



INVESTMENT PRESENTATIONS TO THE TRS BOARD OF TRUSTEES

September 16, 2010

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**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES
AGENDA**

**September 16, 2010
TRS East Building, 5th Floor, Boardroom**

NOTE: The Board may take up any item posted on the agenda during its meeting on Thursday, September 16, 2010, or during the continuation of the meeting on the following day beginning at the time and place specified on this agenda.

The open portions of the September 16-17, 2010 Board meeting are being broadcast over the Internet. Access to the Internet broadcast of the Board meeting is provided on TRS' Web site at www.trs.state.tx.us.

5. Discuss and consider investment matters, including the following items:
 - A. Review Portfolio Performance and Asset Allocation – Britt Harris.
 - B. Review Portfolio Performance and Asset Allocation by Investment Counsel – Steve Voss and Brady O'Connell, Ennis Knupp + Associates.
 - C. Receive presentation regarding the Emerging Managers Program, and possibly consider the allocation and related matters – Britt Harris.
 - D. Consider confirming the \$500 million investment in General Growth Properties approved by the Executive Director and Chief Investment Officer under the Investment Policy Statement (IPS) and renewing the authority of the Executive Director and Chief Investment Officer under the IPS to consider and invest up to \$1 billion in further Special Investment Opportunities – Steve LeBlanc and Rich Hall.

- E. Receive presentation regarding the “FinReg and Beyond – Global Implications for Investors”– Joanne Medero, Managing Director, BlackRock.
- F. Review the report of the Investment Management Committee on its September 16, 2010 meeting, and consider related matters – Robert Gauntt.
- G. Review the report of the Risk Management Committee on its September 16, 2010 meeting – Eric McDonald.

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Quarterly Portfolio Performance Review

T. Britton Harris
Chief Investment Officer
September 2010

Performance Presentation Agenda



Overview

Overview

Market
Insights

Market Insights

Performance

Performance

Forecasts

Forecasts

Summary

Summary

Appendix

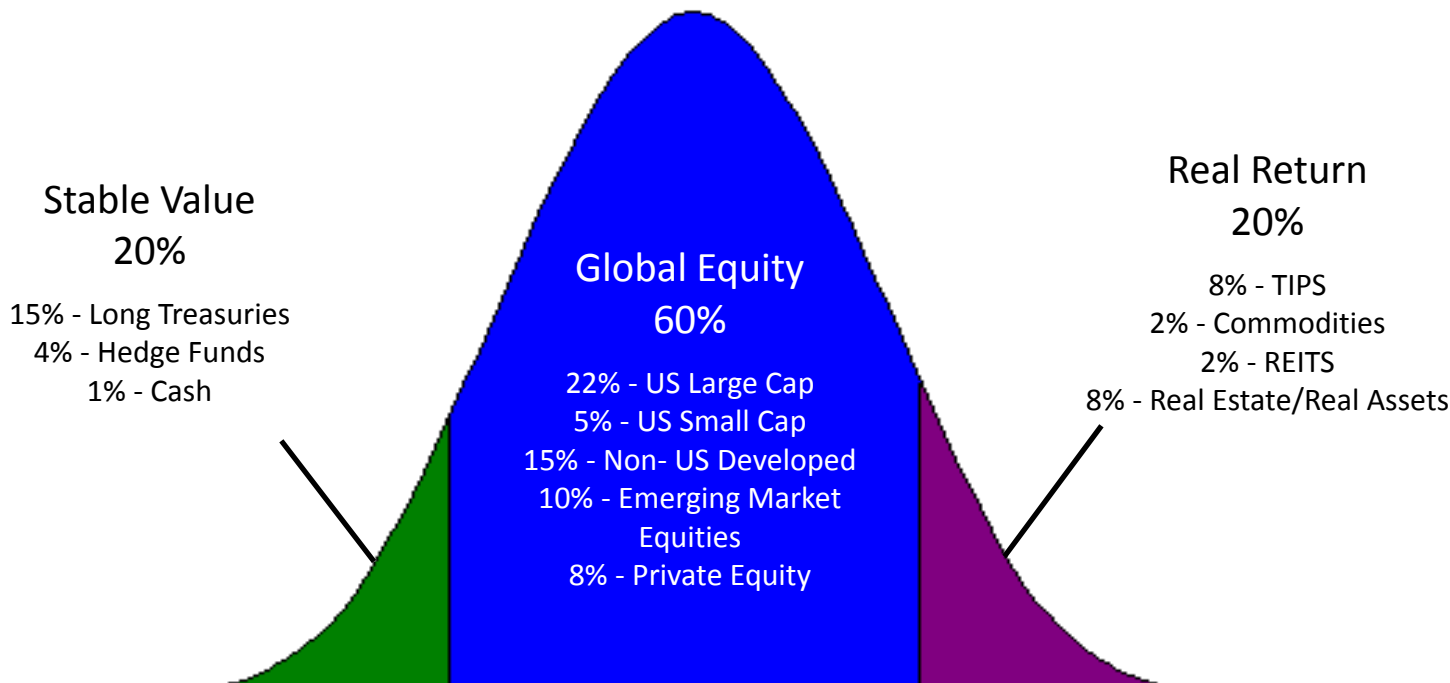
Appendix

Overview of Investment Results

With TRS Diversification Framework



Periods Ending June 30, 2010



Q210	6.8%	-9.5%	1.2%	-3.9%
1 Year	19.1%	16.1%	7.7%	15.6%
Ending Value	\$22.0B	\$53.2B	\$17.1B	\$92.3B
Period	Stable Value	Global Equity	Real Return	Total Trust

Relative Market Returns Matrix

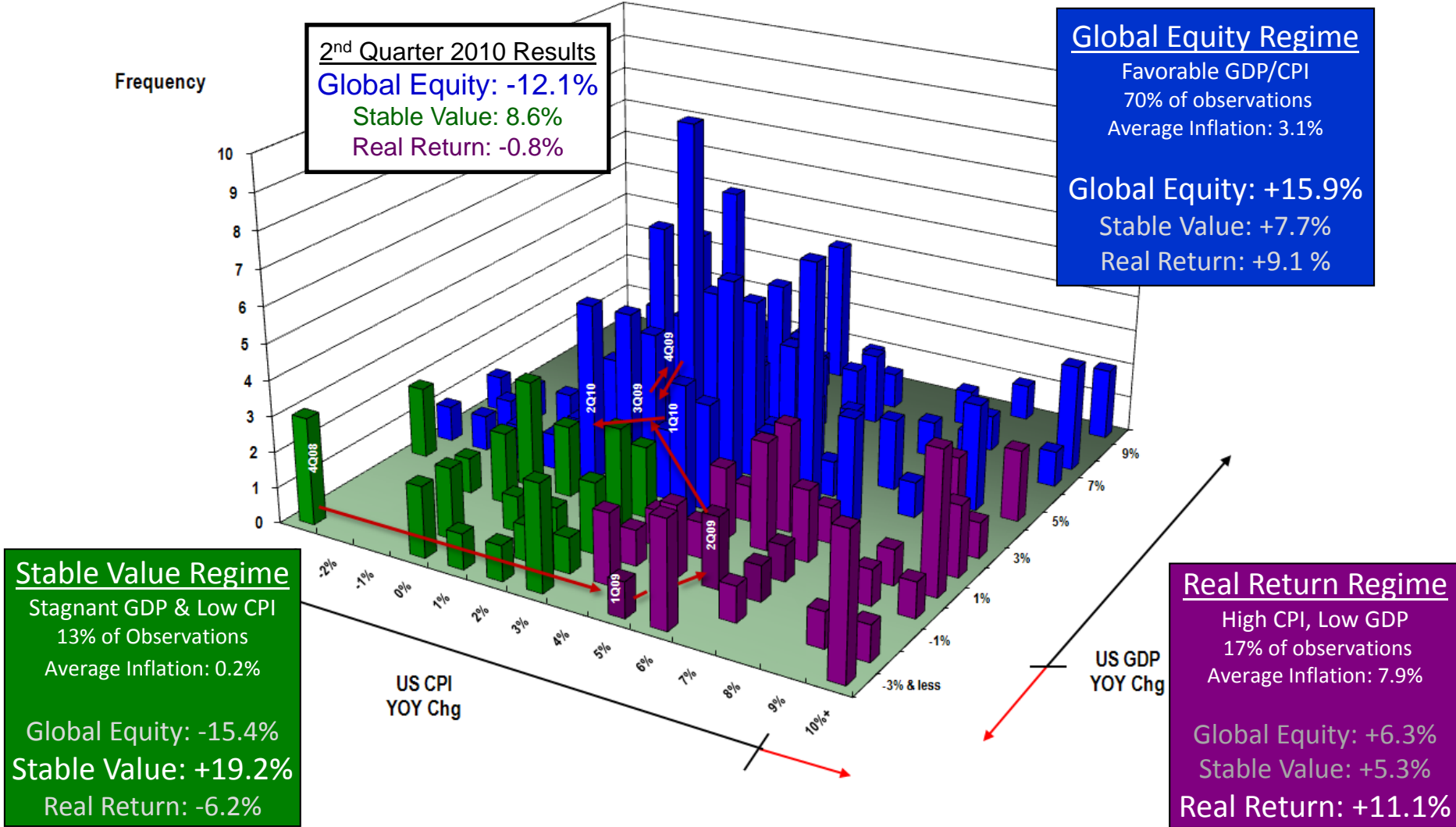
As of June 30, 2010



Rank	Quarter		Annual					Annualized		
	Quarter	YTD	2009	2008	2007	2006	2005	5 Year	10 Year	20 Year
1	Long Treasury 12.2%	Gold 13.2%	EM Equity 79.0%	Long Treasury 24.0%	EM Equity 39.8%	REITs 35.1%	EM Equity 34.5%	Gold 20.3%	Gold 15.7%	Private Equity 18.3%
2	Gold 11.6%	Long Treasury 13.2%	High Yield 38.2%	10 Yr Trsy 20.3%	Commodities 32.7%	EM Equity 32.6%	Agriculture 33.9%	Agriculture 17.3%	Agriculture 13.7%	Agriculture 11.5%
3	10 Yr Trsy 8.3%	10 Yr Trsy 9.5%	US Growth 37.2%	Agriculture 17.2%	Gold 31.0%	Private Equity 30.8%	Commodities 25.6%	EM Equity 14.5%	EM Equity 10.3%	REITs 10.4%
4	5 Yr Trsy 4.6%	5 Yr Trsy 6.4%	EAFE 32.5%	5 Yr Trsy 14.1%	Private Equity 21.1%	EAFE 26.9%	Real Estate 20.2%	Private Equity 8.2%	REITs 9.9%	EM Equity 9.6%
5	Real Estate 4.1%	Private Equity 5.9%	Low Quality 32.0%	2 Yr Trsy 7.8%	High Quality 18.0%	Gold 23.2%	Gold 17.9%	High Yield 6.2%	Long Treasury 8.0%	High Yield 8.8%
6	US I/L 3.8%	Credit 5.6%	US Large 28.4%	Gold 5.8%	Agriculture 16.7%	US Value 22.2%	Private Equity 17.5%	5 Yr Trsy 4.7%	High Yield 7.3%	Long Treasury 8.7%
7	Credit 3.3%	REITs 5.6%	REITs 28.0%	90 Day Trsy 1.8%	Real Estate 14.8%	Agriculture 20.6%	Swiss Franc 15.2%	EAFE 4.2%	Credit 6.9%	Low Quality 8.7%
8	Swiss Franc 2.2%	Real Estate 4.6%	US Small 27.2%	US I/L -2.4%	US Growth 11.8%	US Small 18.4%	Japanese Yen 14.7%	Credit 4.2%	US I/L 6.9%	US Value 8.6%
9	2 Yr Trsy 1.1%	High Yield 4.5%	Gold 24.4%	Credit -3.1%	US I/L 11.6%	Low Quality 18.2%	EAFE 14.0%	High Quality 4.2%	10 Yr Trsy 6.4%	US Small 8.2%
10	Agriculture 0.7%	US I/L 4.4%	High Quality 23.1%	Euro -4.2%	EAFE 11.6%	US Large 15.5%	REITs 12.2%	2 Yr Trsy 4.1%	5 Yr Trsy 6.3%	US Large 7.9%
11	90 Day Trsy 0.0%	Swiss Franc 4.1%	US Value 19.7%	Swiss Franc -5.7%	Euro 10.3%	Real Estate 15.3%	High Quality 10.3%	US I/L 4.1%	Private Equity 5.1%	High Quality 7.7%
12	Private Equity 0.0%	2 Yr Trsy 1.8%	Credit 16.0%	Real Estate -10.7%	5 Yr Trsy 10.2%	High Quality 13.9%	US Value 7.1%	Long Treasury 3.5%	2 Yr Trsy 4.6%	Credit 7.6%
13	High Yield -0.1%	Agriculture 1.8%	Commodities 13.5%	Japanese Yen -18.8%	Long Treasury 9.8%	Pound 13.7%	Long Treasury 6.5%	Euro 3.4%	Real Estate 3.9%	10 Yr Trsy 6.9%
14	Pound -1.6%	90 Day Trsy 0.1%	US I/L 11.4%	Private Equity -25.1%	10 Yr Trsy 9.8%	High Yield 11.8%	US Large 6.3%	10 Yr Trsy 3.4%	US Small 3.0%	US Growth 6.7%
15	REITs -4.1%	Low Quality -1.9%	Pound 10.8%	High Yield -26.2%	2 Yr Trsy 7.5%	Euro 11.4%	US Growth 5.3%	90 Day Trsy 2.6%	90 Day Trsy 2.6%	5 Yr Trsy 6.6%
16	Japanese Yen -5.4%	US Small -2.0%	Private Equity 10.5%	Pound -26.5%	US Large 5.8%	US Growth 9.1%	Low Quality 4.6%	US Growth 2.0%	Euro 2.5%	Gold 6.5%
17	EM Equity -8.3%	Japanese Yen -4.9%	Agriculture 6.3%	High Quality -30.8%	Credit 5.1%	90 Day Trsy 4.8%	US Small 4.6%	US Large 0.8%	US Value 2.4%	US I/L 5.5%
18	Euro -9.4%	US Value -5.1%	Japanese Yen 2.6%	US Small -33.6%	90 Day Trsy 4.8%	Credit 4.3%	90 Day Trsy 3.0%	US Small 0.8%	Commodities 0.9%	2 Yr Trsy 5.4%
19	US Small -9.9%	EM Equity -6.0%	Euro 2.5%	US Value -36.8%	High Yield 1.9%	2 Yr Trsy 3.8%	US I/L 2.8%	US Value -0.6%	EAFE 0.6%	Real Estate 4.5%
20	Commodities -10.4%	US Large -6.4%	2 Yr Trsy 1.2%	US Large -37.6%	Pound 1.3%	5 Yr Trsy 2.5%	High Yield 2.7%	REITs -0.9%	Pound -0.1%	EAFE 4.4%
21	US Value -11.1%	Pound -7.6%	90 Day Trsy 0.1%	REITs -37.7%	US Value -0.2%	Long Treasury 1.9%	10 Yr Trsy 2.0%	Real Estate -0.2%	US Large -1.2%	Commodities 4.0%
22	Low Quality -11.4%	US Growth -7.6%	5 Yr Trsy -1.4%	US Growth -38.4%	US Small -1.4%	10 Yr Trsy 1.4%	Credit 2.0%	Pound -2.0%	Low Quality -1.5%	90 Day Trsy 3.8%
23	US Large -11.4%	High Quality -9.5%	Swiss Franc -3.1%	EAFE -43.1%	Low Quality -4.5%	Japanese Yen 1.1%	2 Yr Trsy 1.4%	Japanese Yen -3.5%	Japanese Yen -1.8%	Euro -0.2%
24	US Growth -11.7%	Commodities -11.2%	10 Yr Trsy -9.9%	Commodities -46.5%	Japanese Yen -6.1%	US I/L 0.4%	5 Yr Trsy 0.0%	Swiss Franc -4.2%	High Quality -3.2%	Pound -0.8%
25	High Quality -12.6%	EAFE -12.9%	Long Treasury -12.9%	Low Quality -52.6%	Swiss Franc -7.1%	Swiss Franc -7.1%	Pound -10.2%	Low Quality -5.4%	Swiss Franc -4.1%	Swiss Franc -1.4%
26	EAFE -13.7%	Euro -14.5%	Real Estate -30.4%	EM Equity -53.2%	REITs -15.7%	Commodities -15.1%	Euro -12.6%	Commodities -5.9%	US Growth -5.1%	Japanese Yen -2.7%

Second Quarter Private Equity returns have not yet been reported.

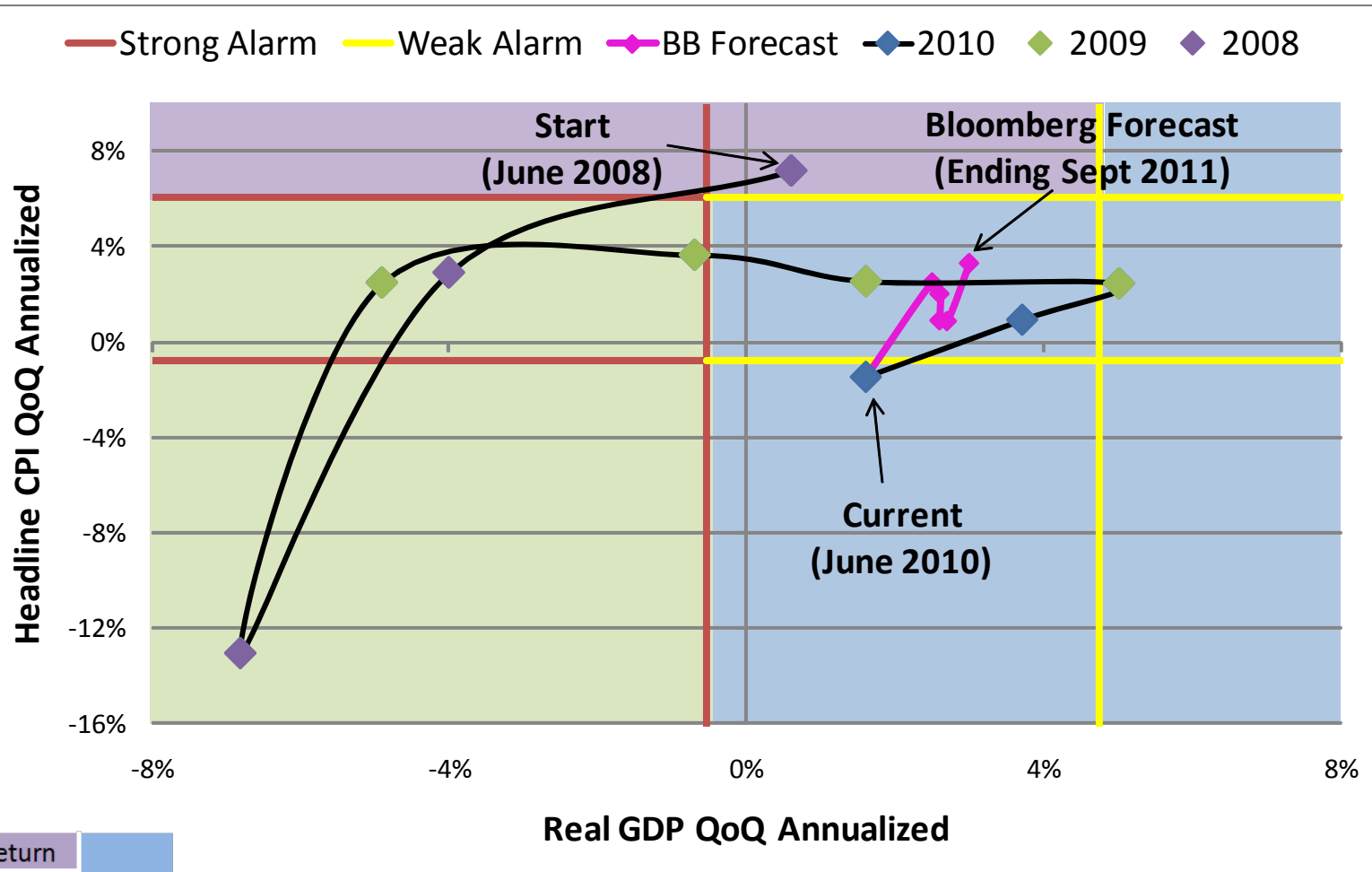
Portfolio Diversification in Different Market Conditions



Source: Data from Bureau of Labor Statistics (CPI) and Bureau of Economic Analysis (GDP). Graph depicts year-over-year quarterly observations from 1948 to date. Market returns based on TRS policy, dependent on QOQ inflation and GDP prevailing since 1990.

Nine Economic Regimes

June 2008 Through June 2010



Real Return	
Stable Value	Global Equity

Source: TRS Asset Allocation, Bloomberg

Unusual Market Events

For Year Ended June 30, 2010



- Default Scare in Southern Europe
- Allegations Against a Premier U.S. Bank
- Flash Crash
- Historic Financial Reforms
- China Tightening
- Gulf Oil Spill

One Year Summary of Portfolio Performance

One Year Ending June 30, 2010



Assets	Value (\$B)	Average		Total Return	Excess Return	Value Added	NOTES
		% of Fund	+/- weight				
Public Equity	\$45.7	52.2%	-0.3%	14.5%	0.2%	0.3%	Excess Return using a PE Benchmark was +3.7% Continued strong returns for Global Equity
Private Equity	\$7.9	7.1%	-0.6%	24.6%	-9.8%	-0.7%	
Global Equity	\$53.6	59.4%	-0.9%	16.1%	-0.7%	-0.4%	
LT Treasuries	\$11.2	9.9%	-4.3%	12.7%	0.6%	-0.2%	Largest Underweighted Position
Hedge Funds	\$4.0	4.0%	0.0%	7.7%	5.5%	0.2%	Largest Overweighted Position
Credit	\$5.2	7.2%	6.5%	34.2%	29.2%	2.2%	
Cash	\$1.0	1.8%	0.8%	0.6%	0.5%	0.0%	Tactical Credit Allocation Beneficial
Stable Value	\$21.4	22.9%	3.1%	19.1%	9.9%	2.1%	
TIPS	\$8.6	9.2%	0.8%	10.5%	0.0%	0.1%	Underweight to Real Assets Beneficial
Commodities	\$2.1	2.1%	0.2%	-0.1%	5.3%	0.1%	
REITs	\$1.8	2.0%	0.0%	50.7%	-3.0%	-0.2%	
Real Assets	\$4.8	4.4%	-3.1%	-9.0%	6.7%	1.0%	
Real Return	\$17.4	17.8%	-2.2%	7.7%	5.2%	1.0%	
Total Trust	\$92.3	100.0%	0.0%	15.6%	2.7%	2.7%	+15% Total Fund Return
Public Assets	\$79.7	88.5%	3.7%	16.0%	2.6%	2.4%	Exceeded Target Value Added
Private Assets	\$12.7	11.5%	-3.7%	7.0%	-1.1%	0.3%	
Total Trust	\$92.3	100.0%	0.0%	15.6%	2.7%	2.7%	Return and Value Added both positive

Evaluation of Total Return

One Year Ending June 30, 2010 (dollars in billions)



Assets	Total Assets	Average % of Fund	Total Return	Weighted Contribution*	% of Total	Weighted Rank
REITS	\$ 1.8	2.0%	50.7%	1.0%	6.6%	
Dislocated Credit/OAR	\$ 5.2	7.2%	34.2%	2.5%	16.0%	2
Emerging Markets	\$ 5.3	6.3%	25.3%	1.6%	10.4%	4
Private Equity	\$ 7.9	7.1%	24.6%	1.8%	11.4%	3
US Small Cap	\$ 3.9	4.3%	22.6%	1.0%	6.3%	
US Large Cap	\$ 4.8	9.8%	15.4%	1.5%	9.6%	5
Global Equity	\$ 29.8	28.6%	12.9%	3.7%	24.0%	1
Long-Term Treasury	\$ 11.2	9.9%	12.7%	1.3%	8.1%	
TIPS	\$ 8.6	9.2%	10.5%	1.0%	6.4%	
Hedge Funds	\$ 4.0	4.0%	7.7%	0.3%	2.0%	
EAFE + Canada	\$ 1.8	3.2%	6.8%	0.2%	1.4%	
Cash	\$ 1.0	1.8%	0.6%	0.0%	0.1%	
Commodities	\$ 2.1	2.1%	-0.1%	0.0%	0.0%	
Real Assets	\$ 4.8	4.4%	-9.0%	-0.4%	-2.6%	1
TOTAL TRUST	\$ 92.3	100.0%	15.6%	15.6%	100.0%	

*Estimated

Comparison of TUCS Results**

For Funds Greater Than \$10 Billion



+ Fund Size



Assets are averaged over the 1 year time period, ending June 30, 2010
Returns are 1 year returns, ending June 30, 2010

- Fund Size

Analysis of Value Added

For One Year as of June 30, 2010



	Asset Allocation	Security Selection	Total
[Overweight] Credit/ [Underweight] Treasuries	1.8%	0.0%	1.8%
[Underweight] Real Assets/ REITS Allocation	0.6%	0.3%	0.9%
[Overweight] Emerging Market Equity	0.1%	0.1%	0.2%
Hedge Funds	-	0.2%	0.2%
[Overweight] World Equity/ [Underweight] Small Cap	-0.2%	0.2%	0.0%
Private Equity	-0.1%	-0.6%	-0.7%
Other	-0.1%	0.4%	0.3%
Total Fund	2.1%	0.6%	2.7%

Growth of Trust

Periods Ending June 30, 2010 (dollars in millions)



	<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>
Starting Value	\$81,916	\$91,072	\$86,534
Less:			
Benefit Payments	\$6,569	\$30,519	\$53,662
Withdrawals	261	1,351	2,388
Other Expenses	72	279	507
Total Reductions	6,902	32,148	56,557
Add:			
State Contributions	1,860	7,596	13,779
Employee Contributions	2,658	11,787	20,054
Other Additions	70	560	1,228
Total Contributions	4,589	19,943	35,061
Investment Return	12,715	13,451	27,280
Ending Value	\$92,318	\$92,318	\$92,318

Ending Fund Value of \$92.3 Billion

\$6.9 Billion in Payouts

\$4.6 Billion in Contributions

\$12.7 Billion in Investment Returns

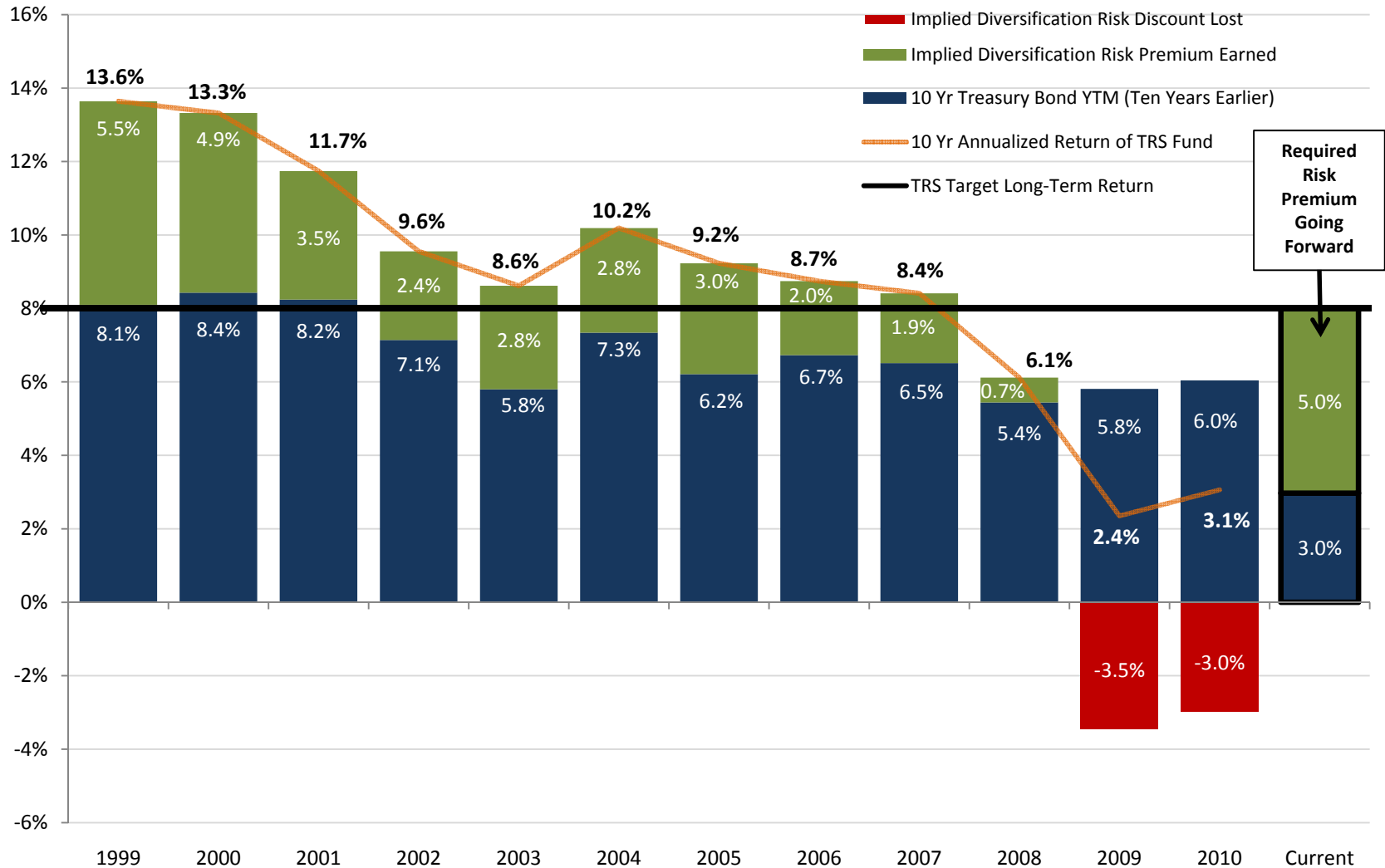
US Economic Forecasts



Indicator	Actual	2010 Forecasts		2011 Forecasts		
	Q2 2010	Q3	Q4	Q1	Q2	Q3
Economic Activity						
Real GDP (qoq % saar)	1.6	2.5	2.6	2.6	2.7	3.0
CPI (yoy %)	1.8	1.1	1.0	1.0	1.6	1.8
Unemployment (%)	9.7	9.6	9.5	9.3	9.1	8.9
External Balance						
Curr. Acct. (% of GDP)	--	-3.2	-3.3	-3.4	-3.4	-3.4
Fiscal Balance						
Budget (% of GDP)	-9.1	-9.3	-9.4	-9.0	-6.5	-7.6
Interest Rates						
Central Bank Rate (%)	0.3	0.3	0.3	0.3	0.3	0.8
2-Year Note (%)	0.6	0.6	0.8	1.0	1.2	1.6
10-Year Note (%)	2.9	2.9	3.0	3.2	3.4	3.7
Exchange Rates						
EURUSD	1.2	1.3	1.3	1.3	1.2	--

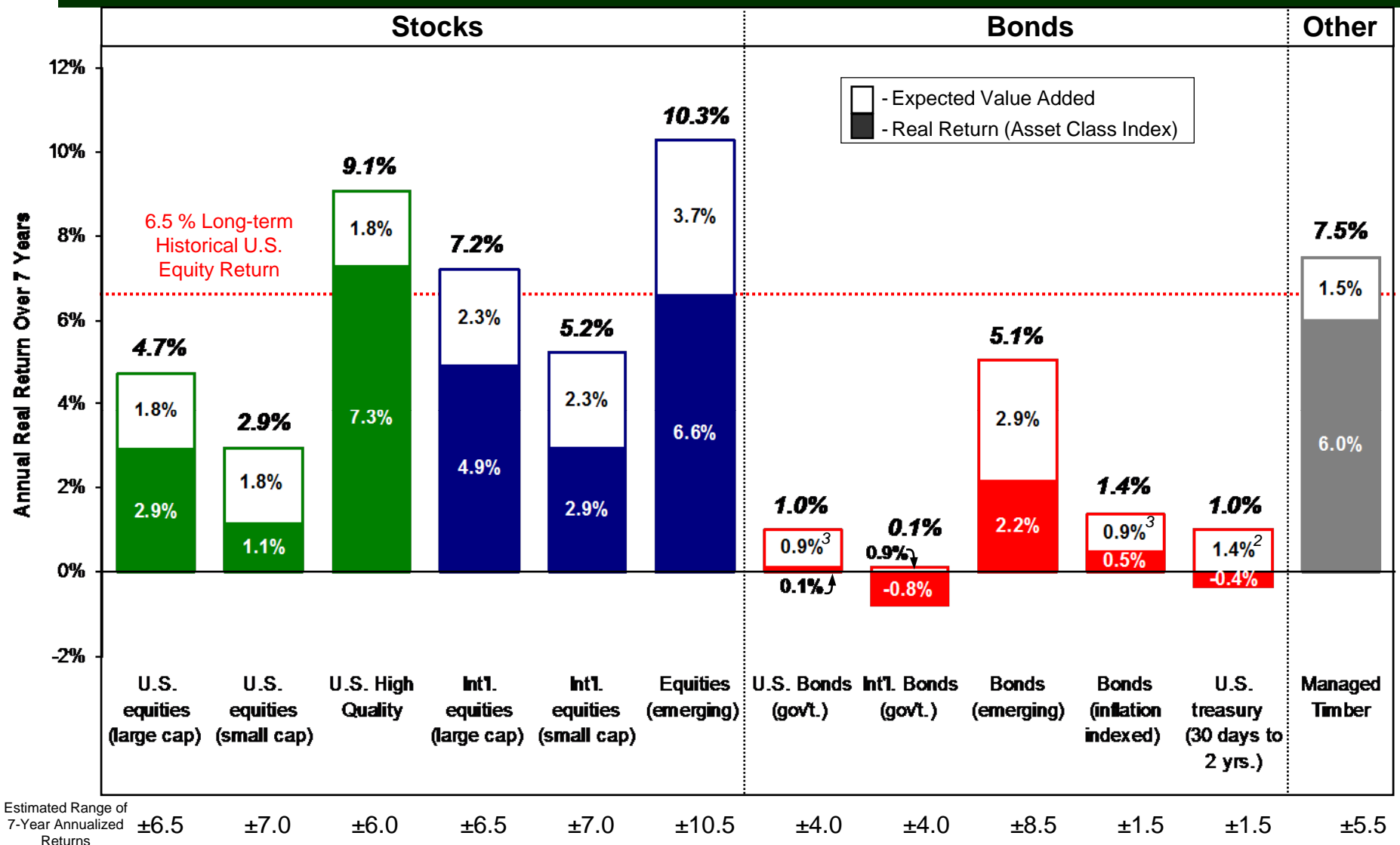
Historical Ability to Produce 8% Investment Return

Periods Ending June 30, 2010



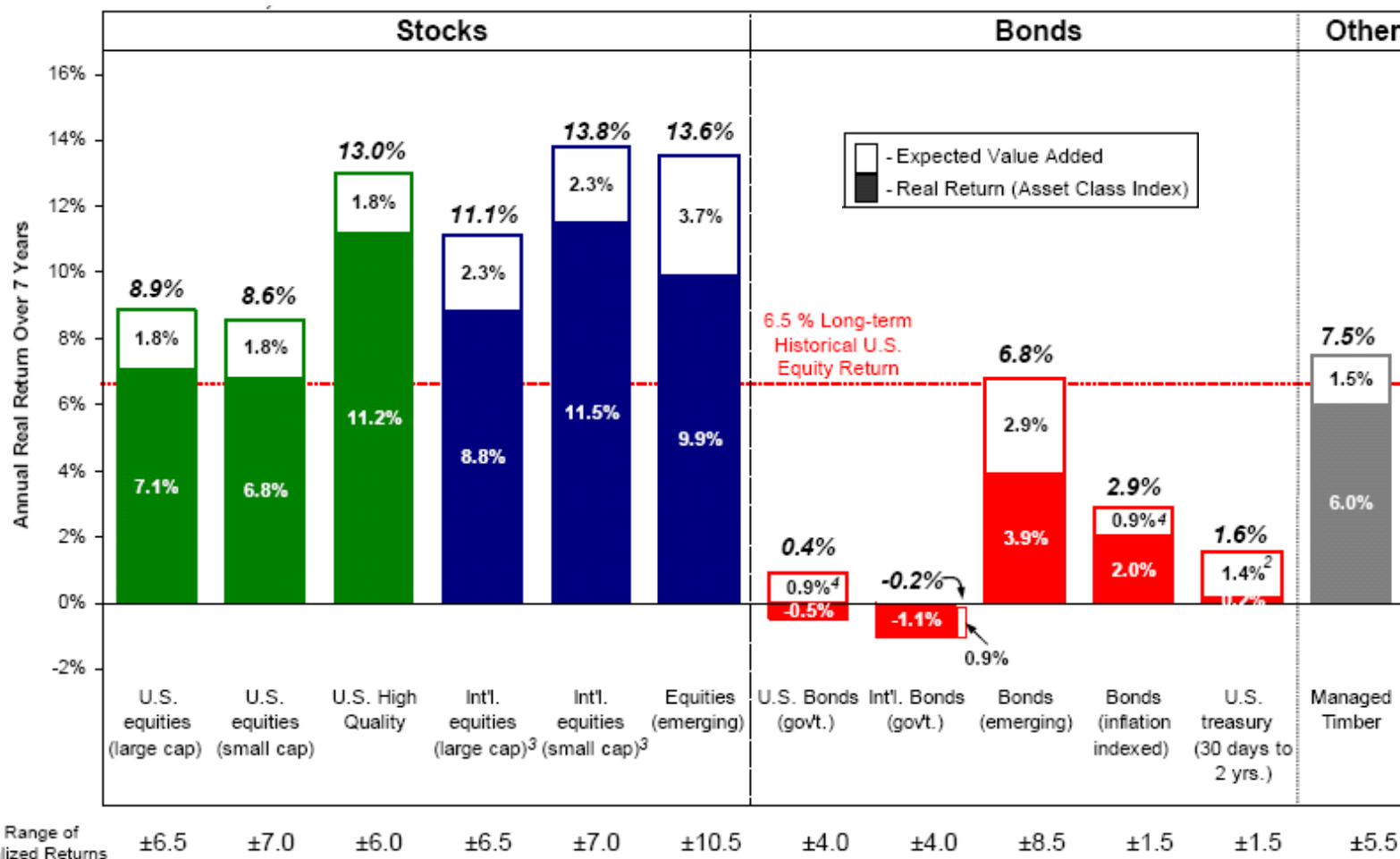
GMO 7-Year Asset Class Return Forecasts

As of June 30, 2010



GMO 7-Year Asset Class Return Forecasts

As of December 31, 2008



*The chart represents real return forecasts¹ for several asset classes and an estimate of value expected to be added from active management. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Actual results may differ materially from the forecasts above.

¹ Long-term inflation assumption: 2.5% per year.

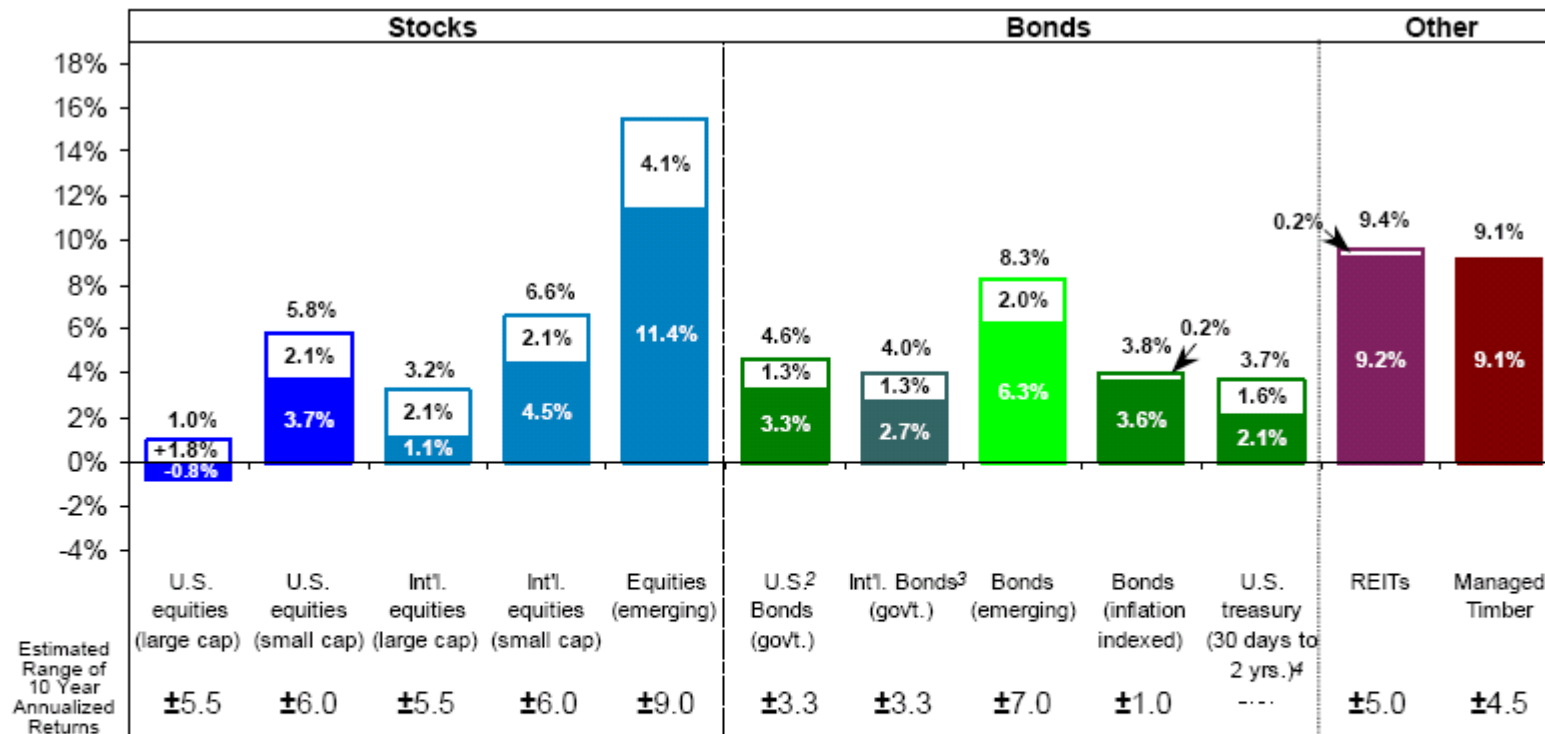
³ Return forecasts for international equities are ex-Japan.

² Alpha transported from management of global equities.

⁴ Alpha transported from management of global bonds.

GMO 10-Year Asset Class Return Forecasts

As of January 1, 2001



The chart represents real return forecasts¹ for several asset classes and an estimate of value expected to be added from active management. These forecasts do not represent guarantees of future performance and this information is not intended as a forecast of the performance of any GMO mutual fund.

¹ Long-term inflation assumption: 2.2% per year.

² Bond with same duration as Lehman Brothers Government Bond Index.

³ Bond with same duration as J.P. Morgan Non-U.S. Government Bond Index.

Forecast is for unhedged international bond returns. Hedged is 0.2% lower.

⁴ Transported alpha from global equity management.

- Expected Value Added
 - Real Return (Asset Class Index)

Key Points

For Year Ended June 30, 2010



- ❑ 15.6% Total Fund Return
- ❑ \$12.7 Billion Investment Growth
- ❑ 2.7% Value Added over Policy Benchmark
- ❑ 5th Percentile Performance Result
- ❑ Economic Outlook Continues to be Muted; Economy “Unusually Uncertain”
- ❑ Market Returns in Second Quarter were Inconsistent with Economic Consensus

Appendix



Historical Trust Returns

	% Return (annualized)			
	<u>Q210</u>	<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>
<u>Total Trust</u>				
Global Equity	-9.5%	16.1%	1.5%	1.0%
Stable Value	6.8%	19.1%	5.2%	6.8%
Real Return	1.2%	7.7%	4.5%	4.3%
<u>Alternative Markets</u>				
Private Equity	2.7%	24.6%	14.4%	9.2%
Hedge Funds	-0.6%	7.7%	4.0%	n/a
Real Assets	1.9%	-9.0%	-3.7%	n/a
<u>Total Trust</u>	<u>-3.9%</u>	<u>15.6%</u>	<u>2.8%</u>	<u>3.1%</u>
Total Trust Composite Index	-4.0%	12.8%	2.7%	2.9%

Investment Transition By Asset Class

Quarter Ended June 30, 2010 (dollars in billions)



	<u>3/31/2010</u>		+/- vs. Year 3 Index	April		May		June		<u>6/30/2010</u>		+/- vs. Year 3 Index
	Balance	Allocation		Cash movement	Valuation Changes	Cash movement	Valuation Changes	Cash movement	Valuation Changes	Balance	Allocation	
Large Cap Value	\$10.7	11.1%	1.9%	-\$0.7	\$0.2	\$0.2	-\$0.8	\$0.7	-\$0.6	\$9.8	10.6%	1.4%
Large Cap Growth	\$10.5	10.9%	-1.6%	-\$0.7	\$0.1	-\$0.1	-\$0.8	\$0.1	-\$0.5	\$8.6	9.3%	-3.2%
Large Cap Core	\$1.1	1.1%	0.9%	\$0.0	\$0.0	\$0.0	-\$0.1	\$0.0	-\$0.1	\$1.0	1.0%	0.8%
Small Cap	\$3.0	3.1%	-1.9%	\$1.7	\$0.2	\$0.0	-\$0.4	-\$0.2	-\$0.3	\$3.9	4.3%	-0.7%
Non-US Developed	\$12.4	12.8%	-2.2%	\$0.6	-\$0.2	-\$0.2	-\$1.3	\$0.0	-\$0.1	\$11.1	12.0%	-3.0%
Emerging Market	\$10.0	10.3%	0.2%	-\$0.3	\$0.1	\$0.5	-\$0.9	\$0.0	-\$0.1	\$9.4	10.2%	0.1%
World Equity	\$1.4	1.5%	1.5%	\$0.0	\$0.0	\$0.6	-\$0.2	-\$0.1	\$0.0	\$1.7	1.9%	1.9%
Private Equity	\$7.3	7.6%	-0.4%	\$0.1	\$0.0	\$0.2	\$0.2	\$0.1	\$0.0	\$7.9	8.6%	0.6%
Total Global Equity	\$56.4	58.3%	-1.7%	\$0.6	\$0.5	\$1.5	-\$4.3	\$0.5	-\$1.6	\$53.6	58.0%	-2.0%
Long Treasuries	\$11.4	11.8%	-3.2%	\$0.0	\$0.3	-\$0.7	\$0.5	-\$0.8	\$0.5	\$11.2	12.1%	-2.9%
Hedge Funds	\$3.8	3.9%	-0.1%	\$0.0	\$0.1	\$0.3	-\$0.1	\$0.0	\$0.0	\$4.0	4.4%	0.4%
Other Absolute Return	\$6.3	6.5%	6.5%	-\$0.4	\$0.2	-\$0.7	-\$0.1	-\$0.1	\$0.0	\$5.2	5.6%	5.6%
Cash Equivalents	\$1.7	1.8%	0.8%	-\$0.6	\$0.0	-\$0.4	\$0.0	\$0.2	\$0.0	\$1.0	1.1%	0.1%
Total Stable Value	\$23.3	24.1%	4.1%	-\$1.1	\$0.6	-\$1.5	\$0.4	-\$0.7	\$0.5	\$21.4	23.2%	3.2%
TIPS	\$8.9	9.2%	1.2%	\$0.0	\$0.0	-\$0.3	\$0.0	-\$0.3	\$0.3	\$8.6	9.4%	1.4%
REITS	\$1.9	2.0%	0.0%	\$0.0	\$0.1	\$0.0	-\$0.1	\$0.0	-\$0.1	\$1.8	2.0%	0.0%
Commodities	\$2.2	2.2%	0.2%	\$0.0	\$0.1	\$0.0	-\$0.2	\$0.0	\$0.0	\$2.1	2.2%	0.2%
Real Assets	\$3.4	3.5%	-4.5%	\$0.2	\$0.0	\$0.1	\$0.1	\$0.3	\$0.8	\$4.8	5.2%	-2.8%
Total Real Return	\$17.0	17.6%	-2.4%	\$0.3	\$0.5	-\$0.1	-\$0.3	\$0.0	\$0.0	\$17.3	18.8%	-1.2%
Total Fund	\$96.6	100.0%	0.0%	-\$0.2	\$1.6	-\$0.1	-\$4.2	-\$0.2	-\$1.1	\$92.3	100.0%	0.0%

Nine Economic Regimes

December 1961 through June 2010

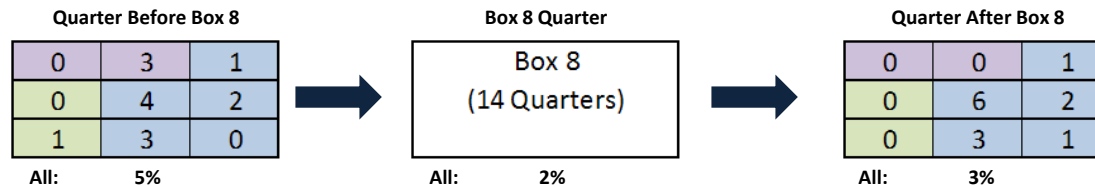
- We are currently in Box 8

1	2	3
4	5	6
7	8	9

Legend:

Real Return	
Stable Value	Global Equity

- We have been in Box 8 a total of 14 quarters (since 1962)



- Average asset returns for the quarter (not annualized) after the Box 8 quarter were:

S&P 500	Long US Treasury	GSCI ¹																											
<table border="1"> <tr><td>--</td><td>--</td><td>3%</td></tr> <tr><td>--</td><td>3%</td><td>8%</td></tr> <tr><td>--</td><td>11%</td><td>3%</td></tr> </table>	--	--	3%	--	3%	8%	--	11%	3%	<table border="1"> <tr><td>--</td><td>--</td><td>-3%</td></tr> <tr><td>--</td><td>3%</td><td>-2%</td></tr> <tr><td>--</td><td>4%</td><td>-1%</td></tr> </table>	--	--	-3%	--	3%	-2%	--	4%	-1%	<table border="1"> <tr><td>--</td><td>--</td><td>1%</td></tr> <tr><td>--</td><td>4%</td><td>1%</td></tr> <tr><td>--</td><td>5%</td><td>3%</td></tr> </table>	--	--	1%	--	4%	1%	--	5%	3%
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All: 5%	All: 2%	All: 3%																											

- Average asset returns for the year after the box 8 quarter were:

S&P 500	Long US Treasury	GSCI ¹																											
<table border="1"> <tr><td>--</td><td>--</td><td>19%</td></tr> <tr><td>--</td><td>14%</td><td>12%</td></tr> <tr><td>--</td><td>31%</td><td>-12%</td></tr> </table>	--	--	19%	--	14%	12%	--	31%	-12%	<table border="1"> <tr><td>--</td><td>--</td><td>-4%</td></tr> <tr><td>--</td><td>12%</td><td>0%</td></tr> <tr><td>--</td><td>6%</td><td>-1%</td></tr> </table>	--	--	-4%	--	12%	0%	--	6%	-1%	<table border="1"> <tr><td>--</td><td>--</td><td>26%</td></tr> <tr><td>--</td><td>16%</td><td>1%</td></tr> <tr><td>--</td><td>19%</td><td>3%</td></tr> </table>	--	--	26%	--	16%	1%	--	19%	3%
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--	31%	-12%																											
--	--	-4%																											
--	12%	0%																											
--	6%	-1%																											
--	--	26%																											
--	16%	1%																											
--	19%	3%																											
All: 16%	All: 7%	All: 14%																											

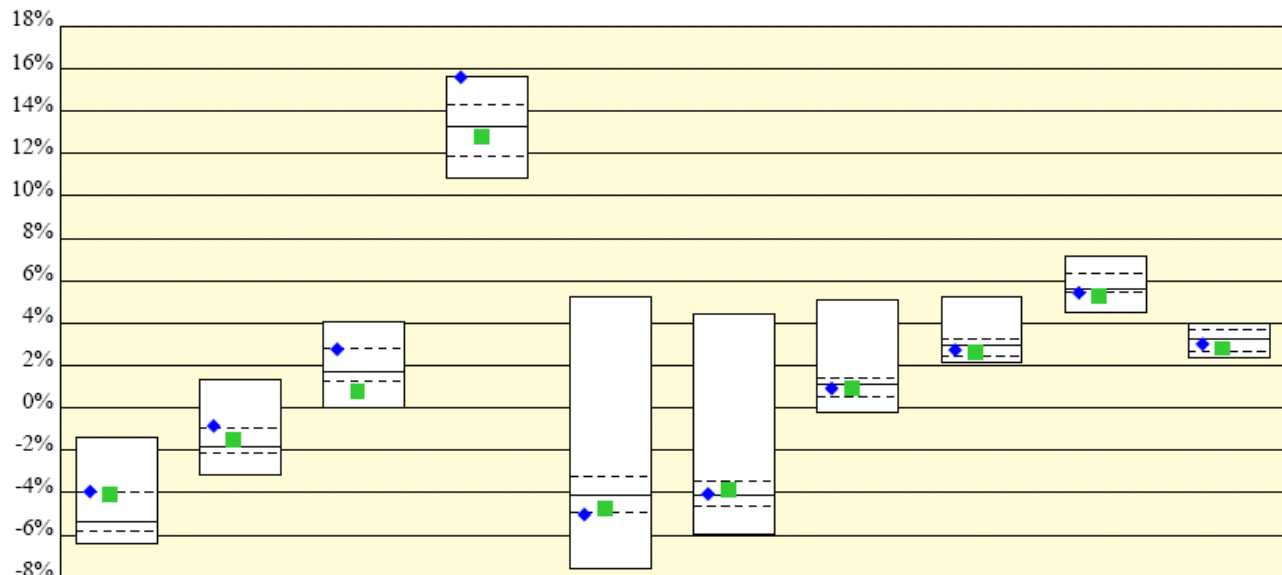
¹ Reuters/CRB Commodity Price Index used in place of GSCI prior to 1970

TUCS Comparisons for Public Trusts

Greater Than \$10 Billion



Teacher Retirement System of Texas
 Total Returns of Public Fund Master Trusts > \$10 Billion
 Rates of Return for Periods Ending June 30, 2010



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	-1.42	1.34	4.08	15.66	5.24	4.44	5.12	5.28	7.16	3.99
25th Percentile	-4.00	-0.98	2.82	14.30	-3.22	-3.43	1.42	3.27	6.35	3.67
Median	-5.35	-1.86	1.69	13.28	-4.11	-4.09	1.12	2.97	5.62	3.24
75th Percentile	-5.82	-2.14	1.25	11.89	-4.90	-4.64	0.54	2.45	5.44	2.67
95th Percentile	-6.42	-3.15	0.00	10.85	-7.56	-5.95	-0.23	2.12	4.51	2.37
◆ Total Fund	-3.89 (21)	-0.79 (18)	2.82 (25)	15.66 (5)	-4.97 (78)	-4.00 (46)	0.98 (57)	2.79 (60)	5.49 (71)	3.07 (64)
■ Total Fund Benchmark	-4.04 (25)	-1.45 (31)	0.87 (78)	12.84 (57)	-4.69 (71)	-3.80 (32)	0.99 (53)	2.67 (67)	5.32 (75)	2.87 (67)

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Performance Review: Second Quarter 2010

Teacher Retirement System of Texas

June 2010



Second Quarter 2010 Market Update

Market Summary – Second Quarter 2010

	Second Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years
MSCI USA Broad Index	-11.3%	-5.9%	16.0%	-9.2%	-0.2%	-0.7%
MSCI USA Large Cap	-11.8	-7.5	12.6	-9.5	-0.6	-2.3
MSCI USA Small Cap	-10.0	-1.3	25.2	-7.4	1.4	4.5
Russell 1000 Value	-11.2	-5.1	16.9	-12.3	-1.6	2.4
Russell 1000 Growth	-11.8	-7.7	13.6	-6.9	0.4	-5.1
MSCI EAFE + Canada Index	-13.6	-12.5	7.0	-12.6	1.5	0.6
MSCI Emerging Markets Index	-8.4	-6.2	23.2	-2.5	12.7	10.0
MSCI All Country World Index	-12.1	-9.4	11.8	-10.5	1.2	-0.3
Barclays Capital High Yield Index	-0.1	4.5	26.7	6.5	7.2	7.3
BC Long Term Gov't/Credit Index	8.6	10.2	16.5	9.4	5.6	8.1
BC Intermediate Gov/Credit Bond Index	3.0	4.6	8.3	7.0	5.3	6.1
Barclays Capital Aggregate Bond Index	3.5	5.3	9.5	7.6	5.4	6.5
DJ RESI Index	-4.4	5.4	56.1	-10.5	-0.5	9.5
NCREIF ODCE Index	4.1	4.6	-6.8	-11.8	-1.1	3.9
Goldman Sachs Commodities Index	-10.4	-11.2	-5.4	-12.5	-8.1	0.9
HFR Fund of Funds Index	-2.6	-0.4	4.0	-3.8	2.2	3.5

Periodic Table

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
		REITs 35.3							EM 55.8	REITs 31.6	EM 34.0				EM 78.5	
	Lg Value 38.4	Cmnty 33.9							Sm Growth 48.5	EM 25.6	Cmnty 25.6	REITs 35.1			High Yield 58.2	
	Lg Growth 37.2	Lg Growth 23.1	Lg Value 35.2						Sm Value 46.0	Sm Value 22.3	EAFE 13.5	EM 32.2			Lg Growth 37.2	
	Sm Growth 31.0	Lg Value 21.6	Sm Value 31.8			EM 66.0			EAFE 38.6	EAFE 20.2	REITs 12.2	EAFE 26.3	EM 39.4		Sm Growth 34.5	
	Sm Value 25.8	Sm Value 21.4	Lg Growth 30.5			Sm Growth 43.1			REITs 37.1	Cmnty 17.3	HFOF 7.5	Sm Value 23.5	Cmnty 32.7		EAFE 31.8	
	Cmnty 20.3	HFOF 14.4	REITs 20.3	Lg Growth 38.7		Cmnty 40.9	Cmnty 49.7		Lg Value 30.0	Lg Value 16.5	Lg Value 7.1	Lg Value 22.2	Lg Growth 11.8		REITs 28.0	
	High Yield 19.2	High Yield 11.4	HFOF 16.2	EAFE 20.0		Lg Growth 33.1	REITs 26.4	Sm Value 14.0	Lg Growth 29.8	Sm Growth 14.3	Lg Growth 5.3	Sm Growth 13.4	EAFE 11.2		Sm Value 20.6	
EAFE 7.8	Bonds 18.5	Sm Growth 11.3	Sm Growth 12.9	Lg Value 15.6	EAFE 27.0	Sm Value 22.8	REITs 13.9	Cmnty 32.1	High Yield 29.0	High Yield 11.1	Sm Value 4.7	High Yield 11.8	HFOF 10.3		Lg Value 19.7	
Cmnty 5.3	REITs 15.3	EAFE 6.0	High Yield 12.8	Bonds 8.7	HFOF 26.5	Bonds 11.6	Bonds 8.4	Bonds 10.3	Cmnty 20.7	HFOF 6.9	Sm Growth 4.1	HFOF 10.4	Sm Growth 7.0		Cmnty 13.5	REITs 5.5
REITs 3.2	EAFE 11.2	EM 5.7	Bonds 9.7	High Yield 1.9	Lg Value 7.3	Lg Value 7.0	High Yield 5.3	REITs 3.8	HFOF 11.6	Lg Growth 6.3	High Yield 2.7	Lg Growth 9.1	Bonds 7.0		HFOF 11.4	Bonds 5.3
Lg Growth 2.7	HFOF 11.1	Bonds 3.6	EAFE 1.8	Sm Growth 1.2	High Yield 2.4	HFOF 4.1	HFOF 2.8	HFOF 1.0	Bonds 4.1	Bonds 4.3	Bonds 2.4	Bonds 4.3	High Yield 1.9	Bonds 5.2	Bonds 5.9	High Yield 4.5
High Yield -1.0	EM -5.5		EM -11.8	HFOF -5.1	Bonds -0.8	High Yield -5.9	EM -2.6	High Yield -1.4				Cmnty -15.1	Lg Value -0.2	HFOF -21.4		HFOF -1.0
Sm Value -1.6			Cmnty -14.1	Sm Value -6.5	Sm Value -1.5	EAFE -14.2	Lg Value -5.6	EM -6.2					Sm Value -9.8	High Yield -26.2		Sm Value -1.6
Lg Value -2.0				REITs -17.5	REITs -4.6	Lg Growth -22.4	Sm Growth -9.2	Sm Value -11.4					REITs -15.7	Sm Value -28.9		Sm Growth -2.3
Sm Growth -2.4				EM -25.6		Sm Growth -22.4	Lg Growth -20.4	Lg Value -15.5						Lg Value -36.8		Lg Value -5.1
Bonds -2.9				Cmnty -35.7		EM -30.8	EAFE -21.4	EAFE -15.9						REITs -37.7		EM -6.2
HFOF -3.5							Cmnty -31.9	Lg Growth -27.9						Lg Growth -38.4		Lg Growth -7.6
EM -7.6								Sm Growth -30.3						Sm Growth -38.5		Cmnty -11.2
														EAFE -43.4		EAFE -13.2
														Cmnty -46.5		
														EM -53.3		

*Large Growth – Russell 1000 Growth; Large Value – Russell 1000 Value; Small Growth – Russell 2000 Growth; Small Value – Russell 2000 Value; EAFE – MSCI EAFE; EM – MSCI EM; REITs – NAREIT; Bonds – BC Aggregate; High Yield – BC High Yield; Cmnty – GSCI; HFOF – HFR FOF

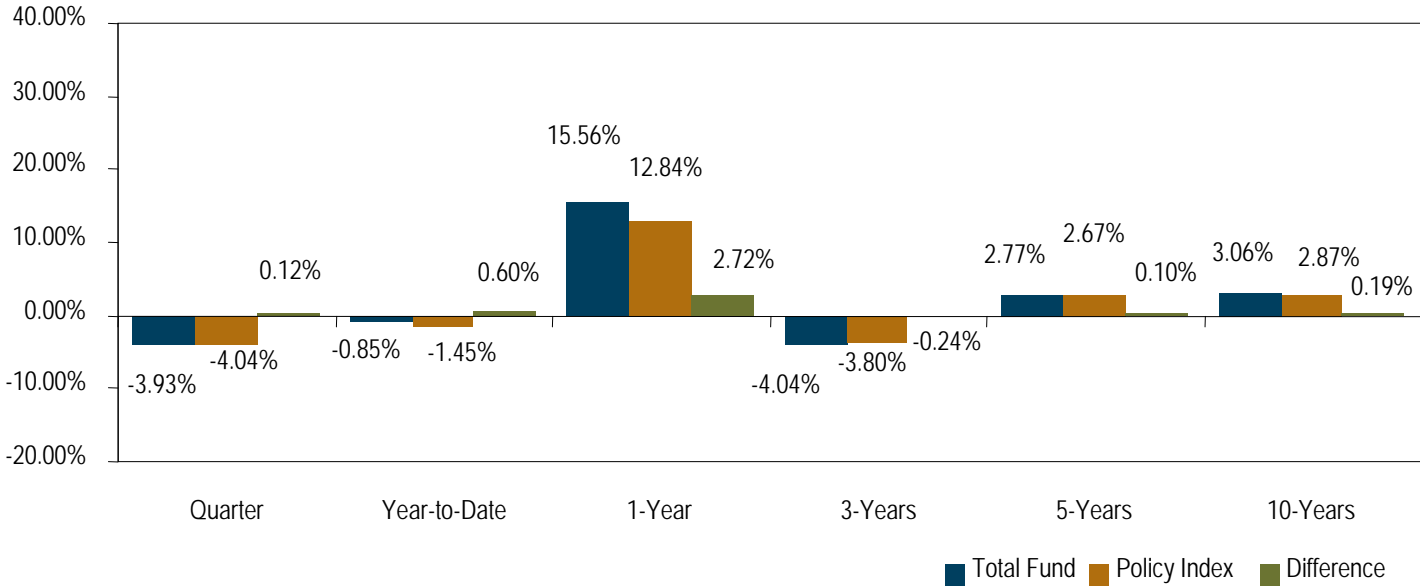




TRS Performance: Second Quarter 2010

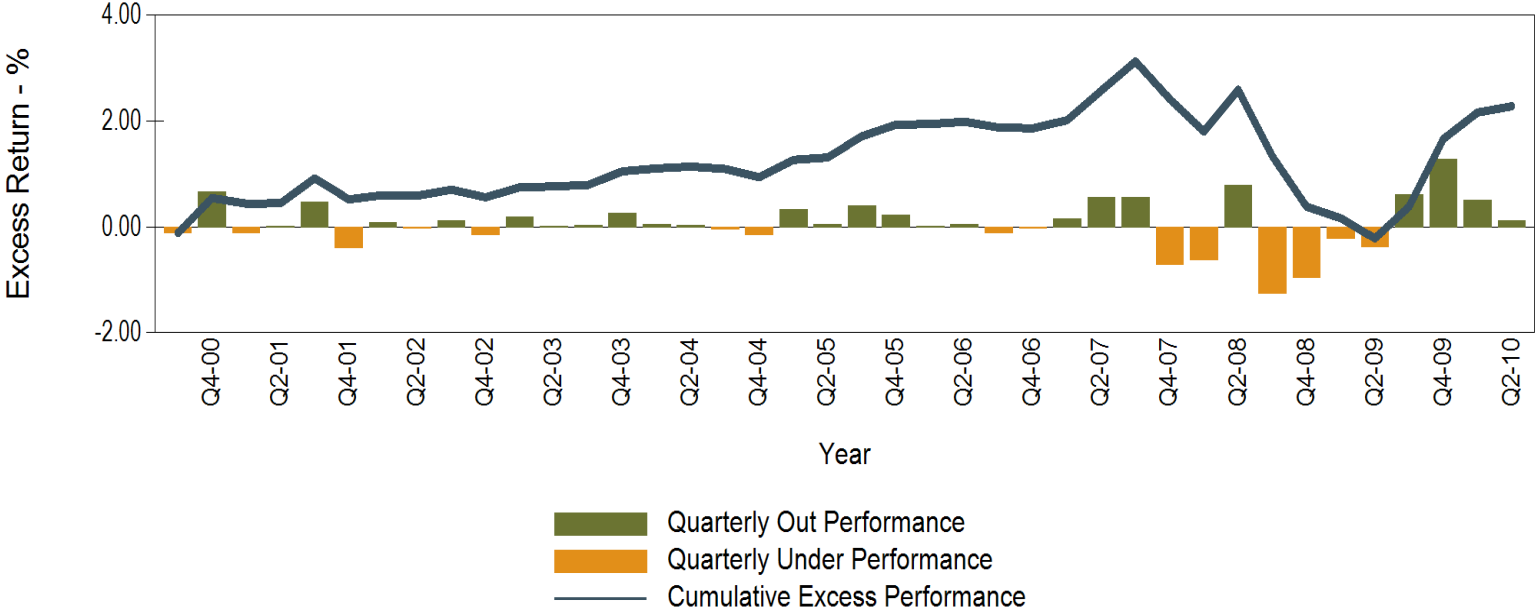
TRST Performance Ending 6/30/2010

Investment Results As of 6/30/2010



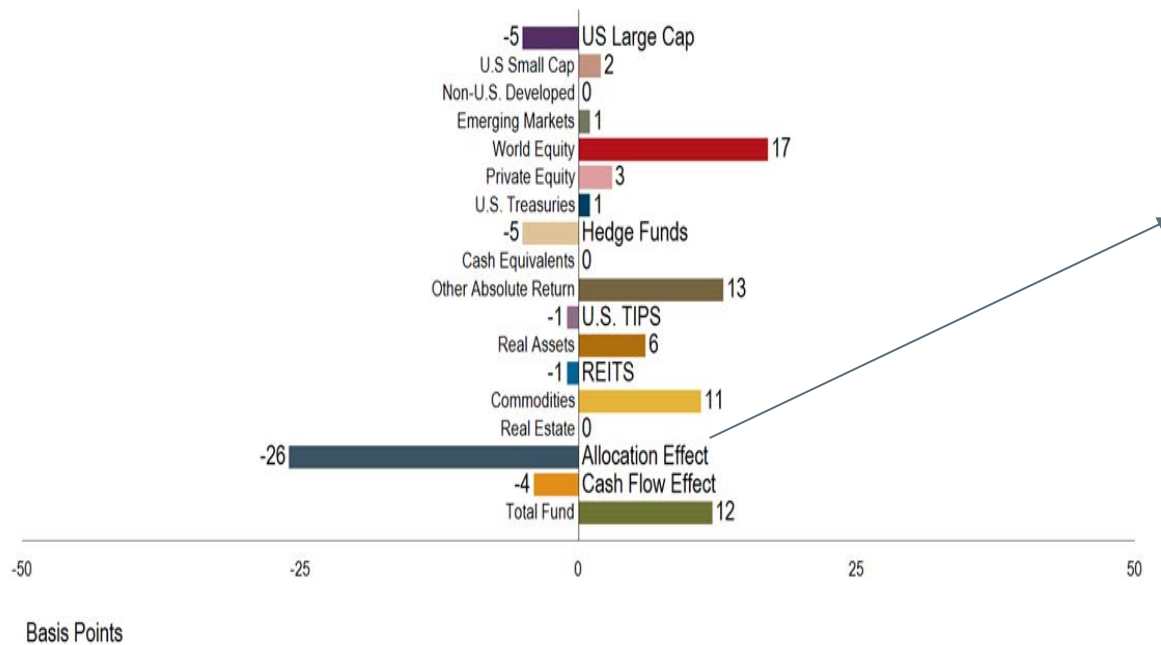
Historical Excess Performance

Quarterly and Cumulative Excess Performance
Total Fund vs. Total Fund Benchmark



Total Fund Attribution - Quarter Ending 6/30/2010

TOTAL FUND ATTRIBUTION ANALYSIS 3 MONTHS ENDING 6/30/10

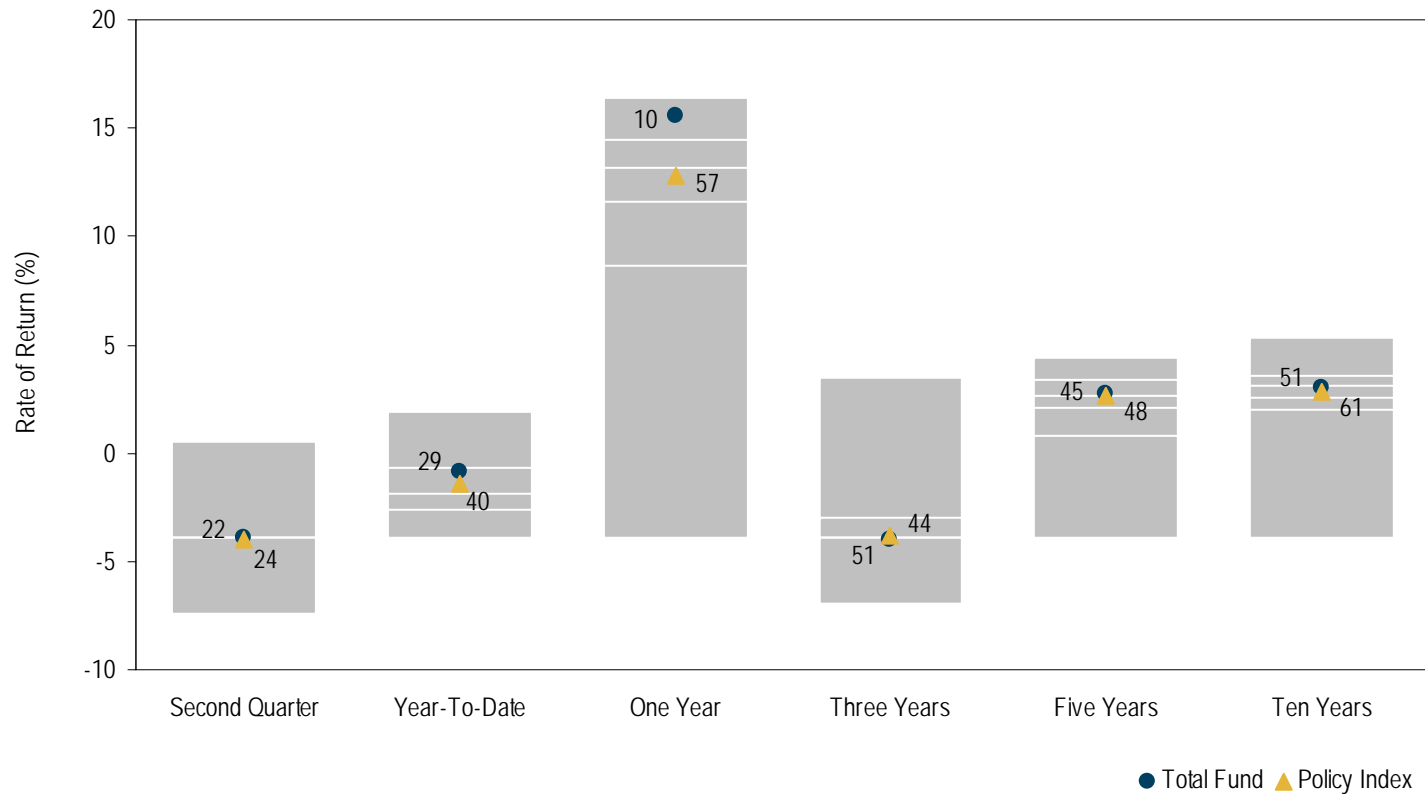


Asset Class	Allocation Effect (in bps)
US Large Cap	20
U.S Small Cap	-6
Non-U.S. Developed	-18
Emerging Markets	3
World Equity	1
Private Equity	0
U.S. Treasuries	-45
Hedge Funds	0
Cash Equivalents	0
Other Absolute Return	28
U.S. TIPS	10
Real Assets	-16
REITS	0
Commodities	-2
Total Allocation Effect	-26

Note: U.S. Large Cap, Non-U.S. Developed and Emerging Markets refer to Stand Alone allocations

Peer Universe Ranks

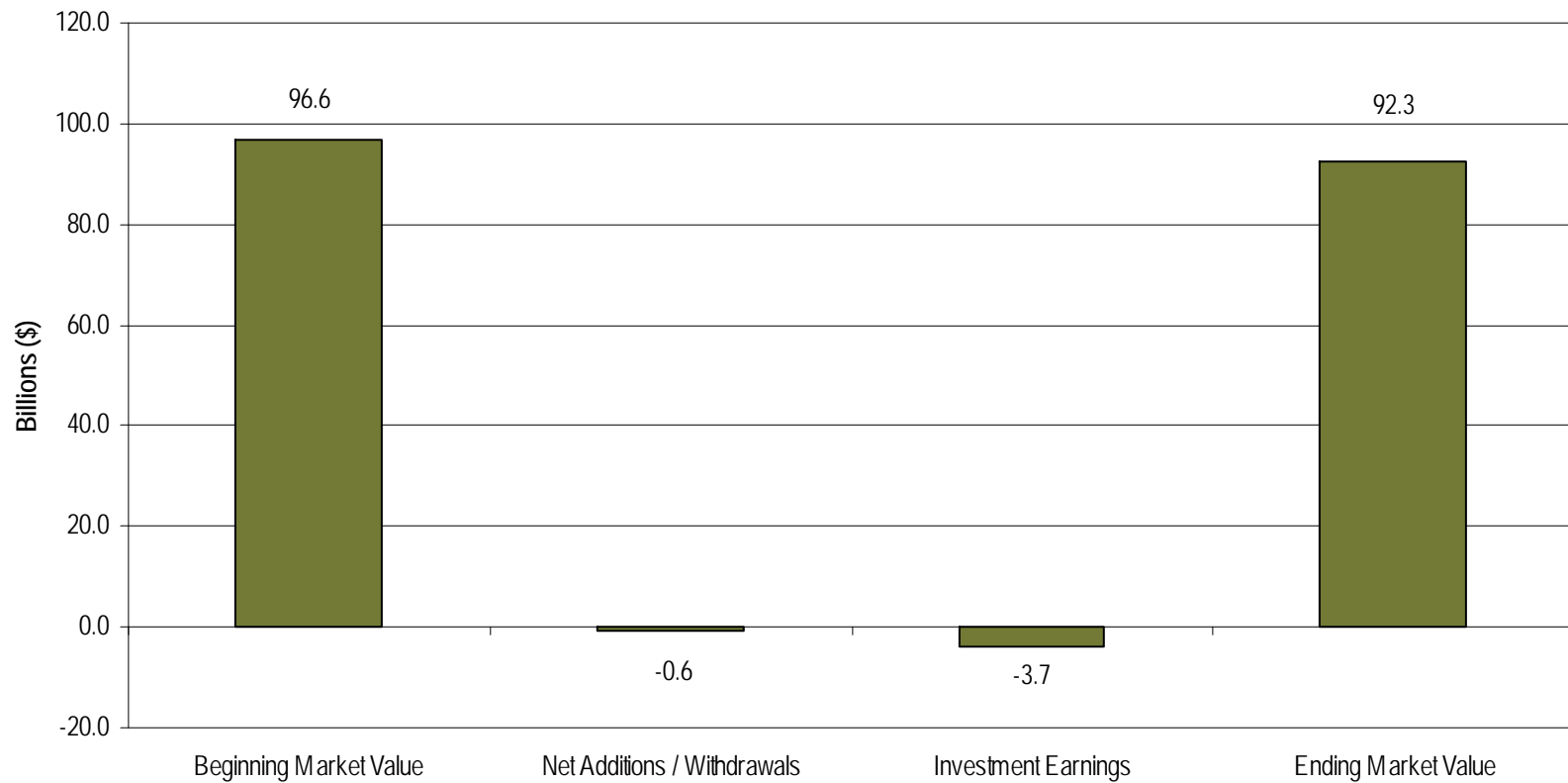
Teacher Retirement System of Texas
 BNY Mellon Performance & Risk Analytics, LLC Public Fund (>\$1BB) Universe
 Performance Rank Ending 6/30/2010



**The Public Fund Universe consists of 73 accounts, with a median market value of \$1.4 billion and an average market value of \$7.4 billion.*

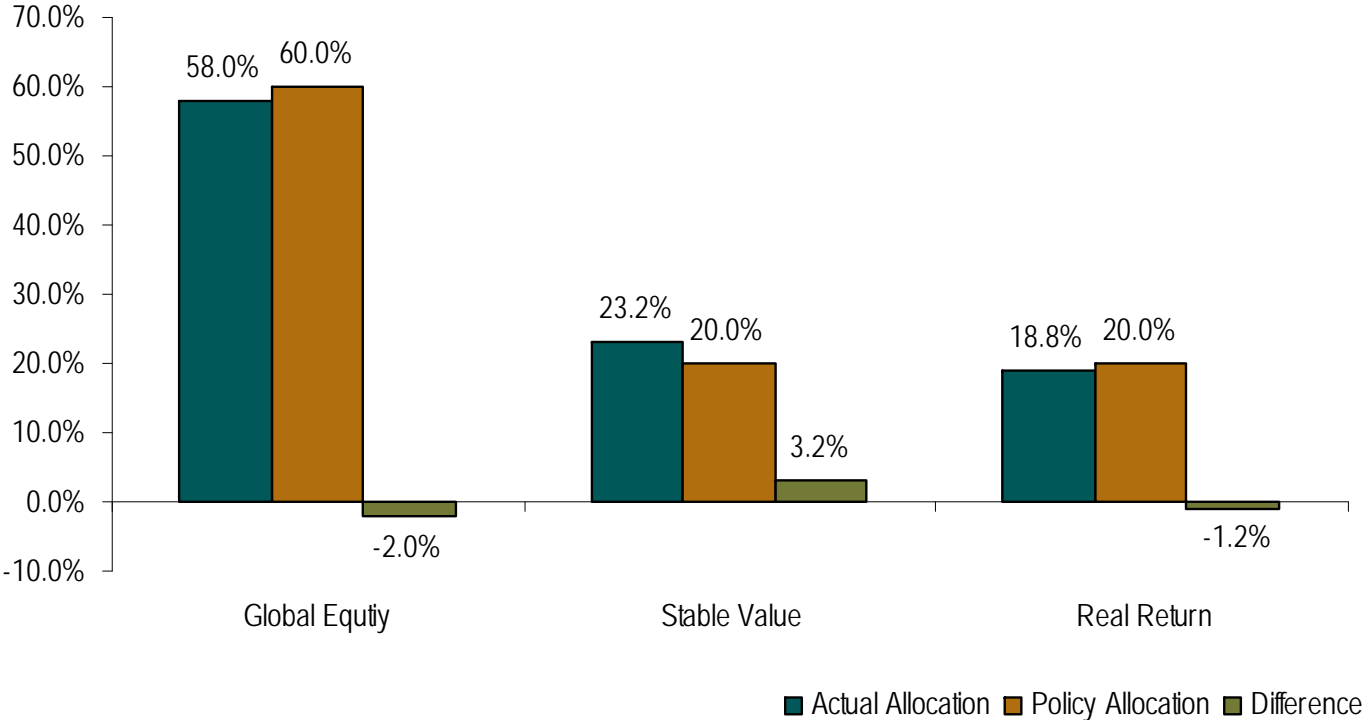
TRS Change in Market Value Over Second Quarter

Change in Market Value
From April 1, 2010 To June 30, 2010



TRS Asset Allocation

Actual vs. Policy Allocations
As of 6/30/2010



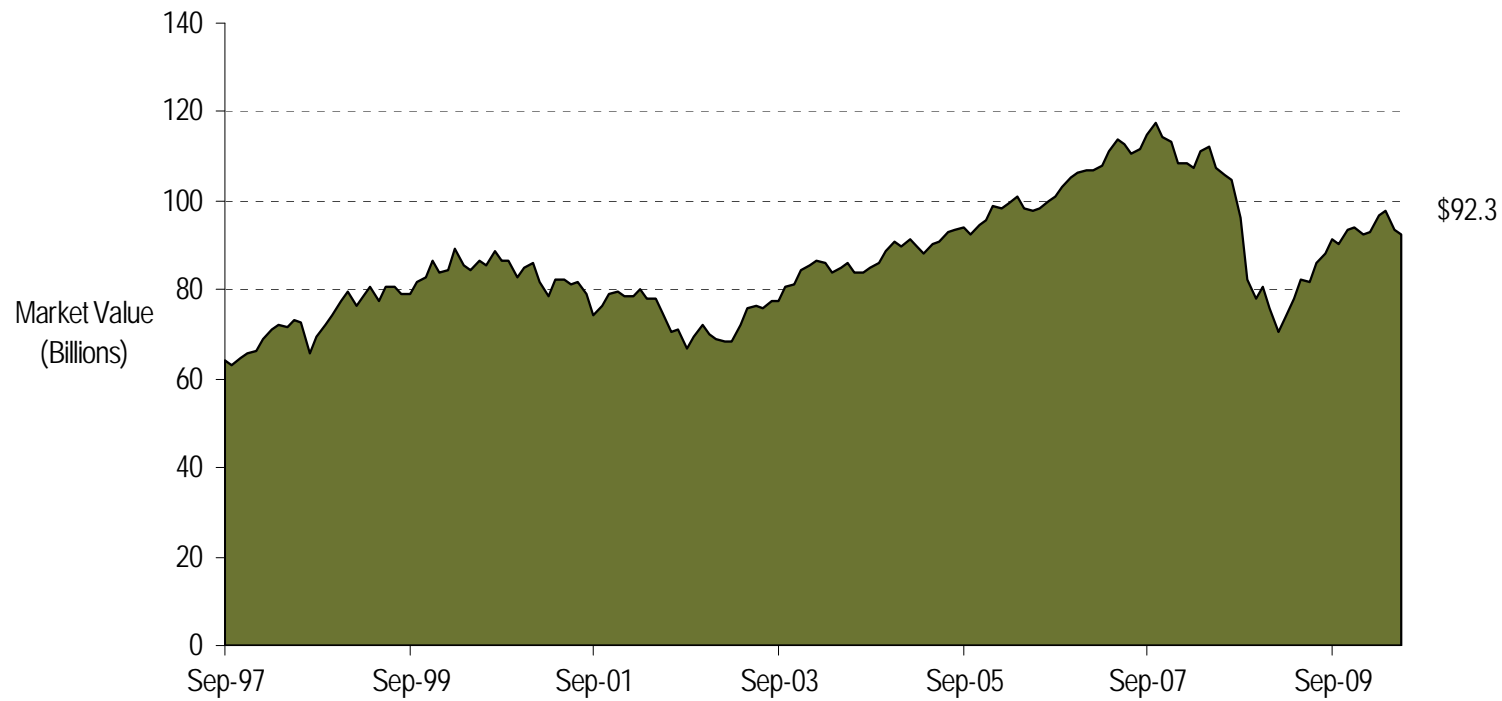
TRS Asset Allocation

	Actual Allocation (6/30/10)	Interim Allocation	Difference	Long-Term Target Allocation
World Equity	32.3%	33.0%	-0.7%	33.0%
US Large Cap	5.1	8.0	-2.9	6.0
US Small Cap	4.3	5.0	-0.7	5.0
Emerging Markets	5.8	6.0	-0.2	6.0
Non-US Developed	2.0	--	+2.0	--
Private Equity	8.6	8.0	+0.6	10.0
Total Global Equity	58.0	60.0	-2.0	60.0
US Treasuries	12.1	15.0	-2.9	15.0
Hedge Funds	4.4	4.0	+0.4	4.0
Other Absolute Return	5.6	--	+5.6	--
Cash	1.1	1.0	+0.1	1.0
Total Stable Value	23.2	20.0	+3.2	20.0
US TIPS	9.4	8.0	+1.4	5.0
Real Assets	5.2	8.0	-2.8	15.0
REITs	2.0	2.0	0.0	--
Commodities	2.2	2.0	+0.2	--
Total Real Return	18.8	20.0	-1.2	20.0

Note: U.S. Large Cap, Non-U.S. Developed and Emerging Markets refer to Stand Alone allocations

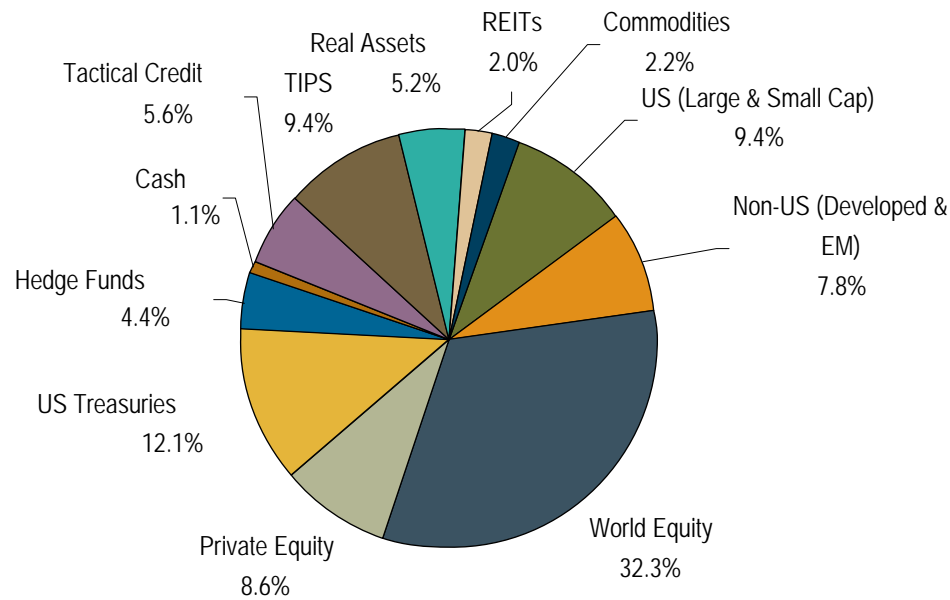
TRS Asset Growth

Total Fund Historical Growth (Sept. 1997 - June 2010)

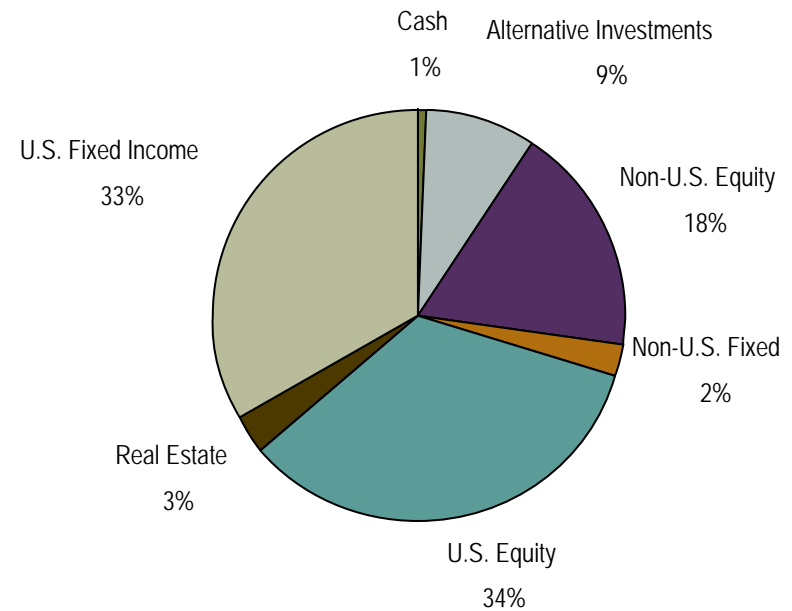


Public Fund Peer Universe Allocation

TRS Current Allocation



BNY Mellon Public Fund Universe Allocation



Global Equity: Performance Summary Ending 6/30/2010

	Assets (\$ in billions)	Second Quarter	Year-to-Date	One Year	Three Years
Total Global Equity	\$53.2	-9.5%	-5.7%	16.1%	-8.5%
Global Equity Benchmark	--	-9.7	-5.9	17.0	-8.7
<i>Difference</i>	--	+0.2	-0.1	-0.9	+0.2
Public Equity	\$45.3	-11.3%	-7.9%	14.4%	--
Public Equity Benchmark	--	-11.4	-8.0	14.3	--
<i>Difference</i>	--	+0.1	+0.1	+0.1	--
Private Equity	\$7.9	2.7%	9.2%	24.6%	0.6%
Private Equity Benchmark	--	2.2	8.3	34.9	-3.0
<i>Difference</i>	--	+0.5	+0.9	-10.3	+3.6

- Modest outperformance during the quarter, but weak absolute return from global equity markets.

Public Equity: Performance Summary Ending 06/30/2010

	Assets (\$ in billions)	Second Quarter	Year-to-Date	One Year
<u>U.S. Large Cap</u>	\$18.8	-11.8%	-6.9%	15.7%
Large Cap Benchmark	--	-11.9	-7.6	13.7
<i>Difference</i>	--	+0.1	+0.7	+2.0
<u>U.S. Small Cap</u>	\$4.5	-9.5	-1.0	22.6
Small Cap Benchmark	--	-9.9	-1.4	23.5
<i>Difference</i>	--	+0.4	+0.4	-0.9
Total U.S.	\$23.3	-11.5%	-5.9%	16.7%
U.S. Benchmark	--	-11.5	-6.5	15.6
<i>Difference</i>	--	0.0	+0.6	+1.1
<u>Non-U.S. Developed</u>	\$11.9	-12.0	-10.9	8.1
MSCI EAFE + Canada Index	--	-13.6	-12.5	7.0
<i>Difference</i>	--	+1.6	+1.6	+1.1
<u>Emerging Markets</u>	\$10.1	-8.4	-5.5	24.3
MSCI Emerging Markets Index	--	-8.4	-6.2	23.2
<i>Difference</i>	--	0.0	+0.7	+1.1
Total Non-U.S.	\$22.0	-10.0%	-7.8%	16.2%
Non-U.S. Benchmark	--	-11.5	-9.9	13.4
<i>Difference</i>	--	+1.5	+2.1	+2.8
Total World Equity (Stand Alone)	--*	-10.6%	-8.6%	--
World Equity Benchmark	--	-12.1	-9.4	--
<i>Difference</i>	--	+1.5	+0.8	--
Global Best Ideas World Equity	--*	-12.1%	-9.6%	11.7%
World Equity Benchmark	--	-12.1	-9.4	11.8
<i>Difference</i>	--	0.0	-0.2	-0.1

*For asset allocation reporting on investment results by sub-account/asset class exposure, the Global Best Ideas World Equity (\$15.3 bb) and World Equity Stand Alone (\$1.7 bb) assets are allocated across asset classes. Performance for these portfolios is reported as a separate line item based on account level returns; it is not reflected in the asset class returns above but it is captured in the performance of the other asset classes such as Global Equity and Public Equity.

Stable Value: Performance Summary Ending 6/30/2010

	Assets (\$ in billions)	Second Quarter	Year-to-Date	One Year	Three Years
Total Stable Value	\$21.8	6.8%	9.5%	19.1%	6.2%
Total Stable Value Benchmark	--	9.2	10.1	9.3	7.9
<i>Difference</i>	--	-2.4	-0.6	+9.8	-1.7
U.S. Treasuries	\$11.4	12.3%	13.4%	12.7%	--
Treasury Benchmark	--	12.2	13.2	12.0	--
<i>Difference</i>	--	+0.1	+0.2	+0.7	--
Hedge Funds	\$4.0	-0.7%	1.2%	7.7%	-1.8%
Hedge Funds Benchmark	--	0.6	1.2	2.4	4.0
<i>Difference</i>	--	-1.3	0.0	+5.3	-5.8
Other Absolute Return	\$5.1	2.7%	9.5%	34.3%	--
Other Absolute Return Benchmark	--	0.6	1.2	2.4	--
<i>Difference</i>	--	+2.1	+8.3	+31.9	--
Cash Equivalents	\$1.3	-0.1%	-0.7%	-1.2%	1.6%
Cash Benchmark	--	0.0	0.1	0.2	1.6
<i>Difference</i>	--	-0.1	-0.8	-1.4	0.0

- Stable Value lagged its benchmark during the quarter as the Hedge Fund portfolio underperformed; and being underweight to strong-performing U.S. Treasuries also negatively impacted relative performance

Real Return: Performance Summary Ending 6/30/2010

	Assets (\$ in billions)	Second Quarter	Year-to-Date	One Year
Total Real Return	\$17.3	1.2%	1.8%	7.7%
Real Return Benchmark	--	0.3	0.1	2.6
<i>Difference</i>	--	+0.9	+1.7	+5.1
U.S. TIPS	\$8.6	3.8%	4.3%	10.3%
U.S. TIPS Benchmark	--	3.8	4.4	10.6
<i>Difference</i>	--	0.0	-0.1	-0.1
Real Assets	\$4.8	1.9%	-0.8%	-8.9%
Real Asset Benchmark	--	0.5	-3.2	-15.7
<i>Difference</i>	--	+1.4	+2.4	+6.8
REITS	\$1.8	-4.4%	5.4%	50.7%
REITS Benchmark	--	-4.0	5.7	53.7
<i>Difference</i>	--	-0.4	-0.3	-3.0
Commodities	\$2.1	-5.7%	-6.5%	-0.3%
Commodities Benchmark	--	-10.4	-11.2	-5.4
<i>Difference</i>	--	+4.7	+4.7	+5.1

- After a strong start to the year, capital markets declined during the quarter as investor confidence in recovery continued to wane
- TRS Total Fund outperformed the performance benchmark during the quarter
 - Trailing 12 month relative performance is also strong in absolute and relative terms
- TRS outperformed 2/3 of peer funds during the year

- Sources of outperformance during the quarter included:
 - Global Equity:
 - World Equity portfolio
 - Private Equity (Time-weighted returns)
 - Stable Value:
 - Other Absolute Return (opportunistic credit investment)
 - Positive Allocation effect (overweight opportunistic credit investment)
 - Real Return:
 - Commodities
 - Overweight U.S. TIPS

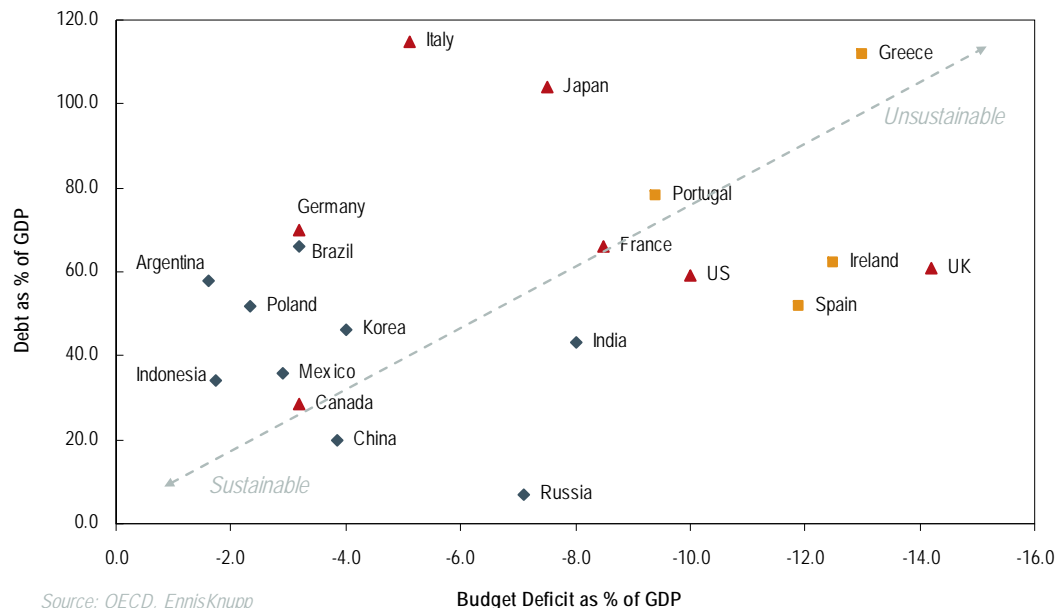
The image features a solid orange background. On the left side, there is a complex, abstract pattern of thin, light-orange lines that form a series of overlapping, curved shapes, resembling a wireframe or a stylized architectural structure. The pattern is denser and more intricate on the left and tapers off towards the right.

Appendix

European Debt Crisis – 2Q's Negative Catalyst

- In response to Greece's debt crisis and deteriorating investor confidence, the EU and IMF's €750B bailout settled Europe's bond markets where yields soared on peripheral credits, e.g. Greece, Spain, Portugal
 - The European Financial Stability Facility (EFSF) backed by 16 eurozone countries was established "to provide a funding backstop should a euro area Member State find itself in financial difficulties"
- The EFSF has capacity to issue bonds guaranteed by eurozone members for up to €440B for lending
- EFSF looks and feels like TARP but is designed to bailout sovereign countries, not commercial banks

Sovereign Debt Dynamics: Emerging Countries Less Worrisome Than G7



Source: OECD, EnnisKnupp

Sovereign Credit Comparison

- Fundamentals for G7 countries, in red, have deteriorated after the crisis of 2008
- European peripherals (Portugal, Ireland, Greece, Spain), in orange, have fiscally challenging situations
- Emerging market countries, in blue, have more favorable characteristics, i.e., lower debt-to-GDP and deficit-to-GDP ratios

Debate on U.S. Financial Reform Ends

- Dodd-Frank's Wall Street Reform and Consumer Protection Act was a major source of uncertainty for the markets and institutional clients: passage by Senate on July 15th
- Treatment of OTC derivatives, swap dealer fiduciary duty and stable value contracts dominated concern among institutional investors
- Proposal for \$19B tax on banks and hedge funds scrapped during negotiations; funding to come from TARP
- The Pension Relief Act of 2010, signed into law on June 25th, extends the period over which an employer is required to fully fund its pension plan and provides for a longer amortization period (9 or 15 years) on recent investment losses

Wall Street Reform Act	Outcome
Derivatives	Pensions are excluded from definition of "major swap participants"; more transparency, capital and margin requirements, further standardization of swap contracts, potential for central clearing
Swap Dealer Fiduciary Duty	Swap dealers will <i>not</i> have fiduciary duty to pensions unless they are designated as an adviser to the client; dealer will still be able to be counterparty to pension swaps; the swap market survives
Stable Value Wrap Contracts	Study to be conducted over the next 15 months by the SEC to determine if book value wraps will fall under the definition of swaps; in the interim, they will not be treated as swaps; SV funds will continue to operate as normal for now

External Manager Program: Public Equity Performance as of 6/30/2010

	Allocation (\$ in billions)	Second Quarter	Year-to-Date	One Year
EP Total Public Equity	\$13.8	-10.2%	-6.7%	17.6%
EP U.S. Benchmark	--	-11.1	-8.4	15.7
<i>Difference</i>	--	+0.9	+1.7	+1.9
EP Total US	\$4.9	-12.1%	-6.2%	17.1%
EP U.S. Benchmark	--	-12.1	-7.8	14.3
<i>Difference</i>	--	0.0	+1.6	+2.8
<u>EP Total Non-U.S. Developed</u>	<u>\$2.8</u>	<u>-10.6</u>	<u>-9.5</u>	<u>8.2</u>
MSCI EAFE + Canada Index	--	-13.6	-12.5	7.0
<i>Difference</i>	--	+3.0	+3.0	+1.2
<u>EP Total Emerging Markets</u>	<u>\$4.4</u>	<u>-7.9</u>	<u>-4.5</u>	<u>26.3</u>
MSCI Emerging Markets Index	--	-8.4	-6.2	23.2
<i>Difference</i>	--	+0.5	+1.7	+3.1
EP Total Non-U.S.	\$7.2	-9.1%	-6.6%	18.5%
EP Non-U.S. Benchmark	--	-10.5	-8.8	16.4
<i>Difference</i>	--	+1.4	+2.2	+2.1
EP Total World Equity (Stand Alone)	\$1.7	-10.1%	-8.1%	--
EP World Equity Benchmark	--	-12.1	-9.4	--
<i>Difference</i>	--	+2.0	+1.3	--

Strategic Partnership Program: Performance Summary Ending 6/30/2010

	Allocation (\$ in billions)	Second Quarter	Year-to-Date	One Year
Strategic Partnership Program	\$3.8	-6.3%	-3.4%	15.3%
Strategic Partnership Program Benchmark	--	-6.0	-3.2	13.3
<i>Difference</i>	--	<i>-0.3</i>	<i>-0.2</i>	<i>+2.0</i>
Blackrock	\$0.9	-7.0%	-4.6%	13.1%
J.P. Morgan	\$1.0	-6.4%	-2.8%	16.9%
Neuberger Berman	\$1.0	-5.2%	-2.1%	16.5%
Morgan Stanley	\$0.9	-6.5%	-4.1%	14.9%

- During the quarter the Program modestly underperformed
- Over the trailing twelve-month period, the program has exceeded its benchmark by 2.0 percentage points

Benchmarks

- **Total Fund Performance Benchmark** – 8% MSCI US Large Cap, 5% MSCI US Small Cap, 6% MSCI Emerging Markets, 33% MSCI All Country World Index, 8% State Street Private Equity (lagged), 15% BC Long Term Treasury, 4% Hedge Funds Benchmark, 1% Citigroup 3 Mo T-Bill, 8% BC US TIPS, 2% MSCI US REIT Index, 8% NCREIF ODCE (lagged), 2% Goldman Sachs Commodity Index
- US Large Cap Benchmark - MSCI US Large Cap Index
- US Small Cap Benchmark - MSCI US Small Cap Index
- Emerging Markets Benchmark – MSCI Emerging Markets
- Non-US Developed Benchmark– MSCI EAFE plus Canada
- **Global Equity Benchmark**– 55.0% MSCI ACW, 13.3% MSCI US Large Cap, 8.3% MSCI US Small Cap, 10.0% MSCI Emerging markets index, and 13.3% State Street Private Equity
- Private Equity Benchmark - State Street Private Equity (1 qtr lagged)
- **Stable Value Benchmark** – 20% Hedge Funds Benchmark, 7 5% BC Long Term Treasury, and 5% Citigroup 3 mo T-Bill.
- US Treasuries Benchmark – Barclays Capital (BC) Long Term Treasury
- Hedge Funds/Other Absolute Return Benchmark - 3 Mo LIBOR + 2%
- Cash Benchmark - Citigroup 3 Mo T-Bill
- **Real Return Benchmark** – 40% BC US TIPS, 40% NCREIF ODCE, 10% MSCI US REIT, and 10% Goldman Sachs Commodity Index
- US TIPS Benchmark - BC US TIPS Index
- Real Assets Benchmark –NCREIF ODCE (1qtr lagged)
- REITS Benchmark – MSCI US REIT Index
- Commodities Benchmark - Goldman Sachs Commodity Index

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Emerging and Minority Manager Program

T. Britton Harris
Chief Investment Officer
September 2010

TRS Minority and Women Investments



- Current Allocation** Current TRS allocation to minority managers
- Entrepreneurs Series** TRS investments in minority managers by asset class
- All Minority Managers** U.S. investment companies with minority ownership
- Appendix** Appendix

Largest Pension Funds by Assets

Minority Manager Universe (\$ in billions)



Pension Plan	Assets Under Management	Assets Dedicated to Minority Managers	Assets as a % to Minority Managers
CalSTRS	\$129.8	\$3.9	3.0%
Texas Teachers	\$92.3	\$2.1	2.2%
New York State Teachers ¹	\$77.6	\$1.6	2.1%
Verizon	\$46.5	\$0.8	1.7%
AT&T	\$80.2	\$1.2	1.5%
New York City Retirement ¹	\$111.7	\$1.6	1.4%
Boeing	\$71.1	\$1.0	1.4%
New York State Common ¹	\$125.7	\$1.6	1.3%
CalPERS	\$198.8	\$2.2	1.1%
IBM	\$77.3	\$0.8	1.0%
General Motors ²	\$99.2	\$0.8	0.8%
North Carolina	\$70.8	\$0.5	0.7%
Florida Retirement System	\$114.7	\$0.7	0.6%
General Electric ²	\$58.3	\$0.2	0.3%
Wisconsin Investment Board	\$73.1	\$0.0	0.0%
New Jersey	\$68.7	\$0.0	0.0%
Lockheed Martin	\$40.7	N/A	0.0%
Ford Motors	\$47.7	\$0.0	0.0%
Alcatel-Lucent	\$38.1	\$0.0	0.0%
Northrop Grumman	\$35.7	\$0.0	0.0%

Current Allocation

Entrepreneurs Series

All Minority Managers

Appendix

¹New York combines multiple pension plans, including those not listed, to invest a combined \$6 billion with minority managers

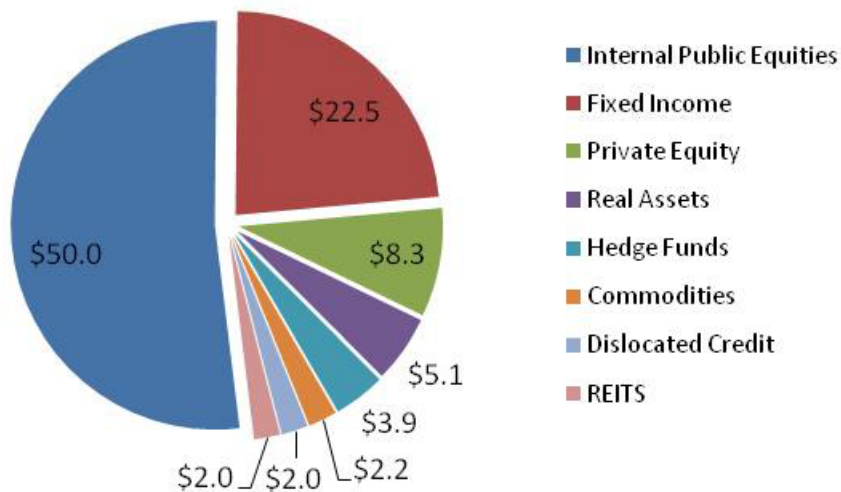
²"Assets dedicated to Minority Managers" are representative of Emerging Manager investments

Current Trust Allocation

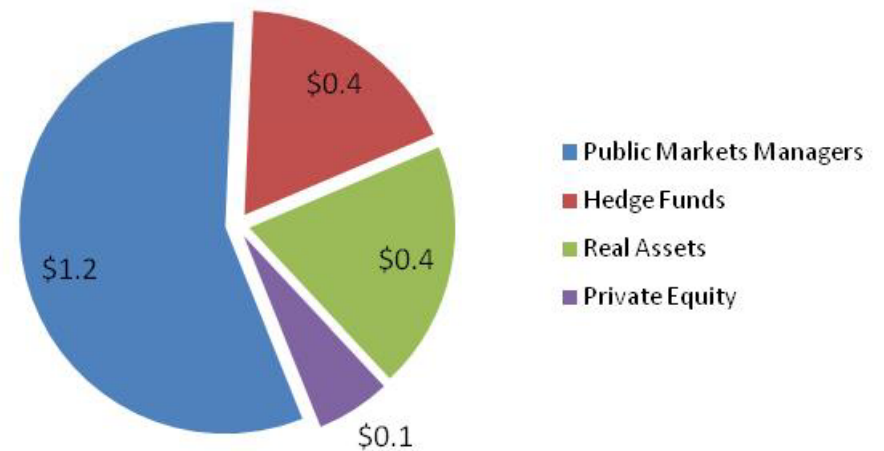
TRS Minority and Women Investments (as of 7/31/2010)



Current TRS Asset Allocation
\$96.0 Billion



Current TRS Minority and Women Allocation
\$2.1 Billion



TRS currently has \$2.1 billion (2.2% of assets) invested or managed with minority and women owned managers

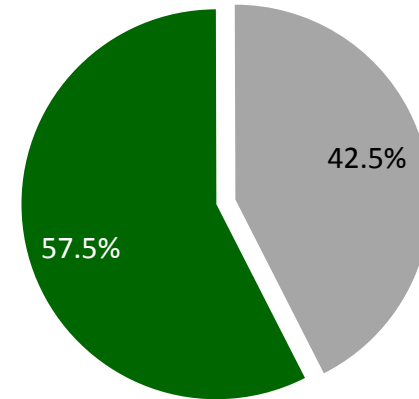
Investable Assets

TRS Minority and Women Investments (as of 6/30/2010)



Investments with Minority and Women Owned Managers (in \$M)		
	Total Exposure	
	Assets as of June 30, 2010	Minority Managers Committed Assets
Total TRS Trust	\$92,318	\$2,059
Internally Managed Assets:		
Active Equity	\$15,322	
Active Commodities	308	
<i>Total Actively Managed</i>	<i>15,630</i>	
Passive Equity	13,887	
Passive Fixed Income	19,019	
Cash	1,016	
Passive Commodities	1,666	
Passive REITs	1,822	
<i>Total Passively Managed</i>	<i>37,410</i>	
Total Internal Management	\$53,040	
Remaining Trust Assets	\$39,278	\$2,059
Externally Managed Assets:		
Strategic Partnerships	3,797	0
US Equity	4,892	638
International Equity	8,955	531
<i>Total Global Equity</i>	<i>13,846</i>	<i>1,169</i>
Hedge Funds	4,042	369
Fixed Income	4,720	0
<i>Total External Public*</i>	<i>22,616</i>	<i>1,538</i>
Private Equity	7,907	121
Real Estate	3,964	400
Other Real Assets	815	0
<i>Total Private Markets*</i>	<i>12,686</i>	<i>521</i>
Externally Managed Assets:	49,148	2,059

*Per investment policy, hedge funds are limited to 5% and non hedge-fund investments under an Investment Management Agreement are restricted to 30% of Trust Assets



- Internally Managed Assets
- Externally Managed Assets

Investments through minority and women owned businesses equal 5% of externally managed assets

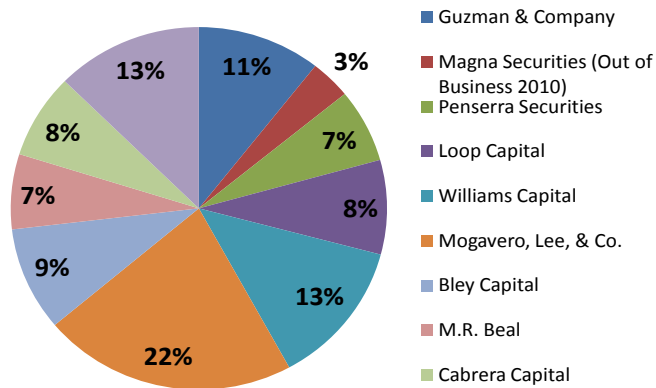
TRS Minority and Women Relationships

Trade Management Group



DATE: July 15, 2009 to July 15, 2010

MWOB FIRMS 10 Firms	Start Date of Business with TRS Trading	STATUS	TYPE of MWOB Firm	TOTAL VALUE PRINCIPAL	PERCENT OF PRINCIPAL
Guzman & Company	3/17/1997	Current	Hispanic	\$ 380,892,199	15%
Magna Securities (Out of Business 2010)	2/2/1997	Out of Business 2010	African American	\$ 377,851,509	15%
Penserra Securities	10/6/2009	Current	Hispanic	\$ 303,504,526	12%
Loop Capital	1/15/2002	Current	African American	\$ 294,044,347	11%
Williams Capital	7/17/1996	Current	African American	\$ 291,347,181	11%
Mogavero, Lee, & Co.	11/1/1999	Current	Woman	\$ 273,777,416	11%
Bley Capital	4/29/2005	Current	Woman	\$ 216,115,044	8%
M.R. Beal	7/25/2009	Current	African American	\$ 204,938,642	8%
Cabrera Capital	4/10/2006	Current	Hispanic	\$ 144,142,213	6%
BOE Securities	12/17/1998	Current	African American	\$ 91,698,274	4%
TOTAL				\$ 2,578,311,351	100%



- ☐ \$2.6 billion of principal traded with minority brokers in the last 12-month period
- ☐ 4% of total principal value traded with Minority and Women owned firms in last 12-month period

TRS Emerging Manager Program

TRS Minority and Women Investments



☐ Purpose

- Attractive investment returns
- Identify the next top tier GP's and Public Market Managers
- A seed portfolio to establish relationships – transition to a direct relationship with TRS

☐ History of TRS' Emerging Manager Program – Total \$650 million

- Credit Suisse EM Program 1 – 2005 at \$250 million
- Credit Suisse EM Program 2 – 2007 at an additional \$300 million
- Credit Suisse Re-up Program – 2009 at \$100 million (\$60 million currently invested)

☐ Results

- Program 1 and 2 Actual Return (6/30/10) = 1.07x
- Combined EM portfolio 1-Year IRR = 13.9% 3 year IRR = 2.9%
- TRS named “2009 Public Plan of the Year” at Opal Financial Group's Emerging Managers Awards

☐ Current Plans

- Emerging Entrepreneur Series and Direct Investments

TRS Emerging Manager Program

Review of Fund of Fund Groups



(\$ in millions)

Firm	PE AUM	EM Commitments	W/M Commitments	Multiple W/M Mandates	W/M Capabilities					
					PE	RA	Co-Invest	Distribution	Conferences	W/M Led
CFG	\$26,000	\$5,600	\$1,000	✓	✓	✓	✓	✓	✓	✓
Hamilton Lane	12,000	3,500	Limited	✓	✓		✓	✓		
Neuberger Berman	10,000	Not available	150		✓		✓	✓		
JP Morgan	9,800	Not available	400	✓	✓	✓		✓		
Fairview	2,600	1,200	340	✓	✓					✓
Parish	2,200	1,000	150		✓		✓			✓
Invesco	1,800	300	75		✓			✓		✓
Bank of America Capital	1,150	1,000	750		✓				✓	
Centinela	830	830	210		✓					✓
Mueller & Monroe	400	300	200	✓	✓					✓

TRS Emerging Manager Program

Review of Fund of Fund Groups



(\$ in millions)

PE AUM		
1	CFG	\$26,000
2	Hamilton Lane	12,000
3	Neuberger Berman	10,000
4	JP Morgan	9,800
5	Fairview	2,600
6	Parish	2,200
7	Invesco	1,800
8	Bank of America Capital	1,150
9	Centinela	830
10	Mueller & Monroe	400

(\$ in millions)

EM Commitments			
1	CFG	\$5,600	
2	Hamilton Lane	3,500	
3	Fairview	1,200	
4	Parish	1,000	
5	Bank of America Capital	1,000	
6	Centinela	830	
7	Invesco	300	
8	Mueller & Monroe	300	
9	Neuberger Berman	Not available	
10	JP Morgan	Not available	

(\$ in millions)

W/M Commitments			
1	CFG	\$1,000	
2	Bank of America Capital	750	
3	JP Morgan	400	
4	Fairview	340	
5	Centinela	210	
6	Mueller & Monroe	200	
7	Neuberger Berman	150	
8	Parish	150	
9	Invesco	75	
10	Hamilton Lane	Limited	

CFG is a significant private equity investor and a leader in sourcing and committing capital to emerging managers and W/M managers for its client Programs

U.S. Based Managers with Minority Ownership

Minority Manager Universe



Private Equity					
<u>Total Universe</u>		<u>TRS Commitment</u>		<u>Investable Universe</u>	
Number of Firms	231		11	Firms with > \$1B AUM	22
Combined AUM	\$84.5B		\$121M	AUM > \$1B	\$39.4B
Average AUM	\$0.4B			Average AUM	\$1.8B
Median AUM				Median AUM	
Real Estate					
<u>Total Universe</u>		<u>TRS Commitment</u>		<u>Investable Universe</u>	
Number of Firms	62		4	Firms with > \$1B AUM	7
Combined AUM	\$16.5B		\$400M	AUM > \$1B	\$12.6B
Average AUM	\$0.3B			Average AUM	\$1.8B
Median AUM				Median AUM	
Hedge Funds					
<u>Total Universe</u>		<u>TRS Commitment</u>		<u>Investable Universe</u>	
Number of Firms	21		3	Firms with > \$0.7B AUM	7
Combined AUM	\$21B		\$370M	AUM > \$1B	\$18.1B
Average AUM	\$1.0B			Average AUM	\$2.6B
Median AUM				Median AUM	
Long-Oriented					
<u>Total Universe</u>		<u>TRS Commitment</u>		<u>Investable Universe</u>	
Number of Firms	155		2	Firms with > \$1B AUM	46
Combined AUM	\$301.7B		\$1.2B	AUM > \$1B	\$281.1B
Average AUM	\$1.9B			Average AUM	\$6.1B
Median AUM				Median AUM	
All Minority Managers					
<u>Total Universe</u>		<u>TRS Commitment</u>		<u>Investable Universe</u>	
Number of Firms	469		20	Firms with > \$1B AUM	82
Combined AUM	\$423.7B		\$2.1B	Total AUM of Firms with >\$1B	\$347.1B

U.S. Based PE Managers with Minority Ownership

Minority Manager Universe



Private Equity			Concentration %		
<u>African American Managers</u>			<u>Investable Universe</u>		
Number of Firms	56	TRS Commitment 6	Firms with > \$1B AUM	6	11% of universe
Combined AUM	\$20.4B	\$74M Invested	AUM of Firms with > \$1B	\$9.7B	48% of universe
Average AUM	\$0.4B		Average AUM	\$1.6B	11 firms < 500m
Median AUM			Median AUM		32 firms < 250m
<u>Hispanic Managers</u>			<u>Investable Universe</u>		
Number of Firms	31	TRS Commitment 2	Firms with > \$1B AUM	4	13% of universe
Combined AUM	\$12.5B	\$21M Invested	AUM of Firms with > \$1B	\$6.5B	52% of universe
Average AUM	\$0.4B		Average AUM	\$1.6B	8 firms < 500m
Median AUM			Median AUM		15 firms < 250m
<u>Women Managers</u>			<u>Investable Universe</u>		
Number of Firms	63	TRS Commitment 1	Firms with > \$1B AUM	6	10% of universe
Combined AUM	\$28.7B	\$15M Invested	AUM of Firms with > \$1B	\$15.7B	55% of universe
Average AUM	\$0.5B		Average AUM	\$2.6B	11 firms < 500m
Median AUM			Median AUM		34 firms < 250m
<u>Asian Managers</u>			<u>Investable Universe</u>		
Number of Firms	26	TRS Commitment 1	Firms with > \$1B AUM	3	12% of universe
Combined AUM	\$9.5B	\$8M Invested	AUM of Firms with > \$1B	\$4.4B	46% of universe
Average AUM	\$0.4B		Average AUM	\$1.5B	5 firms < 500m
Median AUM			Median AUM		15 firms < 250m
<u>Other</u>			<u>Investable Universe</u>		
Number of Firms	55	TRS Commitment 0	Firms with > \$1B AUM	3	5% of universe
Combined AUM	\$13.4B	\$0 Invested	AUM of Firms with > \$1B	\$3.2B	24% of universe
Average AUM	\$0.2B		Average AUM	\$1.1B	4 firms < 500m
Median AUM			Median AUM		21 firms < 250m

U.S. Based RE Managers with Minority Ownership

Minority Manager Universe



Real Estate			Concentration %		
<u>African American Managers</u>			<u>Investable Universe</u>		
		<u>TRS Commitment</u>			
Number of Firms	19	4	Firms with > \$1B AUM	4	21% of universe
Combined AUM	\$7.8B	\$400M Invested	AUM of Firms with > \$1B	\$6.6B	85% of universe
Average AUM	\$0.4B		Average AUM	\$1.7B	0 firms < 500m
Median AUM			Median AUM		14 firms < 250m
<u>Hispanic Managers</u>			<u>Investable Universe</u>		
		<u>TRS Commitment</u>			
Number of Firms	12	0	Firms with > \$1B AUM	2	17% of universe
Combined AUM	\$6.1B	\$0 Invested	AUM of Firms with > \$1B	\$5.0B	82% of universe
Average AUM	\$0.5B		Average AUM	\$2.5B	2 firms < 500m
Median AUM			Median AUM		8 firms < 250m
<u>Women Managers</u>			<u>Investable Universe</u>		
		<u>TRS Commitment</u>			
Number of Firms	12	0	Firms with > \$1B AUM	0	0% of universe
Combined AUM	\$0.9B	\$0 Invested	AUM of Firms with > \$1B	\$0.0B	0% of universe
Average AUM	\$0.1B		Average AUM	\$0.0B	1 firms < 500m
Median AUM			Median AUM		11 firms < 250m
<u>Asian Managers</u>			<u>Investable Universe</u>		
		<u>TRS Commitment</u>			
Number of Firms	10	0	Firms with > \$1B AUM	0	0% of universe
Combined AUM	\$0.5B	\$0 Invested	AUM of Firms with > \$1B	\$0.0B	0% of universe
Average AUM	\$0.1B		Average AUM	\$0.0B	1 firms < 500m
Median AUM			Median AUM		9 firms < 250m
<u>Other</u>			<u>Investable Universe</u>		
		<u>TRS Commitment</u>			
Number of Firms	9	0	Firms with > \$1B AUM	1	11% of universe
Combined AUM	\$1.2B	\$0 Invested	AUM of Firms with > \$1B	\$1.0B	83% of universe
Average AUM	\$0.1B		Average AUM	\$1.0B	0 firms < 500m
Median AUM			Median AUM		8 firms < 250m

U.S. Based HF Managers with Minority Ownership

Minority Manager Universe



Hedge Funds			Concentration %		
African American Managers			Investable Universe		
Number of Firms	1	TRS Commitment 0	Firms with > \$0.7B AUM	0	0% of universe
Combined AUM	\$0.5B	\$0 Invested	AUM of Firms with > \$1B	\$0.0B	0% of universe
Average AUM	\$0.5B		Average AUM	\$0.0B	1 firms < 500m
Median AUM			Median AUM		0 firms < 250m
Hispanic Managers			Investable Universe		
Number of Firms	0	TRS Commitment 0	Firms with > \$0.7B AUM	0	0% of universe
Combined AUM	\$0.0B	\$0 Invested	AUM of Firms with > \$1B	\$0.0B	0% of universe
Average AUM	\$0.0B		Average AUM	\$0.0B	0 firms < 500m
Median AUM			Median AUM		0 firms < 250m
Women Managers			Investable Universe		
Number of Firms	11	TRS Commitment 0	Firms with > \$0.7B AUM	0	0% of universe
Combined AUM	\$2.1B	\$0 Invested	AUM of Firms with > \$1B	\$0.0B	0% of universe
Average AUM	\$0.2B		Average AUM	\$0.0B	3 firms < 500m
Median AUM			Median AUM		8 firms < 250m
Asian Managers			Investable Universe		
Number of Firms	8	TRS Commitment 3	Firms with > \$0.7B AUM	6	75% of universe
Combined AUM	\$16.0B	\$369M Invested	AUM of Firms with > \$1B	\$15.6B	98% of universe
Average AUM	\$2.0B		Average AUM	\$2.56B	0 firms < 500m
Median AUM			Median AUM		2 firms < 250m
Other			Investable Universe		
Number of Firms	0	TRS Commitment 0	Firms with > \$0.7B AUM	0	0% of universe
Combined AUM	\$0.0B	\$0 Invested	AUM of Firms with > \$1B	\$0.0B	0% of universe
Average AUM	\$0.0B		Average AUM	\$0.0B	0 firms < 500m
Median AUM			Median AUM		0 firms < 250m

U.S. Based Equity Managers with Minority Ownership

Minority Manager Universe



Long-Oriented			Concentration %		
African American Managers			Investable Universe		
Number of Firms	37	TRS Commitment	Firms with > \$1B AUM	14	38% of universe
Combined AUM	\$97.1B	\$0 Invested	AUM of Firms with > \$1B	\$90.6B	93% of universe
Average AUM	\$2.6B		Average AUM	\$6.5B	2 firms < 500m
Median AUM			Median AUM		15 firms < 250m
Hispanic Managers			Investable Universe		
Number of Firms	17	TRS Commitment	Firms with > \$1B AUM	5	29% of universe
Combined AUM	\$13.5B	\$0 Invested	AUM of Firms with > \$1B	\$12.5B	93% of universe
Average AUM	\$0.8B		Average AUM	\$2.5B	1 firms < 500m
Median AUM			Median AUM		11 firms < 250m
Women Managers			Investable Universe		
Number of Firms	70	TRS Commitment	Firms with > \$1B AUM	20	29% of universe
Combined AUM	\$115.7B	\$1.2B Invested	AUM of Firms with > \$1B	\$107.5B	93% of universe
Average AUM	\$1.7B		Average AUM	\$5.4B	6 firms < 500m
Median AUM			Median AUM		41 firms < 250m
Asian Managers			Investable Universe		
Number of Firms	18	TRS Commitment	Firms with > \$1B AUM	4	22% of universe
Combined AUM	\$65.9B	\$0 Invested	AUM of Firms with > \$1B	\$62.7B	95% of universe
Average AUM	\$3.7B		Average AUM	\$15.7B	2 firms < 500m
Median AUM			Median AUM		9 firms < 250m
Other			Investable Universe		
Number of Firms	13	TRS Commitment	Firms with > \$1B AUM	3	23% of universe
Combined AUM	\$9.6B	\$0 Invested	AUM of Firms with > \$1B	\$7.8B	81% of universe
Average AUM	\$0.7B		Average AUM	\$2.6B	1 firms < 500m
Median AUM			Median AUM		8 firms < 250m

TRS Investment Management

Minority Manager Investment Program



- ❑ TRS commitment to minority investment managers ranks second in the U.S.
 - ❑ Highest percentage in Texas
 - ❑ \$2.1 billion committed
- ❑ Assets available for external management to minority owned/controlled firms exceed 5%
- ❑ \$2.6 million of trading was executed through minority firms over the past 12 months
- ❑ TRS was named 2009 Public Plan of the Year at Opal Financial Emerging Manager Awards
- ❑ New effort are underway to support the creation of an “Entrepreneurs Series”
 - ❑ 4 asset categories, well branded
 - ❑ Marketed professionally
- ❑ Investment and trading relationship by asset class:
 - PE – 10
 - Hedge Funds – 3
 - RE – 4
 - Long Oriented – 2
- ❑ Investment and trading relationship by distinction:
 - African American – 15
 - Hispanic – 5
 - Women – 5
 - Asian – 4
- ❑ Total Investment mgmt 19
- ❑ Total Trading 10
- ❑ *Total Minority Firms* 29

APPENDIX

Private Markets Investment Details

TRS Minority and Women Investments (\$ in millions)



Private Equity Investments as of 6/30/2009

Firm	Vintage	Committed Capital	Called Capital	Gross Multiple	Benchmark	Grouping
GenNx360 Capital Partners	2007	\$20.0	\$8.6	1.09x	0.92x	African American
Vista Equity Partners	2007	\$15.0	\$11.1	1.45x	0.92x	African American
.406 Ventures	2007	\$15.0	\$8.1	1.18x	0.86x	Women
Hispania Private Equity	2010	\$15.0	\$0.5	N/A	N/A	Hispanic
Relativity Fund	2006	\$13.0	\$3.3	1.02x	0.93x	African American
SynComm Venture Partners	2007	\$10.0	\$6.0	0.87x	0.86x	African American
ICV Partners	2005	\$8.0	\$4.0	1.26x	1.09x	African American
Pharos Capital Partners	2005	\$8.0	\$6.2	0.00x	0.99x	African American
NEA-IndoUS Ventures	2006	\$10.6	\$4.0	1.19x	0.91x	Asian
Palladium Equity Partners	2000	\$6.3	\$5.9	1.45x	1.59x	Hispanic
Total		\$120.9	\$57.7			

Real Estate Investments

Firm	Vintage	Committed Capital	Called Capital	Net IRR	Quartile	Grouping
RLJ	2007	\$150.0	\$8.0	(29.3%)	2	African American
Canyon Johnson	2007	\$100.0	\$0.0	N/A	N/A	African American
Capri Urban Investors	2007	\$75.0	\$33.0	(57.2%)	4	African American
MacFarlane	2007	\$75.0	\$48.0	N/A	4	African American
Total		\$400.0	\$89.0			

* Benchmark is State Street Private Equity Fund Index as of 12/31/2009. Benchmarks differ based on vintage, strategy, and region

* Multiples for Private Equity and Net IRRs for Real Estate are as of 12/31/2009

* Palladium is a secondary Private Equity fund

Current
Allocation

Entrepreneurs
Series

All Minority
Managers

Appendix

Public Markets Investment Details

TRS Minority and Women Investments (\$ in millions)



Long Only Investments

Firm	Strategy	Initial	Committed	Annualized Performance			Grouping
				Since Inception	Benchmark	Alpha	
Westwood	Large Cap Value	Feb-09	\$637.8	21.2%	33.3%	(12.1%)	Women
Rock Creek	Emerging Markets	Aug-09	\$531.5	14.2%	8.0%	6.2%	Women
Total			\$1,169.3				

Hedge Fund Investments

Firm	Strategy	Initial Investment	Committed Capital	Annualized Performance			Grouping
				Since Inception	Benchmark	Alpha	
Fore Advisors	Convertible Arbitrage	Feb-05	\$198.5	8.1%	4.6%	3.5%	Asian
Alyeska	Equity Market Neutral	Oct-09	\$100.9	2.4%	(0.5%)	2.9%	Asian
Ivory Capital Group LLC	Equity Long/Short	Sep-07	\$69.8	1.9%	(2.5%)	4.4%	Asian
Total			\$369.2				

Tab D

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TRS Real Assets General Growth Properties Investment Review

Steve LeBlanc, Senior Managing Director
Private Markets

Richard Hall, Director
Principal Investments

Agenda



Background

Background

Transaction
Structure

Transaction Structure

Investment
Thesis

Investment Thesis

Portfolio
Impact

Real Estate Portfolio Impact

Valuation

Mall REIT and General Growth Properties Valuation

Overview

General Growth Properties Overview



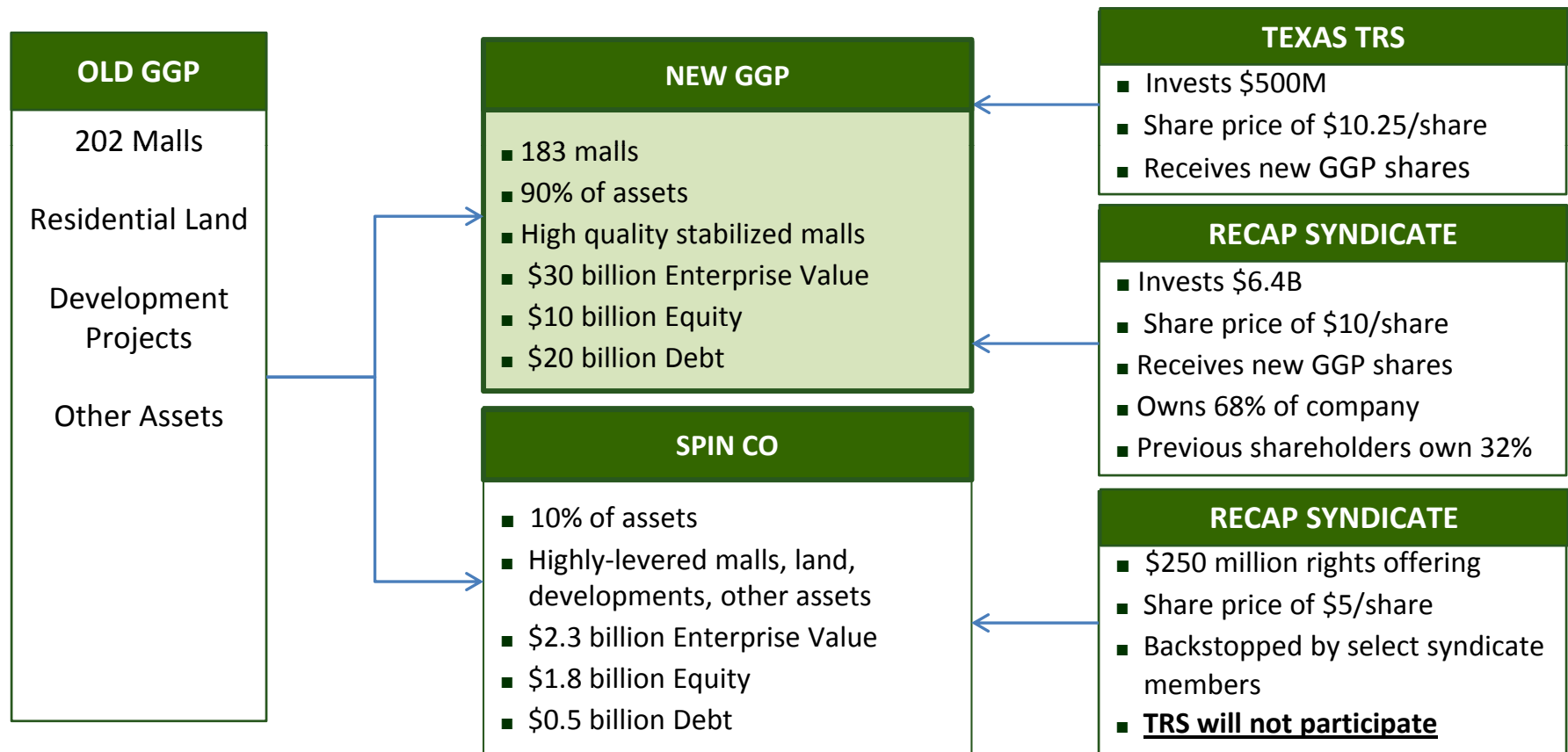
Background

- ❑ On July 8, 2010 TRS committed to invest \$500 million at \$10.25 /share in restructured General Growth Properties (NYSE: GGP), a retail mall REIT
- ❑ Investment is conditional on successful emergence from Chapter 11
- ❑ TRS will receive registered, tradable common shares of GGP
- ❑ Closing is expected in October 2010 upon confirmation of Recapitalization Plan
- ❑ Restructuring led by Brookfield Asset Management with participation of Pershing, Fairholme and Blackstone
- ❑ GGP is raising \$6.9 billion of new equity and will reduce debt levels from 90% to 65%
- ❑ Restructuring allowed favorable amendments to existing debt



Transaction Structure

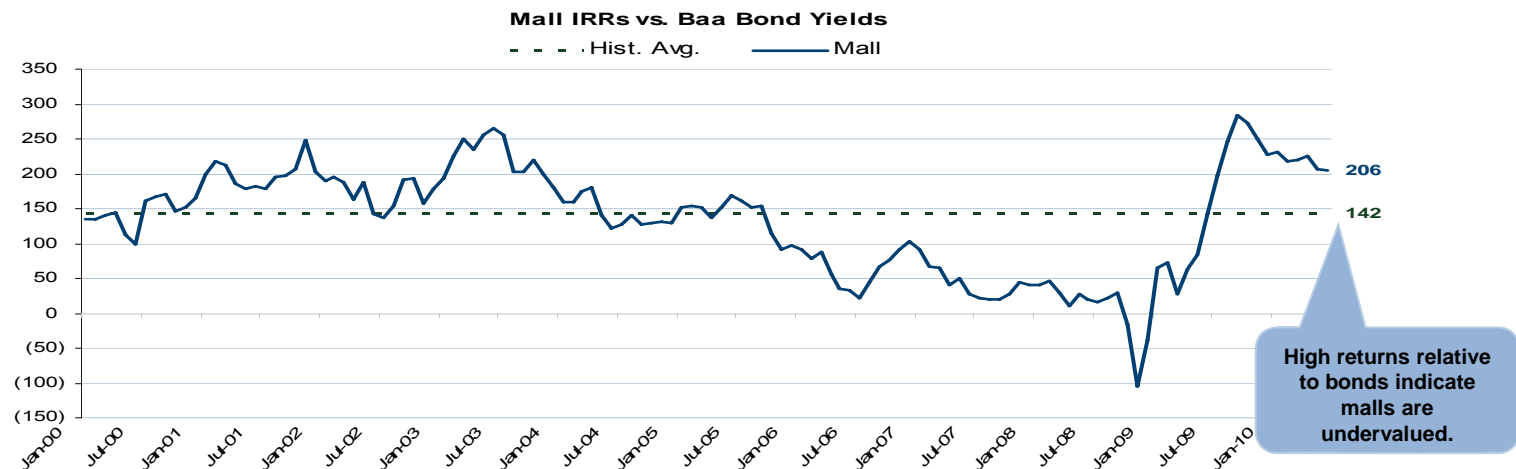
- ❑ Old GGP will be split into two companies: New GGP and Spin Co
- ❑ TRS will invest in New GGP only





Investment Thesis

- ❑ Retail property should be included in a diversified real estate portfolio
- ❑ Mall REITs own 80% of the highest quality malls in the U.S., very difficult to acquire individual malls
- ❑ Mall valuations appear compelling compared to historical norms
- ❑ TRS leveraged size and speed to negotiate favorable pricing and terms





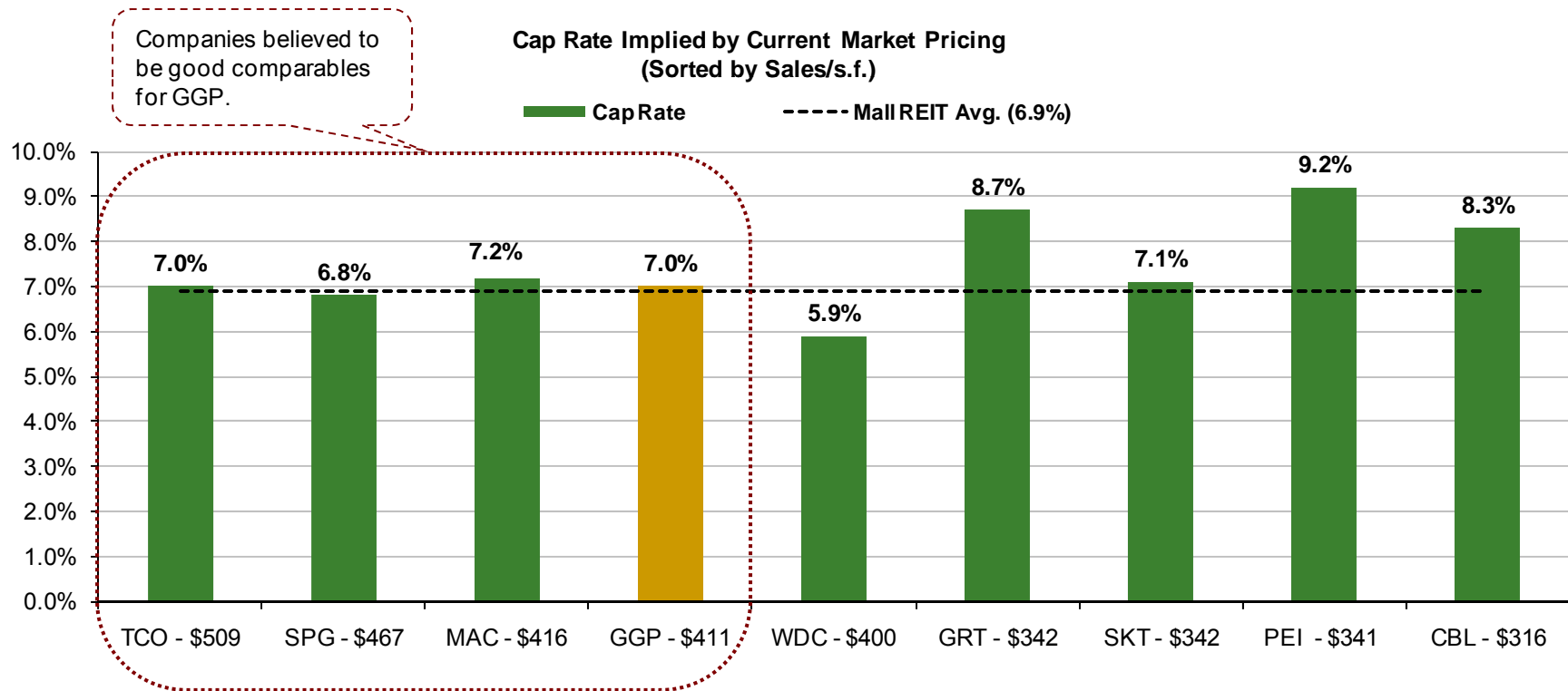
TRS Real Estate Portfolio Impact

- ❑ Total TRS Real Estate Net Asset Value (NAV) of \$6.5 billion as of June 30, 2010
 - \$4.7 billion in the Real Assets Portfolio
 - \$1.8 billion in the Passive REIT Portfolio
- ❑ Investment in GGP increases NAV by \$500 million without increasing unfunded commitments
- ❑ This investment will be funded directly with cash, generated by a similar drawdown from the Passive REIT Portfolio
- ❑ Moves NAV to approximately 7.6% of TRS Trust vs. Long-Term Target of 15%
- ❑ Moves TRS retail exposure to 12.9% of the Real Estate portfolio compared to NCREIF Property Index at 23%
- ❑ Monetization to occur based on business and market fundamentals, valuation and consultation with Real Estate Consultants and Managers.



Mall REIT Valuation

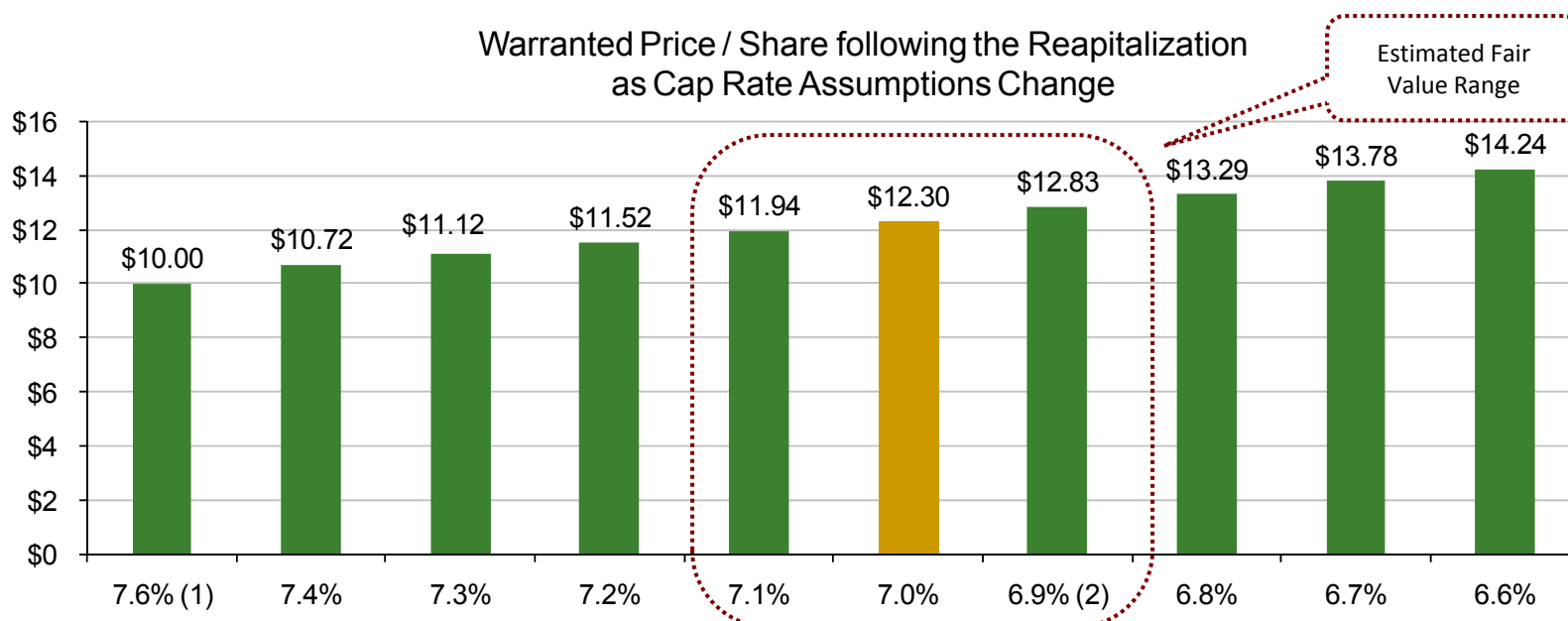
- ❑ The average cap rate for the mall sector is 6.9%, slightly below the pricing Green Street expects the public market will use to value GGP's portfolio
- ❑ More productive malls are afforded lower cap rates (higher valuations)





GGP Valuation

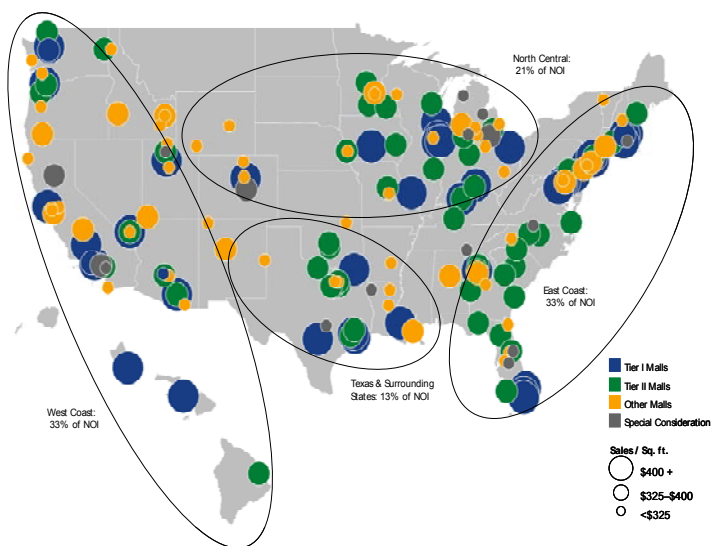
- ❑ TRS and Green Street created an asset-by-asset valuation model which concludes with a post-transaction warranted share price of \$12.30
- ❑ Every 10 basis points change in cap rate translates into roughly \$0.40/share of warranted share price.



(1) Brookfield is purchasing its equity stake for \$10/share, which equates to a cap rate of 7.6%

(2) Estimated price per share if GGP is valued at Simon's implied cap rate.

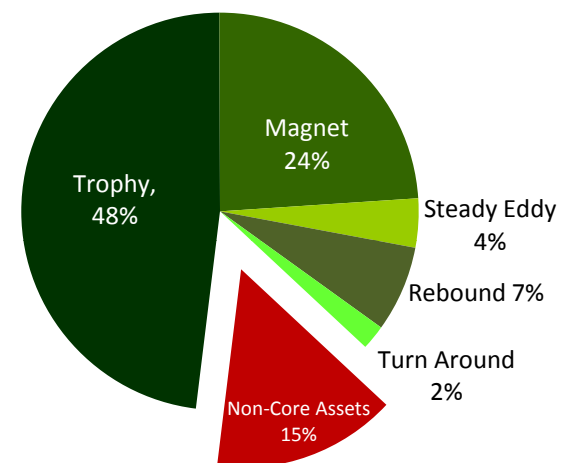
GGP Overview



- ❑ GGP owns regional malls in 44 states
- ❑ The company also has retail joint ventures in Brazil and Turkey
- ❑ Approximately 160M sq ft of retail space generating 1.3 billion mall visits per year
- ❑ 24 of the top 100 malls in the U.S.

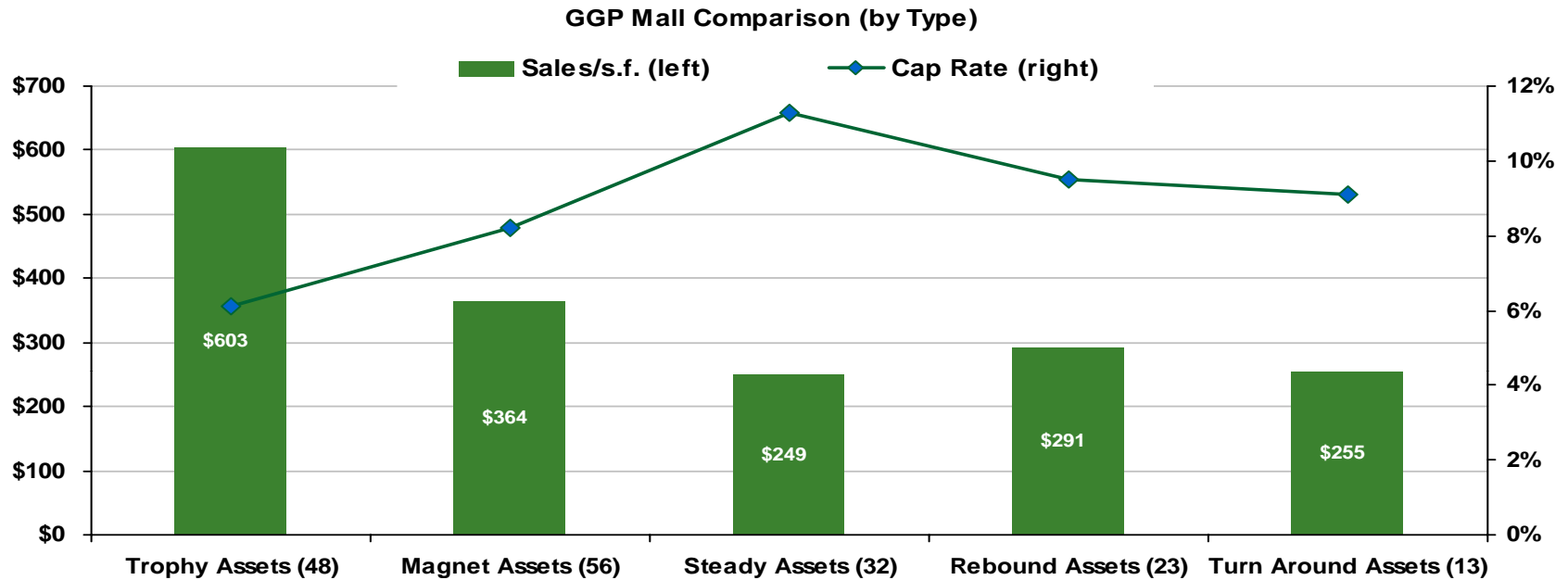
Total Asset Composition

Total Assets (\$36.1B)
Mall Assets (\$30.5B)



- ❑ Restructuring separates the company into two businesses
- ❑ GGP continues on as the owner of a high quality mall portfolio
- ❑ 72% of properties generate sales in excess of \$300 / sq ft annually
- ❑ TRS will not have exposure to non-core assets

GGP Overview



- ❑ **Trophy Assets:** Premier malls in their market areas. Typically have sales/sf of \$450 or higher.
- ❑ **Magnet Assets:** Leading malls in the market area. Typically have sales/sf of \$300-450.
- ❑ **Steady Eddy Assets:** Located in market areas where consumer spending is generally not impacted by economic factors. Sales/sf are typically \$200-300.
- ❑ **Rebound Assets:** High quality assets located in regions that have been significantly impacted by the economic downturn. Sales/sf are typically below \$300.
- ❑ **Turn Around Assets:** Assets that need to be repositioned to be more relevant to consumers.

Tab E

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FinReg and Beyond - Global Implications for Investors

Barbara Novick
Vice Chairman

Joanna Cound
Managing Director

Joanne Medero
Managing Director

September 2010

FinReg and Beyond: Global Implications for Investors

While there has been major focus on Wall Street Reform and Consumer Protection Act, many regulatory and legislative issues are outside “Dodd-Frank Act”.

- Some issues are global and/or are being addressed by regulators in Europe, UK and other locales

In Dodd-Frank Act	Beyond Dodd-Frank Act
<ul style="list-style-type: none">• Derivatives• Volcker Rule• Hedge Funds• Systemic Risk Oversight• Rating Agencies• Municipal Bonds• Corporate Governance• Federal Insurance Office• Consumer Lending	<ul style="list-style-type: none">• Future of Housing Finance• Money Market Funds• Retirement Issues• Distribution Models• Market Structure• New Tax Initiatives

Framework for U.S. Financial Reform

Regulators

SEC



Mary Schapiro

Federal Reserve



Ben Bernanke

New York Fed



Bill Dudley

FDIC



Sheila Bair

CFTC



Gary Gensler

OCC



John Walsh
Acting Head

Dept. of Labor



Hilda Solis

State Insurance
Commissions

Public Policy Issues

Economic Growth

- Create jobs
- Limit inflation

Housing Market

- Reduce foreclosures
- Long-term financing

Systemic Risk Mitigation

- Banks, Derivatives,
Money Markets,
Hedge Funds, etc.

Investor Protection

- Fraud
- Transparency

Legislators

House Financial Services



Barney Frank



Spencer Bachus

Senate Banking



Chris Dodd



Richard Shelby

Senate Judiciary



Patrick
Leahy



Jeff
Sessions

Senate Agriculture



Blanche
Lincoln



Saxby
Chambliss

Administration

President



Barack
Obama

Treasury
Secretary



Tim
Geithner

NEC



Larry
Summers

Economic
Recovery
Council



Paul
Volcker

Senate Special
Committee on Aging



Herb Kohl



Bob Corker

Framework for European Financial Reform

Parliament

Composition

- Led by President Jerzy Buzek (Poland)
- Members of the European Parliament (MEPs) sit in seven Europe-wide political groups

Powers

- Legislative decision-making — co-decision with Council in most economic policy areas
- Shares with Council authority over the EU budget

Role

- Represents the democratic will of Europe's 501 million citizens

Council

Composition

- Led by Council Presidency, currently EU held by Spain
- ECOFIN composed of Finance Ministers of each EU member state

Powers

- Can shape EU agenda by convening meetings on priority topics

Role

- Represents the interests of the 27 member states

Commission

Composition

- Led by President Jose Manuel Barroso
- 27 Commissioners — responsible for 27 "Directorate Generals" (DGs)
- France's Michel Barnier as Internal Market Commissioner responsible for financial services

Powers

- Exclusive right of initiative
- Implementing EU policies and the budget

Role

- Represent and uphold interests of EU as a whole

Sweeping Changes to OTC Derivatives

Implications for interest rate swaps, CDS, FX, LDI strategies, commodity strategies and stable value funds

- SEC has jurisdiction for security-based swaps
- CFTC has jurisdiction for all other swaps
- FX included unless Treasury determines otherwise

Dodd-Frank Provisions

- Swap dealers register with CFTC/SEC and subject to new reporting, disclosure and business conduct requirements
- Major swap participants (MSPs) required to register and subject to reporting, disclosure, business conduct and capital and margin requirements
- All swaps accepted for clearing, must be cleared on an exchange or swap execution facility (SEF)
- All swaps (including uncleared) must be reported to a data repository or the CFTC
- Effective date for most provisions is July 2011

Dodd-Frank Act requires CFTC / SEC rulemaking and follow on studies

- CFTC has released a list of 30 focus areas
- BlackRock is focusing on governance, collateral and segregation, definitions of MSP and SEF
- Book value wrappers for stable value require a specific study

Additional considerations

- Lack of global consistency across regulatory jurisdictions
- Operational and technology needs for implementation



OTC Derivatives in Europe

Legislation at much earlier state in Europe

- European Commission due to adopt formal Proposal September 2010
- Agreement between European Council and European Parliament likely second half of 2011 earliest
- Given this, implementation due first half 2013

Little scope for national interpretation

- Regulation rather than Directive, thus requiring direct transposition into national law
- Central role for ESMA (European Securities & Markets Authority)

Early indication of content of Commission Proposal

- ESMA to decide which eligible contracts are subject to mandatory clearing
 - Criteria for eligibility defined; no list of derivatives in scope
 - Clearing obligation applies to any transaction with one leg in the EU
 - Third country CCPs / TRs can offer services in the EU if determined equivalent by EU authorities
- Exemption for corporate end users but not financial / pension fund users
- Risk mitigation expected for contracts not cleared centrally
- Asset segregation, portability and interoperability (initially for cash only) must be offered by CCPs









Volcker Rule Implications for Alternatives

Dodd-Frank Act restricts banks from acquiring or retaining ownership interests in hedge funds or private equity funds

- Retains ability to act as investment adviser and to co-invest in aggregate amount limited to 3% of firm capital

Several potential bank transactions to spin off or exit these businesses have recently been reported

- Several also restructuring proprietary trading operations

Month	Firm	Transaction
April		Selling HFoF, HF seeding and HF advisory businesses with \$4.2B AUM to Skybridge Capital
		Selling \$1.9B portfolio of limited partnership interests to AXA Private Equity
		May sell Highbridge Capital Management
July		Transferring “certain proprietary interests” in its \$4B FoF, mezzanine funds, feeder fund and co-investment businesses to StepStone Group and Lexington Partners
		Selling on secondary market \$1.2B in commitments made to funds managed by Warburg Pincus.
August		Selling Frontpoint Partners with \$7B in HF AUM back to its founders
		Considering restructuring ideas to reduce \$15.4B in private capital investments (includes PE, RE, HF) to \$2.1B.
		Spinning out Bank of America Capital Investors (focused on mid-market buyouts) to form Ridgemont Equity Partners. Portfolio valued at \$1.5B.

Hedge Funds Subject to New Rules

Registration of Advisers

- Dodd-Frank eliminates “private adviser” exemption for U.S. and non-U.S. managers
- Venture capital funds to retain exclusion

Recordkeeping and Reporting

- Registered advisers will have new recordkeeping requirements, including AUM and use of leverage, trading and investment positions, valuation policies
- Provide reports to SEC and to Financial Oversight Council
- Potential need for Chief Compliance Officer

Distribution

- New definition for “accredited investors” raises bar for HNW investors
- AIFMD outcome may force UCITs structure or limit distribution in Europe

Taxation

- Carried interest “on hold” for now

Alternative Investment Fund Managers Directive (AIFMD)

Legislative Timescale

- Agreement between Council and Parliament on Draft Directive likely before end 2010, leading to implementation end 2012

Scope is exceedingly broad

- Covers EU managed funds, wherever domiciled, and non EU managed funds, where-ever domiciled, sold into the EU
- Not just hedge funds but also
 - Private equity funds, real estate funds, institutional and retail non UCITS funds (e.g. KAGs, FGRs), Investment Trusts, charity funds and ETFs
- Hence implications for wide range of clients, including
 - Retail clients, HNW, charities, distributors, pension funds, insurance companies, corporations, institutions and government entities

Potentially significant implications for EU investors

- Third country provisions may restrict EU investors to investing in EU domiciled funds
- Restrictions on delegation and depositary liability provisions may make it problematic to offer global funds
- Cost to investors likely to be increased by depositary liability provisions
- Reduced choice and increased costs may outweigh advantages of greater transparency and protection

Systemic Risk Oversight and Orderly Liquidation Authority

Dodd-Frank establishes Financial Stability Oversight Council (FSOC)

- Chaired by Secretary of Treasury
- Council members include regulators from Fed, OCC, SEC, FDIC, CFTC, FHFA, CFPA plus an insurance expert

FSOC charter is to address risks in financial markets

- Power to designate non-bank financial entities “potentially systemically significant”, and subject them to prudent regulation by the Fed
- Designate financial market institutions engaged in payment, clearing and settlement activities. Fed will provide risk management standards and oversight in return for Fed discount window and borrowing privileges in an emergency

FDIC empowered to seize control of a financial company at imminent risk of collapse, and proceed with “orderly liquidation”

- FDIC powers under this authority are broader than in Bankruptcy Code and may impact creditors

New European System of Financial Supervision (ESFS)

Legislative Timeline

- Political agreement between European Parliament and European Council expected in September with implementation January 2011

Provisions go beyond systemic risk oversight to create a framework within which ultimate authority for financial supervision moves over time to a European level

- Three European Supervisory Authorities (ESAs) across banks, securities and insurance / occupational pensions
- ESA powers will include
 - Binding rule making
 - Binding mediation
 - Emergency powers (e.g. short-selling bans, de-leveraging)
 - Central data collection and sharing
 - Agreements with third country authorities

New European Systemic Risk Board (ESRB) to deliver macro-prudential oversight.

- ESRB Powers might include
 - Identification of those potential imbalances in the financial system likely to increase systemic risks
 - Ability to issue risk warnings/ recommendations
 - But, no legally binding powers

Fundamental Changes to Rating Agency Business Model

SEC to establish oversight office for DSROs

SEC has ability to establish Credit Rating Board

- 24 months to study, but not required

Eliminating reliance in statutes and regulations on agency ratings is going to be difficult because there is not always a good substitute

Dodd-Frank removed credit rating agency exclusion for “expert” liability in prospectus

- SEC no action ruling for ABS

Disclosure in structured finance transactions changing



European Rating Agency Regulation

New CRAs regulation

- New registration mechanism for CRAs established in the EU.
 - ESMA to directly oversee all European registered CRAs
 - Applies to all ratings used in EU. Defined procedure to determine equivalence of 3rd country ratings
 - Deadline for registration Sept 2010
- Far-reaching rules on internal governance of CRAs - including composition of boards (independent directors, rotation of analysts etc.)
- Obligation to publicly disclose rating methodologies and underlying assumptions
- Specific disclosure obligation & separate identifier for ratings of structured finance products
- Provisions on possible ratings withdrawal
- CRAs to report historical performance of ratings to ESMA central repository
- Expected provision similar to SEC Rule 17g-5 (expected to be adopted end 2010)

EU expected to publish further thoughts on CRA market structure

- Ways to increase competition of the sector - and more specifically the possibility of a European rating agency
- Ways to reduce existing regulatory reliance on ratings
- Methods used for rating sovereign debt
- Alternatives to the current "issuer-pays" model

Increased Oversight and Transparency for Municipal Bond Market

Municipal Securities Rulemaking Board (MSRB)

- Changing composition

Registration of municipal advisers

- Reduced conflicts of interest

Increased transparency, fairness, and liquidity

- More timely disclosure

NEW ISSUE - (BOOK-ENTRY ONLY)

RATINGS
(See "Rating" herein)

In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Series 2009 Bonds will not be includable in gross income for federal income tax purposes. The interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income" but must be taken into account as earnings and profits of a corporation when computing, for example corporate minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from Illinois income taxes. See "TAX EXEMPTION" herein.

\$183,645,000

ILLINOIS FINANCE AUTHORITY
Revenue and Refunding Bonds, Series 2009
(Roosevelt University Project)

Dated: Date of Delivery

Due: April 1, as shown below

The Illinois Finance Authority Revenue and Refunding Bonds, Series 2009 (Roosevelt University Project) (the "Series 2009 Bonds") to be issued by the Illinois Finance Authority (the "Authority") will be issued under a Trust Indenture, dated as of November 1, 2009, between the Authority and The Bank of New York Mellon Trust Company, N.A. as trustee, and pursuant to the Illinois Finance Authority Act. The Series 2009 Bonds are issuable only as fully registered bonds in denominations of \$1,000 or any integral multiple thereof. When issued, the Series 2009 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2009 Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Series 2009 Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2009 Bonds. Interest on the Series 2009 Bonds, together with the principal of and redemption premium, if any, on the Series 2009 Bonds, will be paid directly to DTC, so long as the Series 2009 Bonds are held in book-entry-only form. The final disbursements of such payments to the Beneficial Owners of the Series 2009 Bonds will be the responsibility of DTC, the DTC Participants and the Indirect Participants, all as defined and more fully described herein. See "DESCRIPTION OF THE SERIES 2009 BONDS - Book-Entry-Only System."

The Series 2009 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2009 BONDS - Redemption Provisions."

\$6,615,000 Series 2009 Serial Bonds

Maturity	Principal Amount	Interest Rate	Price	CUSIP
April 1, 2013	\$1,900,000	5.00%	101.154%	45200FE54
2016	1,995,000	5.00	100.000	45200FE62
2017	865,000	5.00	98.788	45200FE70
2018	905,000	5.25	98.997	45200FE88
2019	950,000	5.25	98.188	45200FE96

\$18,800,000 5.75% Series 2009 Term Bonds Due April 1, 2014 (Price 97)
\$28,955,000 6.25% Series 2009 Term Bonds Due April 1, 2019 (Price 96)
\$83,275,000 6.50% Series 2009 Term Bonds Due April 1, 2029 (Price 95)
\$36,000,000 6.50% Series 2009 Term Bonds Due April 1, 2044 (Price 94)

The Series 2009 Bonds are limited obligations of the Authority, payable solely from the payments of Roosevelt University, an Illinois not for profit corporation (the "University"), on the date of issuance of the Series 2009 Bonds, on the date of November 1, 2009, between the Authority and the University and from certain funds pledged under the Trust Indenture. INTEREST THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION, GENERAL OR A LOAN OF CREDIT OF THE AUTHORITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS, IF ANY, OF THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS OR OTHER COSTS INCIDENTAL THEREOF, EXCEPT AS OTHERWISE PROVIDED IN THE TRUST INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS, IF ANY, OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS OR OTHER COSTS INCIDENTAL THEREOF, EXCEPT AS OTHERWISE PROVIDED IN THE TRUST INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS, IF ANY, OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS OR OTHER COSTS INCIDENTAL THEREOF, EXCEPT AS OTHERWISE PROVIDED IN THE TRUST INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS, IF ANY, OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS OR OTHER COSTS INCIDENTAL THEREOF, EXCEPT AS OTHERWISE PROVIDED IN THE TRUST INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS, IF ANY, OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS OR OTHER COSTS INCIDENTAL THEREOF, EXCEPT AS OTHERWISE PROVIDED IN THE TRUST INDENTURE.

The Series 2009 Bonds are being issued to (i) finance a portion of the costs of the construction, acquisition, renovation and modernization of an academic center and student housing facility of the University; (ii) finance various capital improvements at the University; (iii) pay capitalized interest with respect to certain portions of the University's Variable Fixed Rate Demand Revenue Bonds, Series 1995 (Roosevelt University Project) (the "Series 1995 Bonds"); (iv) pay capitalized interest with respect to certain portions of the University's Variable Fixed Rate Demand Revenue Bonds, Series 2000 (ACU/Cultural Pooled) (the "Series 2000 Bonds"); (v) pay capitalized interest with respect to certain portions of the University's Variable Fixed Rate Demand Revenue Bonds, Series 2002 (Roosevelt University Project) (the "Series 2002 Bonds"); (vi) fund a Debt Service Reserve Fund; and (vii) fund a Debt Service Reserve Fund. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS."

THIS COVER PAGE CONTAINS ONLY A SUMMARY OF INFORMATION REGARDING THE SERIES 2009 BONDS. YOU SHOULD READ THE ENTIRE OFFICIAL STATEMENT PRIOR TO MAKING AN INVESTMENT DECISION.

The Series 2009 Bonds are being offered when, as and if issued by the Authority and received by the purchaser without notice, and subject to the approval of legality by Katten Muchin Rosenman LLP, Chicago, Illinois, passed upon for the Authority by its special counsel, Schiff Hardin LLP, Chicago, Illinois, for the University by its special counsel, Kutak Rock LLP, Chicago, Illinois, Columbia Capital Management, LLC, Chicago, Illinois, and Underwriters by their counsel, Kutak Rock LLP, Chicago, Illinois. Columbia Capital Management, LLC, Chicago, Illinois, expects that the Series 2009 Bonds will be available for delivery in New York, New York, through the facilities of

BARCLAYS CAPITAL
Morgan Stanley

Cabrera Capital Markets, LLC

Siebert Brandford Shank & Co., LLC

Dated: November 18, 2009



Corporate Governance and Executive Compensation

Dodd-Frank authorizes SEC to grant shareholder access to corporate proxy materials to nominate directors

Dodd-Frank addresses executive compensation by requiring:

- Companies to give shareholders a non-binding “say-on-pay” at least once every three years
- Shareholder vote on golden parachutes related to any changes in corporate control
- Compensation committees to include only independent directors
- Companies to calculate and disclose median total annual compensation of all employees and compare ratio to CEO’s compensation
- Disclosure of relationship between executive compensation and total return of company’s stock
- Clawback provisions for three years on incentive compensation in the event of an accounting restatement

Additional Corporate Governance provisions:

- Brokers cannot vote uninstructed shares for say-on-pay proposals
- Boards must establish Risk Committee
- Companies must explain management structure (e.g. Chairman, CEO roles)
- Executives must disclose any hedging of the value of the company’s securities they hold
- Whistleblowing is encouraged with financial incentives and protection from retaliation

Companies Voluntarily Giving Shareholders Non-binding Votes On Compensation

Aflac	MBIA
Ameriprise Financial	Microsoft
Apple	Motorola
Bank of America	Occidental Petroleum
Bank of New York Mellon	Pfizer
Blockbuster	PG&E
Colgate-Palmolive	Prudential
ConocoPhillips	State Street
Frontier Communications	Tech Data
Goldman Sachs	Tupperware Brands
Honeywell International	Valero Energy
Intel	Verizon
Jones Apparel Group	Wells Fargo
Lexmark International	Yum! Brands

*Source: RiskMetrics, BlackRock
As of 18 August 2010*

Corporate Governance and Executive Compensation in Europe

Legislative Timeline

- Commission published a Green Paper in July, to be followed by White Paper later this year and a formal Proposal Q1 2011
- The Green Paper covers at a very high level
 - the function and composition of financial institution boards
 - risk management
 - the role of external auditors and supervisory authorities
 - shareholder responsibilities and corporate governance
 - remuneration of executives in financial services companies, particularly bonus and share-based incentives
 - conflicts of interest in financial institutions
- The Green Paper represents a move away from 'comply or explain' to regulation. BlackRock agrees in principle with many of the points made but questions whether regulation is the most effective way of achieving the stated goals.
- Remuneration
- Remuneration for financial institutions is included in a number of EU directives, including Capital Requirements III, AIFMD, UCITS V and the Corporate Governance Green Paper.
- CRD III is the most advanced; it was adopted by the Council and Parliament in June 2010 and will enter into force in Jan 2011.
 - Includes provisions specifying, inter alia, the minimum proportion of variable compensation to be deferred and paid out in shares for certain categories of staff.
 - Also states that the provisions should be applied 'proportionally' to investment managers. Various member states are currently considering how this should be implemented.

Federal Insurance Office

Creation of Federal Insurance Office (FIO) within Department of Treasury

- Monitor insurance industry and collect data on insurance activities
- Advise Financial Stability Oversight Council with regards to systemic risk of insurers
- Represent U.S. at international meetings concerning insurance
- Not authorized to pre-empt state regulation of insurance rates, premiums, underwriting practices, sales, solvency or antitrust; except in case of international agreements
- Report to Congress (within 18 months) on how insurance regulation could be modernized

Streamlines surplus lines insurance and reinsurance

- Surplus lines insurance subject solely to insured's home state and premiums paid to one state
- Endorses NAIC eligibility requirements as national standard
- Establishes domiciliary state of reinsurer as sole state regulator
- Effective date for provisions is July, 2011

Future of Housing Finance Reform

Public debate on GSEs (FNMA, FHLMC) and Housing Finance heating up

- Treasury Conference held mid-August
- House Financial Services Committee scheduled for September
- Federal Reserve Conference in October
- Reform proposal due to Congress in January, 2011



Secondary Market Considerations

- Fed purchase program wind down
- FNMA / FHLMC balance sheet limits
- Premium pricing due to low interest rates



Solutions for current homeowners to address foreclosure risk

- Home Affordable Modification Plan (HAMP)
- Judicial Mortgage Restructuring



Securitization

- Quality of underwriting
- Transparency to investors
- Servicers



Money Market Mutual Funds

SEC changed the portfolio composition rules in February, 2010

President's Working Group still to issue report and make recommendations

"Phase 2" could include

- requiring a distinction between institutional and retail funds
- daily publication of a "shadow" NAV or
- to float the NAV

Floating NAV not attractive to investors

Substantial reduction in MMF assets has wider implications due to role in providing short term financing for corporations and municipalities

Money Market Mutual Funds in Europe

Money market funds are not defined in legislation in Europe

The term 'money market fund' has been applied to

- Stable NAV funds and
- A wide range of fluctuating NAV funds

CESR (Committee of European Securities Regulators) created two categories of MMFs in May 2010

- Short term MMFs (stable and fluctuating) and MMFs (fluctuating only)
- Represents a significant tightening up of market practice in the labelling of fluctuating MMFs

The European Commission will consider what further action to take if any following a review of how the CESR categories have been implemented

Retirement Plans are in the Spotlight

Corporate DB Funding

- Pension Protection Act of 2006
- Preservation of Access to Care for Medical Beneficiaries and Pension Relief Act of 2010

Government Pension Funding

- Discount Rate
- Amortization Period

Defined Contribution Plans

- DOL Interim Final Rule on fee disclosures
- DOL and SEC proposals on target date funds

Social Security

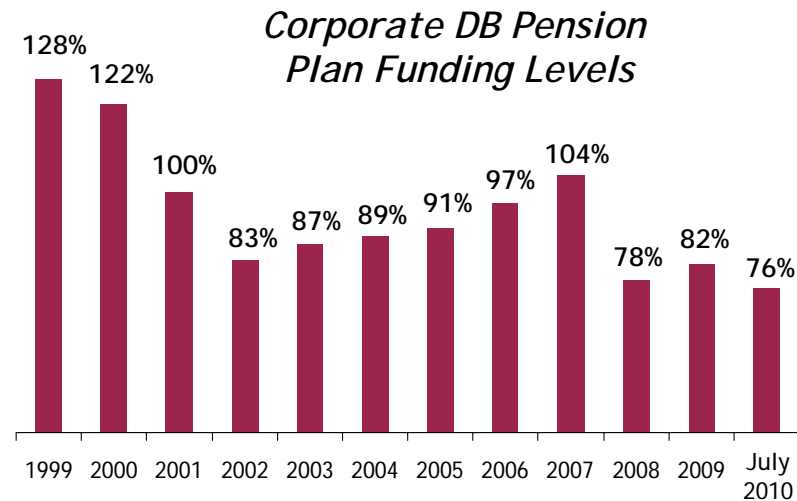
- Projecting to be “exhausted” by 2037

Pensions Green Paper in Europe

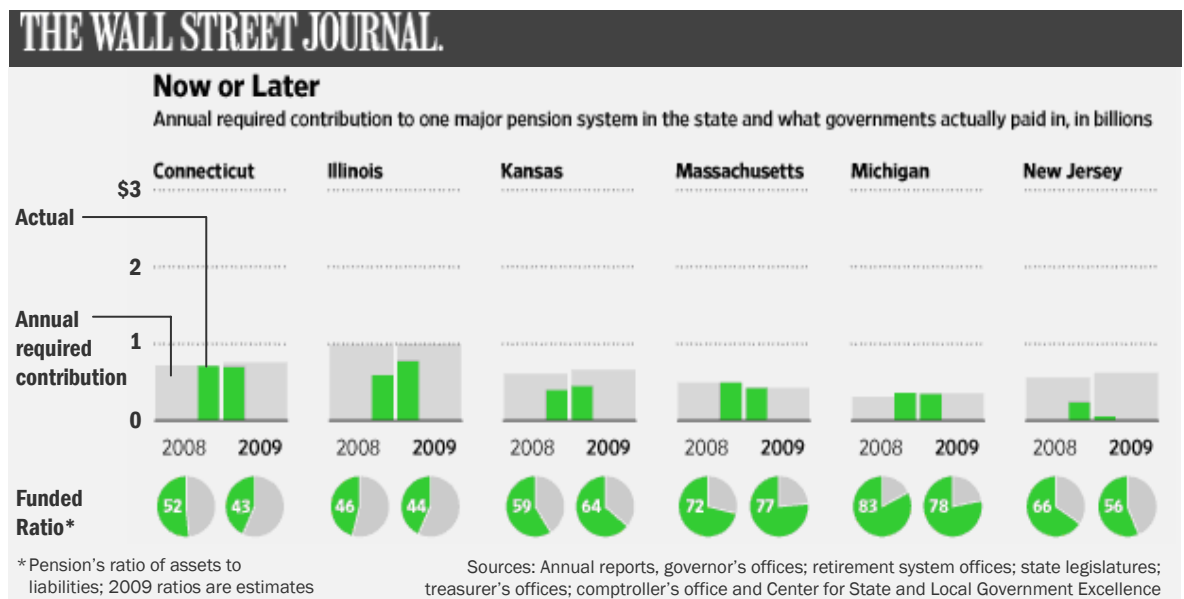
- Looking to promote funded pensions

IORP (Institutions for Occupational Retirement Provision) Directive

- Will review of prudent person principle
- May seek level playing field with unit linked funds



Source: Milliman, “The Milliman 100 Pension Funding Index”; as of August 2010



Market Structure Under Review

SEC and CFTC reviewing “dark pools”, “circuit breakers” and “high frequency trading”

- Stock-by-stock circuit breakers for S&P 500 instituted after Flash Crash on May 6
- Extending circuit breakers to Russell 1000 and certain ETFs

Flash Crash highlights deficiencies in market structure

- Exchange trade error cancellation rules need to be consistent
- Use of stop-loss without limit price added selling pressure
- Trading slowdowns or halts are not applied uniformly across exchanges
- Electronic market makers lack clear obligations and incentives to maintain orderly markets
- Suspension of order routing to the best bid or offer is haphazard

Expect SEC-CFTC Joint Advisory Committee on Emerging Regulatory Issues to issue report in September, 2010

EU MiFID review is expected to address trading and market structure issues in Q4 2010

- New regime for Broker Crossing Systems (BCS)
 - BCSs to become regulated multilateral trading facilities (MTFs) over certain amount of business
 - BCSs to be notified to regulators
 - Generic BCSs identifier in post-trade price data
 - End of day publication of aggregate trade info by each BCS
- Micro-structural trading issues under scrutiny
 - Guidelines/standards to be developed for high frequency trading, sponsored access, co-location services and fee structures

Investor Protection and Distribution Models

Dodd-Frank follow on SEC study of fiduciary standards

- “Suitability” vs. “Client’s best interest” on investment advice
- Enhanced disclosure or “zero tolerance” for potential conflicts?

SEC proposals for fund distribution fees and related disclosure

- Limit fund sales charges
- Improve transparency of fees
- Encourage retail price competition
- Revise fund director oversight duties

FSA Retail Distribution Review (RDR)

- Increase professional standards of advisers
- Improve clarity of description of services
- Transparency of charges - end investor and not investment manager to pay commission to intermediary

EU Packaged Investment Retail Products

- Seeks level playing field for the distribution of retail financial products with regards to pre-contractual information and selling practices
- Includes disclosure of fees and commission but expected to reject RDR approach

Beware costs of implementation and reduced consumer choice

The Voice of Investors Must be Heard

InvestmentNews

The Leading News Source for Financial Advisers

Suddenly, 401k fee disclosures getting plenty of attention

DOL readying proposal that would force service providers to make more info available; House committee unveiling similar legislation this week

March 15, 2010

The New York Times

April 23, 2010

THE WAY WE LIVE NOW

Cracked Foundation: Reforming Housing Finance

THE WALL STREET JOURNAL.

DECEMBER 22, 2009

In 2010, Year of the Regulator

Get Ready for More Rules on Finance—If Anyone Survives the D.C. Battle

FT.com
FINANCIAL TIMES

Financial markets: Derivative dilemmas

August 11, 2010

THE WALL STREET JOURNAL.

MARKETS | JULY 15, 2010

How the CFTC Got Power

InvestmentNews

The Leading News Source for Financial Advisers

Reform becomes law as questions abound

SEC will take 124 actions to implement act

July 18, 2010

Bloomberg.com

May 7, 2010

BlackRock, Business Groups Fight to Strike Swaps Fiduciary Rule

AMERICAN BANKER
On Focus and in Depth

Is Systemic Risk Council 'Set Up for Failure'?

Some see too many agencies, each with its own agenda
Friday, July 30, 2010

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