEB).

Contributions

Each participating employer contributes to the Group Term Life program at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is equal to the cost of providing one-year term life insurance. The premium rate is expressed as a percentage of the covered payroll of members employed by the participating employer. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

The Group Term Life program is voluntary and employers can cease participation at any time. Therefore, the funding policy of the program is to ensure that adequate resources are available to meet all insurance benefit payments for the upcoming year. It is not the intent of the funding policy to pre-fund retiree term life insurance during employees' entire careers.

Funded Status and Funding Progress

As of Dec. 31, 2015, the most recent actuarial valuation date, the Group Term Life program was 120.7% funded. The actuarial accrued liability for benefits was $24.6 million, and the actuarial value of assets was $29.7 million, resulting in an Overfunded Actuarial Accrued Liability (OAAL) of $5.1 million. The covered payroll (annual payroll of active participants covered by the program) was $1.5 billion and the ratio of the OAAL to the covered payroll was 0.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation for the GTLF follows:

Valuation Date:	Dec. 31, 2015
Actuarial Cost Method:	
Active Insurance Benefits	Unit credit; determining one-year term cost
Retiree Insurance Benefits	Entry age
Amortization Method:	Level percent, open
Remaining Amortization Period:	30 years
Asset Valuation Method:	Fund value[1]
Actuarial Assumptions:	
Investment Return	7.0%[1]
Inflation	3.0%

[1] The fund's assets are pooled with those of the Pension Trust Fund under provisions of the TCDRS Act. The fund receives an annual earnings allocation of 7% based on the fund value.

C: TCDRS AS EMPLOYER

Pension Trust Fund

TCDRS, as an employer, participates in the Texas County & District Retirement System.

A brief description of benefit terms:

1. All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
2. The plan provides retirement, disability and survivor benefits.
3. TCDRS is a savings-based plan. For TCDRS, as an employer, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on the beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.
4. There are no automatic COLAs. Each year, TCDRS, as an employer, may elect an ad hoc COLA for its retirees. There are two COLA types, each limited by actual inflation.
5. Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

TCDRS, as an employer, has a contribution rate that is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. Contributions to the pension plan from TCDRS, as an employer, for 2015 were based on the elected rate of 10.5%.

Postemployment Benefits Other Than Pensions

Group Term Life Fund

TCDRS participates in the Group Term Life program. For a general explanation of the Group Term Life program, turn to page 31. TCDRS provides coverage to current eligible employees and to retired employees.

TCDRS, as an employer, contributes to the Group Term Life program at a contractually required rate. TCDRS' contributions, as an employer, to the Group Term Life program for the years ended Dec. 31, 2015, 2014 and 2013, were $24,412, $22,215 and $20,164 respectively, which equaled the required contributions each year.

TCDRS Bridge Program Health Reimbursement Arrangement

TCDRS adopted the TCDRS Bridge Program Health Reimbursement Arrangement (Bridge Program) for its employees. The program is open to all former TCDRS employees who meet all three conditions: (a) employed with TCDRS on or after Jan. 1, 2007; (b) accumulated at least 10 years of full-time employment with TCDRS; and (c) an active TCDRS employee on or after attaining age 58½.

The Bridge Program is a self-insured medical expense reimbursement plan that provides a maximum credit of $550 per month for 60 consecutive months. Coverage begins on the first day of the month immediately after the eligible former employee reaches age 60 or has separated from employment with TCDRS, whichever occurs later.

As of Jan. 1, 2015, the most recent actuarial valuation date, the Bridge Program was 0% funded. The actuarial accrued liability was $688,379 and the actuarial valuation of assets was $0, resulting in a UAAL of $688,379. Based on an annual covered payroll of $10,171,091, the UAAL as a percentage of covered payroll was 6.8%. The annual OPEB cost for 2015 was $94,053 and TCDRS' contributions as an employer in 2015 were $32,276; the annual OPEB cost for 2014 was $99,173 and TCDRS' contributions as an employer in 2014 were $24,750; and the annual OPEB cost for 2013 was $82,018, and TCDRS' contributions as an employer in 2013 were $15,400. The resulting net OPEB obligation at Dec. 31, 2015 was $488,718.

The actuarial cost method used was the projected unit credit with a level dollar open amortization method and the amortization period of 15 years. The discount rate used was 3.5%.

Deferred Compensation

The employees of TCDRS may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan, available to all employees of TCDRS, permits the deferral of a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or certain unforeseeable emergencies. All compensation deferred under the plan is held by a custodian for the exclusive benefit of participants and beneficiaries.

D: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds on deposit with a financial institution in interest-bearing demand deposit accounts. They are invested on an overnight basis (sweep) in a U.S. dollar-denominated investment under a repurchase agreement. The funds are collateralized at 102% using U.S. Treasury, government or agency securities. Cash held in (1) demand deposit accounts, (2) the overnight sweep, and (3) the JPMorgan U.S. Government Money Market Fund (an open-end institutional money market fund) is available to pay benefits, operational expenses and funds awaiting transfer to investment management.

Custodial credit risk is the risk that in the event of a bank failure, the system's deposits may not be returned to it. A discussion of custodial credit risk pertaining to cash and cash equivalents can be found in Note G, beginning on page 36.

E: INVESTMENTS

Investment decisions of the board are subject to Section 67, Article XVI of the Texas Constitution, and to the applicable statutory provisions of the Texas Trust Code that provide for a "prudent person" standard of care. Investment authorization is restricted by the investment policy adopted by the board that emphasizes the importance of a long-term investment philosophy with minimization of risk while targeting a long-term investment return of 8%. The board has determined that a diversified portfolio will offer the best opportunity to produce the desired 8% investment return. Accordingly, the TCDRS investment portfolio now includes investments in the following asset classes:

Equity Holdings

The system's U.S. equities and a portion of its developed international and emerging market equities are passively managed in commingled index funds. The remaining developed international, emerging market and global equities are actively managed in commingled funds and one limited partnership.

Hedge Funds

The vehicles for hedge fund investments are typically commingled vehicles, such as limited partnerships, limited liability companies or offshore corporations. At Dec. 31, 2015, the system's hedge fund portfolio consisted of 34 partnerships with a fair value totaling $6.19 billion.

High-Yield Investments

The board has divided the high-yield asset class into four portions. The high-yield bond portfolio encompasses the portion of the U.S. corporate bond market that is rated below BBB- by S&P or below Baa3 by Moody's. Accordingly, credit risks associated with these bonds are greater than risks with investment-grade bonds and have historically traded at yields of 3.5% to 4.5% above comparable U.S. Treasury instruments. The second portion consists of distressed debt partnerships, which invest in securities of companies whose debt has declined in value because they are experiencing financial stress. Typical holdings are senior and subordinated debt instruments. The third portion consists of opportunistic credit partnerships that invest in securitized credit instruments made up of senior corporate bank loans and asset-backed credit investments secured by commercial and residential mortgages, car loans, and other types of assets. The fourth portion, direct lending partnerships, consists of privately originated debt made to small and medium-sized companies or to real estate investors in order to take advantage of dislocations in the capital markets. Table 2 lists the committed and unfunded capital to opportunistic credit, distressed debt and direct lending investments at Dec. 31, 2015.

Private Equity

TCDRS' private equity investments consist of partnerships that (a) take public companies private in order to improve their operations and then resell them in the future; (b) invest in start-up companies with new ideas or technologies; (c) invest in both traditional and renewable energy discovery and production; and (d) invest in real estate. As of Dec. 31, 2015, TCDRS had committed $5.16 billion of capital to 148 private equity partnerships.

Table 2 lists the committed and unfunded capital to private equity investments at Dec. 31, 2015. During the first quarter of 2016, an additional $318 million has been committed to private equity partnerships.

Real Assets

- Real estate investment trusts (REITs) are companies that own and operate income-producing real estate, such as commercial office buildings, apartments, malls, warehouses and storage facilities. Under provisions of the U.S. tax law, if REITs pay out most of their income in dividends, they are not required to pay income taxes. Consequently, substantial amounts of income can be received from investing in REITs.
- Treasury Inflation-Protected Securities (TIPS) are issued by the U.S. Treasury and structured as a hedge against inflation. The principal value of the securities is adjusted based on changes in the consumer price index (CPI). Interest payments are determined by multiplying a fixed coupon by the inflation-adjusted principal. The inflation-adjusted principal is payable at maturity.
- Commodities consist of investments in resources that can be either perishable (grains, sugar, etc.) or non-perishable (metals, energy, etc.). Commodities provide protection against inflation and have low correlation to stocks and other asset classes.
- Private real estate partnerships acquire and operate commercial properties including office buildings, apartments, hotels, malls and residential real estate. Private real estate investments are illiquid and typically have expected holding periods of 10 to 12 years. As reported in Table 2, at Dec. 31, 2015, TCDRS had committed $1.21 billion to 28 private real estate partnerships.
- Master Limited Partnerships (MLPs) are publicly traded partnership interests created by Congress to encourage investment in domestic energy infrastructure. At the entity level, these interests are tax free provided that 90% of their income comes from natural resources such as oil, natural gas, coal, timber and other depletable resources.

Investment-Grade Bonds

The investment-grade bond portfolio consists of debt instruments issued by the United States Treasury and governmental agencies, asset-backed securities, and corporate bonds that are rated investment grade by the major ratings agencies. Additionally, this portfolio may contain minimal investments in short-term instruments, non-rated securities, private placement securities, convertible bonds and preferred stock.

The portfolio should exhibit an overall dollar-weighted average quality rating of AA with no investment rated lower than BBB- or equivalent as rated by Standard & Poor's (S&P), Moody's Investor Service or Fitch Investor's Service at the time of purchase or, if not rated, be deemed by the manager to be of similar quality.

Cash and Cash Equivalents

The TCDRS Board of Trustees may select one or more commercial banks, depository trust companies or other entities to serve as custodian or custodians of the system's cash, cash equivalents and short-term investments, and may authorize the custodian to invest the cash in such short-term investments as the board determines. TCDRS has authorized its custodian to invest cash, on an overnight basis, in the custodian's Collective U.S. Government Short Term Investment Fund (STIF). The investment objective of the STIF is to provide safety of principal, daily liquidity and competitive returns. The STIF owns high-quality debt instruments (which include U.S. government or U.S. government agencies, repurchase agreements, floating-rate notes, etc.). At Dec. 31, 2015 the dollar-weighted average maturity of the STIF was 52 days with an average current yield of 0.13%.

TABLE 2: SCHEDULE OF UNFUNDED COMMITMENTS

Dec. 31, 2015

Investment Category	Total Commitment	Unfunded Commitment	Fair Value
Opportunistic Credit	$ 2,428,489,494	$ 205,533,381	$ 2,126,107,307
Distressed Debt	1,375,479,913	422,922,671	569,306,301
Direct Lending	633,392,500	274,124,840	372,563,884
Private Equity	5,156,668,276	2,322,000,009	2,568,020,567
Private Real Estate	1,211,292,190	644,485,928	491,450,067
Total Contingent Commitments	**$ 10,805,322,373**	**$ 3,869,066,829**	**$ 6,127,448,126**

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The investment officer manages cash in the STIF together with new contributions until they are allocated to a portfolio.

F: SECURITIES LENDING

State statutes and the board's policies permit TCDRS to use its investments to enter into securities-lending transactions — loans of securities to broker-dealers and other entities in exchange for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The system's custodian, The Bank of New York Mellon Corp. (BNY Mellon), is engaged as the lending agent to lend securities from the system's fixed-income portfolios for cash collateral of 102% of the fair value of the securities loaned.

Collateral, either cash or securities, is initially pledged for the securities on loan and additional collateral is required from the borrower by the close of the next business day if its value falls to less than 100% of the fair value of the securities on loan. U.S. government securities may also be accepted as collateral for loans. TCDRS does not have the ability to pledge or sell collateral securities unless the borrower defaults. At Dec. 31, 2015, BNY Mellon held $71,757,067 of non-cash collateral.

Cash collateral is invested in short-term fixed-income instruments in accordance with the system's securities-lending guidelines. Table 3 lists the categories of collateral investments at Dec. 31, 2015 and 2014.

At the end of years 2015 and 2014, TCDRS had no credit risk exposure to borrowers because the amounts the system owed to borrowers exceeded the amounts the borrowers owed to TCDRS. Contracts with the lending agents require the agents to indemnify TCDRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities on loan) or fail to pay TCDRS for income distributions while the securities are on loan. At Dec. 31, 2015 and 2014, the fair values of securities on loan were $108,404,001 and $79,797,821, respectively.

Additionally, TCDRS invests in two commingled domestic and international equity portfolios that participate in securities-lending programs managed by State Street Global Advisors. TCDRS receives a proportionate share of the securities-lending income generated from these activities.

TABLE 3:
INVESTED SECURITIES-LENDING COLLATERAL

Investment Type	Dec. 31, 2015	Dec. 31, 2014
Cash and Other Liquid Assets	$ (12,603)	$ (14,202)
Money Funds	5,214,000	—
Asset-Backed Securities	747	35,521
Repurchase Agreements	30,017,728	36,326,781
Domestic Corporate Fixed-Income Securities	4,000,113	4,426,422
Total Invested Securities-Lending Collateral	**$ 39,219,985**	**$ 40,774,522**

G: DEPOSIT AND INVESTMENT RISK

Identification of credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk is mandated by GASB Statement No. 40.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The TIPS portfolio contains obligations of the U.S. government and is not considered to have credit risk. At both Dec. 31, 2015 and 2014, according to Standard and Poor's (S&P) evaluations, the investment-grade bond portfolio exhibited an overall quality rating of AA-. The Barclays U.S. Aggregate Bond Index is the benchmark for performance measurement of the investment-grade bond portfolio. At both Dec. 31, 2015 and 2014, the Barclays Aggregate Bond Index had an average S&P quality rating of AA.

At both Dec. 31, 2015 and 2014, according to S&P evaluations, the high-yield investments portfolio exhibited an overall quality rating of B+. The Citigroup High-Yield Cash-Pay Capped Index is the benchmark for performance measurement of the high-yield investments portfolio. At both Dec. 31, 2015 and 2014, according to S&P evaluations, the benchmark exhibited an average quality rating of B+.

The investment policy does not explicitly outline an acceptable level of credit risk for the investment-grade bond or high-yield investments portfolios, but the board's adoption of their respective benchmark index is an implicit adoption of the market risk inherent in these portfolios.

TABLE 4: CREDIT RISK BY QUALITY

Dec. 31,

	Investment-Grade Bonds				High-Yield Investments			
	2015		2014		2015		2014	
Rating	Fair Value ($ Millions)	% of Total	Fair Value ($ Millions)	% of Total	Fair Value ($ Millions)	% of Total	Fair Value ($ Millions)	% of Total
Governments	$ —	0%	$ —	0%	$ —	0%	$ —	0%
AAA	494.0	52	530.1	53	—	0	—	0
AA	43.6	5	57.0	6	—	0	—	0
A	109.2	11	133.4	13	—	0	—	0
BBB	195.9	21	187.4	19	3.5	0	2.0	0
BB	28.8	3	29.9	3	116.8	3	96.9	3
B	0.1	0	0.6	0	169.8	5	176.4	5
Less than B	0.2	0	0.4	0	24.8	1	49.1	1
Not Rated - Bonds	79.1	8	56.3	6	38.9	1	51.4	1
Not Rated - Distressed Debt	—	0	—	0	569.3	17	627.3	18
Not Rated - Direct Lending	—	0	—	0	372.6	11	298.4	10
Not Rated - Opportunistic Credit	—	0	—	0	2,126.1	62	2,150.1	62
Total	**$ 950.9**	**100%**	**$ 995.1**	**100%**	**$ 3,421.8**	**100%**	**$ 3,451.6**	**100%**

Source: Mellon Performance and Risk Analytics Fund Analysis, Fourth Quarter 2015

Table 4 lists the credit risk associated with the investment-grade bond portfolio and the high-yield investments portfolio.

At Dec. 31, 2015, according to Moody's Investors Service evaluations, the BNY Mellon STIF exhibited average short-term quality ratings of P-1/P-2 (Prime-1 and Prime-2), which exhibit a superior ability for repayment of senior short-term debt obligations, and an average long-term (maturity date greater than one year) quality rating of Aaa.

Based upon the fair value of the fund at Dec. 31, 2015, 96% of the instruments were rated P-1 and 4% of the instruments were rated Aaa. At Dec. 31, 2014, according to Moody's Investors Service evaluations, the BNY Mellon STIF exhibited average short-term quality ratings of P-1/P-2 and an average long-term quality rating of Aaa with 78% of the instruments rated P-1 or P-2 and 22% of the instruments rated Aaa.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, TCDRS will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. TCDRS requires that demand deposit accounts be fully collateralized. Funds received by its master custodian are invested on an overnight basis or, if the funds are received late during a business day, are maintained in a fully collateralized cash trust account.

TCDRS investments, evidenced by securities in physical or book entry form and not on loan, are registered and held in safekeeping for TCDRS by its custodian bank.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Investment guidelines established with the individual investment managers generally address concentration risk limits. At Dec. 31, 2015 and 2014, TCDRS did not have investments in any one issuer which were greater than 5% of net investments.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The values of portfolios of longer duration are more affected by interest rate changes than are those of shorter duration. Increases in bond market yields result in fair value losses; decreases result in fair value gains. Multiplying the change in market yield by the duration of the portfolio can approximate the size of the gain or loss in fair value. For example, if one owned a portfolio

TABLE 5: INTEREST RATE RISK — FIXED-INCOME PORTFOLIOS

	Dec. 31,			
	2015		2014	
Asset Class	Fair Value	Effective Duration in Years	Fair Value	Effective Duration in Years
Investment-Grade Bonds	$ 950,888,291	5.0	$ 995,121,734	5.0
TIPS	48,642,878	4.8	49,381,201	6.2
High-Yield Bonds[1]	353,864,468	4.1	375,766,654	3.9

[1] Included in high-yield investments reported in the Statements of Fiduciary Net Position on page 26.

of investment-grade bonds that had a duration of 6.5 years and if the yields within the bond market were to immediately fall 1%, the fair value gain of the portfolio would approximate 6.5%. This change in fair value indicates the level of interest rate risk inherent in the portfolio.

Table 5 discloses the level of interest rate risk inherent in the TCDRS fixed-income portfolios by reporting the effective duration of those portfolios.

The effective duration of the Barclays Aggregate Bond Index at Dec. 31, 2015 and 2014 was 5.5 and 5.3 years, respectively.

Performance of the TIPS portfolio is measured against the Barclays U.S. TIPS Index. The effective duration of the Barclays U.S. TIPS Index at Dec. 31, 2015 and 2014 was 5.2 and 6.2 years, respectively.

The high-yield investments portfolio is measured against the Citigroup High-Yield Cash-Pay Capped Index. The effective duration of the Citigroup High-Yield Cash-Pay Capped Index at Dec. 31, 2015 and 2014 was 4.4 and 4.3 years, respectively.

TCDRS does not have a formal policy governing interest rate risk but the board's adoption of the respective benchmark indices used to measure against the investment-grade bond, TIPS, and high-yield bond portfolios is an implicit adoption of the market risk inherent in these portfolios.

Cash collateral received from securities lending is invested in instruments whose maturity dates or periodic interest rate reset dates coincide with the maturity date of the particular securities loan providing the cash. This matching of investment and loan maturity/reset dates allows the agent to maintain the spread between the loan rate and the cash collateral investment rate over the term of the loan and eliminates any material interest rate exposure to TCDRS over the term of the loan.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The asset allocation plan adopted in the Investment Policy includes a 21.5% allocation to international and global equities, a 3% allocation to distressed debt, a 2% allocation to REITs and a 12% allocation to private equity, all of which allow non-U.S. dollar denominated investments. TCDRS does not have a formal policy governing foreign currency risk. Accordingly, the foreign currency risks inherent in the indices that have been identified as the benchmarks these asset classes are measured against have been implicitly adopted as an acceptable financial risk for these asset classes.

Table 6 lists the foreign currency risk associated within the international equities, REITs, high-yield investments, private equity and private real estate partnerships portfolios.

Additionally, at Dec. 31, 2015 and 2014, the international equity portfolio contained ten commingled funds subject to foreign currency risk with an aggregate fair value of $4,554,452,632 and $4,395,179,639, respectively.

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. The investment policy does not explicitly outline the use of derivatives, but investment guidelines allow two investment-grade bond managers the use of exchange-traded treasury futures to replicate cash investments or to manage yield curve or other risk positions within their portfolio.

Additionally, in February of 2015, the board approved the implementation of a currency overlay

TABLE 6: FOREIGN CURRENCY RISK

	Dec. 31,									
	Forward Currency Contracts—International Equities		**REITs**		**High-Yield Investments**		**Private Equity & Private Real Estate Partnerships**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Australian Dollar	(462,505)		10,001,979	9,914,707					9,539,474	9,914,707
Brazilian Real	2,722,626		2,257,611	3,474,732					4,980,237	3,474,732
British Pound Sterling	4,938,744		15,989,126	11,933,326	122,521,370	99,551,857	26,380,589	143,069,027	169,829,829	254,554,210*
Canadian Dollar	3,984,346		4,209,507	3,195,842					8,193,853	3,195,842
Chilean Peso	(76,122)								(76,122)	
Chinese Yuan Renminbi	2,253,514								2,253,514	
Colombian Peso	243,601								243,601	
Czech Koruna	(48,916)								(48,916)	
Danish Krone	(521,921)								(521,921)	
Euro Currency Unit	(9,960,829)		14,612,703	10,602,938	15,256,993	3,852,846	185,693,862	208,976,021	205,602,729	223,431,805
Hong Kong Dollar	(7,068)		39,095,528	22,858,760					39,088,460	22,858,760
Hungarian Forint	(8,854)								(8,854)	
Indian Rupee	(593,792)								(593,792)	
Indonesian Rupiah	102,582		556,105	599,287					658,687	599,287
Israeli Shekel	41,481								41,481	
Japanese Yen	(6,545,852)		21,210,820	21,079,092					14,664,968	21,079,092
Malaysian Ringgit	270,178			24,962					270,178	24,962
Mexican Peso	1,990,665								1,990,665	
New Taiwan Dollar	1,617,957								1,617,957	
New Turkish Lira	276,415								276,415	
New Zealand Dollar	(69,534)								(69,534)	
Norwegian Krone	114,257		971,628	322,546					1,085,885	322,546
Peruvian Nuevo Sol	31,333								31,333	
Philippine Peso	(108,360)		892,376	958,796					784,016	958,796
Polish Zloty	(146,084)								(146,084)	
Qatari Riyal	(13,799)								(13,799)	
Russian Ruble	3,952,323								3,952,323	
South African Rand	7,084,796		2,188,299	1,825,139					9,273,095	1,825,139
Singapore Dollar	81,329		3,757,921	4,802,788					3,839,250	4,802,788
South Korean Won	2,544,179								2,544,179	
Swedish Krona	(1,107,413)		2,143,397	1,273,480					1,035,984	1,273,480
Swiss Franc	(2,635,066)		1,965,931	1,060,024					(669,135)	1,060,024
Thailand Baht	91,898								91,898	
UAE Dirham	(4,159)								(4,159)	
Total subject to currency risk	**$ 10,031,950**	**$ 0**	**$ 119,852,931**	**$ 93,926,419**	**$ 137,778,363**	**$ 103,404,703**	**$ 212,074,451**	**$ 352,045,048**	**$ 479,737,695**	**$ 549,376,170**

* Restated due to miscalculation in 2014 data.

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TABLE 7: FUTURES CONTRACTS

Dec. 31, 2015

Futures Contract	Expiration Date	Contracts	Value per Point	Price per Contract	Exposure
U.S. Treasury Bond	Mar 2016	-108.00	1,000	153.750	$(16,605,000)
U.S. Treasury Bond	Mar 2016	-87.00	1,000	153.750	(13,376,250)
U.S. 10 -Yr Treasury Note	Mar 2016	-61.00	1,000	125.906	(7,680,281)
U.S. 10 -Yr Treasury Note	Mar 2016	112.00	1,000	125.906	14,101,500
U.S. 5 -Yr Treasury Note	Mar 2016	139.00	1,000	118.320	16,446,524
U.S. 5 -Yr Treasury Note	Mar 2016	200.00	1,000	118.320	23,664,063
U.S. 2 -Yr Treasury Note	Mar 2016	-281.00	2,000	108.617	(61,042,860)
U.S. 2 -Yr Treasury Note	Mar 2016	210.00	2,000	108.617	45,619,219
U.S. Ultra Bond	Mar 2016	-122.00	1,000	158.688	(19,359,875)
U.S. Ultra Bond	Mar 2016	-7.00	1,000	158.688	(1,110,813)
Total					**$ (19,343,773)**

TABLE 8: FOREIGN CURRENCY FORWARD CONTRACTS

Dec. 31, 2015

Currency	Net Notational Long/(Short)	Fair Value	Hedge Exposure[1]
Australian Dollar	$(78,944,408)	$(79,406,914)	$(462,505)
Brazilian Real	(61,014,703)	(58,292,076)	2,722,626
Canadian Dollar	(96,568,439)	(92,584,093)	3,984,346
Chilean Peso	(12,589,790)	(12,665,912)	(76,122)
Chinese Yuan Renminbi	(265,573,275)	(263,319,761)	2,253,514
Colombian Peso	(5,388,249)	(5,144,649)	243,601
Czech Koruna	(2,032,782)	(2,081,697)	(48,916)
Danish Krone	(21,485,883)	(22,007,803)	(521,921)
Euro Currency Unit	(347,406,928)	(357,367,758)	(9,960,829)
Hong Kong Dollar	(35,206,858)	(35,213,926)	(7,068)
Hungarian Forint	(2,007,507)	(2,016,361)	(8,854)
Indian Rupee	(85,899,450)	(86,493,242)	(593,792)
Indonesian Rupiah	(25,263,390)	(25,160,808)	102,582
Israeli Shekel	(8,927,815)	(8,886,335)	41,481
Japanese Yen	(264,873,333)	(271,419,185)	(6,545,852)
Malaysian Ringgit	(32,193,788)	(31,923,609)	270,178
Mexican Peso	(46,721,026)	(44,730,362)	1,990,665
New Taiwan Dollar	(121,690,070)	(120,072,112)	1,617,957
New Turkish Lira	(14,039,183)	(13,762,768)	276,415
New Zealand Dollar	(1,673,328)	(1,742,862)	(69,534)
Norwegian Krone	(6,129,286)	(6,015,029)	114,257
Peruvian Nuevo Sol	(3,837,023)	(3,805,690)	31,333
Philippine Peso	(14,434,928)	(14,543,288)	(108,360)
Polish Zloty	(12,811,378)	(12,957,462)	(146,084)
Pound Sterling	(230,436,053)	(225,497,309)	4,938,744
Qatari Riyal	(9,776,550)	(9,790,348)	(13,799)
Russian Ruble (New)	(39,005,216)	(35,052,893)	3,952,323
Singapore Dollar	(14,832,149)	(14,750,820)	81,329
South African Rand	(75,074,466)	(67,989,670)	7,084,796
South Korean Won	(158,320,119)	(155,775,940)	2,544,179
Swedish Krona	(33,333,861)	(34,441,273)	(1,107,413)
Swiss Franc	(106,415,288)	(109,050,354)	(2,635,066)
Thailand Baht	(20,285,490)	(20,193,592)	91,898
U.S. Dollar	2,263,166,475	2,263,166,475	—
UAE Dirham	(8,974,464)	(8,978,622)	(4,159)
Total	**$ (0)**	**$ 10,031,950**	**$ 10,031,950**

[1] The total hedge exposure is included in the fair value of International Equities on page 26.

Due to rounding, totals and detail may not equal.

program to the passive developed international equity and emerging market allocations managed by State Street Global Advisors using foreign currency forward contracts which are over-the-counter (OTC) instruments used to hedge volatility in currency exchange rates on assets held within these portfolios. TCDRS' derivative instruments are considered investments and not hedges for accounting purposes.

Tables 7 and 8 list TCDRS' exposure to derivative instruments at Dec. 31, 2015.

H: RISK MANAGEMENT

TCDRS is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. To mitigate potential losses, TCDRS purchases commercial insurance in the areas of property damage, general and umbrella liability, fiduciary liability, public official and employee benefits errors and omissions, automobile, crime and workers' compensation. There were no changes in the types of insurance coverage TCDRS maintained in 2015 or 2014. Settlements have not exceeded coverages for each of the past three years.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Table 9 presents the money-weighted rate of return which provides information regarding TCDRS' investment performance, net of investment expenses, adjusted for the changing amounts actually invested. In addition, the GTLF information presented in the required supplementary schedules — Table 10 and Table 11 — was determined as part of the aggregate actuarial valuation at the date indicated.

TABLE 9: MONEY-WEIGHTED RATES OF RETURN (UNAUDITED)

The money-weighted rates of return are presented to provide information regarding investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Annual money-weighted rate of return, net of investment expenses	-0.66%	6.84%	16.39%	12.63%	-1.15%	12.67%	26.54%	-29.04%	7.92%	13.93%

See accompanying independent auditor's report.

TABLE 10: GTLF FUNDING PROGRESS (UNAUDITED)

($ Millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) AAL UAAL (OAAL) (b-a)	Funded Ratio[1] (a/b)	Annual Covered Payroll[2] (c)	UAAL (OAAL) as a Percentage of Covered Payroll [(b-a)/c]
12/31/13	$ 24.8	$ 22.8	$ (2.0)	108.8%	$ 1,343.4	(0.1%)
12/31/14	26.4	24.1	(2.3)	109.5	1,419.0	(0.2)
12/31/15	29.7	24.6	(5.1)	120.7	1,502.1	(0.3)

[1] This table shows GTLF information using accounting principles required by GASB and is intended to be used for GASB disclosure purposes. For funding purposes, contractually required premium rates are calculated annually for each participating employer. These rates have always been sufficient to maintain a surplus in the GTLF.
[2] The annual covered payroll is based on the employee deposits received by TCDRS for the year ended with the valuation date.

See accompanying independent auditor's report.

TABLE 11: GTLF EMPLOYER CONTRIBUTIONS (UNAUDITED)

($ Millions)

	Annual Required Contributions		
Plan Year Ended Dec. 31	Average Rate	Dollar Amount	Percentage Contributed
2013	0.28%	$ 4.2	100%
2014	0.27	4.5	117
2015	0.27	4.8	118

See accompanying independent auditor's report.

CHANGES IN FIDUCIARY NET POSITION BY FUND AND INTERFUND TRANSFERS

Pension Trust Fund
Year Ended Dec. 31, 2015

	Employees Saving Fund	Subdivision Accumulation Fund
ADDITIONS		
Employee Deposits and Employer Contributions	$ 414,806,917	$ 743,149,234
Investment Income		
Net Depreciation in Fair Value of Investments	—	—
Interest and Dividends	—	—
Total Investment Activity Loss	—	—
Less Investment Activity Expenses	—	—
Net Loss from Investment Activities	—	—
Net Income from Securities-Lending Activities	—	—
Total Net Investment Loss	—	—
Building Operations and Miscellaneous Income	—	—
Total Additions	**414,806,917**	**743,149,234**
DEDUCTIONS		
Benefits Paid	—	406,586,775
Withdrawals	82,058,823	—
Interest Allocation to Group Term Life Fund	—	—
Administrative and Building Operations Expenses	—	—
Total Deductions	**82,058,823**	**406,586,775**
TRANSFERS OF FUNDS		
Retirement Allowances	(398,980,153)	(395,574,734)
Income Allocation	386,291,892	(604,726,361)
Expense Fund Transfer	—	—
Partial-year Interest	12,888,697	—
Escheated Accounts, Net	53,397	—
Net Transfers	253,833	(1,000,301,095)
Net Increase (Decrease) in Fiduciary Net Position	**333,001,927**	**(663,738,636)**
NET POSITION RESTRICTED FOR PENSION BENEFITS		
Beginning of Period	**5,931,771,357**	**11,409,931,338**
End of Period	**$ 6,264,773,284**	**$ 10,746,192,702**

See accompanying independent auditor's report.

CHANGES IN FIDUCIARY NET POSITION BY FUND AND INTERFUND TRANSFERS, continued

Pension Trust Fund
Year Ended Dec. 31, 2015

Current Service Annuity Reserve Fund	Endowment Fund	Income Fund	Expense Fund	Total
$ —	$ —	$ —	$ —	$ 1,157,956,151
—	—	(229,283,232)	—	(229,283,232)
—	—	96,120,797	—	96,120,797
—	—	(133,162,435)	—	(133,162,435)
—	—	41,601,487	—	41,601,487
—	—	(174,763,922)	—	(174,763,922)
—	—	2,125,394	—	2,125,394
—	—	(172,638,528)	—	(172,638,528)
—	—	—	2,475,483	2,475,483
—	**—**	**(172,638,528)**	**2,475,483**	**987,793,106**
662,522,204	588	—	—	1,069,109,567
—	—	—	—	82,058,823
—	—	1,889,834	—	1,889,834
—	—	—	20,215,681	20,215,681
662,522,204	**588**	**1,889,834**	**20,215,681**	**1,173,273,905**
794,554,887	—	—	—	—
451,822,658	(407,916,551)	174,528,362	—	—
—	(21,450,000)	—	21,450,000	—
—	(12,888,697)	—	—	—
—	(53,397)	—	—	—
1,246,377,545	(442,308,645)	174,528,362	21,450,000	—
583,855,341	**(442,309,223)**	**—**	**3,709,802**	**(185,480,799)**
6,427,622,742	**920,658,079**	**—**	**25,174,951**	**24,715,158,467**
$ 7,011,478,083	**$ 478,348,846**	**$ —**	**$ 28,884,753**	**$ 24,529,677,668**

FINANCIAL

OTHER SUPPLEMENTARY INFORMATION

CHANGES IN ENDOWMENT FUND

Pension Trust Fund
Year Ended Dec. 31, 2015

	General Reserves Account	Perpetual Endowment Account	Reserve for Expense Fund	Total
ADDITIONS				
Escheated Accounts	—	107,613	—	107,613
Total Additions	**—**	**107,613**	**—**	**107,613**
DEDUCTIONS				
Allocation Shortage — Transfer to Income Fund	407,916,551	—	—	407,916,551
Transfer to Expense Fund	—	—	21,450,000	21,450,000
Partial-year Interest to ESF	12,888,697	—	—	12,888,697
Reinstatements of Escheated Accounts	—	161,010	—	161,010
Uncollectible Benefits	588	—	—	588
Total Deductions	**420,805,836**	**161,010**	**21,450,000**	**442,416,846**
TRANSFERS				
Expense Allocation	(24,700,000)	—	24,700,000	—
Total Transfers	**(24,700,000)**	**—**	**24,700,000**	**—**
Net Increase (Decrease) in Fund	**(445,505,836)**	**(53,397)**	**3,250,000**	**(442,309,233)**
Beginning of Year	**895,470,518**	**3,737,561**	**21,450,000**	**920,658,079**
End of Year	**$ 449,964,682**	**$ 3,684,164**	**$ 24,700,000**	**$ 478,348,846**

See accompanying independent auditor's report.

CHANGES IN INCOME FUND

Pension Trust Fund
Dec. 31, 2015

INVESTMENT RESULTS	
Net (Depreciation) in Fair Value of Investments	$ (229,283,232)
Interest and Dividends	96,120,797
Net Income from Securities-Lending Activities	2,125,394
Investment Activity Expenses	(41,601,487)
Net Investment Results	**(172,638,528)**
STATUTORY ALLOCATIONS	
Allocation of Current Year Income:	
Employees Saving Fund	386,291,892
Current Service Annuity Reserve Fund	451,822,658
Group Term Life Fund	1,889,834
Total Statutory Allocations	**840,004,384**
BOARD OF TRUSTEES' ALLOCATIONS	
Allocation to the Subdivision Accumulation Fund	(604,726,361)
Allocation Shortage — Transfer to General Reserves Account	(407,916,551)
Total Board of Trustees' Allocations	**(1,012,642,912)**
Net Change in Fund[1]	—
Beginning of Year	—
End of Year	**$ —**

[1] Net Change in Fund is equal to: Net Investment Results less Total Statutory Allocations and Total Board of Trustees' Allocations. For the year ended Dec. 31, 2015, the total net change in fund calculation is: negative $172,638,528 less ($840,004,384 + negative $1,012,642,912) equals $0.

See accompanying independent auditor's report.

FINANCIAL

ADMINISTRATIVE REVENUES AND EXPENSES

Year Ended Dec. 31, 2015

	Administrative Operations	Building Operations	Combined Operations
Administrative Revenues:			
Rental Income	$ —	$ 1,720,365	$ 1,720,365
Other Income	755,118	—	755,118
Total Administrative Revenues	**$ 755,118**	**$ 1,720,365**	**$ 2,475,483**
Administrative Expenses:			
Salaries	$ 7,777,399	$ —	$ 7,777,399
Leave and Associated Payments	109,597	—	109,597
Payroll Taxes	556,645	—	556,645
Pension Contributions	561,513	—	561,513
Employee Insurance and Benefits	1,119,030	—	1,119,030
Recruitment and Temporaries	131,380	—	131,380
Professional Fees/Outsourcing Services	2,400,283	—	2,400,283
Banking Fees	61,062	—	61,062
Software Support and Equipment Service	1,017,104	—	1,017,104
Building Operations	—	1,203,902	1,203,902
Office Supplies	39,117	—	39,117
Noncapitalized Equipment	133,066	—	133,066
Postage	298,975	—	298,975
Telephone	107,120	—	107,120
Printing	298,214	—	298,214
Records Management	10,873	—	10,873
Reference Materials and Memberships	82,546	—	82,546
Education and Training	79,939	—	79,939
Travel	330,085	—	330,085
Organization and Meeting	219,189	—	219,189
General Insurance	231,572	—	231,572
Depreciation and Amortization	2,780,463	666,607	3,447,070
Total Administrative Expenses	**$ 18,345,172**	**$ 1,870,509**	**$ 20,215,681**

See accompanying independent auditor's report.

INVESTMENT EXPENSES

Year Ended Dec. 31, 2015

INVESTMENT-ACTIVITY EXPENSES		
Department Operating Expenses		
Salaries	$	2,563,509
Payroll Taxes		157,153
Pension Contributions		252,384
Employee Health and Term Life Insurance		261,846
Professional Fees and Services		3,476,580
Investment Data Systems		97,109
Equipment Service and Repairs		5,157
Office Supplies		29,071
Telephone		11,095
Subscriptions and Memberships		18,356
Education and Travel		161,316
Depreciation and Amortization		5,386
Total Department Operating Expenses	$	7,038,962
Nondepartment Managers' Fees:		
Equities	$	16,786,144
REITs		3,558,065
Master Limited Partnerships		3,505,680
Private Real Estate Partnerships		2,439,189
Investment-Grade Fixed Income		1,855,086
High-Yield Investments		1,641,371
Commodities		992,026
Private Equity		290,079
TIPS		149,678
Total Nondepartment Managers' Fees	$	31,217,318
Total Department Operating Expenses and Managers' Fees	$	38,256,280
Custodial Fees — Mellon Trust		595,207
Investment Consultant Fees — Cliffwater LLC		2,750,000
Total Investment-Activity Expenses	**$**	**41,601,487**
SECURITIES-LENDING EXPENSES		
Borrower Rebates and Management Fees	$	19,050

See accompanying independent auditor's report.

PROFESSIONAL/CONSULTANT FEES AND SERVICES

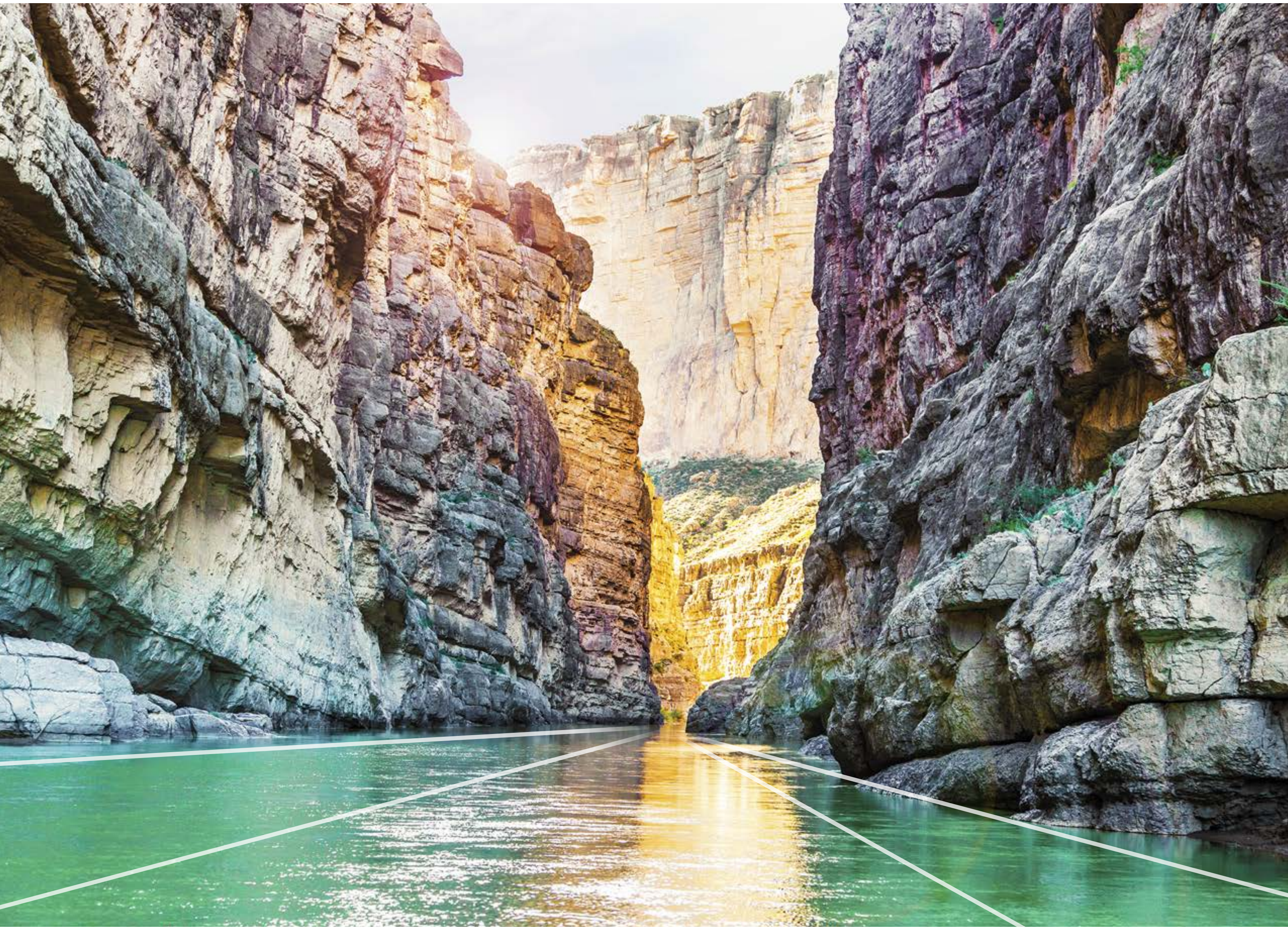
Year Ended Dec. 31, 2015

Professional/Consultant	Nature of Service	Administrative Operations	Investment Department[1]	Totals
IBridge Group, Inc.	Software consulting	$ 1,991,776	—	$ 1,991,776
Ewell, Brown & Blanke LLP	Legal	—	1,752,153	1,752,153
Vinson & Elkins, LLP	Legal	—	731,650	731,650
Thought Leaders Group LLC	Software consulting	626,388	—	626,388
Oshyn Inc	Website consulting	607,148	—	607,148
Phidiax, LLC	Software consulting	526,144	—	526,144
Milliman, Inc.	Actuary	452,584	—	452,584
Linea Solutions, Inc.	Software consulting	309,816	—	309,816
FTI Consulting, Inc.	Legal	—	231,587	231,587
Liquid Litigation Management Inc.	Legal	—	186,728	186,728
Almanza, Blackburn & Dickie	Legal	—	180,304	180,304
Allied Consultants, Inc.	Software consulting	133,408	—	133,408
Reid, Collins & Tsai	Legal	—	123,652	123,652
KPMG LLP	Audit	121,005	—	121,005
Bradshaw & Bickerton PLLC	Legal	—	117,877	117,877
Jackson Walker LLP	Legal	44,486	47,244	91,729
KPMG LLP	SOC 1 audit	90,000	—	90,000
Adjacent Technologies, Inc.	Software consulting	71,421	—	71,421
McElvaney Public Affairs LLC	Legislative consulting	70,550	—	70,550
Hahn Public	Communication services	53,375	—	53,375
Paladion Networks	Software consulting	19,150	—	19,150
Ace Hill Alsup III, M.D.	Medical board	11,280	—	11,280
Shelby H. Carter, M.D.	Medical board	9,400	—	9,400
John P. Vineyard, Jr., M.D.	Medical board	9,400	—	9,400
Total Professional/Consultant Fees and Services		**$ 5,147,331**	**$ 3,371,195**	**$ 8,518,526**

[1] Pursuant to GFOA guidelines, investment advisor expenses are shown only on the investment expenses schedule on the preceding page. The members of the Board of Trustees serve without compensation and are reimbursed for actual out-of-pocket travel expenses incurred.

See accompanying independent auditor's report.

INVESTMENT



WE'RE HERE FOR THE LONG HAUL

We take a long-term view when it comes to managing investments. Our investment horizon of 30-plus years enables us to endure short-term fluctuations in the market and keep focused on what's important: providing reliable retirement benefits.

CLIFFWATER LLC

May 2016

Board of Trustees
Texas County and District Retirement System
P.O. Box 2034
Austin, Texas 78768-2034

To the members of the Board:

It is our pleasure to be the investment consultant for the Texas County and District Retirement System (hereinafter referred to as "TCDRS") and to report on your investment performance and activities for the year ending 2015. Retained in 2005, Cliffwater LLC provides investment policy development and review, asset allocation analysis, asset class structure analysis, investment manager searches and investment performance monitoring and evaluation to the Board and its staff. In calculating investment performance, TCDRS uses the industry standard time-weighted rate of return methodology (net of fees) based upon market values.

Despite seemingly benign year-over-year results, 2015 was an incredibly volatile year for global markets. The year started with a quantitative easing announcement by the European Central Bank ("ECB") while the second quarter was characterized by Greek discussions with creditors and a rise and fall of the Chinese stock market. Chinese policy action took center stage in the third quarter with the devaluation of the yuan in August and the fourth quarter saw an unexpectedly hawkish ECB announcement and an expected hawkish U.S. Federal Reserve interest rate rise. However, rates ended the year near where they started with the 10 Year Treasury yield ending at 2.27% vs. 2.18% at the start of the year. As a result of global economic divergence, the U.S. dollar strengthened significantly against most major currencies resulting in losses in unhedged non-U.S. portfolios, particularly emerging markets. The returns of real assets varied widely as the improving economy and real estate fundamentals boosted the prices of real estate, both public and private. The oversupply of oil and other natural resources combined with lower global growth projections resulted in commodity prices falling by 24.7% in 2015. These lower commodity prices, in particular energy, have kept the inflation rate tame.

TCDRS' diversified investment portfolio slightly decreased in total assets from $24.6 billion to $24.4 billion. The one year total fund return was -0.7% after fees. This exceeded the Board's Total Fund Policy Benchmark return of -2.5%. Over 10 years, the fund's 5.5% return exceeded the Board's Total Fund Policy Benchmark return of 4.6%. At the asset class level, TCDRS' passively-managed US equities portfolio returned 0.6% for the year. TCDRS' balance of active and passive developed international managers resulted in a 3.0% return, significantly exceeding the -3.0% benchmark return, due to both active management and an opportunistic currency hedge. Global equity returned 4.7% vs. -0.9% for the benchmark. Emerging market equities had a -10.5% return compared to the benchmark of -14.9% with the excess return also due to active management and an opportunistic currency hedge. The active REIT managers combined for a 2.7% return versus 2.1% for the benchmark. The MLP portfolio returned -30.7% vs. -32.6% for the benchmark and the commodities portfolios returned -25.1% versus -24.7% for the benchmark. The active core fixed income portfolio returned 0.5% relative to 0.6% for the benchmark. The hedge fund portfolio returned -1.1% compared to its benchmark of -0.3%. The active high yield asset class returned -4.1% relative to the benchmark's -5.4% return and the opportunistic credit portfolio returned -1.5% compared to its benchmark return of -5.4%. The private equity program returned 10.7%, distressed debt returned 0.5%, direct lending returned -0.5% and the real estate program returned 14.6% for the year. Overall, it was a year where exposure to private market asset classes drove total fund level returns.

The TCDRS Board made no asset allocation policy changes during the year. The fund added several hedge funds and opportunistic credit managers to increase diversification. The fund also committed to new private equity, private real estate, distressed debt and direct lending partnerships in accordance with its annual commitment budget.

Respectfully submitted,

Kathleen K. Barchick

Kathleen K. Barchick, Sr. Managing Director

A: THE TCDRS ACT AND INVESTMENT POLICY

Investment decisions of the TCDRS Board of Trustees (board) are subject to the Texas Constitution, the TCDRS Act and to the applicable statutory provisions of the Texas Trust Code that provide for a "prudent person" standard of care.

Additionally, the board has adopted, and reviews at least annually, an investment policy that defines investment authority and emphasizes the importance of a long-term investment philosophy with minimization of risk.

B: INVESTMENT PHILOSOPHY AND STRATEGY

The board has established a long-term target investment return of 8% and has diversified the TCDRS portfolio to include:

- Equities
  - U.S., international developed and emerging markets, and global equities
- Hedge funds
- High-yield investments
  - High-yield bonds, distressed debt, opportunistic credit and direct lending
- Private equity
- Real assets
  - Real estate investment trusts (REITs), commodities, private real estate partnerships, Treasury Inflation-Protected Securities (TIPS) and Master Limited Partnerships (MLPs)
- Investment-grade bonds

(For more information on these types of securities, please see the Glossary on page 83.)

The board uses a long-term, strategic approach to asset allocation based upon capital market assumptions that are reviewed and adopted annually. The assumptions in effect as of January 2015 are shown in Table 1 and include the long-term expected return and risk (standard deviation) for each asset class.

TABLE 1: CAPITAL MARKET ASSUMPTIONS

As of Jan. 1, 2015

Asset Category (Portfolio)	Expected Return	Standard Deviation
Equities		
U.S. Equities	7.05%	17.00%
International Equities — Developed	7.05	18.00
International Equities — Emerging	8.05	26.00
Global Equities	7.35	18.00
Hedge Funds	6.85	6.55
High-Yield Investments		
High-Yield Bonds	5.45	11.00
Opportunistic Credit	7.24	6.86
Distressed Debt	8.45	11.00
Direct Lending	7.50	10.00
Private Equity	10.05	20.00
Real Assets		
REIT Equities	5.70	22.00
Commodities	1.50	18.00
Private Real Estate Partnerships	8.90	30.00
TIPS	2.20	7.00
Master Limited Partnerships (MLPs)	7.00	17.00
Investment-Grade Bonds	2.25	4.00
Cash and Cash Equivalents[1]	1.50	2.00

[1] Money awaiting allocation to an asset category and deposited with the system's custodian.

C: ASSET ALLOCATION

The board has established asset allocation targets for each asset class within the TCDRS portfolio. Table 2 shows the target allocations in effect during 2015 for each asset class.

TABLE 2: ASSET ALLOCATION TARGETS

Asset Category	Target Allocation Percentages in Effect at: Jan. 1, 2015	Dec. 31, 2015
Equities		
U.S. Equities	16.5%	16.5%
International Equities — Developed	11.0	11.0
International Equities — Emerging	9.0	9.0
Global Equities	1.5	1.5
Hedge Funds	25.0	25.0
High-Yield Investments		
High-Yield Bonds	3.0	3.0
Opportunistic Credit	5.0	5.0
Distressed Debt	3.0	3.0
Direct Lending	2.0	2.0
Private Equity	12.0	12.0
Real Assets		
REITs	2.0	2.0
Commodities	2.0	2.0
Private Real Estate Partnerships	3.0	3.0
TIPS	0.0	0.0
Master Limited Partnerships	2.0	2.0
Investment-Grade Bonds	3.0	3.0

D: ASSET CLASSES, INVESTMENT STYLES AND INVESTMENT MANAGERS

TCDRS uses both active and passive styles of investment management. The passive style seeks to match the performance of an established market index by holding the same securities as the index. An active style seeks to exceed the performance of a benchmark by allowing the manager to actively trade securities that may be different from the index.

Asset classes managed actively are hedge funds, high-yield bonds, opportunistic credit, distressed debt, direct lending, private equity, REITs, TIPS, commodities, MLPs, private real estate partnerships, investment-grade bonds, global equities, and a portion of the developed international and emerging market equities portfolios. Asset classes managed passively are U.S. equities and the remainder of the developed international and emerging market equities.

The investment manager responsible for an externally managed portfolio holds any cash that portfolio generates in interest-bearing instruments or accounts until it is reinvested. The TCDRS Investment Officer manages cash as well as new contributions in a short-term investment fund until allocated to a portfolio.

E: INVESTMENT RESULTS

TCDRS retains a professional performance measurement analyst that regularly reports investment performance to the board for each investment manager, for the aggregate of all managers in each asset class and for the total portfolio.

Performance Reporting

Performance of each investment manager is measured against the performance of similar assets contained within a benchmark portfolio, as represented by a specific index. Comparisons indicate the value added by each manager, if any, in excess of the performance that was experienced by the specific benchmark index. When multiple investment managers are retained within a particular asset class, a benchmark portfolio is selected for measurement of the performance of the entire asset class. Table 3 identifies the benchmark portfolio associated with each asset class contained within the TCDRS investment portfolio.

TABLE 3: BENCHMARK PORTFOLIOS FOR PERFORMANCE MEASUREMENT

Asset Category	Benchmark Portfolio
Equities	U.S. Equity Index Dow Jones U.S. Total Stock Market Index Developed International Equity Index MSCI World ex U.S. Standard Index (net) Emerging Market International Equity Index MSCI EM (Emerging Markets) Standard Index (net) Global Equity Index MSCI World Index (net)
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index
High-Yield Investments	High-Yield Bond Index Citigroup High-Yield Cash-Pay Capped Index Distressed Debt Index Citigroup High-Yield Cash-Pay Capped Index Opportunistic Credit Index Citigroup High-Yield Cash-Pay Capped Index Direct Lending Index Citigroup High-Yield Cash-Pay Capped Index
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index[1]
Real Assets	REIT Index 67% FTSE NAREIT Equity REITs Index, 33% FTSE EPRA/NAREIT Global Real Estate Index Commodities Index Bloomberg Commodities Index TIPS Index Barclays U.S. TIPS Index Private Real Estate Partnerships Cambridge Associates Real Estate Index[2] MLP Index Alerian MLP Index
Investment-Grade Bonds	Barclays U.S. Aggregate Bond Index

[1] Includes vintage years 2006–present of Quarter Pooled Horizon IRRs.
[2] Includes vintage years 2007–present of Quarter Pooled Horizon IRRs.

A policy benchmark portfolio consisting of individual asset class benchmarks, weighted by asset class target allocation, is constructed for measurement of the performance of the entire portfolio.

Performance Results

The TCDRS 2015 portfolio return was -0.7%, net of all fees, exceeding its benchmark return of -2.5% by 1.8%. Three macro-economic factors impacted asset class returns over the course of the year: concerns about the slowing rate of economic growth in China, the strengthening value of the U.S. dollar and the continuing decline in the price

TABLE 4: RESULTS FROM INVESTING ACTIVITIES, NET OF ALL FEES[1]

Periods Ended Dec. 31, 2015

TCDRS Portfolio/Benchmark Portfolio	2015 Return	Annualized Returns 3 Year	5 Year	10 Year	20 Year	30 Year
Total Fund	-0.7	7.3	6.6	5.5	6.8	8.3
Policy Benchmark Portfolio	-2.5	4.9	4.9	4.6	5.9	7.1
Equities						
U.S. Equities	0.6	14.7	12.2	7.6	—	—
U.S. Equity Index Benchmark Portfolio	0.4	14.7	12.1	7.5	—	—
International Equities - Developed	3.0	7.2	4.8	3.9	—	—
Developed Intl Equity Index Benchmark Portfolio	-3.0	3.9	2.8	2.9	—	—
International Equities - Emerging	-10.5	-5.4	-4.3	3.3	—	—
Emerging Intl Equity Index Benchmark Portfolio	-14.9	-6.8	-4.8	3.6	—	—
Global Equity	4.7	19.5	—	—	—	—
Global Equity Benchmark Portfolio	-0.9	9.6	—	—	—	—
Hedge Funds	-1.1	5.6	4.4	3.6	—	—
Hedge Fund Benchmark Portfolio	-0.3	4.0	2.1	2.3	—	—
High-Yield Investments						
High-Yield Bonds	-4.1	2.0	5.2	6.5	—	—
High-Yield Bond Index Benchmark Portfolio	-5.4	1.1	4.6	6.7	—	—
Opportunistic Credit	-1.5	7.0	7.8	—	—	—
Opportunistic Credit Index Benchmark Portfolio	-5.4	1.1	4.6	—	—	—
Distressed Debt	0.5	8.5	8.7	9.5	—	—
Distressed Debt Index Benchmark Portfolio	-5.4	1.1	4.6	6.7	—	—
Direct Lending	-0.5	—	—	—	—	—
Direct Lending Index Benchmark Portfolio	-5.4	—	—	—	—	—
Private Equity	10.7	14.7	12.9	—	—	—
Private Equity Benchmark Portfolio	8.0	13.7	12.5	—	—	—
Real Assets						
REITs	2.7	9.7	10.2	6.0	—	—
REIT Index Benchmark Portfolio	2.1	9.1	10.4	6.3	—	—
Commodities	-25.1	-17.2	-11.7	—	—	—
Commodities Index Benchmark Portfolio	-24.7	-17.3	-13.5	—	—	—
TIPS	-1.5	-2.4	2.3	—	—	—
TIPS Benchmark Portfolio	-1.4	-2.3	2.6	—	—	—
Private Real Estate Partnerships	14.6	16.9	16.3	—	—	—
Private Real Estate Benchmark Portfolio	10.7	12.2	12.3	—	—	—
MLPs	-30.7	—	—	—	—	—
MLP Index Benchmark Portfolio	-32.6	—	—	—	—	—
Investment-Grade Bonds	0.5	2.0	4.0	4.6	6.0	7.8
Investment-Grade Bond Index Benchmark Portfolio	0.6	1.4	3.3	4.5	5.5	6.9

[1] Calculations of performance were prepared using time-weighted rates of return calculations and are reported net of all fees.
Source: BNY Mellon Performance and Risk Analytics Fund Analysis, Fourth Quarter 2015

of oil. The disparate impacts of these factors on various asset classes resulted in primarily muted returns. As shown in Table 4, most asset class returns were tightly bunched with results just above or below 0%. The notable outliers on the positive side were the private equity and private real estate portfolios returning 10.7% and 14.6%, respectively. Commodities -25.1%, MLPs -30.7% and emerging markets stocks -10.5% had the largest declines. Notably, TCDRS' private market asset classes outperformed their public market counterparts demonstrating their value as part of a diversified portfolio.

F: LISTS OF LARGEST HOLDINGS[1]

Equity Holdings

The system's exposure to equity markets is achieved through participation in commingled investment pools, such as State Street Global Advisors (SSgA) U.S. equity and international equity index funds, and direct investment in separately managed REIT portfolios. At Dec. 31, 2015, TCDRS' 10 largest equity holdings were in the SSgA U.S. Total Stock Market Fund which has an aggregate fair value of

[1] A complete listing of all securities TCDRS owned at Dec. 31, 2015, is available upon written request.

TABLE 5: LIST OF LARGEST EQUITY HOLDINGS[1]

Dec. 31, 2015 ($ Millions)

Company	Prorated Market Value
Apple, Inc.	$ 103.4
Microsoft Corp.	78.1
Exxon Mobil Corp.	57.2
General Electric Co.	51.8
Johnson & Johnson	50.1
Amazon.com	45.8
Wells Fargo	44.5
Berkshire Hathaway, Inc.	43.6
JPMorgan Chase	42.8
Facebook, Inc.	41.9

[1] TCDRS owns an 84% undivided interest in a Dow Jones U.S. Total Stock Market Index Fund that in turn owns equity shares in 3,546 U.S. companies. Even though TCDRS does not own any shares of the above companies directly, our undivided interest in each company within the index fund is shown above.

$3.9 billion. Table 5 displays our exposure to the 10 largest equity holdings.

Fixed-Income Holdings

Table 6 presents the top 10 fixed-income securities owned by TCDRS. The securities are contained within the investment-grade bond and TIPS portfolios. At Dec. 31, 2015, the aggregate fair value of the investment-grade bond and TIPS portfolios was $951 million and $49 million, respectively.

G: RESULTS OF SECURITIES-LENDING ACTIVITIES

TCDRS retains The Bank of New York Mellon Corp. as securities-lending agent to engage in lending securities from the fixed-income portfolios. Securities-lending transactions consist of loans of securities to broker-dealers and other entities in exchange for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The aggregate income and expenses attributable to securities-lending activity and net lending income of $0.1 million are shown in Table 7.

Additionally, SSgA manages U.S. and international equity portfolios of TCDRS in commingled funds. The securities in these funds participate in the securities-lending program of SSgA with TCDRS receiving a proportionate share of the securities-lending income generated from this activity.

TABLE 6: LIST OF LARGEST FIXED-INCOME HOLDINGS

Dec. 31, 2015 ($ Millions)

Description	Maturity	Interest Rate	Fair Value
Fannie Mae Single-Family Mortgage[1]	01/01/2046	4.000%	$46.91
U.S. Treasury Note	12/31/2019	1.625	25.16
U.S. Treasury Note	11/30/2019	1.500	20.48
U.S. Treasury Bond	05/15/2045	3.000	17.67
U.S. Treasury Note	09/30/2019	1.750	17.00
U.S. Treasury Bond	02/15/2045	2.500	16.89
U.S. Treasury Note	11/30/2016	0.875	13.74
U.S. Treasury Bond	08/15/2045	2.875	8.81
FNMA POOL #0MA2121	12/01/2034	4.000	8.47
U.S. TIPS	04/15/2020	0.125	8.20

[1] Commitment to purchase

TABLE 7: SECURITIES-LENDING ACTIVITY

Year Ended Dec. 31, 2015

Elements of Securities-Lending Activity	Amount
Gross Earnings – Fixed Income	$ 120,398
Less Rebates from Lenders and Lending Agent's Share of Income	19,050
Net Securities-Lending Income – Fixed Income	101,348
Securities-Lending Income (Commingled Funds)	2,024,046
Net Securities-Lending Income	**$ 2,125,394**

Also shown in Table 7 is income of $2.0 million representing TCDRS' share of the 2015 equity portfolios' securities-lending income.

H: FEES AND COMMISSIONS

Table 8 presents the 2015 investment managers' fees TCDRS incurred, excluding securities-lending fees.

Note that all returns presented throughout this CAFR are reported net of the amounts reported in Table 8.

Alternative Investment Fees

The investment management fees included in Investment Activity Expenses presented in the Statement of Changes in Fiduciary Net Position represent only those paid directly from the Pension Trust Fund and do not include fees incurred and charged by general partners in partnerships

TABLE 8: INVESTMENT MANAGERS' FEES

Year Ended Dec. 31, 2015

	Fees Paid from the Pension Trust Fund[1]		Fees Netted Against Returns		
Asset Class	**Management Fees**	**Performance Fees**	**Management Fees**	**Performance Fees**	**Fair Value at Dec. 31, 2015**
Equities	$ 9,174,755	$ 7,611,389	$ 16,212,434	$ 3,150,463	$ 9,089,192,365
MLPs	3,505,680	—	—	—	472,358,195
REITs	3,558,065	—	—	—	772,654,712
Investment-Grade Bonds	1,855,086	—	—	—	950,888,291
Commodities	992,026	—	—	—	246,097,341
High-Yield Bonds	1,641,371	—	—	—	353,864,468
TIPS	149,678	—	—	—	48,642,878
Cash & Equivalents	—	—	—	—	168,076,759
Alternative Investments	**Management Fees**	**Performance Fees**	**Management Fees**	**General Partner Carried Interest**	**Fair Value at Dec. 31, 2015**
Private Equity	290,079	—	50,085,152	75,485,958	2,568,020,567
Private Real Estate Partnerships	2,439,189	—	10,868,689	11,189,496	491,450,067
Hedge Funds	—	—	100,448,830	34,274,391	6,188,413,589
Opportunistic Credit	—	—	25,649,034	6,974,134	2,126,107,307
Distressed Debt	—	—	10,775,184	11,513,691	569,306,301
Direct Lending	—	—	4,408,127	542,909	372,563,884
Total	**$ 23,605,929**	**$ 7,611,389**	**$ 218,447,450**	**$ 143,131,042**	**$ 24,417,636,724**

[1] See Nondepartment Managers' Fees on page 47.

investing in private equity, distressed debt, direct lending, opportunistic credit, private real estate and hedge funds as these types of fees are netted directly against returns for those investments in accordance with FASB ASC 820. In the interest of greater transparency, fees and profit shares associated with these types of investments are disclosed in Table 8, based on information requested and received from fund general partners in conjunction with the annual audit.

The investment expenses related to TCDRS' investments in partnerships investing in private equity, distressed debt, direct lending, opportunistic credit, private real estate and hedge funds fall into the categories of management fees and profit share (also called "carried interest").

Management fees typically range from 1.5% to 2% of the value of invested assets (hedge funds and opportunistic credit) or committed capital (private equity, private real estate, distressed debt and direct lending) and are intended to compensate the general partner for its costs in operating the partnership.

Profit sharing or carried interest incentivizes and aligns the general partner's interest with TCDRS' interest. The carried interest represents the general partner's share of the partnership's profits, typically 20%, with 80% going to the limited partners such as TCDRS. Carried interest earned by hedge funds and opportunistic credit funds is generally accrued monthly and paid annually since the underlying investments are relatively liquid and more easily valued. Due to the long-term nature of private equity, private real estate, distressed debt and direct lending partnerships (typically 8 to 12 years) and the illiquidity associated with the underlying investments, carried interest is accrued over the life of the partnership but is usually not finalized until the fund is fully liquidated. Generally, an agreed rate of return, or preferred return, must first be surpassed before carried interest is earned by the general partner. To incentivize general partners to maintain performance over the life of a partnership, periods of negative performance may result in previously accrued carried interest being reduced or "clawed back". During such periods, negative carried interest expense would be reported.

The fees reported in Table 8 are those that directly impact TCDRS' various partnership investments. General partners may receive additional economic benefits from their management of the partnerships in accordance with the partnerships' governing documents.

Table 9 presents the commissions paid to brokers by the system's equity managers. The managers executed trades of 60 million shares through 143 brokers. The $1,024,000 in commissions earned by these brokers represents a cost of $.02 per share traded.

I: ASSET GROWTH OF THE SYSTEM

As shown in Figure 1, the total value of TCDRS' investment assets, including accrued interest and dividends, has increased by $6.77 billion over the past five years (from $17.66 billion at Dec. 31, 2010 to $24.43 billion at Dec. 31, 2015). Figure 2 identifies the components of plan asset growth over the same period. Employee deposits and employer contributions net of pension payments and refunds ($0.2 billion) contributed 2% to asset growth for the period while net investment return ($6.6 billion) contributed the remaining 98%.

TABLE 9: BROKER COMMISSIONS PAID BY EQUITY MANAGERS

Year Ended Dec. 31, 2015

Brokerage Firm	Shares Traded (Thousands)	Commissions (Thousands)	Commissions Per Share
Goldman Sachs & Co.	6,219	$ 134	$ 0.02
J.P. Morgan	4,718	112	0.02
Citigroup	3,868	86	0.02
Merrill Lynch	3,340	83	0.02
Wells Fargo Securities LLC	2,856	52	0.02
Merlin Securities LLC	2,807	35	0.01
Morgan Stanley & Co. Inc.	1,236	26	0.02
Weeden & Co.	1,742	23	0.01
UBS Securities LLC	684	22	0.03
Credit Suisse	892	20	0.02
Summary of 133 remaining firms	31,249	431	0.01
Totals	**59,611**	**$ 1,024**	**$ 0.02**

J: INVESTMENT SUMMARY

The total value of the portfolio and each asset class at Dec. 31, 2015 is shown in Table 10 and is composed of the fair value of the underlying investments plus the amount of accrued interest and dividends, if any. The values shown in each asset class under the column labeled "Fair Value" are the investment amounts presented in the Statements of Fiduciary Net Position shown on page 26 in the Financial Section of this CAFR.

FIGURE 1: GROWTH IN INVESTMENT ASSETS

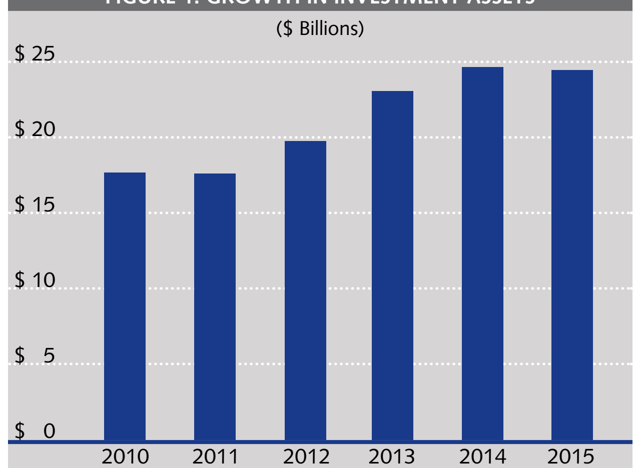


FIGURE 2: SOURCES OF ASSET GROWTH

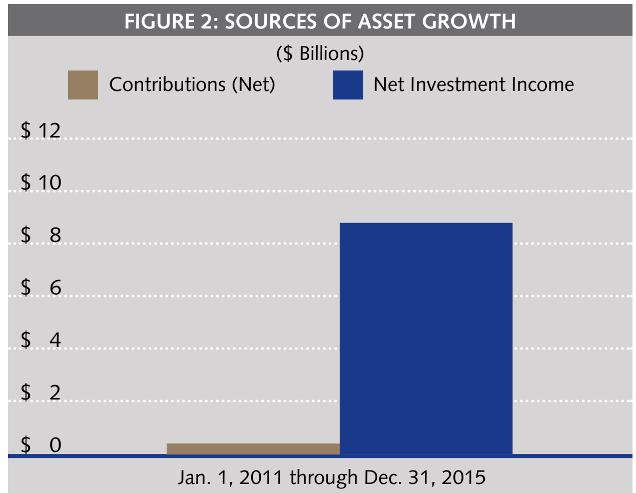


TABLE 10: INVESTMENTS BY ASSET SUBCLASS

Dec. 31, 2015

Type of Investment	**Fair Value**	**Interest, Dividends and Other Receivables**	**Total Value**	**% of Total Value**
Equities				
US Equities	$ 3,915,643,420	$ 0	$ 3,915,643,420	16.0%
International Equities	4,661,048,923	7,736	4,661,056,659	19.2%
Global Equities	512,500,022	0	512,500,022	2.1%
Hedge Funds	6,188,413,589	0	6,188,413,589	25.3%
High-Yield Investments				
High-Yield Bonds	353,864,468	6,247,268	360,111,736	1.5%
Opportunistic Credit	2,126,107,307	0	2,126,107,307	8.7%
Distressed Debt	569,306,301	0	569,306,301	2.3%
Direct Lending	372,563,884	0	372,563,884	1.5%
Private Equity	2,568,020,567	(3,062)	2,568,017,505	10.5%
Real Assets				
REITs	772,654,712	3,051,724	775,706,436	3.2%
Commodities	246,097,341	0	246,097,341	1.0%
TIPS	48,642,878	199,669	48,842,547	0.2%
Private Real Estate Partnerships	491,450,067	0	491,450,067	2.0%
MLPs	472,358,195	27,710	472,385,905	1.9%
Investment-Grade Bonds	950,888,291	6,453,669	957,341,960	3.9%
Cash and Cash Equivalents	168,076,759	14,563	168,091,322	0.7%
Total Investments Shown on Statements of Fiduciary Net Position	**$ 24,417,636,724**	**$ 15,999,277**	**$ 24,433,636,001**	**100.0%**

Due to rounding, totals and detail may not equal. Percentages shown are based on rounded amounts and may differ slightly from actual.

READER'S NOTES

ACTUARIAL

GETTING IT RIGHT

For nearly 50 years, we've focused on doing retirement right. We are proud of the services we provide to help our members and employers make well-informed decisions about their retirement benefits. While adjusting to changing workforce demographics, TCDRS continues to ensure that benefits are responsibly funded and that we are set up for continued success.

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May 4, 2016

Board of Trustees
Texas County & District Retirement System
Austin, Texas

Dear Trustees:

In accordance with the Texas County & District Retirement System (TCDRS) Act, the annual actuarial valuation of the assets and liabilities of TCDRS has been completed as of December 31, 2015. This valuation was performed using actuarial assumptions that were adopted by the Board in December 2013 and a new mortality projection scale that was adopted by the Board in December 2015. We recommended these assumptions to the Board.

We believe the assumptions individually and collectively represent reasonable expectations of experience over the long-term future and that all methods and assumptions used for funding and financial reporting are in compliance with the relevant Actuarial Standards of Practice. Nevertheless, the emerging costs of the TCDRS employers will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions.

To test how well the financing objective for each plan is being achieved, annual actuarial valuations are made. These valuations recognize differences in the past year between the actuarial assumptions and the actual experience, and any benefit changes for each plan.

The financing objective for each TCDRS plan is to provide retirement, death and disability benefits for a county's or a district's employees financed by an employer contribution rate. This rate is determined annually and is expected to remain approximately level as a percent of the employer's covered payroll. The employer contribution rate consists of the normal cost contribution rate plus the unfunded actuarial accrued liability (UAAL) contribution rate. The UAAL as of December 31, 2008 and any subsequent gains and losses are amortized over closed 20-year periods (open 30-year period if the employer is in an overfunded position). Benefit increases are amortized over closed 15-year periods. The methods for calculating the required contribution rates are specified in the funding policy which has been adopted by the Board.

A separate actuarial valuation for each participating county and district was performed based on the plan benefits in effect on January 1, 2016. The aggregate results of the actuarial valuation of system-wide assets and liabilities are presented in the Actuarial Section in the Summary Actuarial Valuation Results schedule. The assumptions and methods used in this valuation are summarized in the actuarial section. The member, annuitant and asset data used in the valuation were all prepared and furnished by TCDRS. We relied on that data after examining it for general reasonableness and year-to-year consistency. In addition, we prepared all of the supporting schedules in the actuarial section and the schedule of funding progress, the schedule of employer contributions and the notes to these schedules in the financial section of the comprehensive annual financial report. Please refer to the December 31, 2015 System-wide Actuarial Valuation Report for further disclosures.

TCDRS prepared all supporting schedules in the Actuarial Section based on information provided by Milliman.

Sincerely,

Mark C. Olleman

Mark C. Olleman, FSA, EA, MAAA
Consulting Actuary

Nick Collier

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

Offices in Principal Cities Worldwide

A: ACTUARIAL ASSUMPTIONS

Except for the mortality assumptions, the actuarial assumptions for funding valuation purposes described below were developed from an actuarial experience investigation of TCDRS over the years 2009-2012. They were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2013 and first used in the Dec. 31, 2013 actuarial valuation. The mortality assumptions were developed by Milliman, Inc. and adopted by the TCDRS Board of Trustees in 2015, and first used in the Dec. 31, 2015 actuarial valuation. The assumptions used for the funding calculations are the same as those used for financial reporting.

Termination Rates

The termination rates are used to estimate future terminations of employment for reasons other than death, disability or retirement. The rates vary by length of service, entry-age group (age at hire), gender and termination group assignments, and do not apply after an employee is eligible for retirement. Sample rates for three of the seven termination groups are shown in Table 1.

Each employer was assigned to a termination group based primarily upon the termination characteristics of the members of that employer's plan during the years 2009-2012 relative to the termination characteristics of TCDRS members systemwide during the same period.

TABLE 1: SELECT TERMINATION RATES

Entry Age	Years of Service	Male			Female		
		Low	Mid	High	Low	Mid	High
20 to 29	0	.265	.331	.397	.287	.359	.431
	3	.106	.133	.160	.115	.144	.173
	6	.062	.077	.092	.067	.084	.101
	9	.044	.055	.066	.048	.060	.072
	12	.032	.040	.048	.034	.043	.052
	15	.022	.027	.032	.023	.029	.035
30 to 39	0	.219	.274	.329	.237	.296	.355
	3	.087	.109	.131	.095	.119	.143
	6	.051	.064	.077	.055	.069	.083
	9	.037	.046	.055	.039	.049	.059
	12	.026	.033	.040	.029	.036	.043
	15	.018	.022	.026	.019	.024	.029
40 to 49	0	.196	.245	.294	.212	.265	.318
	3	.078	.098	.118	.085	.106	.127
	6	.046	.057	.068	.050	.062	.074
	9	.033	.041	.049	.035	.044	.053
	12	.023	.029	.035	.026	.032	.038
	15	.016	.020	.024	.017	.021	.025

For plans that have adopted the partial lump-sum payment option, adjustments are made to the termination rates. Rates are reduced at ages near retirement as it is anticipated that if the partial lump-sum is available, members are less likely to terminate employment so they can withdraw their accounts.

Withdrawal Rates

Members who terminate employment with the county or district may either elect to leave their accounts with TCDRS or withdraw their accounts. The likelihood that an active member who terminates employment will elect to withdraw varies by length of service and vesting requirement. Sample withdrawal rates are shown in Table 2.

Members who have already terminated employment and are neither vested nor active with another TCDRS employer are assumed to withdraw their accounts. Otherwise, they are assumed to defer their benefit until retirement eligible.

Disability Rates

There are two types of disability rates, occupational disability rates (predicts disabilities that occur during the performance of job duties) and all-other-causes disability rates (predicts all disabilities

TABLE 2: PROBABILITY OF WITHDRAWAL UPON TERMINATION

Years of Service	Vesting Requirement		
	5 Years	8 Years	10 Years
0	100%	100%	100%
4	100	100	100
6	60	100	100
8	50	50	100
10	48	48	48
15	40	40	40
20	30	30	30
25	20	20	20
Over 28	0	0	0

TABLE 3: DISABILITY RATES

Age	Male and Female Occupational	Male and Female All Other Causes
35	.00001	.00023
40	.00003	.00053
45	.00006	.00086
50	.00009	.00156
55	.00014	.00278
60	.00000	.00000

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that are not occupational). Sample disability rates are shown in Table 3. Before a member is vested, only the occupational disability rates are applicable. For members who are vested, but not eligible for service retirement, the rate of disablement is the sum of the occupational rate and the all-other-causes rate. Rates are assumed to be zero after the member is eligible for service retirement.

Service Retirement Rates

Retirement rates predict when active retirement eligible members will commence receiving benefit payments and are based on age. Retirement eligible members age 75 or older are assumed to commence receiving benefits immediately. Sample rates are shown in Table 4, and vary by age.

Non-depositing members are assumed to retire at the later of first retirement eligibility or age 60.

Mortality Rates

Depositing members:

The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year set back, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter.

Service retirees, beneficiaries and non-depositing members:

The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees:

RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with no age adjustment for males and a two-year set-forward for females.

Investment Return

An 8% annual discount rate is used in the valuation based on the expected long-term investment return of 8%. The components of the 8% investment return assumption are a 3% rate of inflation and a 5% real rate of return. This rate of 8% is net of investment expenses.

TABLE 4: SERVICE RETIREMENT RATES

Age	Male and Female
40–44	.045
45–49	.090
50–51	.100
52–54	.105
55–57	.110
58–59	.120
60	.140
61	.120
62	.250
63	.160
64	.160
65	.300
66	.250
67	.240
68–74	.220
Over 74	1.000

Salary Increases

The salary increase assumption predicts salary increases for individuals over their projected careers. These rates vary by the employee's service and age at hire (entry age). Annual increase percentages consist of a general wage inflation component of 3.5% and a merit, promotion and longevity component that varies from 0.40% to 5.25% based on entry age and service. The 3.5% wage inflation component is based on the underlying price inflation assumption of 3.0% and 0.5% for assumed increases in productivity. The salary scale varies by entry age, with an approximately 4.9% average annual increase over a typical employee's entire career. Because the TCDRS benefit is not based on final average salary, this assumption is generally not as significant as for other defined benefit retirement systems. Refer to Table 5 for sample salary increase rates.

TABLE 5: ANNUAL RATE OF SALARY INCREASE

Years of Service	Entry-Age Group			
	< 30	30-39	40-49	> 50
1	8.2%	7.6%	7.1%	6.6%
3	7.1	6.6	6.1	5.6
5	6.2	5.7	5.2	4.7
10	5.4	4.9	4.4	3.9
15	4.9	4.4	3.9	3.9
20	4.5	4.2	3.9	3.9
25	4.3	3.9	3.9	3.9

Payroll Increase

The payroll increase assumption projects the rate of growth of the employer's aggregate payroll. The rate varies by employer, with a maximum of 3.5%, or a smaller percentage as considered appropriate based on the employer's number of employees and prior experience. The payroll increase assumption does not consider future growth in the number of employees.

Cost-of-Living Adjustment

An annual increase of 0% cost-of-living adjustment for retirees and beneficiaries is assumed. An employer may elect on an ad hoc basis to increase benefit payment amounts to retirees and beneficiaries within certain parameters.

B: ACTUARIAL METHODS

Actuarial Cost Method

For funding calculations, TCDRS uses an entry-age actuarial cost method assuming the current plan provisions had always been in place. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

For financial reporting TCDRS also uses the entry-age actuarial cost method but with a slight difference. This method varies from the method used in the funding calculations in that it uses the actual historical plan provisions in the calculation, as specified by GASB, whereas, the method used in funding assumes the current plan had always been in place.

Amortization Policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year, new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL except for changes due to scheduled amortization are amortized over 20-year closed periods.

For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period.

If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

Asset Valuation Method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizon and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

For the determination of the actuarial value of assets in the 2015 valuation, 2015 actuarial asset losses were recognized immediately to the extent that decreases in the liabilities occurred due to changes in assumptions and methods. If changes in assumptions and methods resulted in an increase in the liabilities, an offsetting gain equal to this increase was immediately recognized in the actuarial assets, but not exceeding 3.7% of the employer's account balance as of Jan. 1, 2015 (3.7% is the approximate amount of the interest credited from the systemwide reserves account). If this adjustment caused the overall impact of the assumptions and method changes to result in a decrease in the required contribution rate, the adjustment amount was limited.

In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

C: CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

There were changes in assumptions and methods reflected in the Dec. 31, 2015 actuarial valuation.

There was no change in the 8% investment return assumption; however the application of the investment return assumption was changed for purposes of determining plan liabilities. All plan liabilities are now valued using an 8% discount rate. Previously, some liabilities were valued using a 7% discount rate and others were valued using a 9% discount rate. Please see the Dec. 31, 2014 CAFR for details of the previous application of the 8% investment return assumption.

Adjustments were made to the method used to determine the actuarial value of assets for the 2015 valuation, as previously discussed.

Mortality assumptions have been changed to reflect projected improvements. The current generational mortality assumptions are described on page 62 under Mortality Rates.

The previous mortality assumptions may be referenced in the Dec. 31, 2014 CAFR.

SUMMARY ACTUARIAL DATA

FUNDED STATUS AND FUNDING PROGRESS

Pension Trust Fund

The funded status of the pension plan as of Dec. 31, 2015, the most recent actuarial valuation date is:

	($ Millions)
Actuarial Value of Assets (a)	$ 25,398.8
Actuarial Accrued Liability (AAL) – Entry Age (b)	$ 28,632.5
Unfunded AAL (UAAL) (b-a)	$ 3,233.7
Funded Ratio (a/b)	88.7%
Covered Payroll (c)	$ 6,122.3
UAAL as a Percentage of Covered Payroll [(b-a) / c]	52.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

TABLE 6: FUNDING PROGRESS

($ Millions)

Actuarial Valuation Date[1]	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll[3] (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/06	$ 13,229.8	$ 14,035.2	$ 805.4	94.3%	$ 4,054.3	19.9%
12/31/07	14,483.0	15,364.5	881.5	94.3	4,420.5	19.9
12/31/08	14,861.8	16,767.9	1,906.1	88.6	4,830.3	39.5
12/31/09[4]	16,564.2	18,448.1	1,883.9	89.8	5,168.0	36.5
12/31/10	17,808.6	19,931.2	2,122.6	89.4	5,213.9	40.7
12/31/11	19,016.4	21,409.5	2,393.1	88.8	5,202.5	46.0
12/31/12	20,250.3	22,953.0	2,702.7	88.2	5,283.6	51.2
12/31/13[4]	21,912.7	24,514.8	2,602.1	89.4	5,483.8	47.5
12/31/14	23,751.8	26,252.8	2,501.0	90.5	5,779.0	43.3
12/31/15	25,398.8	28,632.5	3,233.7	88.7	6,122.3	52.8

[1] Each county and district participating in TCDRS is financially responsible for its own plan. Therefore, the aggregate numbers shown above reflect only the aggregate condition of TCDRS and are not indicative of the status of any one plan. The valuations above reflect changes in benefits elected by individual employers.
[2] The entry-age actuarial cost method is used for all plans. Each valuation above reflects the actuarial cost method, assumptions and benefits in effect as of the valuation date.
[3] The annual covered payroll is based on the employee deposits received by TCDRS for the year ending with the valuation date.
[4] Revised economic and demographic assumptions due to an experience review were first used in this valuation.

TABLE 7: EMPLOYER CONTRIBUTIONS

($ Millions)

	Actuarial Minimum Required Contributions		Annual Required Contributions (ARC)		Actual Contributions		
Plan Year Ended Dec. 31	Average Rate	Dollar Amount	Average Rate	Dollar Amount	Average Rate	Dollar Amount	Percentage of ARC Contributed
2006	8.93%	$ 362.1	8.98%	$ 364.0	9.43%	$ 382.3	105%
2007	9.50	420.1	9.57	423.2	9.73	430.3	102
2008	9.17	443.0	9.35	451.5	9.54	460.6	102
2009	9.28	479.8	9.46	488.7	9.87	510.3	104
2010	10.20	531.8	10.31	537.8	10.55	550.1	102
2011	9.89	514.6	10.06	523.1	10.97	570.6	109
2012	10.32	545.2	10.43	550.9	11.05	583.9	106
2013	10.93	599.4	11.08	607.7	11.75	644.5	106
2014	11.36	656.7	11.47	662.7	11.84	684.2	103
2015	11.42	699.0	11.65	713.3	12.14	743.1	104

Additional information as of the latest actuarial valuation for the retirement plan follows:

Valuation Date:	Dec. 31, 2015
Actuarial Cost Method:	Entry age
Amortization Method:	Level percent
Unfunded AAL	Closed
Overfunded AAL	Open
Remaining Amortization Period:	
Unfunded AAL	20 years
Overfunded AAL	30 years

Asset Valuation Method:

SAF	5-year smoothed value
ESF	Fund value
CSARF	Fund value

Actuarial Assumptions:

Investment Return	8.0%
Career Average Projected Salary Increases[1]	4.9% avg.
Payroll Increase (varies by plan)	3.5% or less
Inflation	3.0%
Cost-of-Living Adjustments	0.0%

[1] Includes inflation at the indicated rate

ACTUARIAL

RETIREMENT PLAN: SUMMARY ACTUARIAL DATA

TABLE 8: RETIREE AND BENEFICIARY DATA — ACCOUNTS*

Year Ended	New Accounts Added	Accounts Removed	Net Change in Accounts	Total Number of Accounts	Percent Change in Number of Accounts
12/31/06	2,846	778	2,068	32,102	6.9%
12/31/07	2,576	735	1,841	33,943	5.7
12/31/08	2,899	804	2,095	36,038	6.2
12/31/09	2,748	807	1,941	37,979	5.4
12/31/10	3,654	797	2,857	40,836	7.5
12/31/11	3,682	883	2,799	43,635	6.9
12/31/12	4,099	933	3,166	46,801	7.3
12/31/13	3,961	942	3,019	49,820	6.5
12/31/14	4,504	1,155	3,349	53,169	6.7
12/31/15	4,277	1,084	3,193	56,362	6.0

* Accounts reflect the total number of members being paid by separate employers.

TABLE 9: RETIREE AND BENEFICIARY DATA — AMOUNTS

Year Ended	New Annual Benefits Added	Annual Benefits Removed	Net Change in Annual Benefits Amount	Annual Benefits	Percent Change in Annual Benefits	Average Annual Benefit*
12/31/06	$ 50,073,153	$ 3,151,802	$ 46,921,351	$ 449,137,922	11.67%	$ 13,991
12/31/07	50,559,930	5,561,096	44,998,835	494,136,757	10.02	14,558
12/31/08	61,436,639	5,408,943	56,027,696	550,164,453	11.34	15,266
12/31/09	56,323,360	9,407,651	46,915,709	597,080,162	8.53	15,721
12/31/10	86,661,972	11,490,572	75,171,400	672,251,562	12.59	16,462
12/31/11	83,906,489	8,997,023	74,909,466	747,161,028	11.14	17,123
12/31/12	94,155,638	10,559,930	83,595,708	830,756,736	11.19	17,751
12/31/13	91,413,679	10,968,524	80,445,155	911,201,891	9.68	18,290
12/31/14	114,372,968	13,737,044	100,635,924	1,011,837,815	11.04	19,031
12/31/15	108,470,125	12,908,359	95,561,766	1,107,399,581	9.44	19,648

* The average annual benefits are based on the regular benefits paid in January following the valuation date.

TABLE 10: SOLVENCY TEST

($ Millions)

Valuation Date	Actuarial Accrued Liabilities for: (1) Current Member Deposits	(2) Retirees and Beneficiaries	(3) Current Members (Employer-Financed Portion)	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Net Position: (1)	(2)	(3)
12/31/06	$ 3,534.6	$ 4,244.8	$ 6,255.8	$ 13,229.8	100%	100%	87.1%
12/31/07	3,835.4	4,684.8	6,844.2	14,483.0	100	100	87.1
12/31/08	4,145.6	5,209.5	7,412.9	14,861.8	100	100	74.3
12/31/09	4,518.3	5,710.5	8,219.3	16,564.2	100	100	77.1
12/31/10	4,810.3	6,459.3	8,661.6	17,808.6	100	100	75.5
12/31/11	5,090.7	7,202.8	9,116.0	19,016.4	100	100	73.7
12/31/12	5,364.3	8,014.5	9,574.2	20,250.3	100	100	71.8
12/31/13	5,668.9	8,796.9	10,049.0	21,912.7	100	100	74.1
12/31/14	5,931.8	9,785.8	10,535.2	23,751.8	100	100	76.3
12/31/15	6,264.8	10,552.7	11,815.0	25,398.8	100	100	72.6

Presented above is one short-term means of checking a system's progress under its funding program. The present assets are compared with: (1) current member contributions on deposit; (2) the liabilities for future benefits to current retirees and beneficiaries; and (3) the employer-financed portion of the liabilities for service already rendered by current members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for current member contributions on deposit (liability 1) and the liabilities for future benefits to current retirees and beneficiaries (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the employer-financed portion of liabilities for service already rendered by current members (liability 3) will be at least partially covered by the remainder of present assets. Generally, the funded portion of liability 3 will move toward 100% over time if there are no changes in the plan benefits.

Each employer participating in TCDRS is financially responsible for its own plan. Therefore, the aggregate numbers shown above reflect only the aggregate condition of TCDRS and are not indicative of the status of any one plan.

TABLE 11: CONTRIBUTION RATE INFORMATION FOR PARTICIPATING EMPLOYERS

Distribution of TCDRS Plans by Year 2017 Employer Contribution Rate

Number of Depositing Members as of 12/31/2015	Year 2017 Employer Contribution Rate Based on the Plan of Benefits in Effect 1/1/2016						
	Under 5.00%	5.00% – 6.99%	7.00% – 8.99%	9.00% – 10.99%	11.00% – 12.99%	Over 12.99%	Total
1 – 5	45	23	18	12	16	11	125
6 – 15	38	26	13	33	19	14	143
16 – 30	19	11	15	8	7	9	69
31 – 50	12	11	13	14	11	10	71
51 – 85	10	19	14	10	11	10	74
86 – 150	10	7	17	18	10	6	68
151 – 250	9	10	16	14	9	10	68
251 – 500	1	5	8	12	8	6	40
Over 500	1	2	4	12	11	13	43
Total	**145**	**114**	**118**	**133**	**102**	**89**	**701**

TABLE 12: PARTICIPATING EMPLOYERS AND DEPOSITING MEMBERS

Valuation Date	Number of Participating Employers	Depositing Members		Average Annual Pay	Percent Increase in Average Annual Pay	Employer Contributions[1]	Average Employer Rate
		Number	Annual Payroll				
12/31/06	565	110,791	$ 4,054,275,148	$ 36,594	3.9%	$ 380,318,020	9.43%
12/31/07	567	116,858	4,420,511,353	37,828	3.4	430,335,867	9.73
12/31/08	585	120,347	4,830,298,018	40,136	6.1	460,635,617	9.54
12/31/09	601	123,446	5,167,980,232	41,864	4.3	510,261,262	9.87
12/31/10	618	122,889	5,213,892,696	42,428	1.3	550,102,572	10.55
12/31/11	624	121,919	5,202,460,203	42,671	0.6	570,562,898	10.97
12/31/12	641	121,963	5,283,625,749	43,322	2.1	583,902,381	11.05
12/31/13	656	124,525	5,483,787,404	44,038	1.7	644,462,694	11.75
12/31/14	677	125,860	5,779,022,617	45,916	4.3	684,212,315	11.84
12/31/15	701	129,217	6,122,322,455	47,380	3.2	743,149,234	12.14

[1] Employer contributions include optional lump-sum contributions and elected rates.

TABLE 13: ANALYSIS OF FINANCIAL EXPERIENCE

Gains and Losses in Actuarial Accrued Liabilities During Year Ended 2014–15
Resulting from Differences Between Assumed Experience and Actual Experience
($ Millions)

Source of Change	$ Gain (or Loss) for Year 2015	2014
Age and Service Retirements	$ (1.6)	$ 14.9
Death In-Service Benefits	1.4	(0.5)
Other Termination	58.1	58.7
Pay Increases	(18.9)	16.7
Contribution Income	32.4	20.7
Investment Income	(231.9)	88.6
Death After Retirement	1.5	(15.2)
Other	(16.0)	4.8
Gain (Loss) During Year from Financial Experience	**(175.0)**	**188.7**
Non-Recurring Items		
Plan Changes	(23.9)	(51.4)
Assumption and Method Changes	(556.6)	0.0
Gain (or Loss) from Non-Recurring Items	**(580.5)**	**(51.4)**
Composite Gain (or Loss) for Year	**$ (755.5)**	**$ 137.3**
Composite Gain (or Loss) as a % of Actuarial Accrued Liabilities	**(2.6)%**	**0.5%**

ACTUARIAL

RETIREMENT PLAN: SUMMARY OF PLAN PROVISIONS

A: ORGANIZATION

TCDRS is a statewide, agent multiple-employer, public-employee retirement system that provides the employees of participating counties and districts with retirement, disability and survivor benefits. Each county and district that participates in TCDRS maintains its own customized plan of benefits which may be changed annually. The governing body of each employer has the option to adopt or change plan provisions based on their needs and budget.

Each employer has a savings-based defined benefit plan where member benefits are based on each member's account balance at retirement and employer matching. All plan assets are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. This summary describes the plan provisions in general terms. Any questions related to the actual administration, provisions or policies of the retirement plans should be directed to TCDRS.

B: MEMBERSHIP

All full- and part-time non-temporary employees become members in TCDRS, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

C: TERMINATION OF MEMBERSHIP

TCDRS membership is terminated by a member's death, retirement, or withdrawal of member account.

D: MEMBER DEPOSITS

TCDRS is a savings-based plan. Every paycheck, a portion of each employee's pay — from 4% to 7% as set by the employer — is deposited into his or her TCDRS account. By law, member accounts earn 7% interest annually.

E: SERVICE

Members receive a month of service for each month that they make a deposit into their account. Service may also be granted for periods of employment prior to the employer joining TCDRS, and for military and certain other service.

Within TCDRS, all periods of service with any TCDRS participating employers are combined. Also, service periods with other Texas public retirement plans participating with TCDRS in the Texas Proportionate Retirement Program are combined to satisfy TCDRS retirement eligibility and vesting requirements.

F: ELIGIBILITY REQUIREMENTS

Service Retirement Benefits

The amount of service a member needs to earn a future monthly benefit is called the vesting requirement. When a member is vested, he or she has the right to a monthly benefit at age 60 or older. Employers may choose 5-, 8- or 10-year vesting. In addition, members may retire before age 60 if they meet one of the following requirements, set by the employer:

- **"Rule of" eligibility:** Under these rules, vested members can retire if their age plus years of service time add up to at least 75 or 80.
- **20-year or 30-year retirement at any age:** This lets members retire when they have at least 20 or 30 years of service time.

Disability Retirement Benefits

A member who is vested and who is totally and permanently disabled is eligible for an immediate disability retirement benefit. A member who is not vested is eligible for an immediate disability retirement benefit if the total and permanent disability was a result of an on-the-job injury.

Survivor Benefits

Benefits are payable to the beneficiaries or estate of a deceased member. The eligibility requirement for an employer-provided survivor benefit is four years of TCDRS service. Otherwise the survivor benefit is the deceased member's account balance.

G: DETERMINATION OF RETIREMENT BENEFITS

The service or disability retirement benefit is calculated based on the member's account balance and employer matching as selected by the employer, and may include other employer provided funds. The employer matching can range from a "dollar for dollar," up to $2.50 per $1.00 in the member's account. The member's account and employer provided funds are combined and converted to a lifetime annuity. The retiree receives a payment every month for the rest of his or her life. Conversions to a lifetime annuity are based on a 7% discount rate and the following mortality assumptions.

- The portion of the benefit that accrues before 2018, including member deposits made before 2018 and interest and employer matching on those deposits, shall be calculated based on the UP-1984 table with an age setback of five years for retirees and an age setback of 10 years for beneficiaries, with a 30% reserve refund assumption for the single life option.
- The portion of the benefit that accrues after 2017, including member deposits made after 2017 and interest and employer matching on those deposits, shall be calculated on a generational mortality basis using the RP-2000 Combined Mortality Table, with a one-year set-forward for males and no set-forward for females, projected to 2014 using Scale AA and for projections after 2014 using 110% of MP-2014 Ultimate Projection Scale, with a 32.79% reserve refund assumption for the single life option. Mortality assumptions for these calculations are blended 50% male and 50% female for retirees, and blended 30% male and 70% female for beneficiaries.

Retirees elect to receive their monthly lifetime benefit by choosing from one of the following seven actuarially equivalent payment options.

- **Single Life option** – Monthly payments cease upon death of the retiree. This option provides the highest monthly benefit.
- **Guaranteed Term Benefit options** – The two guaranteed term benefit options are 10-year guaranteed term and 15-year guaranteed term. These options provide a lifetime monthly benefit to the retiree. In addition, if the retiree passes away within 10 or 15 years of the retirement date, the beneficiary will receive the monthly benefit until the end of the guaranteed term.
- **Dual Life options** – The four dual life options are 100% to beneficiary, 75% to beneficiary, 50% to beneficiary and 100% to beneficiary with pop-up. Under each of these options, after the death of the retiree, the beneficiary receives a monthly lifetime benefit equal to the selected percentage of the retiree's benefit payment. Under the 100% to beneficiary with pop-up option, if the beneficiary dies before the retiree, the monthly benefit amount will "pop up" to a higher monthly amount, as if the retiree had retired under the single life option.

All options pay a death benefit equal to the excess of the person's account at retirement over the total monthly benefits that have been paid.

Each employer may allow partial lump-sum payments. This allows the retiring member to receive an immediate lump-sum payment not to exceed his or her account balance, and choose a reduced monthly lifetime benefit from any of the payment options.

H: FUNDING PROVISIONS

Contributions are made monthly by both the employees and the employers based on covered payroll.

Each year the actuary determines the required contribution rate for the following year to adequately fund each employer's benefit plan using the actuarial methods described beginning on page 63. Employers may also elect to fund at a rate higher than the required rate, and may also make additional lump-sum contributions.

I: CHANGES IN PROVISIONS

Updated annuity purchase rates will go into effect for post-2017 benefit accruals earned after 2017. Benefits accrued before 2018 will not be impacted by this update. This change was reflected in the Dec. 31, 2015 actuarial valuation. Please refer to section G above for a complete description.

RETIREMENT PLAN: SUMMARY ACTUARIAL VALUATION RESULTS

SUMMARY ACTUARIAL VALUATION RESULTS				
	Dec. 31, 2015		Dec. 31, 2014	
Valuation Results for Employer Plans				
1 Actuarial present value of future benefits				
Annuitants	$ 3,478,968,257		$ 3,398,293,610	
Members	24,886,137,740		19,542,278,426	
Total	28,365,105,997		22,940,572,036	
2 Actuarial present value of future normal cost contributions	6,807,049,105		3,075,213,304	
3 Actuarial accrued liability [1 - 2]		21,558,056,892		19,865,358,732
4 Actuarial value of assets				
Employees Saving Fund	6,264,773,284		5,931,771,356	
Subdivision Accumulation Fund	12,122,510,787		11,392,427,088	
Total		18,387,284,070		17,324,198,444
5 Total unfunded actuarial accrued liability (UAAL)	3,280,045,136		2,609,917,675	
6 Total overfunded actuarial accrued liability (OAAL)	(46,357,413)		(68,757,387)	
7 Unfunded actuarial accrued liability (UAAL), net of overfunded actuarial accrued liability (OAAL) [5 + 6]. Also equals [3 - 4].		3,170,772,822		2,541,160,288
Valuation Results for Pooled Benefits				
8 Actuarial present value of future benefits from the Current Service Annuity Reserve Fund for annuities in effect	7,074,392,987		6,387,493,213	
9 Actuarial value of assets of the Current Service Annuity Reserve Fund	7,011,478,083		6,427,622,741	
10 Underfunded actuarial accrued liability (UAAL) [8 - 9]		62,914,904		(40,129,528)
11 Systemwide UAAL [7 + 10]		**$ 3,233,687,726**		**$ 2,501,030,760**
12 Systemwide Funded Ratio [(4 + 9) / (4 + 9 + 11)]		**88.7%**		**90.5%**

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May 4, 2016

Board of Trustees
Texas County & District Retirement System
Austin, Texas

Dear Trustees:

Milliman has performed an actuarial valuation for the Group Term Life Fund (GTLF) which is administered by the Texas County & District Retirement System for purposes of complying with GASB 43/45. The GTLF is an optional cost-sharing multiple-employer defined benefit OPEB plan which provides death benefits to active and, if elected, retired employees of participating subdivisions. This valuation was performed using actuarial assumptions that were adopted by the Board in December 2013 and a new mortality projection scale that was adopted by the Board in December 2015. We recommended these assumptions to the Board. We believe the assumptions individually and collectively represent reasonable expectations of experience over the long-term future and that all methods and assumptions used for funding and financial reporting are in compliance with the relevant Actuarial Standards of Practice. Nevertheless, the emerging costs of the TCDRS employers will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions.

The financing objective of the GTLF is to operate as a group term insured benefit, charging each employer its premium based on current actuarial assumptions and its own demographic membership (number of active and retired members covered by GTLF). The funding of the GTLF is in accordance with Section 845.406 of the TCDRS statute. Contribution rates are established as a percentage of pay.

The GTLF provides death benefits to both active and retired members. Each participating subdivision can elect to cover just active members, or active and retired members. Only those employers that have elected to cover both active members and retired members are included in the actuarial valuation for purposes of the OPEB valuation under GASB 43/45. The required contribution rates are equal to a premium rate which is individually determined for each participating employer annually, and is based on the mortality and service experience of all employees covered by the fund and the demographics specific to the workforce of TCDRS' participating employers. The rate is expressed as a percentage of the compensation of members employed by the participating employer. The required contributions are determined using a one year term cost funding method. However, this method does not meet the parameters under GASB 43/45. Therefore, for purposes of meeting the GASB financial reporting requirements, GTLF retiree benefits are evaluated using the entry age normal cost method. Active accruals are assumed to be equal to the corresponding premium rate.

The GASB required valuation was performed for all counties and districts participating in the retiree benefit for the GTLF based on the plan benefits in effect on January 1, 2016. The results of this valuation are presented in the following tables, as well as in the Financial Section. The assumptions and methods used in this valuation are summarized in the actuarial section and are intended to meet the parameters of Governmental Accounting Standards Board Statement No. 43. The member, annuitant and asset data used in the valuation were all prepared and furnished by TCDRS. We relied on that data after examining it for general reasonableness and year-to-year consistency. In addition, we prepared all of the supporting schedules in the actuarial section, the schedule of funding progress and the notes to these schedules in the financial section of the comprehensive annual financial report. Please refer to the December 31, 2015 System-wide Actuarial Valuation Report for further disclosures.

TCDRS prepared all supporting schedules in the Actuarial Section based on information provided by Milliman.

Sincerely,

Mark C Olleman

Mark C. Olleman, FSA, EA, MAAA
Consulting Actuary

Nick Collier

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

Offices in Principal Cities Worldwide

ACTUARIAL

A: ACTUARIAL ASSUMPTIONS AND METHODS

Except for the mortality assumptions, the actuarial assumptions described below for the Group Term Life plan, an other post-employment benefit (OPEB) plan, were developed from an actuarial investigation of the experience of TCDRS over the years 2009-2012. They were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2013 and first used in the Dec. 31, 2013 actuarial valuation. The mortality assumptions were developed by Milliman, Inc. and adopted by the TCDRS Board of Trustees in 2015, and first used in the Dec. 31, 2015 actuarial valuation.

Termination Rates

Same as for retirement plan.

Withdrawal Rates

Same as for retirement plan.

Disability Rates

Same as for retirement plan.

Service Retirement Rates

Same as for retirement plan.

Mortality Rates

Same as for retirement plan.

Investment Return

The rate of return is 7%, which is a statutory allocation and is not dependent on investment earnings.

Salary Increases

Same as for retirement plan.

Actuarial Value of Assets

All assets are valued at fund value. The fund's assets are pooled with those of the Pension Trust Fund under provisions of the TCDRS Act.

Actuarial Cost Method

For funding purposes, the unit credit cost method is used for determining the cost of one-year term life insurance for both active employees and retirees. The only demographic assumptions used for determining funding requirements are active employee mortality rates and retiree mortality rates.

For accounting reporting purposes, the unit credit cost method for determining one-year term life insurance is used for the active insurance benefit. Thus, the normal cost is equal to the active premium rate. For the retiree Group Term Life benefit, the entry-age actuarial cost method is used. The normal cost rate used in the valuation was calculated based on all current employees who are covered under the Group Term Life program, but only if the participating employer also covers its retirees. The aggregate normal cost is the ratio of the actuarial present value of projected insurance benefits payable after retirement to the projected salaries of all employees covered by the Group Term Life program. The total Group Term Life normal cost is the sum of this normal cost and the entry-age normal cost for the retiree insurance benefit.

Changes in Actuarial Assumptions and Methods

There were changes in assumptions reflected in the Dec. 31, 2015 actuarial valuation. There were no changes in methods for the Dec. 31, 2015 actuarial valuation.

Mortality assumptions have been changed to reflect projected improvements. The current generational mortality assumptions are as follows:

Depositing members:

The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Service retirees, beneficiaries and non-depositing members:

The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees:

RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

The previous mortality assumptions may be referenced in the Dec. 31, 2014 CAFR.

B: PLAN PROVISIONS

Participation in the Group Term Life Plan

Employers who participate in the TCDRS retirement plan may elect to participate in the Group Term Life plan. Employers may elect to cover members who are active employees only or both members who are active employees and retirees, and may elect to change or discontinue coverage annually.

Benefit Eligibility

The county or district must have elected the applicable Group Term Life coverage for the calendar year in which a member who is an active employee or retiree dies.

Amount of Insurance Benefit

If death occurs while the member is actively employed, the benefit is an amount equal to the employee's most recent regular annualized salary. The insurance benefit payable to retirees is $5,000.

TABLE 14: GTLF — RETIREES COVERED

Year Ended	New Retirees Added	Retirees Removed	Net Change in Retirees	Total Number of Retirees[1]	Percent Change in Number Covered
12/31/10	1,071	245	826	10,065	8.9%
12/31/11	555	4,806	(4,251)	5,814	(42.2)
12/31/12	623	136	487	6,301	8.4
12/31/13	618	196	422	6,723	6.7
12/31/14	676	183	493	7,216	7.3
12/31/15	639	203	436	7,652	6.0

[1] A single individual may have coverage with more than one participating employer.

TABLE 15: GTLF — RETIREES COVERAGE AMOUNTS

Year Ended	New Annual Coverage Added	Annual Coverage Removed	Net Change in Annual Coverage Amount	Annual Coverage Amount[1]	Percent Change in Annual Coverage	Average Annual Coverage Per Retiree
12/31/10	$ 5,355,000	$ 1,225,000	$ 4,130,000	$ 50,325,000	8.9%	$ 5,000
12/31/11	2,775,000	24,030,000	(21,255,000)	29,070,000	(42.2)	5,000
12/31/12	3,115,000	680,000	2,435,000	31,505,000	8.4	5,000
12/31/13	3,090,000	980,000	2,110,000	33,615,000	6.7	5,000
12/31/14	3,380,000	915,000	2,465,000	36,080,000	7.3	5,000
12/31/15	3,195,000	1,015,000	2,180,000	38,260,000	6.0	5,000

[1] A single individual may have coverage with more than one participating employer.

ACTUARIAL

TABLE 16: GTLF SOLVENCY TEST

($ Millions)

Valuation Date	Actuarial Accrued Liabilities for (1) Current Member Deposits	(2) Retirees and Beneficiaries	(3) Current Members (Employer-Financed Portion)	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Net Position (1)	(2)	(3)
12/31/10	N/A	$ 19.85	$ 14.07	$ 19.30	N/A	97.2%	0.0%
12/31/11	N/A	12.03	8.59	22.00	N/A	100.0	100.0
12/31/12	N/A	12.96	8.91	23.30	N/A	100.0	100.0
12/31/13	N/A	13.77	8.99	24.80	N/A	100.0	100.0
12/31/14	N/A	14.73	9.33	26.40	N/A	100.0	100.0
12/31/15	N/A	15.32	9.32	29.67	N/A	100.0	100.0

N/A = Not Applicable

Presented above is one short-term means of checking a system's progress under its funding program. The present assets are compared with: (1) current member contributions on deposit; (2) the liabilities for future benefits to current retirees and beneficiaries; and (3) the employer-financed portion of the liabilities for service already rendered by current members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for current member contributions on deposit (liability 1) and the liabilities for future benefits to current retirees and beneficiaries (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the employer-financed portion of liabilities for service already rendered by current members (liability 3) will be at least partially covered by the remainder of present assets.

TABLE 17: GTLF PARTICIPATING EMPLOYERS AND COVERED MEMBERS[1]

Valuation Date	Number of Participating Employers	Covered Members Number	Covered Members Annual Payroll	Average Annual Pay	Percent Increase in Average Annual Pay	Average Employer Premiums	Employer Rate
12/31/10	270	48,061	$ 2,105,375,212	$ 43,806	2.1%	$ 7,340,463	0.35%
12/31/11	269	32,499	2,064,853,871	39,190	(10.5)	5,927,549	0.29
12/31/12	276	32,579	1,293,840,378	39,714	1.3	3,949,356	0.31
12/31/13	279	33,118	1,343,369,311	40,563	2.1	4,203,456	0.31
12/31/14	289	33,394	1,419,012,335	42,493	4.8	4,510,866	0.32
12/31/15	298	34,548	1,502,084,556	43,478	2.3	4,766,129	0.32

[1] Includes only employers that participate in the Group Term Life program.

STATISTICAL

RETURNING VALUE TO TEXAS

By and large, TCDRS retirees continue to live in their local communities after retirement. That means retirees are using their retirement benefits to return value to their hometowns. In turn, this generates value for all of Texas.

INTRODUCTION

The Statistical Section provides additional detail to assist you in interpreting the information in the Financial Statements, Notes to Financial Statements and Required Supplementary Information. The information is presented in two main categories: Financial Trends Data and Demographic and Operating Information.

The Financial Trends Data illustrates how TCDRS' financial position has changed over time. The changes in net position for the last 10 fiscal years show additions by source, deductions by type and the total change in Pension Trust Fund and Group Term Life Fund (GTLF) net position for each year. The pension benefit expenses by type gives data on benefits paid and withdrawal deductions for the last 10 fiscal years.

The Demographic and Operating Information provides details about TCDRS' operations and membership. The schedule of New Retiree Average Benefits gives the average monthly benefit and number of retired members, organized by five-year increments of credited service, for the last 10 fiscal years. Data is given for both pension benefits and for GTLF benefit payments. This section also includes information on the number of annuitants grouped by age and by type of benefits, along with a description of the retirement payment options. The schedule of largest participating employers compares the number of current members for those employers for the most recent year-end and as of nine years ago.

TABLE 1: CHANGES IN NET POSITION, LAST TEN FISCAL YEARS

Pension Trust Fund	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Additions										
Employee Deposits	$ 278,179,477	$ 303,430,433	$ 332,040,768	$ 354,627,084	$ 357,797,427	$ 347,995,322	$ 353,349,948	$ 367,313,130	$ 383,186,524	$ 414,806,917
Employer Contributions	382,318,020	430,335,867	460,635,617	510,261,262	550,102,572	570,562,898	583,902,381	644,462,694	684,212,315	743,149,234
Total Net Investment Income (Loss)	1,873,559,211	1,226,671,070	(5,052,167,722)	3,285,201,407	1,980,909,842	(208,287,663)	2,212,163,773	3,239,794,960	1,568,660,707	(172,638,528)
Other Additions	1,061,744	1,243,332	1,284,521	1,357,102	1,410,153	1,402,399	1,465,105	1,524,722	1,588,730	2,475,483
Total Additions	**2,535,118,452**	**1,961,680,702**	**(4,258,206,816)**	**4,151,446,855**	**2,890,219,994**	**711,672,956**	**3,150,881,207**	**4,253,095,506**	**2,637,648,276**	**987,793,106**
Deductions										
Benefits Paid:										
Service Retirements	415,434,027	462,436,351	507,344,095	564,892,564	619,134,926	701,095,589	774,927,826	864,546,467	948,890,194	1,053,112,636
Disability Retirements	12,536,673	12,991,513	13,297,812	13,870,874	14,176,535	14,702,551	15,112,328	15,400,094	15,566,244	15,996,931
Total Benefits Paid	427,970,700	475,427,864	520,641,907	578,763,438	633,311,461	715,798,140	790,040,154	879,946,561	964,456,438	1,069,109,567
Withdrawals:										
Separation	64,234,638	64,927,703	61,781,877	55,060,952	63,952,250	79,979,067	80,628,521	89,227,565	81,243,255	80,373,803
Death / Ineligible	557,880	744,887	1,198,103	777,907	1,221,183	1,203,984	1,321,511	1,791,138	959,497	1,685,020
Total Withdrawals	64,792,518	65,672,590	62,979,980	55,838,859	65,173,433	81,183,051	81,950,032	91,018,703	82,202,752	82,058,823
Administrative and Building Operations Expenses	11,100,215	12,093,768	12,746,067	15,202,472	16,362,612	17,009,339	18,116,762	19,816,891	20,048,081	20,215,681
Interest Allocation to Group Term Life Fund	505,046	603,773	747,465	920,949	1,152,389	1,376,030	1,524,820	1,625,589	1,738,911	1,889,834
Payments to Terminating Employers	2,562,808	351,055	22,900	—	—	—	—	46,835	—	—
Total Deductions	**506,931,287**	**554,149,050**	**597,138,319**	**650,725,718**	**715,999,895**	**815,366,560**	**891,631,768**	**992,454,579**	**1,068,446,182**	**1,173,273,905**
Change in Net Position	**$2,028,187,165**	**$1,407,531,652**	**$(4,855,345,135)**	**$ 3,500,721,137**	**$ 2,174,220,099**	**$ (103,693,604)**	**$ 2,259,249,439**	**$ 3,260,640,927**	**$ 1,569,202,094**	**$ (185,480,799)**
Group Term Life Fund										
Additions										
Employer Premiums	$ 5,231,646	$ 5,983,265	$ 6,522,399	$ 7,130,058	$ 7,340,463	$ 5,927,549	$ 3,949,356	$ 4,203,456	$ 4,510,866	$ 4,766,129
Income Allocation from Pension Trust Fund	505,046	603,773	747,465	920,949	1,152,389	1,376,030	1,524,820	1,625,589	1,738,911	1,889,834
Total Additions	**5,736,692**	**6,587,038**	**7,269,864**	**8,051,007**	**8,492,852**	**7,303,579**	**5,474,176**	**5,829,045**	**6,249,777**	**6,655,963**
Deductions										
Insurance Benefits	4,282,636	4,579,865	5,269,548	4,946,963	4,537,617	4,852,898	3,878,859	4,318,663	4,637,239	3,404,592
Total Deductions	**4,282,636**	**4,579,865**	**5,269,548**	**4,946,963**	**4,537,617**	**4,852,898**	**3,878,859**	**4,318,663**	**4,637,239**	**3,404,592**
Change in Net Position	**$ 1,454,056**	**$ 2,007,173**	**$ 2,000,316**	**$ 3,104,044**	**$ 3,955,235**	**$ 2,450,681**	**$ 1,595,317**	**$ 1,510,382**	**$ 1,612,538**	**$ 3,251,371**

FINANCIAL TRENDS DATA

FIGURE 1: ADDITIONS BY SOURCE — 2015

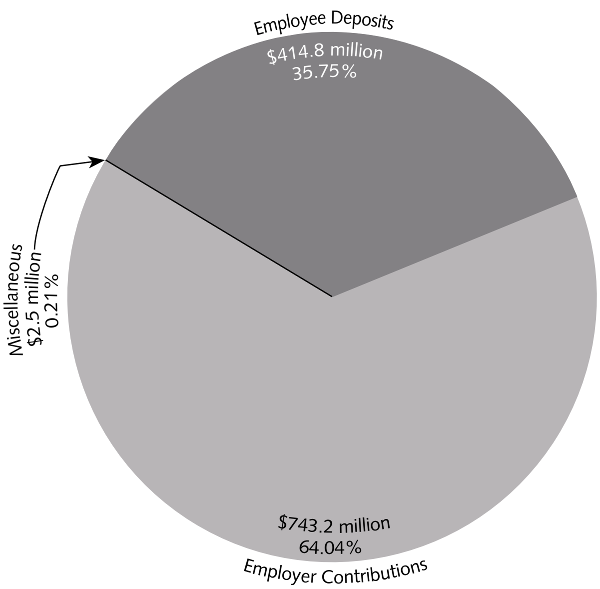

FIGURE 2: DEDUCTIONS BY TYPE — 2015

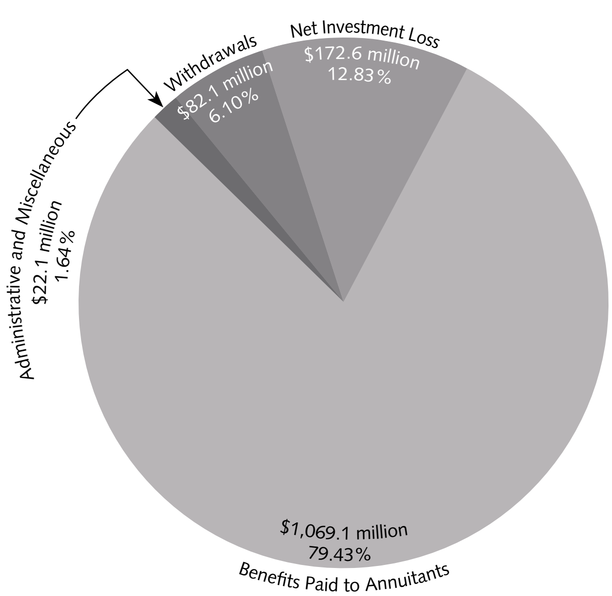

FIGURE 3: BENEFIT EXPENSES BY TYPE

($ Millions)

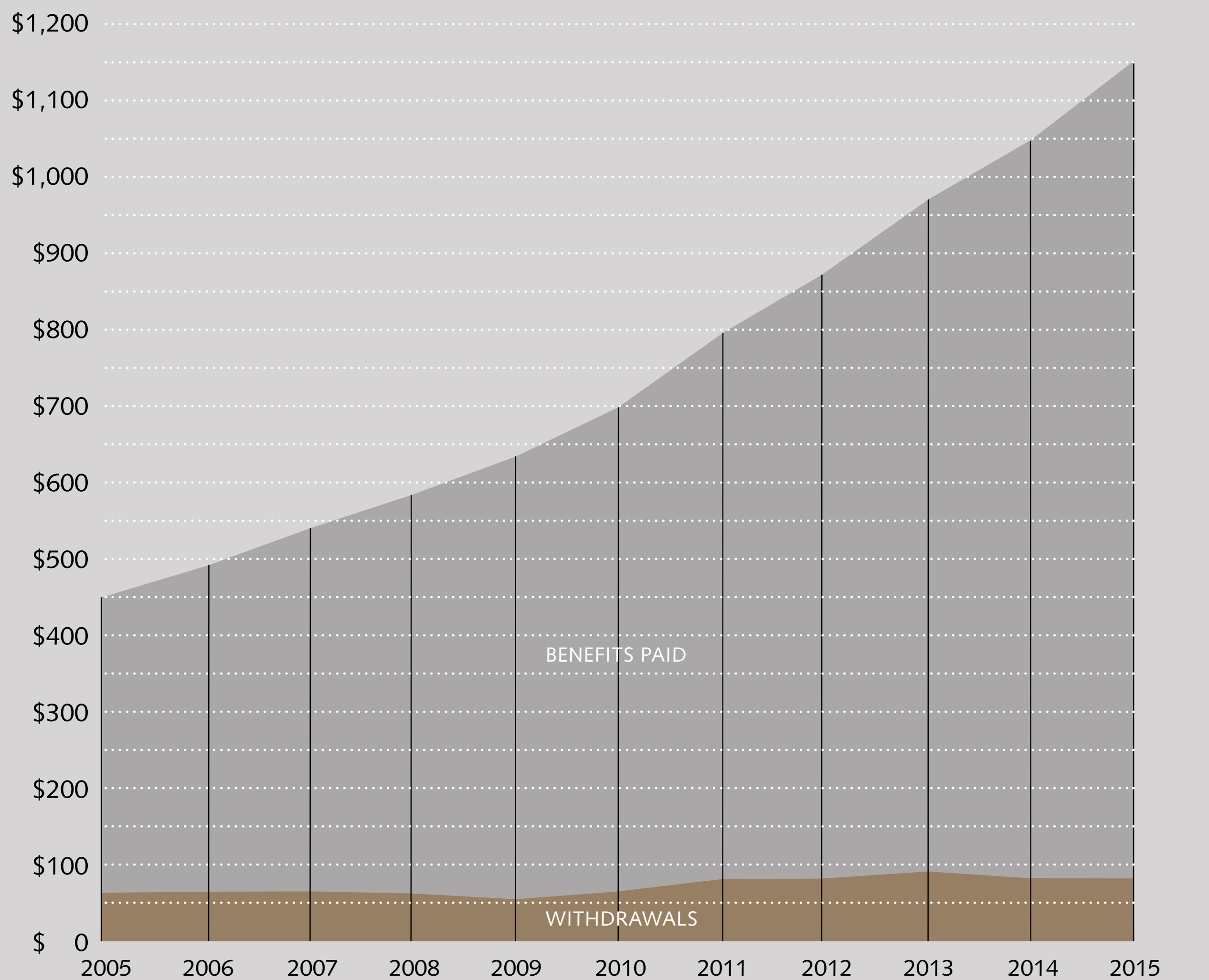

TABLE 2: BENEFIT AT RETIREMENT FOR RECENT RETIREES

This schedule reports the number and average monthly benefit at retirement for recent retirees grouped by years of credited service and year of retirement.

	Years of Credited Service						
	0–5	5–10	10–15	15–20	20–25	25–30	30+
2006							
Average Monthly Benefit	$246	$537	$923	$1,367	$1,834	$2,693	$3,715
Number of Annuitants	197	421	497	493	535	383	173
2007							
Average Monthly Benefit	$208	$593	$919	$1,344	$1,968	$2,671	$3,768
Number of Annuitants	231	378	492	427	490	351	181
2008							
Average Monthly Benefit	$184	$630	$961	$1,446	$2,023	$2,883	$4,353
Number of Annuitants	243	440	527	479	511	400	247
2009							
Average Monthly Benefit	$230	$608	$1,009	$1,503	$1,998	$3,059	$4,096
Number of Annuitants	268	421	513	439	474	392	220
2010							
Average Monthly Benefit	$237	$731	$1,026	$1,604	$2,190	$3,192	$4,463
Number of Annuitants	400	538	639	557	616	573	342
2011							
Average Monthly Benefit	$256	$683	$1,064	$1,558	$2,376	$3,206	$4,712
Number of Annuitants	412	569	651	546	652	477	356
2012							
Average Monthly Benefit	$253	$649	$1,125	$1,626	$2,250	$3,220	$4,841
Number of Annuitants	484	687	717	590	700	508	411
2013							
Average Monthly Benefit	$235	$668	$1,210	$1,648	$2,247	$3,396	$4,735
Number of Annuitants	449	671	684	575	642	462	415
2014							
Average Monthly Benefit	$253	$708	$1,228	$1,707	$2,423	$3,691	$5,002
Number of Annuitants	459	782	761	677	745	599	512
2015							
Average Monthly Benefit	$289	$756	$1,239	$1,841	$2,518	$3,462	$5,390
Number of Annuitants	450	733	741	626	674	495	492

Note: Benefits are not based on final average salary data, therefore final average salary data is not presented. Instead, TCDRS' benefits are account-based consisting of member deposits over their working career.

TABLE 3: AVERAGE BENEFITS

This schedule reports the average benefit for retirees and for all retirees and beneficiaries.[1]

	Retirees Only		All Payees	
As of Dec. 31,	Monthly	Annually	Monthly	Annually
2010	$ 1,465	$ 17,580	$ 1,372	$ 16,464
2011	1,526	18,312	1,427	17,124
2012	1,581	18,972	1,479	17,748
2013	1,629	19,548	1,524	18,288
2014	1,693	20,316	1,586	19,032
2015	1,752	21,024	1,637	19,644

[1] In cases of retirees with multiple accounts from a single employer, the accounts are considered as a single benefit. Benefits from multiple employers to a single retiree are calculated as multiple benefits.

TABLE 4: AVERAGE BENEFIT PROFILE BY EMPLOYER TYPE

As of Dec. 31, 2015

	Retirees Only		All Payees	
	Monthly	Annually	Monthly	Annually
Counties	$ 1,788	$ 21,456	$ 1,668	$ 20,016
Districts	1,455	17,460	1,379	16,548

STATISTICAL

TABLE 5: ANNUITANTS BY TYPE OF BENEFIT

	Annuitants		Retirement Option Selected								
Amount of Monthly Benefit	Retiree	Beneficiary	Single Life	100% to Beneficiary	100% to Beneficiary with Pop-up	75% to Beneficiary	50% to Beneficiary	25% to Beneficiary[1]	15-year Guarantee	10-year Guarantee	5-year Guarantee[1]
$ 0 – 499	9,621	3,686	5,092	3,039	1,384	330	1,065	159	1,466	632	140
500 – 999	10,591	2,306	5,004	2,913	1,543	410	1,143	70	1,055	611	148
1,000 – 1,499	7,577	1,114	3,128	1,877	1,252	331	930	73	622	372	106
1,500 – 1,999	5,400	614	2,210	1,193	830	331	699	48	366	264	73
2,000 – 2,499	3,998	357	1,569	865	641	201	601	19	253	173	33
2,500 – 2,999	2,784	222	1,117	571	457	162	385	12	162	117	23
3,000 – 3,499	2,070	146	810	431	309	118	307	10	120	93	18
3,500 – 3,999	1,440	84	577	278	211	77	221	4	84	64	8
4,000 – 4,499	1,065	60	418	225	166	64	136	2	54	56	4
4,500 – 4,999	770	29	300	152	100	50	133	2	31	27	4
5,000 – 5,499	614	31	238	116	80	47	100	2	24	36	2
5,500 – 5,999	428	13	169	85	61	39	56	0	17	14	0
6,000 – 6,499	335	6	118	59	44	29	58	2	12	19	0
6,500 – 6,999	221	10	80	42	26	18	39	0	14	11	1
7,000 & Over	746	24	249	154	81	69	149	2	36	29	1
Subtotals	47,660	8,702	21,079	12,000	7,185	2,276	6,022	405	4,316	2,518	561
Totals	**56,362**		**56,362**								

[1] Retirement payment option is no longer available to new retirees.

RETIREMENT BENEFIT PAYMENT OPTIONS

All options pay the retiree a monthly benefit for life and, when a retiree passes away, guarantee that the total benefit paid will equal, at a minimum, the total accumulated contributions of the retiree.

Single Life

Payments cease upon the death of the retiree.

15-year Guaranteed Term

If the retiree dies within 15 years of retirement, the beneficiary will receive the same monthly payment as the retiree for the balance of the 15-year period, at which time payments cease.

10-year Guaranteed Term

If the retiree dies within 10 years of retirement, the beneficiary will receive the same monthly payment as the retiree for the balance of the 10-year period, at which time payments cease.

50% to Beneficiary

At the death of the retiree, the beneficiary will receive 50% of the retiree's monthly payment throughout the beneficiary's life.

75% to Beneficiary

At the death of the retiree, the beneficiary will receive 75% of the retiree's monthly payment throughout the beneficiary's life.

100% to Beneficiary

At the death of the retiree, the beneficiary will receive 100% of the monthly amount paid to the retiree throughout the beneficiary's life.

100% to Beneficiary with Pop-up

If the beneficiary survives the retiree, monthly payments equal to 100% of the monthly amount paid to the retiree continue to the beneficiary for life. If the retiree outlives the beneficiary, the monthly payment amount will increase (pop up) after the beneficiary's death to the higher amount of the Single Life option.

FIGURE 4: NUMBER OF ANNUITANTS GROUPED BY AGE

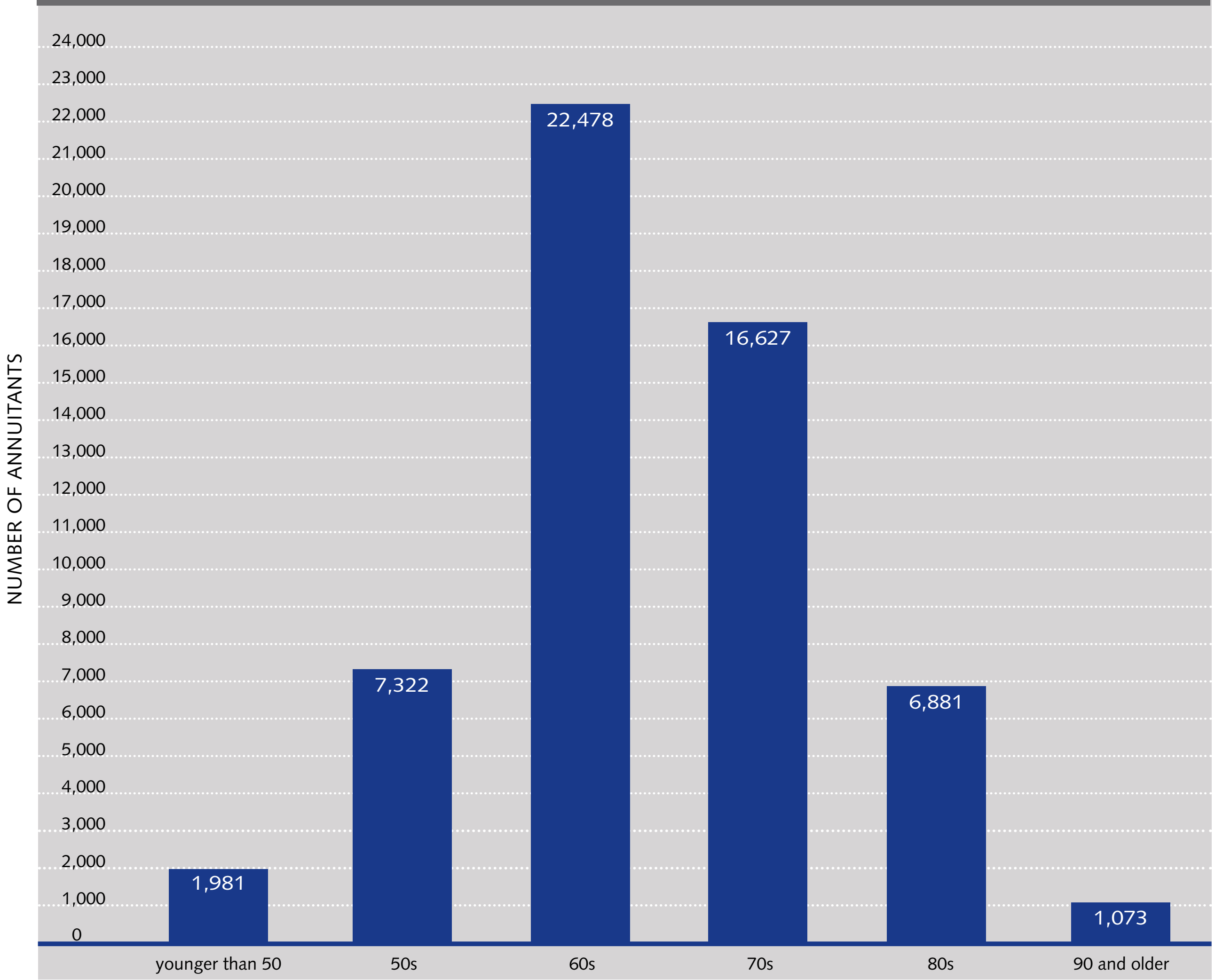

TABLE 6: LARGEST PARTICIPATING EMPLOYERS — CURRENT YEAR AND NINE YEARS AGO

	2015			2006		
Employer	**Number of Current Employee Accounts**	**Rank**	**% of Total System**	**Number of Current Employee Accounts**	**Rank**	**% of Total System**
Harris County	16,342	1	12.6%	15,341	1	13.8%
Dallas County	6,729	2	5.2%	6,625	2	6.0%
Travis County	5,148	3	4.0%	4,324	4	3.9%
Bexar County	5,134	4	4.0%	4,773	3	4.4%
Tarrant County	4,423	5	3.4%	4,177	5	3.8%
Hidalgo County	3,038	6	2.4%	2,541	7	2.3%
El Paso County	2,932	7	2.3%	2,772	6	2.5%
Fort Bend County	2,664	8	2.1%	1,810	8	1.6%
El Paso Co. Hospital District	2,618	9	2.0%	1,722	10	1.6%
Montgomery County	2,208	10	1.7%	1,796	9	1.6%
All others	77,981		60.3%	64,910		58.5%
Totals	**129,217**		**100.0%**	**110,791**		**100.0%**

STATISTICAL

TABLE 7: GROUP TERM LIFE FUND — AVERAGE BENEFITS PAID

This schedule reports the number of GTLF insurance payments and the average benefits paid.

	Active	Retirees
2006		
Average Benefit Payment	$33,291	$5,000
Number of Payments	95	224
2007		
Average Benefit Payment	$36,459	$5,000
Number of Payments	89	267
2008		
Average Benefit Payment	$37,068	$5,000
Number of Payments	111	231
2009		
Average Benefit Payment	$39,161	$5,000
Number of Payments	93	261
2010		
Average Benefit Payment	$36,918	$5,000
Number of Payments	90	243
2011		
Average Benefit Payment	$30,026	$5,000
Number of Payments	113	292
2012		
Average Benefit Payment	$35,890	$5,000
Number of Payments	83	180
2013		
Average Benefit Payment	$38,659	$5,000
Number of Payments	83	222
2014		
Average Benefit Payment	$41,205	$5,000
Number of Payments	89	194
2015		
Average Benefit Payment	$36,819	$5,000
Number of Payments	63	217

ACCRUED BENEFIT

An individual's benefit, based on compensation and service, as of a specific date.

ACTUARIAL ACCRUED LIABILITY

The portion, as determined by the actuarial cost method, of the Actuarial Present Value of pension plan benefits and expenses that is not provided for by future Normal Costs.

ACTUARIAL ASSUMPTIONS

In order to estimate the cost of funding benefits, the actuaries use long-term assumptions. Examples include mortality, termination, disablement and retirement; changes in salary; payroll growth; investment returns and other relevant items. Actuarial assumptions are adopted by the board of trustees upon recommendation of the consulting actuaries. The assumptions are reviewed every four years.

ACTUARIAL GAIN (LOSS)

The difference between actual results and what was projected to happen based on Actuarial Assumptions during the period between annual Actuarial Valuations.

ACTUARIAL PRESENT VALUE

The calculated value of a series of projected cash flows expressed in present day dollars as of the valuation date using actuarial assumptions.

ACTUARIAL VALUATION

The process to calculate the employer contribution rate. This process determines the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets and Actuarial Present Values.

ACTUARIAL VALUE OF ASSETS

The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

ACTUARIALLY EQUIVALENT PAYMENT OPTIONS

Different benefit payment options that pay different amounts per month, but are of equal value at the time the option is selected.

ALERIAN MLP INDEX

This index is a composite of the 50 most prominent energy Master Limited Partnerships. The index is calculated using a float-adjusted, capitalization-weighted methodology.

BARCLAYS AGGREGATE BOND INDEX

This index incorporates all domestic debt issues with maturities greater than one year and in amounts greater than $1 million. Included are publicly issued, nonconvertible, domestic debt issues of the U.S. government and its agencies and corporations in industrial, utility or financial segments.

BARCLAYS U.S. TIPS INDEX

This index consists of inflation-protected securities issued by the U.S. Treasury. Securities must be fixed-rate with at least $250 million of par outstanding and at least one year to final maturity. They must also be rated investment-grade (Baa3/BBB- or higher) by at least two of the three ratings agencies (Moody's, S&P or Fitch).

BASIC BENEFIT

Benefits attributable to the member's accumulated deposits and an equal matching amount provided by the employer.

BENCHMARK PORTFOLIOS

Portfolios represented by specific indices that are created for the purpose of measuring the relative performance of investment managers, asset classes and, in the case of the Policy Benchmark Portfolio, the entire TCDRS portfolio. Data regarding performance of these benchmark portfolios during any period indicate the returns that were available during the period for comparable investments that were passively managed. Comparisons indicate the value added by each manager, if any, in excess of the performance that was experienced by the specific benchmark index.

CAMBRIDGE ASSOCIATES GLOBAL PRIVATE EQUITY & VENTURE CAPITAL INDEX

A custom benchmark index provided by Cambridge Associates based on data compiled from more than 1,500 global private equity and venture capital funds, including fully liquidated partnerships, with first cash flows occurring between 2006 and 2014. The benchmark return is net of fees, expenses and carried interest.

CAMBRIDGE ASSOCIATES REAL ESTATE INDEX

A custom benchmark index provided by Cambridge Associates based on data compiled from nearly 400 global private real estate funds, including fully liquidated partnerships with first cash flows occurring between 2007 and 2014. The benchmark return is net of fees, expenses and carried interest.

CITIGROUP HIGH-YIELD CASH-PAY CAPPED INDEX

This index includes cash-pay bonds with a below-investment-grade rating by both Moody's Investor Services and Standard & Poor's. The bonds must have a maturity of at least one year and a minimum amount outstanding of $100 million. The par value of individual issuers is capped at $5 billion par outstanding.

COMMODITIES

Investment in resources that can be perishable (grains, sugar, etc.) and non-perishable (metals, energy, etc.). Commodities provide protection against inflation and have low correlation to stocks and other asset classes.

DIRECT LENDING

Privately originated debt made to small to medium-sized companies or to real estate investors in order to take advantage of disruptions in the banking system.

DISTRESSED DEBT

Distressed debt investments are investments in partnerships that purchase the debt of companies experiencing financial distress ranging from deteriorating financial conditions to bankruptcy. Strategies employed include trading, participating in restructuring transactions and controlling bankruptcy proceedings.

DOW JONES U.S. TOTAL STOCK MARKET INDEX

This index is one of the broadest measures of domestic equity performance since it is computed based upon all equity trades of U.S. stocks during any day. Each company included within the index is not equally weighted within the index, but rather is weighted according to its market value among the market values of all U.S. companies.

EMPLOYER REQUIRED CONTRIBUTION RATE

The percentage of payroll the employer is required to contribute to fund future benefits for their current employees, former employees and retirees. It is the sum of the Normal Cost Contribution Rate and the Unfunded Actuarial Accrued Liability Contribution Rate.

ENTRY-AGE ACTUARIAL COST METHOD

An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a Valuation Date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

FOREIGN CURRENCY FORWARD CONTRACTS

Forward contracts are over-the-counter agreements between two parties to buy and sell a currency at a set price on a future date. The contracts are marked-to-market on each valuation date with any resulting unrealized appreciation or depreciation recorded on such date. Realized gains or losses equal to the value of the contract when it was opened and the settlement amount at the time the contract is closed (or rolled) are recorded upon receipt of the currency.

FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDEX

This index, developed by The Financial Times and London Stock Exchange (FTSE) in conjunction with the European Public Real Estate Association (EPRA) and National Association of Real Estate Investment Trusts (NAREIT) includes worldwide listed stocks of income-producing real estate.

FTSE NAREIT ALL EQUITY REIT INDEX

This index gives a broad exposure to U.S. publicly traded equity REITs in every property sector.

GLOBAL EQUITY

Investments in stocks included in all public markets, both domestic and international.

HEDGE FUND RESEARCH INSTITUTE (HFRI) FUND OF FUNDS COMPOSITE INDEX

This index consists of more than 650 funds with each managing a group of diverse hedge funds. Each fund of funds has at least $50 million under management or has been actively trading for at least twelve months. The index includes both domestic and offshore funds that offer diverse strategies. All constituent funds report returns net of fees on a monthly basis.

HEDGE FUNDS

An investment strategy applied to a variety of different investments to help manage risk within the entire portfolio. Over a full market cycle, hedge funds produce equity-like returns with less than half the risk of stocks. Hedge funds do well when markets are up and mitigate losses during market downturns.

HIGH-YIELD BOND

Domestic fixed-income securities that have not been highly rated by national rating agencies, such as Moody's Investors Service (Moody's) or Standard & Poor's (S&P). A security is considered a high-yield bond if it is rated below Baa3 by Moody's or below BBB- by S&P. To pay for the risk, the interest rates earned are higher than investment-grade bonds.

INVESTMENT-GRADE BONDS

The investment-grade bonds portfolio consists of debt securities issued by the U.S. Treasury or an agency or government-sponsored entity (GSE) of the United States (U.S. governments); mortgage-related instruments, U.S. dollar-denominated fixed-income securities issued by U.S. and foreign corporations; and U.S. dollar-denominated debt issued by foreign governments and supranationals. Additionally, these portfolios may contain minimal investments in short-term instruments, non-rated securities, private placement securities, convertible bonds and preferred stock. The portfolio should exhibit an overall dollar-weighted average quality rating of AA.

MASTER LIMITED PARTNERSHIPS (MLPs)

Publicly traded partnership interests created by Congress to encourage investment in domestic energy infrastructure. At the entity level, these interests are tax free provided that 90% of their income comes from natural resources such as oil, natural gas, coal, timber and other depletable resources.

MSCI EAFE INDEX (EUROPE, AUSTRALASIA, FAR EAST)

This index, prepared by Morgan Stanley Capital International (MSCI), is designed to measure developed market equity performance excluding the United States and Canada.

MSCI EMERGING MARKETS (EM) INDEX

This index, prepared by Morgan Stanley Capital International (MSCI), captures large and mid-cap performance across 23 emerging market countries with 835 constituents.

MSCI WORLD EX U.S.

This index, prepared by Morgan Stanley Capital International (MSCI), is designed to measure developed market equity performance excluding the United States.

NORMAL COST

The portion of the Actuarial Present Value of pension plan benefits and expenses that is allocated to a valuation year by the actuarial cost method.

NORMAL COST CONTRIBUTION RATE

This is the rate required to fund current employees' benefits over their projected careers. It is equal to the Actuarial Present Value at hire of Projected Benefits divided by the Actuarial Present Value at hire of anticipated future compensation. It is calculated for each contributing member and the average is weighted by compensation.

OPPORTUNISTIC CREDIT

Comprises investments primarily in debt instruments that provide return opportunities resulting from dislocations in capital markets.

OVERFUNDED ACTUARIAL ACCRUED LIABILITY (OAAL)

The excess, if any, of the Actuarial Value of Assets over the Actuarial Accrued Liability.

PLAN YEAR

The period from Jan. 1 to Dec. 31 inclusive.

PRIOR SERVICE BENEFITS

Benefits attributable to an amount provided by the employer for service rendered by an employee prior to employer participation in TCDRS.

PRIVATE EQUITY

Private partnerships that (a) take public companies private in order to improve their operations and resell them in the future; (b) invest in start-up companies with new ideas or technologies; and (c) invest in both traditional and renewable energy discovery and production.

PRIVATE REAL ESTATE

Non-publicly traded vehicles that invest in a broad array of real estate properties and ventures. Private real estate investments are expected to be very illiquid and long term in nature. The vehicles for private real estate investments are typically partnerships, but may also include other entities such as limited liability companies or offshore corporations.

PROJECTED BENEFITS

Retirement benefit amounts that are estimated to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such factors as the effect of advancement in age, and past and anticipated future compensation and service time.

REITs

Real estate investment trusts are companies that own and operate income-producing real estate, such as commercial office buildings, apartments, malls, warehouses and storage facilities. Under provisions of the U.S. tax law, if REITs pay out most of their income, they do not pay income taxes. This means higher income earnings along with any increase in the value of the real estate.

TIPS

Treasury Inflation-Protected Securities are bonds issued by the U.S. Treasury just like other U.S. government bonds. However, the principal amount of TIPS increases with the rate of inflation so that inflation does not decrease the value of the bond. They provide a way to protect against inflation.

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.

UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE

The amount needed to amortize the Unfunded Actuarial Accrued Liability over a closed period of 20 years, expressed as a percent of payroll. If the plan has an Overfunded Actuarial Accrued Liability, it is amortized over an open period of 30 years, and the resulting negative Unfunded Actuarial Accrued Liability Contribution Rate is offset against the Normal Cost Contribution Rate.

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