

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

EXECUTIVE SUMMARY

JUNE 30, 2011

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Second Quarter 2011

Capital Market Review

The world economy showed resiliency with overall modest growth through the second quarter. The markets reacted negatively to often-contradictory economic indicators and the ensuing heightened volatility, experiencing a steady slide through most of the quarter. In addition to social unrest in Greece, the second quarter witnessed continued supply chain issues as a result of the earthquake in Japan. Oil continued to appreciate due to lingering concerns of unrest in Libya. The political unrest spurred a surprise decision by the International Energy Agency to release 60 million barrels of oil from the Strategic Petroleum Reserve. Finally, on June 23, the Greek parliament passed a \$41 billion austerity measure triggering the implementation of a \$120 billion bailout from the EU and consequently a late quarter rally, erasing many of the second quarter's earlier losses.

In addition to global pressures, the domestic markets also shrugged off floods, droughts, and the growing political pressures of handling the current deficits, to hold the S&P 500 to a 0.1% return in the second quarter. New home sales remain at all-time lows, but housing prices are stabilizing, indicating positive signs of recovery. Unemployment news was discouraging. Unemployment numbers spiked again this quarter, rising 0.3% to 9.1% at end June. The 9.1% level is still down from year-end 2010 when unemployment hit 9.4

At its most recent meeting, the Federal Reserve kept the federal funds target rate range unchanged at 0% to 0.25% due to low inflation and elevated rates of unemployment. The Federal Reserve ended its quantitative easing strategy on June 30 completing the purchase of \$600 billion of Treasury securities but decided to continue its existing policy of reinvesting principle payments from security holdings.

At the June 7th International Monetary conference in Atlanta on the U.S. Economic Outlook, Federal Reserve Chairman Ben Bernanke hinted at further economic turbulence due to cuts in state and local governments stating, "Developments in the public sector also help determine the pace of recovery. Here, too, the picture is one of relative weakness. Fiscally constrained state and local governments continue to cut spending and employment. Moreover, the impetus provided to the growth of final demand by federal fiscal policies continues to wane."

For the period ending 6/30/11, the one quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one quarter lag), were 3.63% and 3.36%; one year, 33.58% and 16.03%; three years, 5.25% and -3.63%; and five years, 2.53% and 3.45%.

In the United States, as construction loans are the worst performing loans on banks' books, it will most likely be a long period of time before lending returns for speculative construction projects. With real estate supply still relatively low, even moderate job growth should lead to strong fundamentals. Compared to low interest rates, REITs' relatively high (and in some cases growing) dividends remain attractive. That being said, REITs are trading close to fair value.

Outside of the United States, Europe is dominated by concerns about sovereign debts continued to influence investors, with Greece the focal point. In Asia, many of the markets are seeing upward trends in their rents, with China and Singapore leading.

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Periods Ending June 30, 2011

Market Indices Review

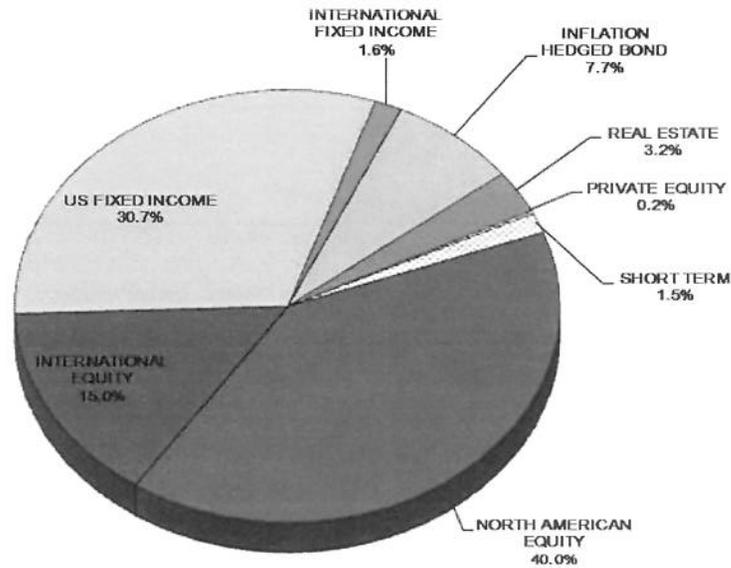
INDEX	STYLE	1 QTR	1 YEAR	3 YEAR	5 YEAR	7 YEAR	10 YEAR
NORTH AMERICAN EQUITY INDICES							
S&P 1500	Large Cap Broad	0.02	31.65	3.87	3.29	4.68	3.31
S&P 500	Large Cap Core	0.10	30.69	3.34	2.94	4.22	2.72
S&P MidCap 400	Mid Cap Broad	-0.73	39.38	7.82	6.60	8.53	7.94
S&P Small Cap 600	Small Cap Broad	-0.16	37.03	8.16	4.61	7.13	7.79
Russell 3000 Growth	Large Cap Growth	0.64	35.68	5.28	5.36	5.07	2.43
Russell 3000 Value	Large Cap Value	-0.68	29.13	2.66	1.23	4.51	4.25
NASDAQ Composite	Large Cap Core	-0.27	31.49	6.55	5.01	4.44	2.53
DJIA	Large Cap Core	1.42	30.37	6.10	4.97	5.19	4.20
S&P/TSX 60	Canadian Large Cap Broad	-4.20	30.36	0.40	8.85	14.90	12.93
INTERNATIONAL INDICES							
MSCI EAFE NET	International Equity	1.56	30.36	-1.77	1.48	6.44	5.66
MSCI AC World -ex US	International Equity	0.61	30.27	0.11	4.14	9.09	7.92
MSCI Emerging Markets	Emerging Markets	-1.04	28.17	4.53	11.75	18.05	16.54
Citigroup World Gov't	International Fixed	3.32	10.54	5.80	7.35	6.25	7.92
Citigroup World Gov't ex US	International Fixed	3.68	13.94	6.20	7.76	6.61	8.68
US FIXED INCOME INDICES							
3-Month Treasury Bills	Cash	0.04	0.16	0.42	2.00	2.30	2.13
Barclays Aggregate	Core Fixed	2.29	3.90	6.46	6.52	5.48	5.74
Barclays Govt/Credit	Core Fixed	2.32	3.68	6.17	6.35	5.32	5.74
Barclays Mortgage	Mortgages	2.28	3.77	6.85	6.95	5.88	5.80
Merill Lynch High Yield	High Yield Fixed	1.01	15.31	12.17	9.07	8.65	8.72
NAR Equity REIT	Real Estate	3.63	33.58	5.25	2.53	8.67	10.63
NCREIF Property - One Qtr lag	Real Estate	3.36	16.03	-3.63	3.45	7.38	7.48

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

As of June 30, 2011

Asset Allocation Analysis - Total Plan

CURRENT ALLOCATION BY ASSET CLASS



ASSET ALLOCATION	MARKET VALUE	%
NORTH AMERICAN EQUITY	13,440,211,958	40.0%
INTERNATIONAL EQUITY	5,028,800,468	15.0%
US FIXED INCOME	10,315,706,275	30.7%
INTERNATIONAL FIXED INCOME	551,809,300	1.6%
INFLATION HEDGED BOND	2,576,721,396	7.7%
REAL ESTATE	1,080,406,898	3.2%
PRIVATE EQUITY	74,529,236	0.2%
SHORT TERM	501,842,306	1.5%
TOTAL	33,570,027,837	100.0%

ASSET ALLOCATION	TARGET	ACTUAL	DIFF
NORTH AMERICAN EQUITY	40.0%	40.0%	0.0%
INTERNATIONAL EQUITY	15.0%	15.0%	0.0%
US FIXED INCOME	26.0%	30.7%	4.7%
INTERNATIONAL FIXED INCOME	0.0%	1.6%	1.6%
INFLATION HEDGED BOND	8.0%	7.7%	-0.3%
REAL ESTATE	7.0%	3.2%	-3.8%
PRIVATE EQUITY	3.0%	0.2%	-2.8%
SHORT TERM	1.0%	1.5%	0.5%

ASSET ALLOCATION	3/31/2011	6/30/2011	DIFF
NORTH AMERICAN EQUITY	39.5%	40.0%	0.5%
INTERNATIONAL EQUITY	14.8%	15.0%	0.2%
US FIXED INCOME	31.1%	30.7%	-0.4%
INTERNATIONAL FIXED INCOME	1.8%	1.6%	-0.1%
INFLATION HEDGED BOND	7.6%	7.7%	0.1%
REAL ESTATE	3.2%	3.2%	0.0%
PRIVATE EQUITY	0.2%	0.2%	0.0%
SHORT TERM	1.8%	1.5%	-0.3%

As of 1/1/11, the asset allocation targets are 40% North American Equity / 15% International Equity / 26% US Fixed Income / 8% Inflation Hedge Bond / 7% Real Estate / 3% Private Equity / 1% Short Term.

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Periods Ending June 30, 2011

Performance Summary

	1 QTR		1 YEAR		3 YEAR		5 YEAR		10 YEAR	
	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA
TCRS Composite	1.72	0.46	19.59	-0.25	3.76	-0.74	4.54	-0.54	4.89	-0.55
<i>Policy Index¹</i>	1.26		19.64		4.50		5.08		5.44	
<i>Total Fund Allocation Index²</i>	1.21		19.39							
<i>Total Public Funds > \$100 Million Median</i>	1.20		21.58		4.40		4.80		5.65	
NORTH AMERICAN EQUITY MANAGERS										
Large Cap										
Index	0.12	0.02	30.77	0.06	3.44	0.10				
Quant	1.25	1.15	33.06	2.37	3.93	0.59	3.69	0.75	3.39	0.67
Sector	0.94	0.84	32.48	1.79	3.56	0.22	3.10	0.16	2.83	0.11
<i>S&P 500 Index</i>	0.10		30.69		3.34		2.94		2.72	
Mid Cap										
Mid Cap ³	-0.51	0.22	39.83	0.45	5.79	-2.03	5.21	-0.68	7.91	0.33
<i>S&P MidCap 400 Index⁴</i>	-0.73		39.38		7.82		5.89		7.58	
Equity Futures	-1.37	-1.21								
<i>S&P SmallCap 600 Index</i>	-0.16									
Canada										
Canada ⁵	-3.76	0.44								
<i>S&P/TSX Index</i>	-4.20									
NORTH AMERICAN EQUITY COMPOSITE⁶	0.22	0.74								
NORTH AMERICAN EQUITY w/o Futures⁷	0.29	0.81								
<i>87.5% S&P 1500/ 12.5% S&P/TSX 60 Index</i>	-0.52									
US EQUITY COMPOSITE	0.73	0.71	33.71	2.06	3.49	-0.38	3.32	0.02	3.23	0.19
<i>US Equity Benchmark⁸</i>	0.02		31.65		3.87		3.30		3.04	
<i>Median</i>	0.06		33.54		5.31		4.40		5.32	
INTL EQUITY MANAGERS										
Developed										
Barind Asset Management	2.33	0.77	31.68	1.32						
<i>MSCI EAFE NET Index</i>	1.56		30.36							
Marathon	2.40	0.64	29.14	-1.22	2.41	4.18	5.49	4.01	9.81	3.90
<i>MSCI EAFE NET Index⁹</i>	1.56		30.36		-1.77		1.48		5.91	
PanAgora Asset Management	3.89	2.33	37.77	7.41	0.20	1.97	2.95	1.47		
<i>MSCI EAFE NET Index</i>	1.56		30.36		-1.77		1.48			
TT International	3.07	1.51	30.88	0.32						
<i>MSCI EAFE NET Index</i>	1.56		30.36							
Walter Scott	4.14	2.58	30.07	-0.29	5.20	8.58	8.06	6.69	10.93	4.87
<i>MSCI EAFE NET Index¹⁰</i>	1.56		30.36		-3.38		1.37		6.06	
Developed Small Cap										
American Century Investment	0.86	-0.17	38.30	1.45						
<i>MSCI EAFE Small Cap Index</i>	1.03		36.85							
Pyramis Global Advisors	2.38	1.35	38.50	1.65						
<i>MSCI EAFE Small Cap Index</i>	1.03		36.85							
GE Asset Management	3.69	0.64	38.22	1.40						
<i>MSCI Europe Index</i>	2.65		36.82							
Pacific Indexed Portfolio ¹¹	1.16	1.13	22.94	1.91	-3.14	-2.33	0.70	0.00	5.81	0.20
<i>MSCI Pacific Index¹²</i>	0.03		21.03		-0.61		0.70		5.61	
TOTAL INT'L EQUITY COMPOSITE	2.92	1.45	33.01	1.96	0.29	1.36	3.73	1.82	7.72	1.48
TOTAL INT'L EQUITY w/o Currency Overlay	2.92	1.45	33.01	1.96	1.22	2.29	4.45	2.54	8.35	2.11
<i>MSCI EAFE IMI Index¹³</i>	1.47		31.05		-1.07		1.91		6.24	
<i>Median</i>	1.63		30.45		0.26		3.55		7.96	

¹ As of 10/1/08, the Policy Index is 35% S&P 1500, 15% MSCI EAFE IMI, 27% Citigroup BIC, 4% Citigroup GE -ex US, 5% Citigroup TIPS, 7% NCREIF, 3% S&P 500 - 300 bps, 1% 91 Day T-Bill.
² As of 10/1/08, the Allocation Index is 37.1% S&P 1500, 15.5% MSCI EAFE IMI, 29.1% Citigroup BIC, 4% Citigroup GE -ex US, 5% Citigroup TIPS, 4.34% NCREIF, 0.0% S&P 500 - 300 bps, 1% 91 Day T-Bill.
³ As of 6/30/08, prior was S&P Mid Cap Fund.
⁴ As of 6/30/08, prior was S&P 1000 Index.
⁵ Funded 4/23/10.
⁶ Inception date is 5/1/10.
⁷ As of 7/1/04 S&P 1500 Index; prior was S&P 500 Index.
⁸ As of 7/1/04, prior was MSCI AC Asia Pacific Free Index.
⁹ As of 5/19/06, prior was MSCI Europe Index.
¹⁰ As of 2/2/09, prior was MSCI Europe Index.
¹¹ As of 10/1/08, prior was MSCI EAFE NET Index.
¹² Performance was attributable to Amund through 9/3/10, portfolio managed by TCRS staff afterward.

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Periods Ending June 30, 2011

Performance Summary (Continued)

	1 QTR		1 YEAR		3 YEAR		5 YEAR		10 YEAR	
	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA
US FIXED INCOME MANAGERS										
Corporate	2.89	0.21	9.11	2.73	9.94	1.64	7.90	0.72	6.65	0.14
Citigroup Credit Index ¹⁷	2.68		6.38		8.30		7.18		6.51	
Government 1-5 ¹⁸	1.76	0.11	5.89	3.50	6.80	1.91				
Citigroup Treasury/Gov't Sponsored 1-5 ¹⁹	1.65		2.39		4.89					
Government 5 Plus ²⁰	3.45	0.78	3.43	1.66	5.53	-0.61	5.81	-0.95		
Citigroup Core+5 Treasury/Gov't Sponsored ²¹	2.67		1.77		6.14		6.76			
Mortgage Backed Securities	2.29	-0.05	4.26	0.52	5.50	-1.46	5.91	-1.11	5.39	-0.47
Citigroup Mortgage Backed Securities Index	2.34		3.74		6.96		7.02		5.86	
US FIXED INCOME COMPOSITE	2.60	-0.02	6.00	2.01	7.21	0.54	6.75	-0.02	5.83	0.04
US FIXED INCOME w/o Derivatives	2.50	-0.12	5.91	1.92	7.17	0.50	6.73	-0.04	5.82	0.03
Citigroup BIG Index ²²	2.62		3.99		6.67		6.77		5.79	
Median	2.03		5.03		7.53		7.09		6.25	
INFLATION HEDGED BOND²³	3.50	-0.15	6.94	-0.87	5.08	-0.25	7.04	0.11		
Citigroup TIPS Index	3.65		7.81		5.33		6.93			
INTERNATIONAL FIXED INCOME COMPOSITE²⁴	3.64	-0.21	12.66	0.25	8.43	0.16	8.23	-0.20	8.08	0.19
International Fixed Income	3.64	-0.21	12.66	0.25	8.43	0.16	8.23	-0.20	8.08	0.19
Citigroup G5 -ex US Index ²⁵	3.85		12.41		8.27		8.43		7.89	
Median	2.55		13.21		7.12		8.04		7.89	
REAL ESTATE	1.87	-1.49	15.50	-0.53	-4.81	-1.18	1.39	-2.06	6.54	-0.94
NCREIF Property Index - One Qtr lag	3.36		16.03		-3.63		3.45		7.48	
Median	3.39		18.50		-8.79		-0.51		5.60	
PRIVATE EQUITY	3.21	2.75	12.66	-21.03						
S&P 500 Index + 300 bps	0.46		33.69							
SHORT TERM	1.13		2.57		2.28					
Cash Account	2.21		3.01		1.91		3.12		2.66	
Short Duration	0.28		2.05		3.58					

¹⁷ As of 04/1/2011, benchmark is 50% Citigroup 1-5 Govt/50% Citigroup 1-7 Govt. As of 3/1/09, name switched from Fixed Income Overlay to Gov't 1-5 in order to reflect strategy change. As of 3/1/09, benchmark is Citigroup Treasury/Gov't Sponsored 1-5; prior was Citigroup BIG Index.

¹⁸ As of 4/1/2011, benchmark is 50% Citigroup Core 5- Govt/50% Citigroup 7- Govt. As of 3/1/09, name switched from Agency Debt to Gov't 5 Plus in order to reflect strategy change. As of 3/1/09, benchmark is Citigroup Core-5 Treasury/Gov't Sponsored; prior was Citigroup Treasury/Gov't Sponsored.

¹⁹ As of 04/1/2011, benchmark is 50% Citigroup BIG/50% Citigroup LPF. As of 7/1/05 benchmark is switched from Lehman Aggregate -ex BBB Index to Citigroup BIG.

²⁰ As of 7/1/04; prior was Citigroup World Government Bond -ex US Unhedged Index.

²¹ As of 4/1/2011, benchmark is 50% Citigroup Credit Index; 50% Citigroup LPF Credit Index; Citigroup Credit Index; 7/1/05-3/31/11, Lehman Credit -ex BBB prior.

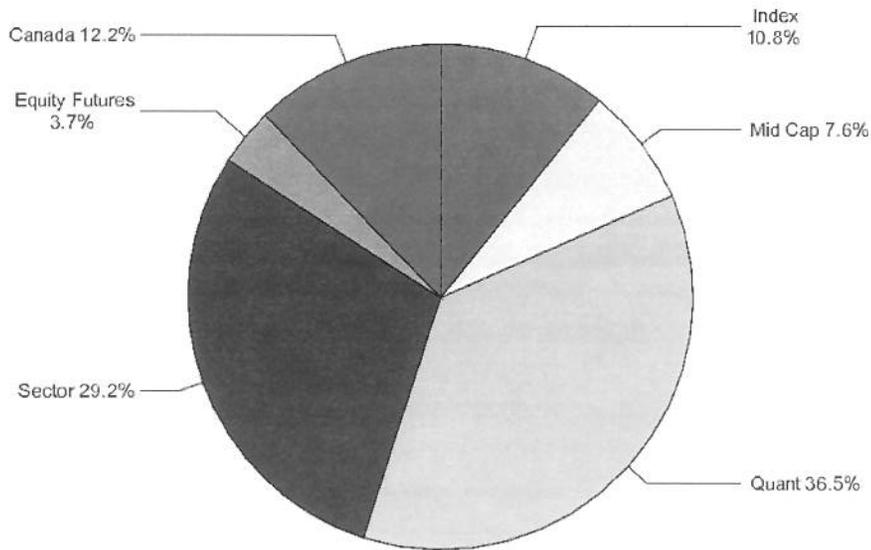
²² Inflation Hedged Bond is not ranked in years greater than 3, because there are not enough observations available.

²³ International Fixed Income is not ranked in the 10 Year period, because there are not enough observations available.

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

As of June 30, 2011

Manager Allocation Analysis - North American Equity



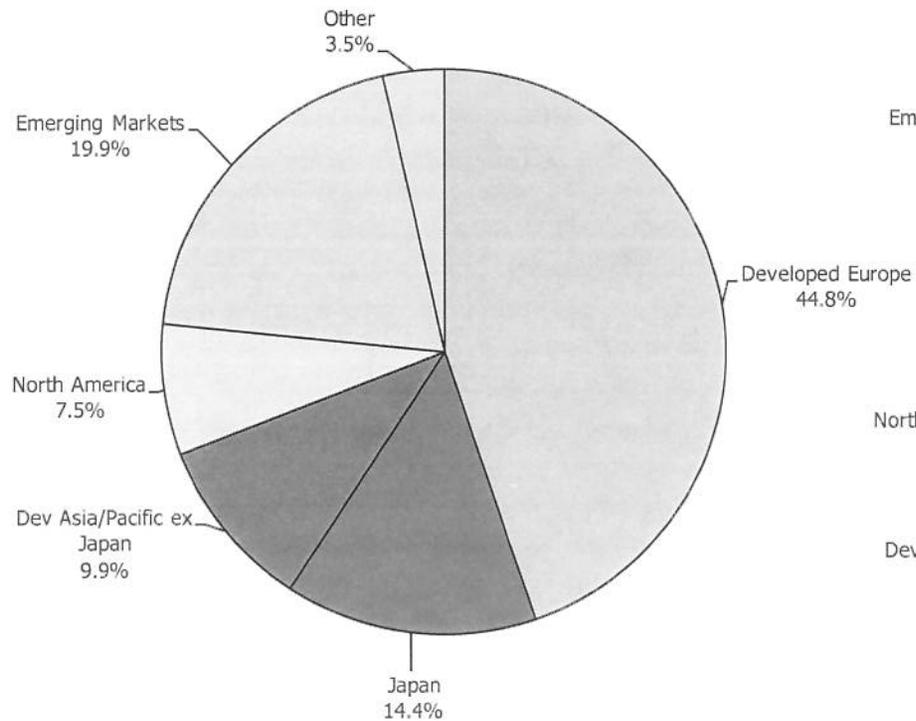
FUND	Ending Market Value	Current %
Index	1,446,488,687	10.8
Mid Cap	1,027,004,929	7.6
Quant	4,906,375,384	36.5
Sector	3,925,698,552	29.2
Equity Futures	491,113,000	3.7
Canada	1,643,531,406	12.2
TOTAL	13,440,211,959	100.0

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

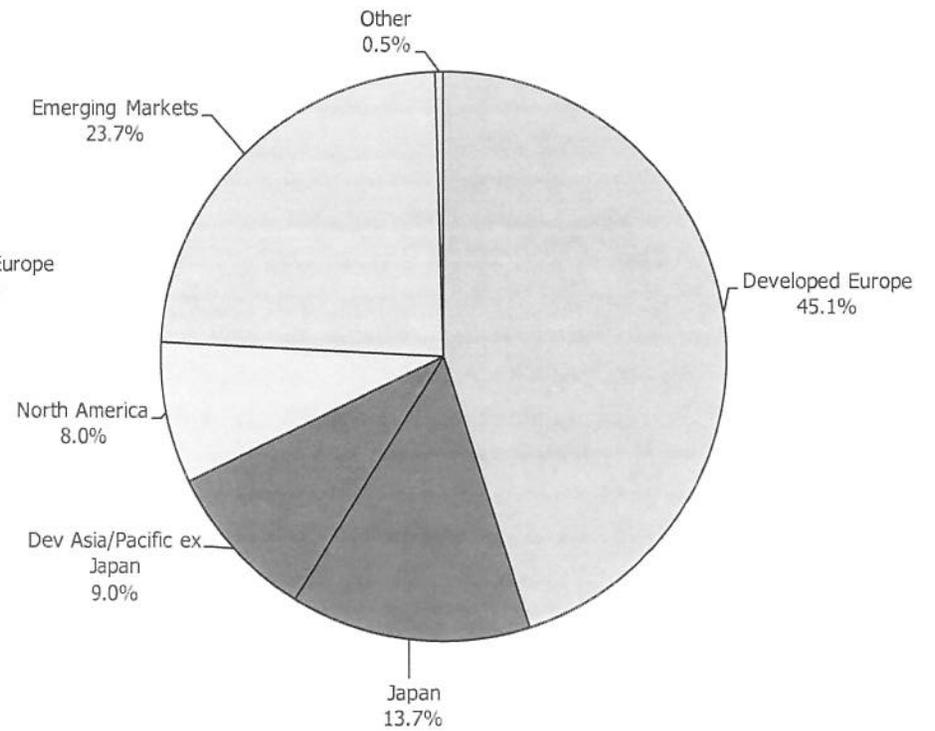
As of June 30, 2011

International Equity Portfolio Regional Weights

International Equity Composite w/o CO



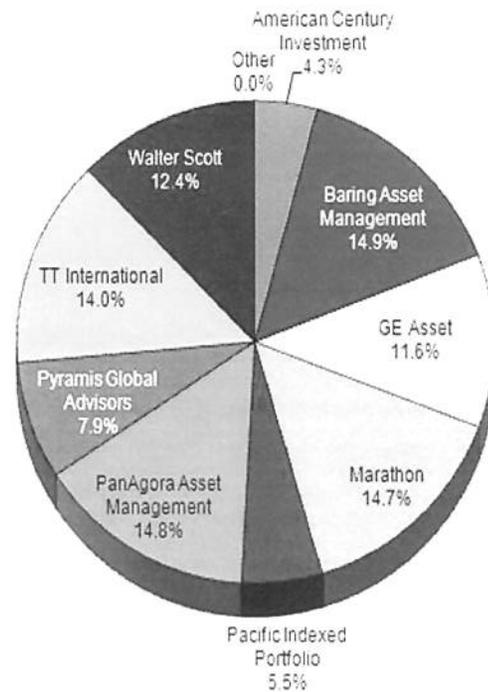
MSCI EAFE IMI NET



TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

As of June 30, 2011

Manager Allocation Analysis - International Equity w/o Currency Overlay

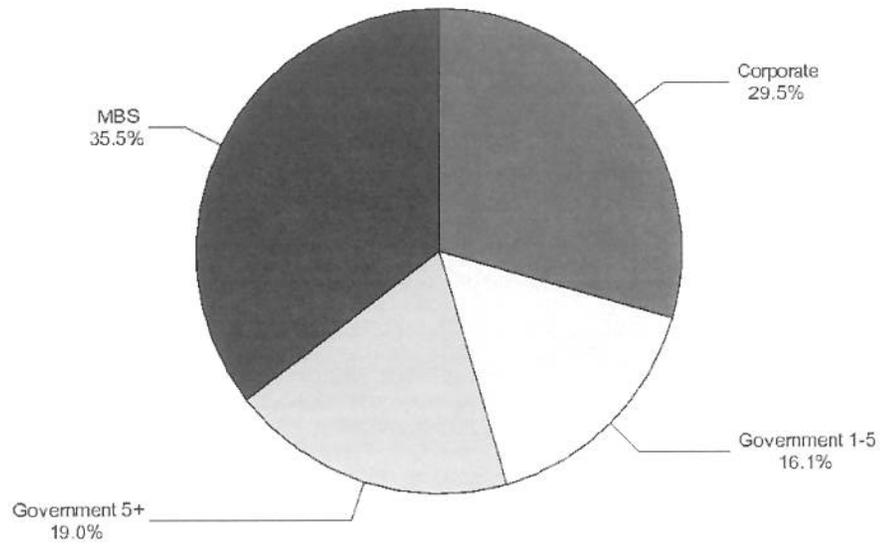


Fund	Ending Market Value	Current %
American Century Investment	215,344,438	4.3%
Baring Asset Management	747,638,421	14.9%
GE Asset	582,305,666	11.6%
Marathon	738,620,850	14.7%
Pacific Indexed Portfolio	275,621,289	5.5%
PanAgora Asset Management	746,354,774	14.8%
Pyramis Global Advisors	397,797,178	7.9%
TT International	702,854,490	14.0%
Waller Scott	622,166,019	12.4%
Other	97,344	0.0%
TOTAL	5,028,800,468	100.0%

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

As of June 30, 2011

Manager Allocation Analysis - US Fixed Income



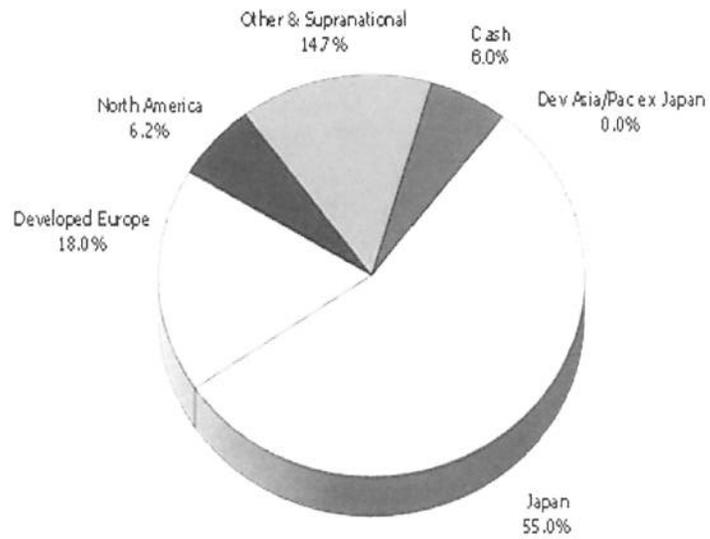
FUND	Ending Market Value	Current %
Corporate	3,044,255,437	29.5
Government 1-5	1,656,798,523	16.1
Government 5+	1,956,227,438	19.0
MBS	3,658,424,877	35.5
TOTAL	10,315,706,275	100.0

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

As of June 30, 2011

International Fixed Income Portfolio Regional Weights

INTERNATIONAL FIXED INCOME



CITIGROUP G-5 EX US INDEX

