
DECEMBER 9, 2014

**AGENDA ITEM 8
INFORMATION ITEM**

SCHOLARSHARE INVESTMENT BOARD

Review and Analysis of Investment Performance for the ScholarShare Plan for Third Quarter 2014

Background

The ScholarShare Investment Board (SIB or Board) and its investment consultant, Pension Consulting Alliance, Inc. (PCA), monitor all portfolios in the ScholarShare College Savings Plan (Plan) in accordance with the ScholarShare Monitoring Procedures and Criteria adopted by the Board.

In this item, SIB will review and discuss PCA's "Investment Performance Status Report" (Exhibit A) for third quarter 2014. PCA's report compares each underlying fund allocated to the portfolios used in the Plan, to applicable benchmark criteria and labels the current status of funds as "positive," "acceptable," "caution," or "watch."

For third quarter 2014 (for the period ending September 30, 2014):

- 13 underlying funds were in "positive" status;
- Six underlying funds were in "acceptable" status; and
- No underlying funds were in "caution" or "watch" status.

The following three underlying funds were placed on "watch" status at the October 2, 2014 Board meeting:

- PIMCO Total Return Fund
- PIMCO Income Institutional Fund
- PIMCO Real Return Fund

Subsequently, the PIMCO Total Return Fund was removed and replaced with the TIAA-CREF Bond Plus Fund on October 10, 2014. As outlined in its memo (Exhibit B), PCA recommends the other two PIMCO funds remain on "watch" status. No additional underlying funds are recommended for "watch" status at this time. TIAA-CREF Tuition Financing, Inc. has also provided an "Investment Performance Report" for the Plan for third quarter 2014 (Exhibit C).

Presenters

Eric White, Principal, Pension Consulting Alliance, Inc.

Jeremy Thiessen, Senior Director, Education Savings, TIAA-CREF Tuition Financing, Inc.

3Q

2014

SCHOLARSHARE COLLEGE SAVINGS PLAN INVESTMENT PERFORMANCE STATUS REPORT



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AGENDA

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TAKEAWAYS

- Early age bands which have larger equity weights struggled during the quarter as U.S. and International Equity returns were flat to negative.
- Fixed Income markets posted marginal returns for the quarter as the Federal Reserve continued to phase out its bond-buying program; latter age bands with heavy fixed income allocations were notably affected.
- Interest rate risk continues to be high.

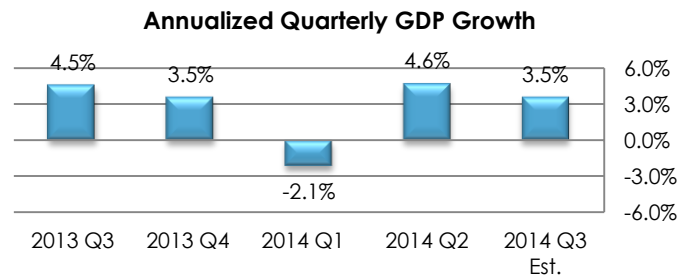
SECTION 1

ECONOMIC OVERVIEW

Overview: Equity markets finished the quarter with mixed results as strong returns during August were offset by two surrounding negative months. US economic indicators showed continued growth contrasting with stagnant activity in the euro zone and a decline in Japan. US GDP decelerated from the second quarter but continued to grow, benefiting from consumer spending, business investment, and exports of goods. The Unemployment rate also progressed, falling below 6.0% for the first time since mid-2008. At their September meeting, the Fed remained on track to phase out its bond-buying program and reassured investors that short-term interest rates would remain low. In contrast to the Fed which is winding down its quantitative easing program, European Central Bank president, Mario Draghi, implemented new interest rate cuts and bond purchases in an attempt to boost economic activity in the euro zone. This benefited the US dollar which rallied significantly versus most foreign currencies, most notably hitting a 2-year high versus the Euro and appreciating by 7.8% during the quarter.

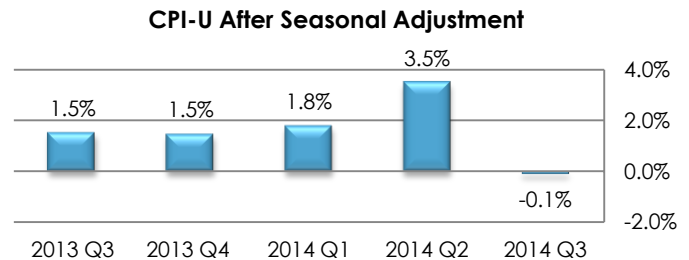
Economic Growth

- Real GDP increased at an annualized rate of 3.5 percent in the third quarter of 2014 after increasing at an annualized rate of 4.6 percent in the second quarter of 2014.
- GDP growth deceleration was accounted for by inventory investment, which detracted from growth in the third quarter after being additive in the second quarter.
- Consumer spending, business investment and exports of goods and services all contributed to growth but decelerated from the second quarter.



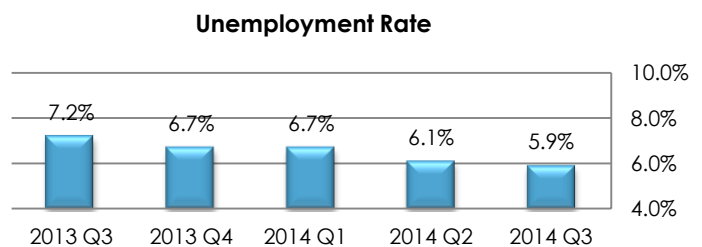
Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) decreased by 0.1 percent in the quarter on an annualized basis, after seasonal adjustment.
- Quarterly percent changes may be adjusted between data publications due to periodic updates in seasonal factors.
- Core CPI-U increased by 1.0 percent for the quarter on an annualized basis.
- Over the last 12 months, CPI-U increased 1.7 percent before seasonal adjustment, an uncomfortably low level.



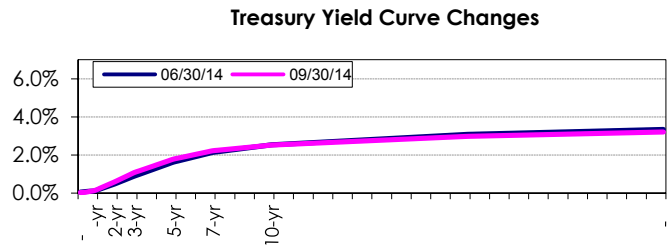
Unemployment

- The US economy gained approximately 671,000 jobs in the quarter.
- The official unemployment rate dropped to 5.9% at quarter end.
- The majority of jobs gained occurred in professional and business services, education and health services, and leisure and hospitality.



Interest Rates & US Dollar

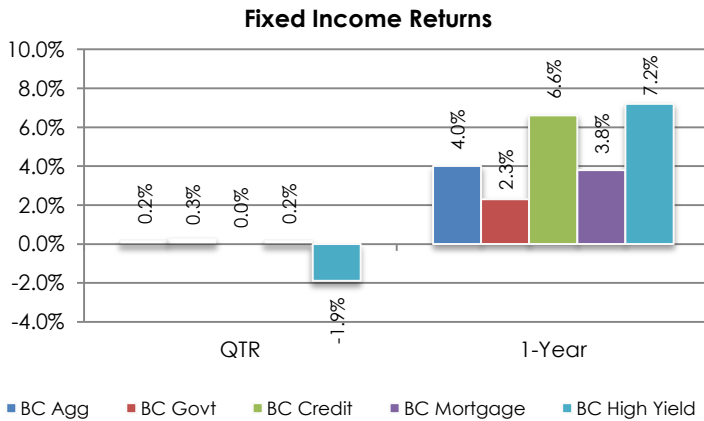
- US Treasury yields fell on average over the quarter.
- The Federal Reserve has maintained the federal funds rate between 0.00% and 0.25% since December 2008.
- The US dollar appreciated against the Euro, Yen and Sterling by 7.8%, 8.2%, and 5.2%, respectively.



Source: US Treasury Department

Fixed Income

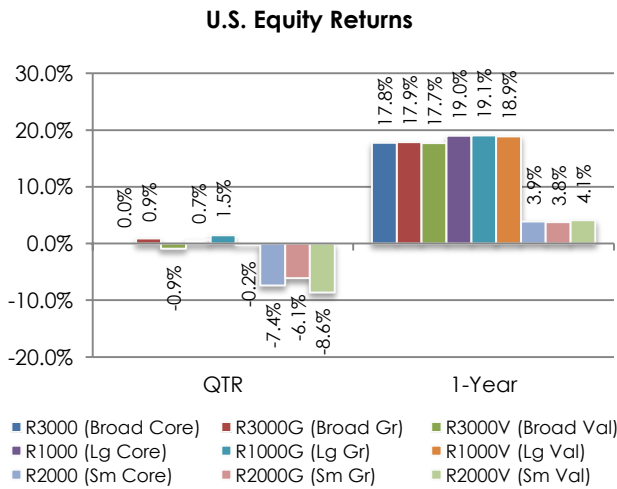
- US bond markets delivered flat returns during the quarter excluding high yield.
- Despite a poor third quarter, high yield bonds continued to lead the way for fixed income markets over the trailing 1-year period.



US Fixed Income Sector Performance (BC Aggregate Index)			
Sector	Weight	QTR	1 Year
Governments*	40.0%	0.3%	2.3%
Agencies	5.3%	0.3%	2.5%
Inv. Grade Credit	23.2%	0.0%	6.6%
MBS	28.9%	0.2%	3.8%
ABS	0.6%	0.0%	1.6%
CMBS	2.0%	-0.2%	2.9%

US Equities

- International markets all finished in negative territory; however, emerging market equities fared relatively well during the quarter, losing less.
- During the trailing 1-year period international equity markets continued to trail US equities but remained in positive territory.

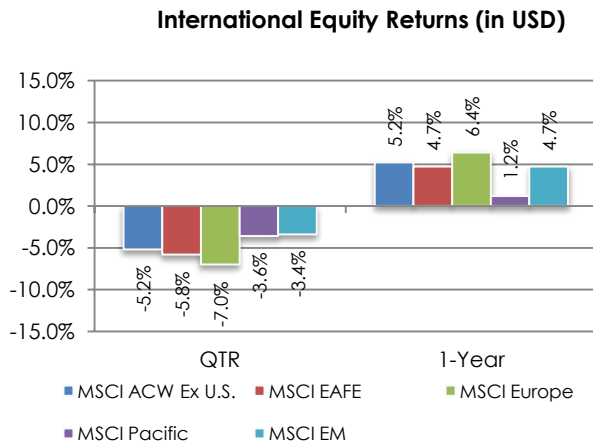


US Equity Sector Performance (Russell 3000 Index)

Sector	Weight	QTR	1 Year
Information Tech.	19.0%	3.6%	25.5%
Financials	17.4%	0.8%	16.2%
Health Care	13.6%	4.5%	26.5%
Consumer Disc.	12.4%	-0.7%	10.8%
Industrials	11.3%	-2.9%	14.2%
Energy	8.9%	-9.1%	11.7%
Consumer Staples	8.3%	1.5%	16.1%
Materials	3.9%	-1.6%	17.6%
Utilities	3.0%	-4.9%	15.9%
Telecomm. Serv.	2.2%	2.2%	13.9%

International Equities

- International markets all finished in negative territory; however, emerging market equities fared relatively well during the quarter, losing less.
- During the trailing 1-year period international equity markets continued to trail US equities but remained in positive territory.



International Equity Region Performance (in USD) (MSCI ACW Index ex US)

Sector	Weight	QTR	1 Year
Europe Ex. UK	32.0%	-7.4%	6.5%
Emerging Markets	21.7%	-3.4%	4.7%
United Kingdom	15.1%	-6.1%	6.2%
Japan	14.9%	-2.2%	0.9%
Pacific Ex. Japan	8.6%	-5.9%	1.5%
Canada	7.7%	-4.3%	11.6%

Market Summary – Long-term Performance*

Indexes	1 Year	3 Year	5 Year	10 Year	20 Year
Global Equity					
MSCI All Country World	11.9%	17.2%	10.6%	7.8%	7.3%
Domestic Equity					
S&P 500	19.7%	23.0%	15.7%	8.1%	9.6%
Russell 3000	17.8%	23.1%	15.8%	8.4%	9.6%
Russell 3000 Growth	17.9%	22.4%	16.4%	9.0%	8.7%
Russell 3000 Value	17.7%	23.7%	15.1%	7.8%	10.1%
Russell 1000	19.0%	23.2%	15.9%	8.5%	9.8%
Russell 1000 Growth	19.1%	22.4%	16.5%	8.9%	8.8%
Russell 1000 Value	18.9%	23.9%	15.3%	7.8%	10.2%
Russell 2000	3.9%	21.3%	14.3%	8.2%	9.0%
Russell 2000 Growth	3.8%	21.9%	15.5%	9.0%	7.3%
Russell 2000 Value	4.1%	20.6%	13.0%	7.3%	10.3%
CBOE BXM	14.1%	13.8%	8.9%	5.2%	8.2%
International Equity					
MSCI All Country World ex US	5.2%	12.3%	6.5%	7.5%	5.9%
MSCI EAFE	4.7%	14.2%	7.0%	6.8%	5.6%
MSCI Pacific	1.2%	10.5%	6.3%	6.0%	1.9%
MSCI Europe	6.4%	16.2%	7.5%	7.2%	8.3%
MSCI EM (Emerging Markets)	4.7%	7.6%	4.8%	11.0%	5.4%
Fixed Income					
BC Universal Bond	4.4%	3.2%	4.7%	4.9%	6.3%
BC Global Agg – Hedged	5.5%	3.9%	4.2%	4.6%	6.2%
BC Aggregate Bond	4.0%	2.4%	4.1%	4.6%	6.1%
BC Government	2.3%	1.1%	3.1%	4.1%	5.8%
BC Credit Bond	6.6%	4.8%	6.1%	5.4%	6.9%
BC Mortgage Backed Securities	3.8%	2.1%	3.5%	4.7%	6.1%
BC High Yield Corporate Bond	7.2%	11.1%	10.6%	8.3%	8.0%
BC WGILB - Hedged	4.8%	3.0%	4.7%	4.9%	NA
BC Emerging Markets	7.9%	8.1%	8.3%	8.5%	10.3%
Real Estate					
NCREIF (Private RE)	11.3%	11.1%	11.0%	8.6%	9.6%
NAREIT (Public RE)	13.4%	17.0%	15.7%	7.7%	10.4%
Commodity Index					
DJ-UBS Commodity	-6.6%	-5.3%	-1.4%	-1.0%	4.0%

* Performance is annualized for periods greater than one year.

SECTION 2

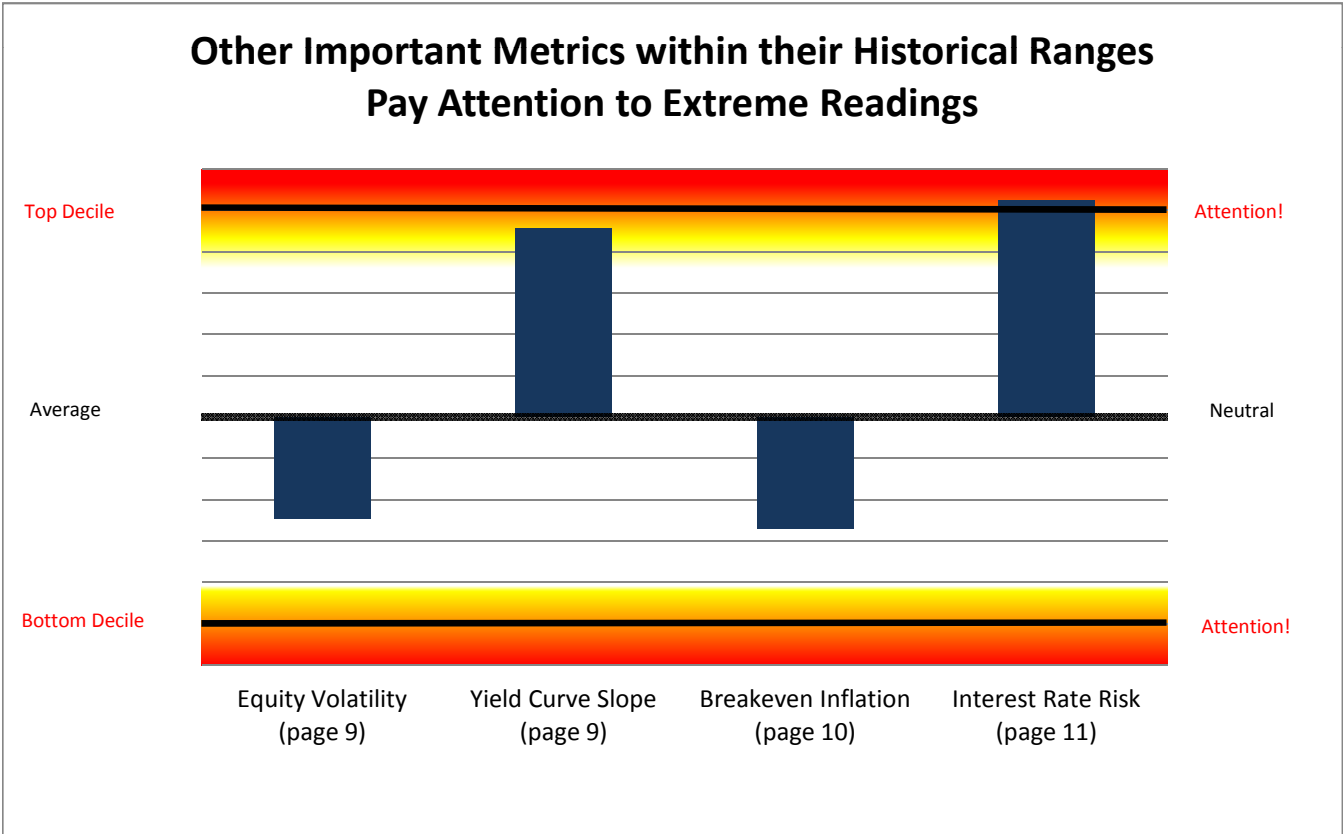
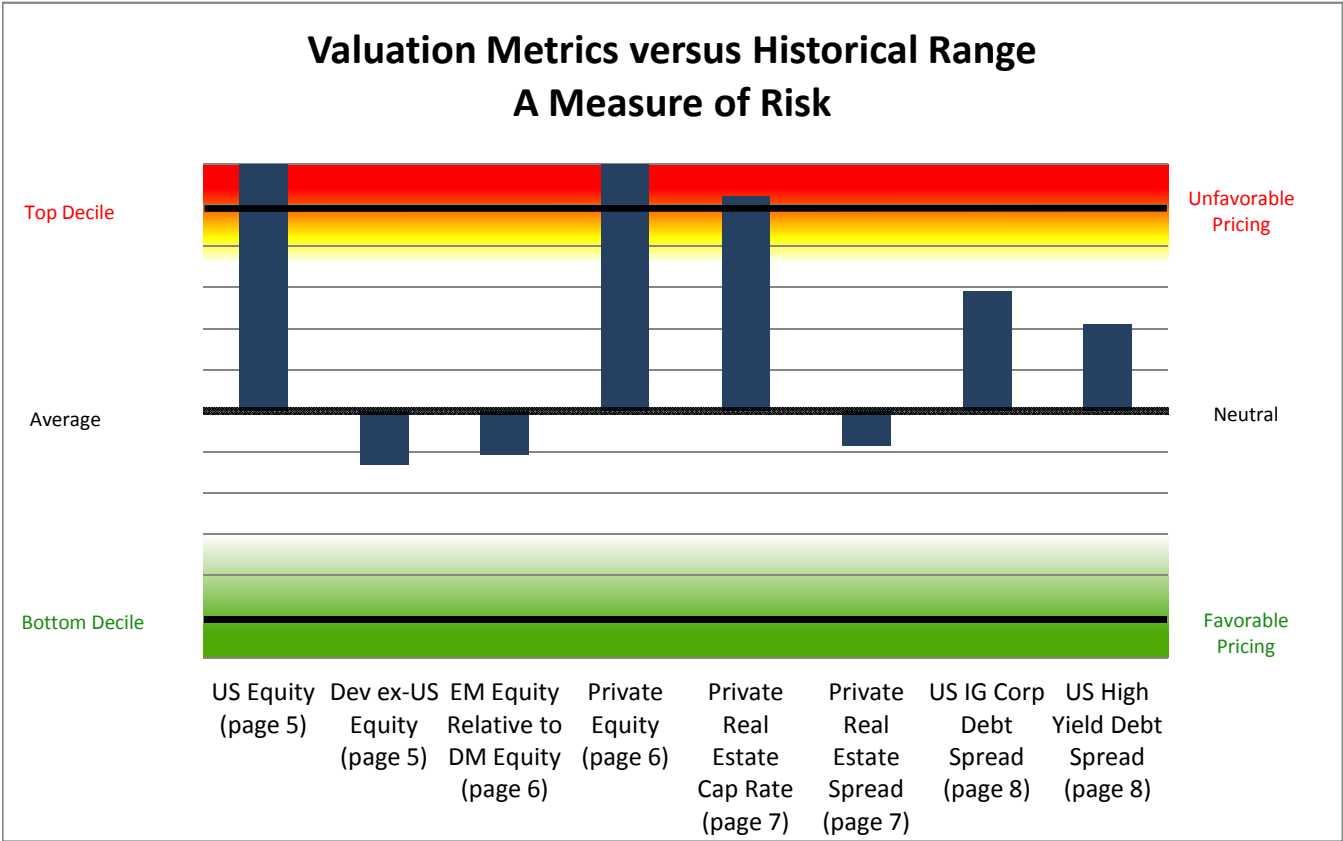
INVESTMENT MARKET RISK METRICS

Takeaways

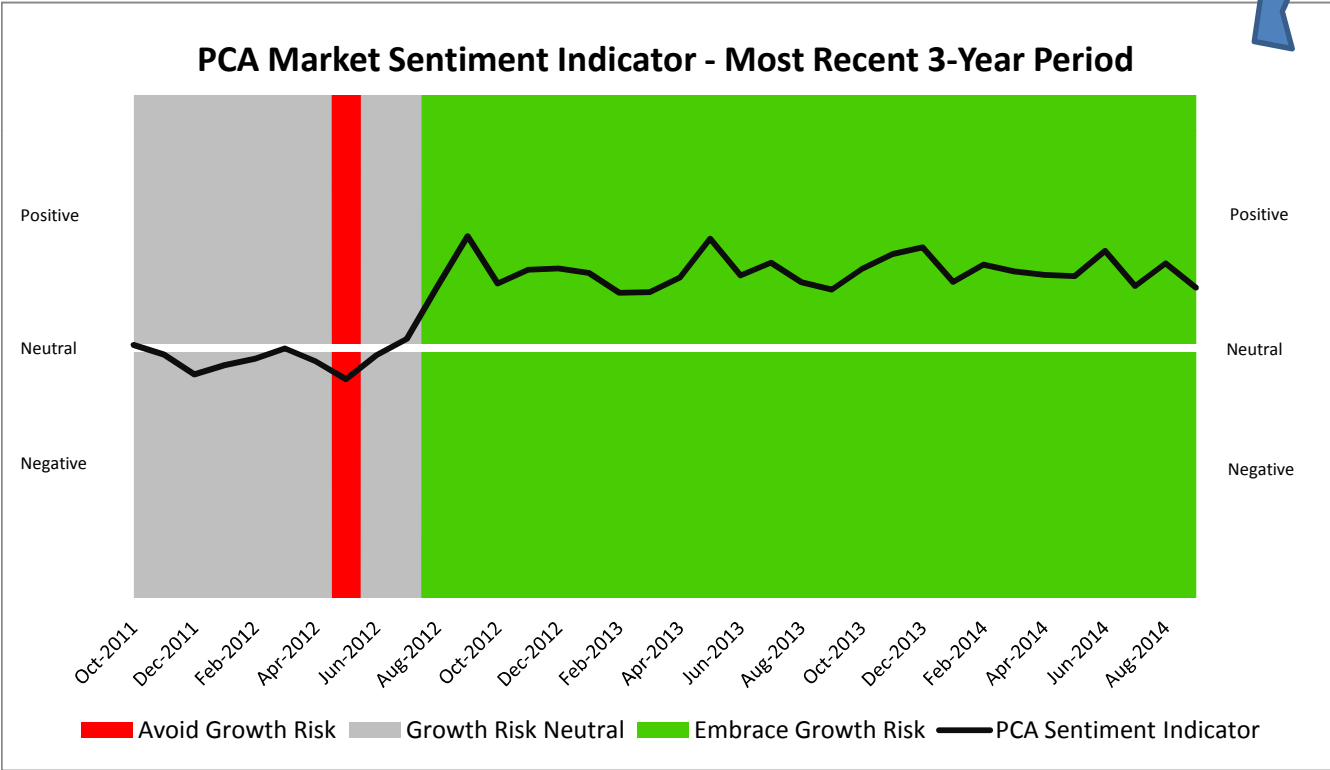
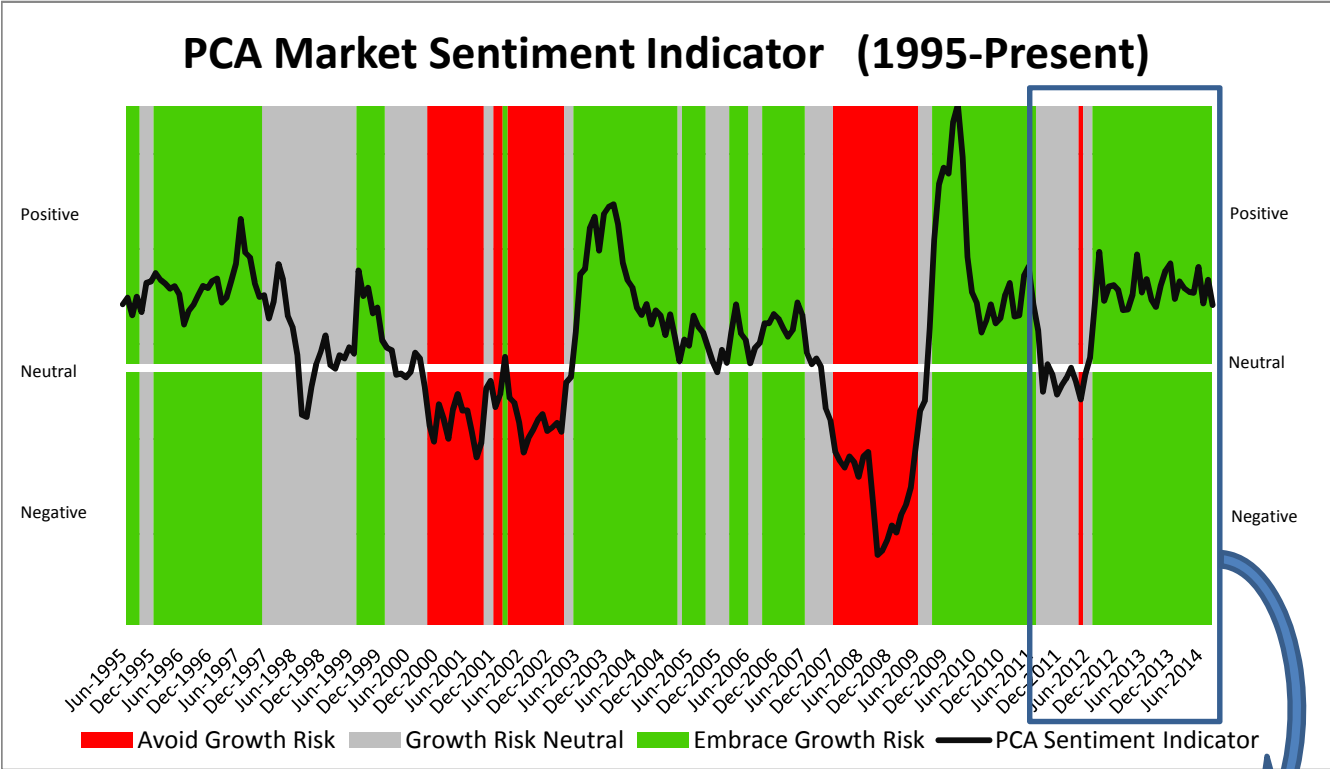
- US equities and private equity valuation metrics hit new post-financial-crisis highs, and remain squarely within top decile valuation levels.
- Non-US equities are at below historical average valuation levels.
- Credit spreads widened. High yield bond spreads are very close to breaking above their one-year-ago level, a negative technical sign.
- Interest rate risk also remains in top decile territory.
- The 10-year Treasury yield ended the month at a level of 2.5%.
- Inflation expectations dropped significantly in September to below 2%.
- The commodities inflation indicator also fell during the month.
- The PCA Market Sentiment Indicator “PMSI” continued to read **green**. However, PCA is monitoring the spread component of the indicator closely.
- Should credit spreads in both investment grade and high yield bonds increase year-over-year, this would turn the PCA market sentiment indicator to neutral.

¹See Appendix for the rationale for selection and calculation methodology used for the risk metrics.

Risk Overview

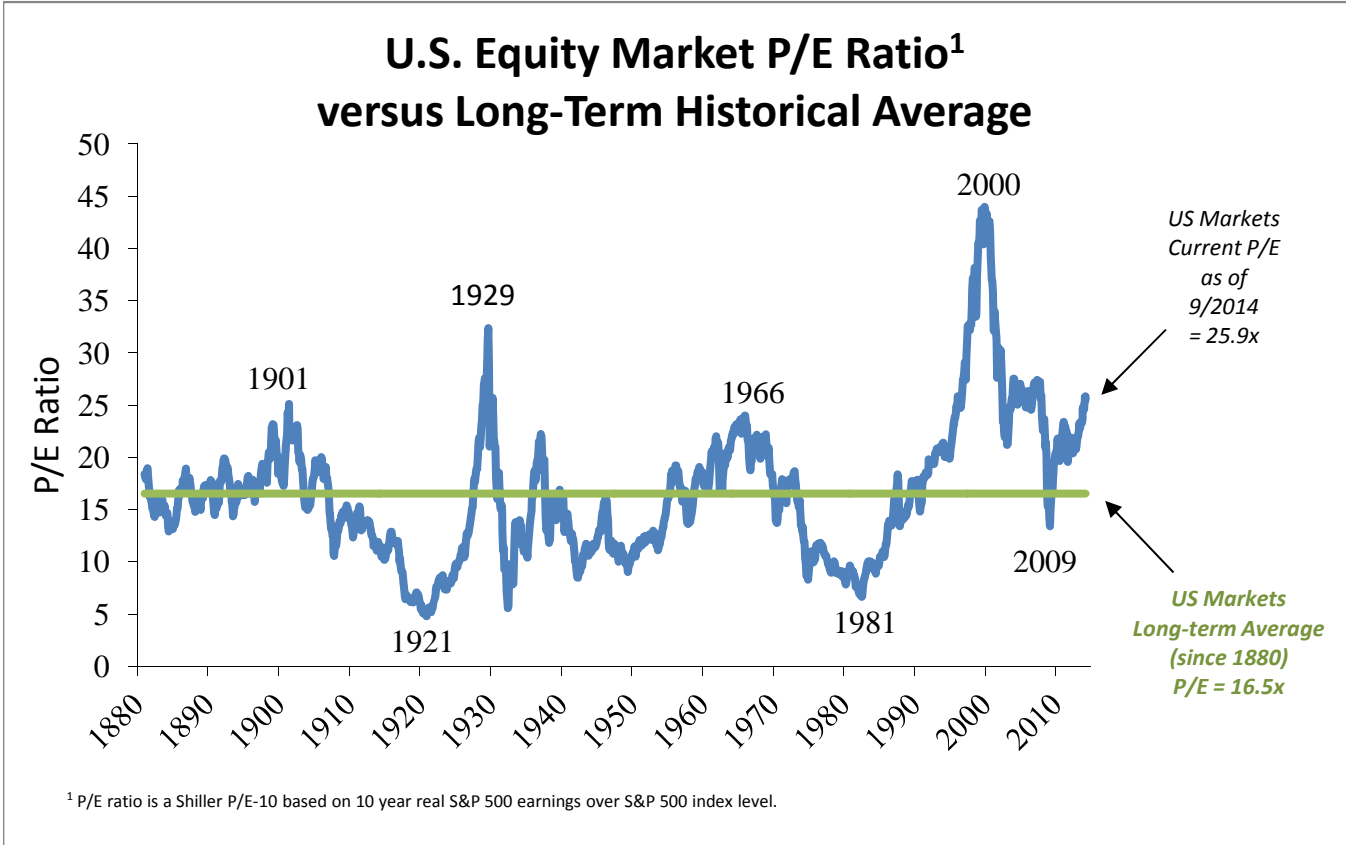


Market Sentiment

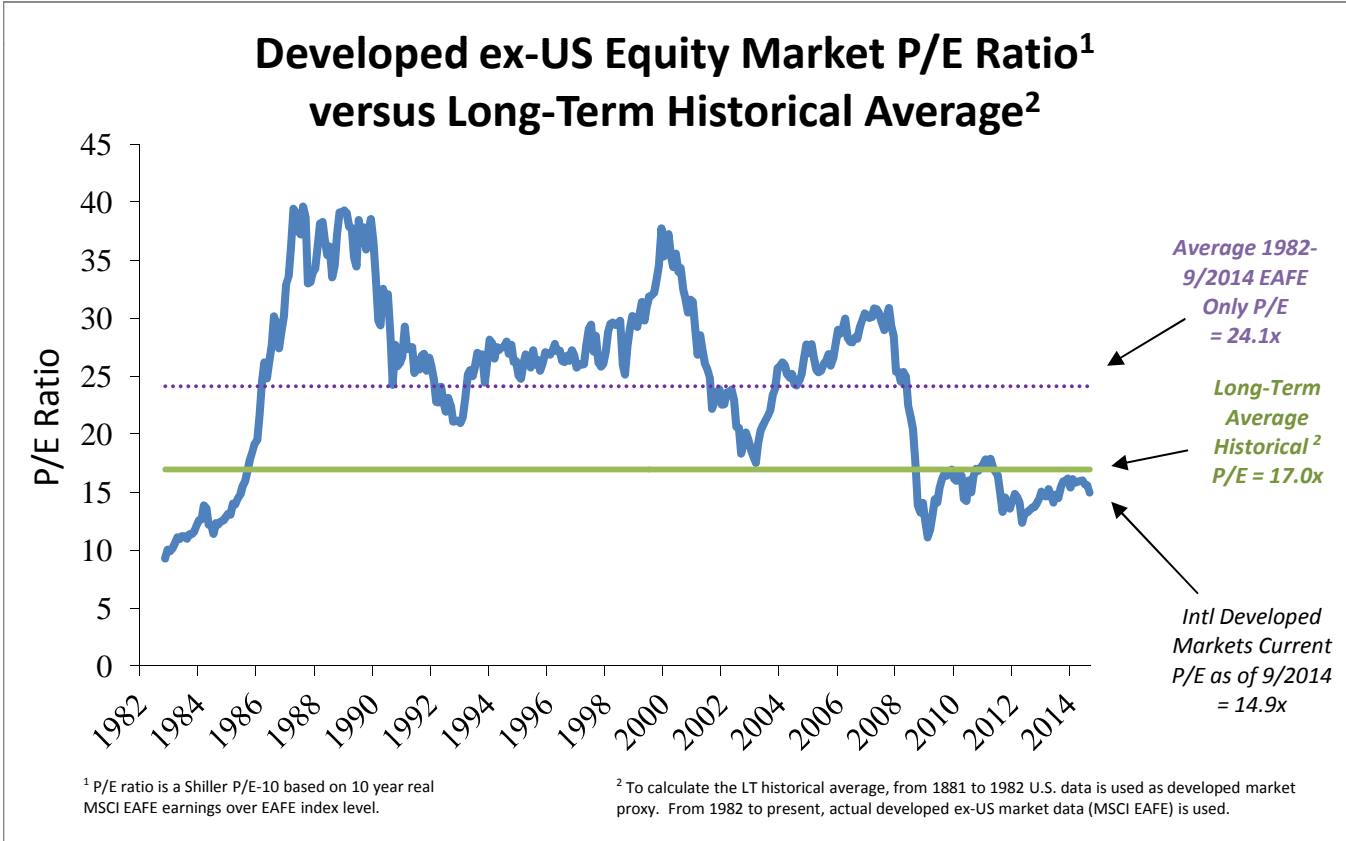


Bond Spread Momentum Trailing-Twelve Months	Positive	
Equity Return Momentum Trailing-Twelve Months	Positive	
Agreement Between Bond Spread and Equity Spread Momentum Measures?	Agree	
Growth Risk Visibility (Current Overall Sentiment)	Positive	

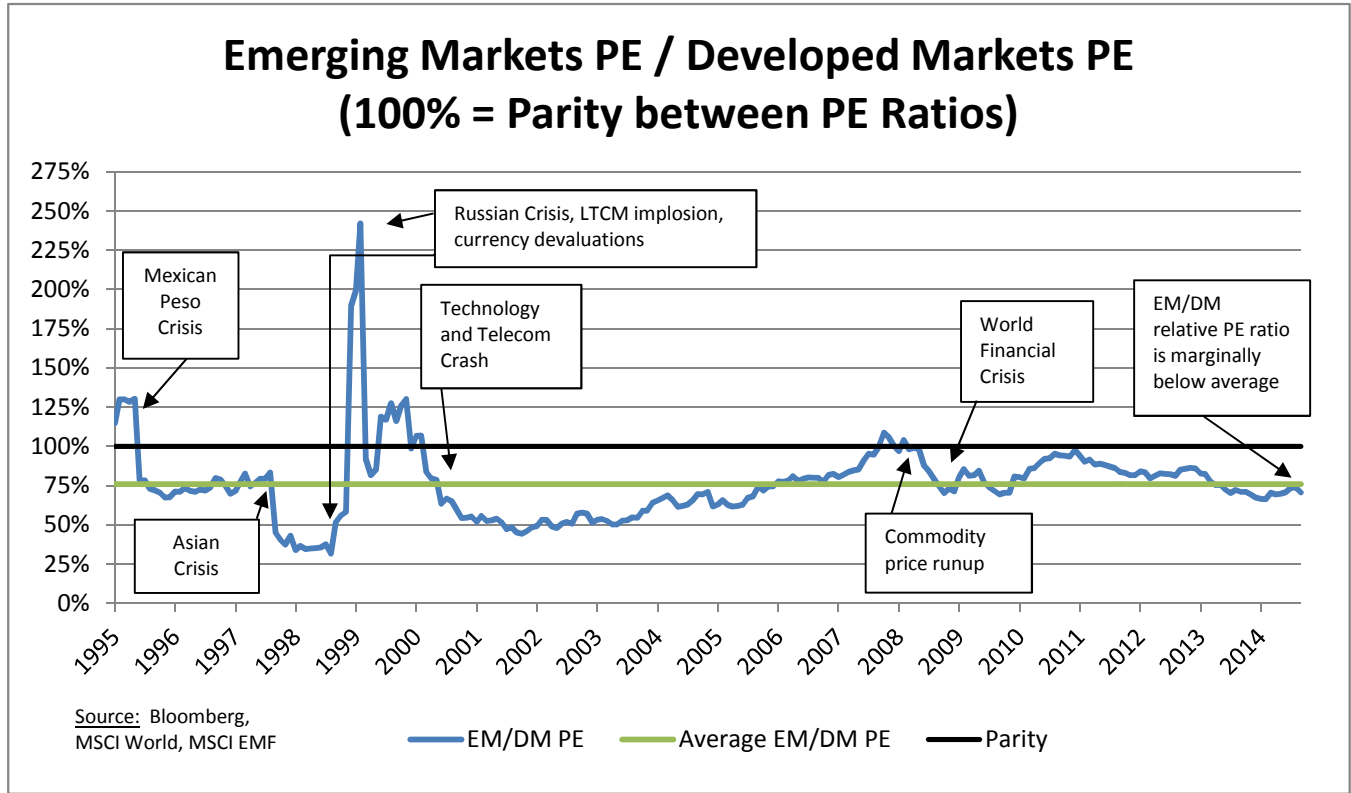
Developed Public Equity Markets



(Please note the different time scales)

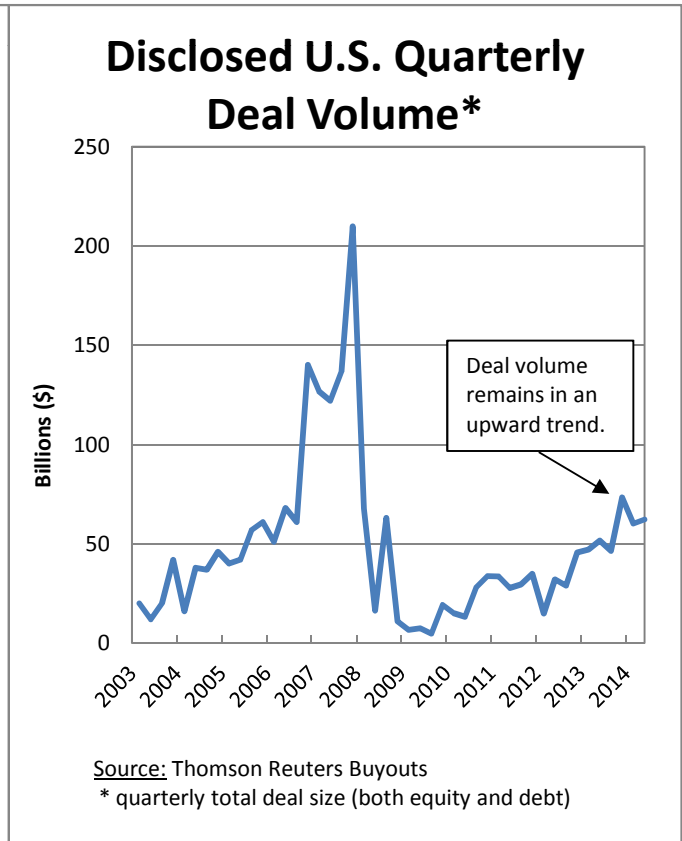
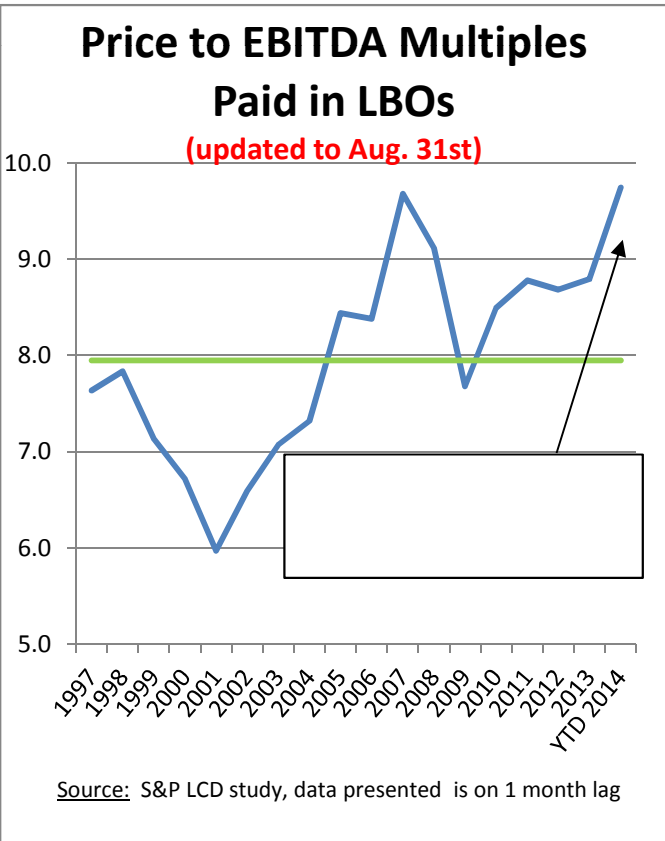


Emerging Market Public Equity Markets



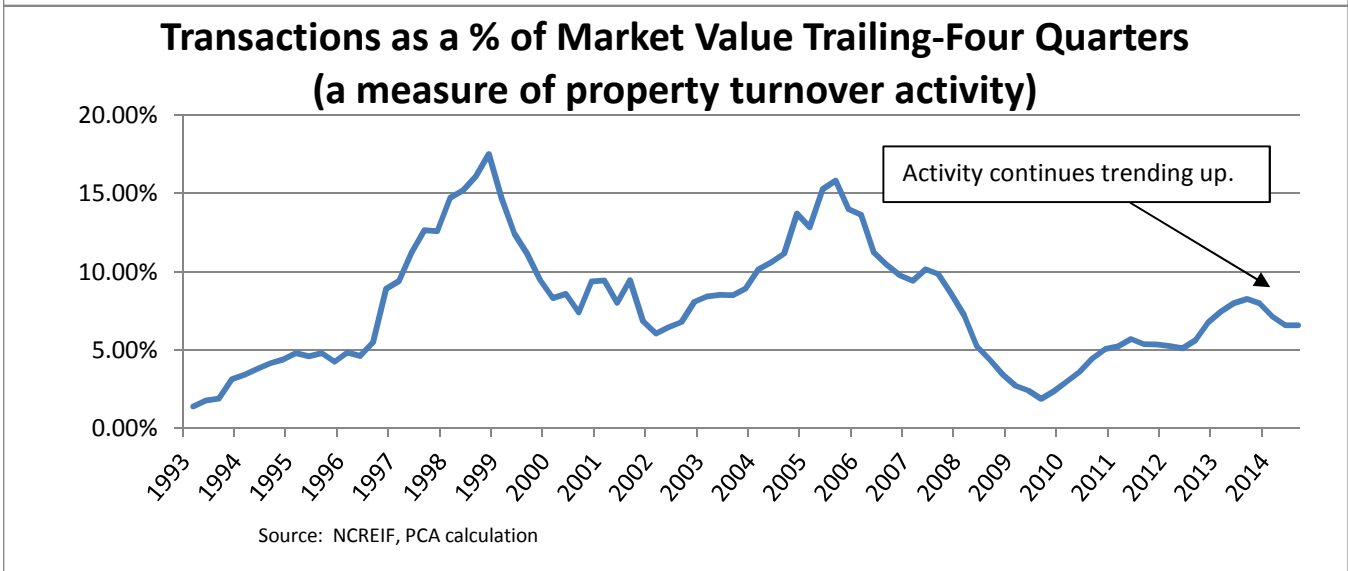
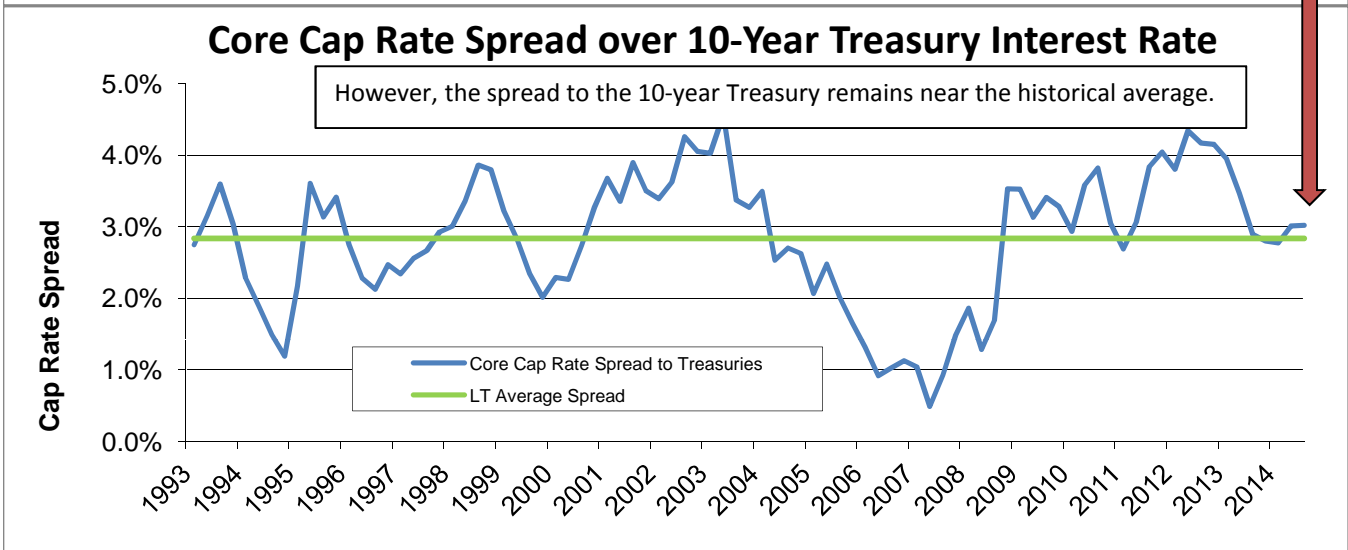
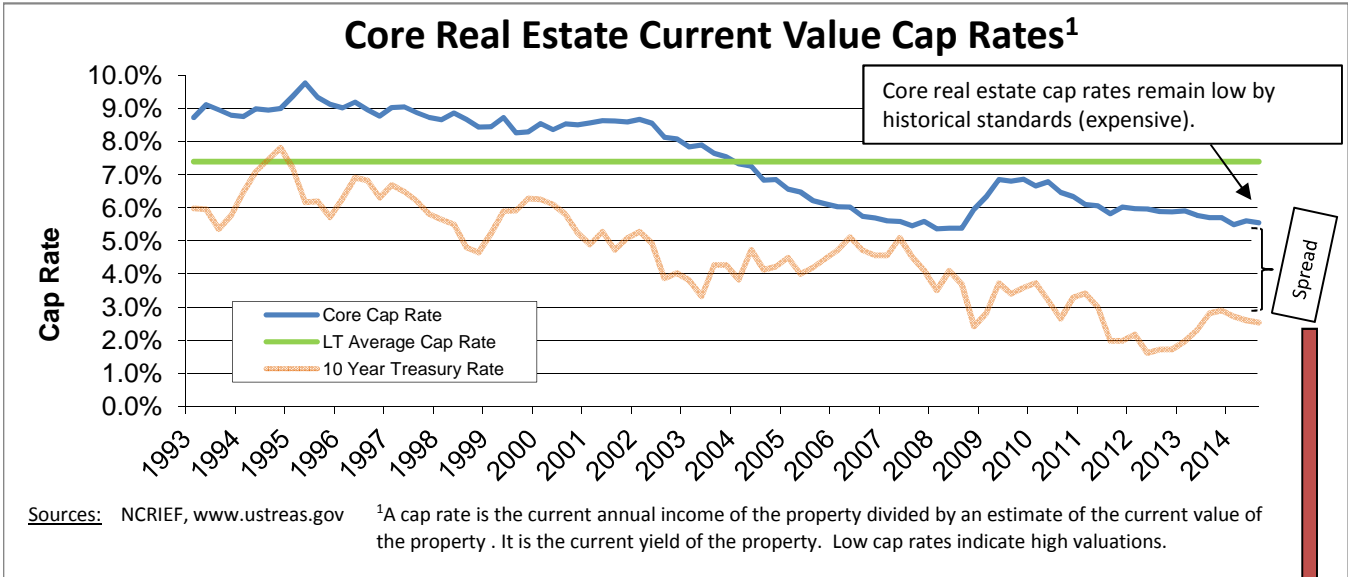
US Private Equity

Quarterly Data, Updated to June 30th



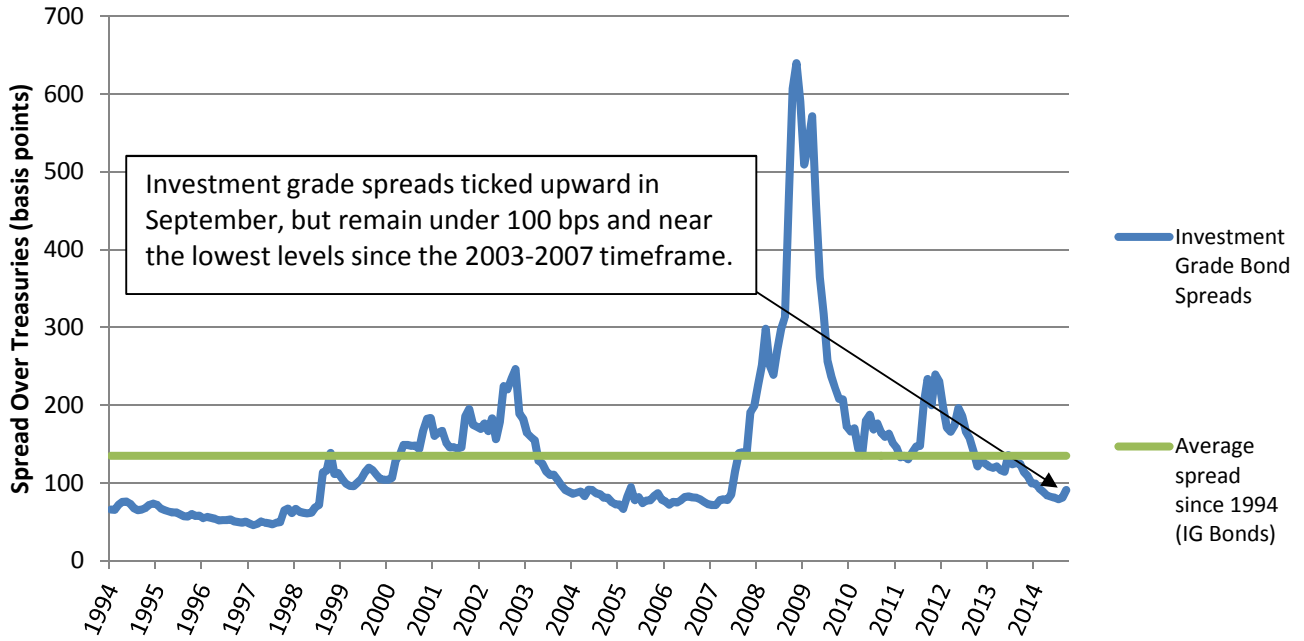
Private Real Estate Markets

Quarterly Data, Updated to June 30th



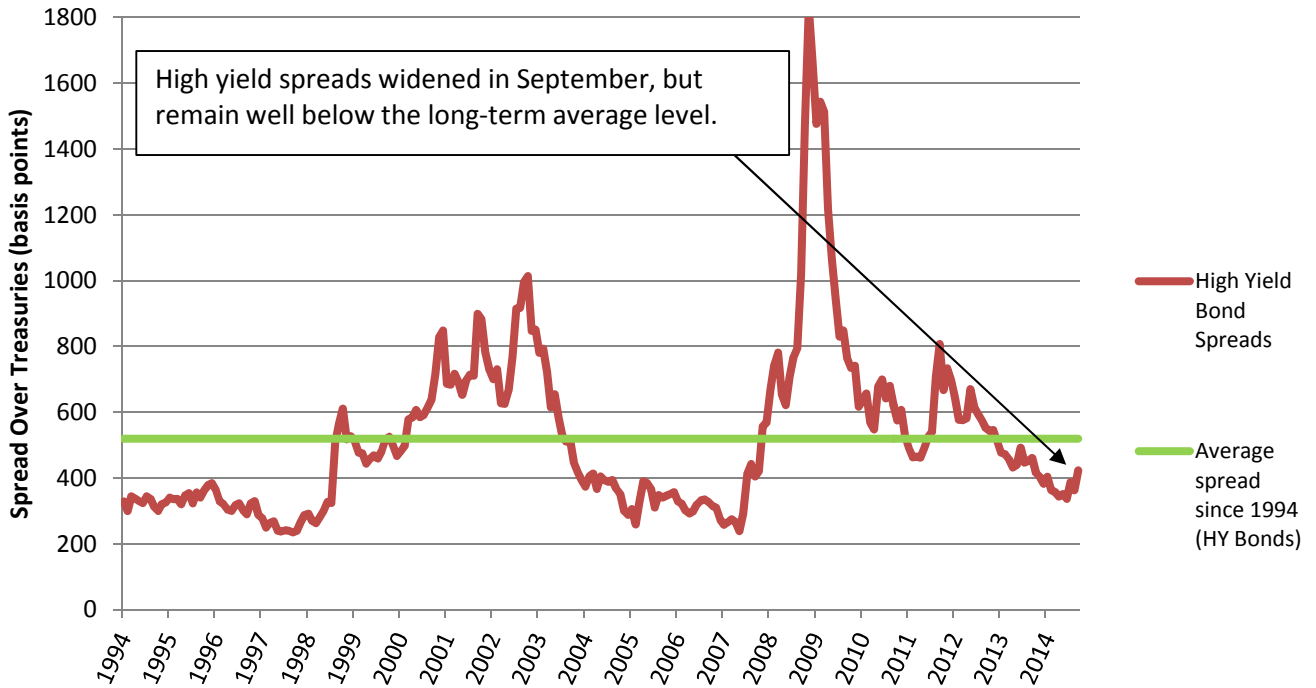
Credit Markets US Fixed Income

Investment Grade Corporate Bond Spreads



Source: LehmanLive: Barclays Capital US Corporate Investment Grade Index Intermediate Component.

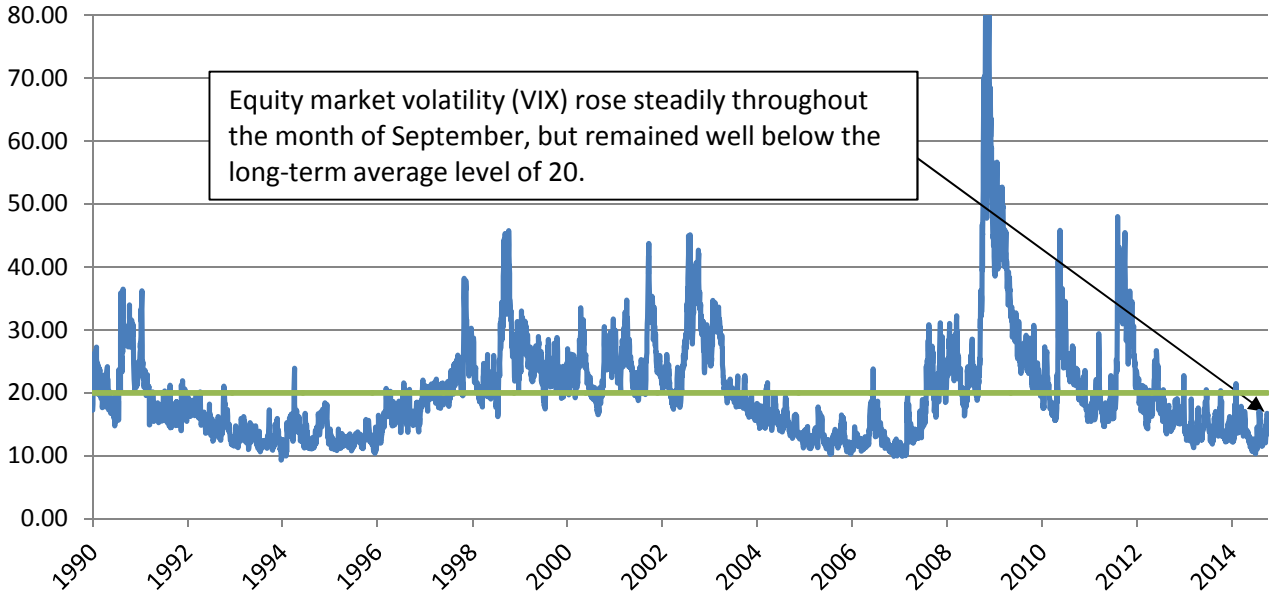
High Yield Corporate Bond Spreads



Source: LehmanLive: Barclays Capital U.S. Corporate High Yield Index.

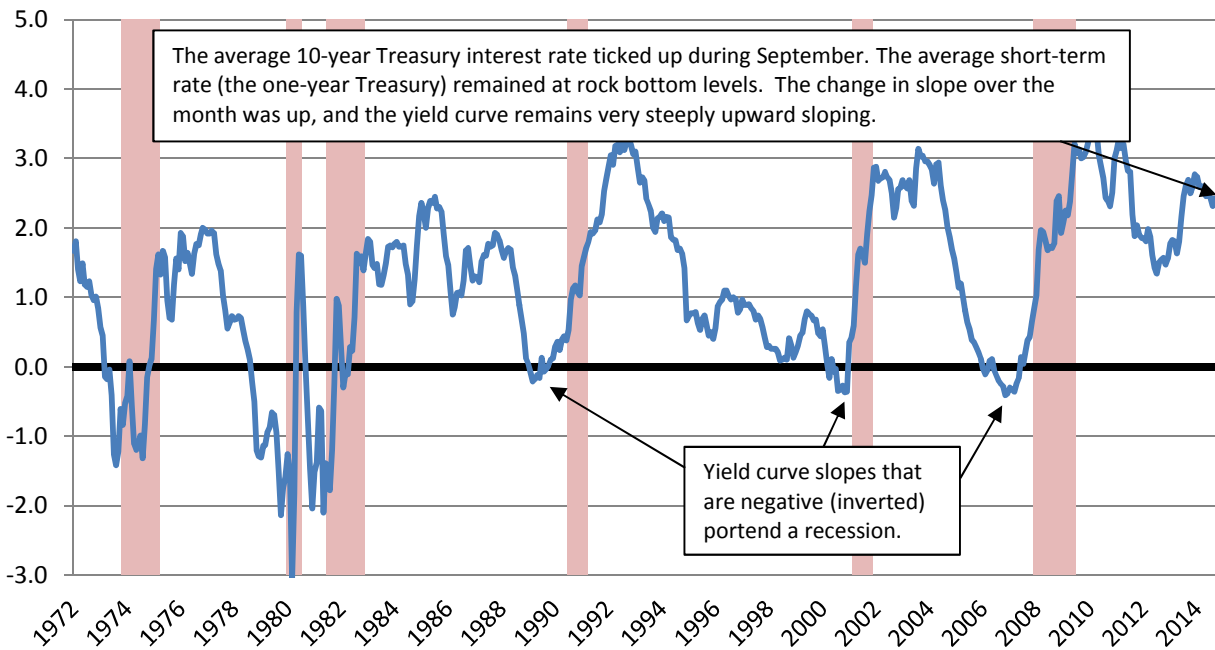
Other Market Metrics

VIX - a measure of equity market fear / uncertainty



Source: <http://www.cboe.com/micro/vix/historical.aspx>

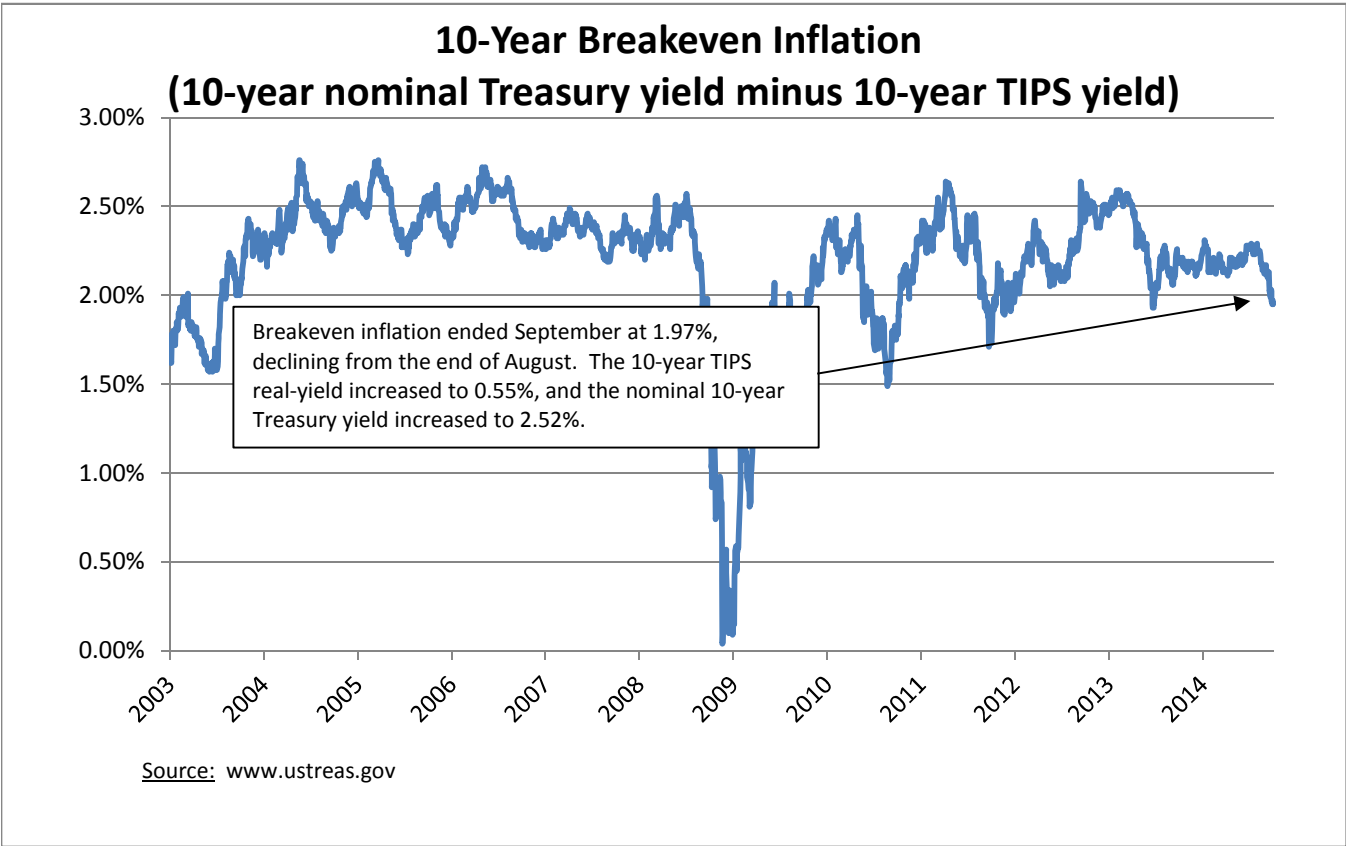
Yield Curve Slope



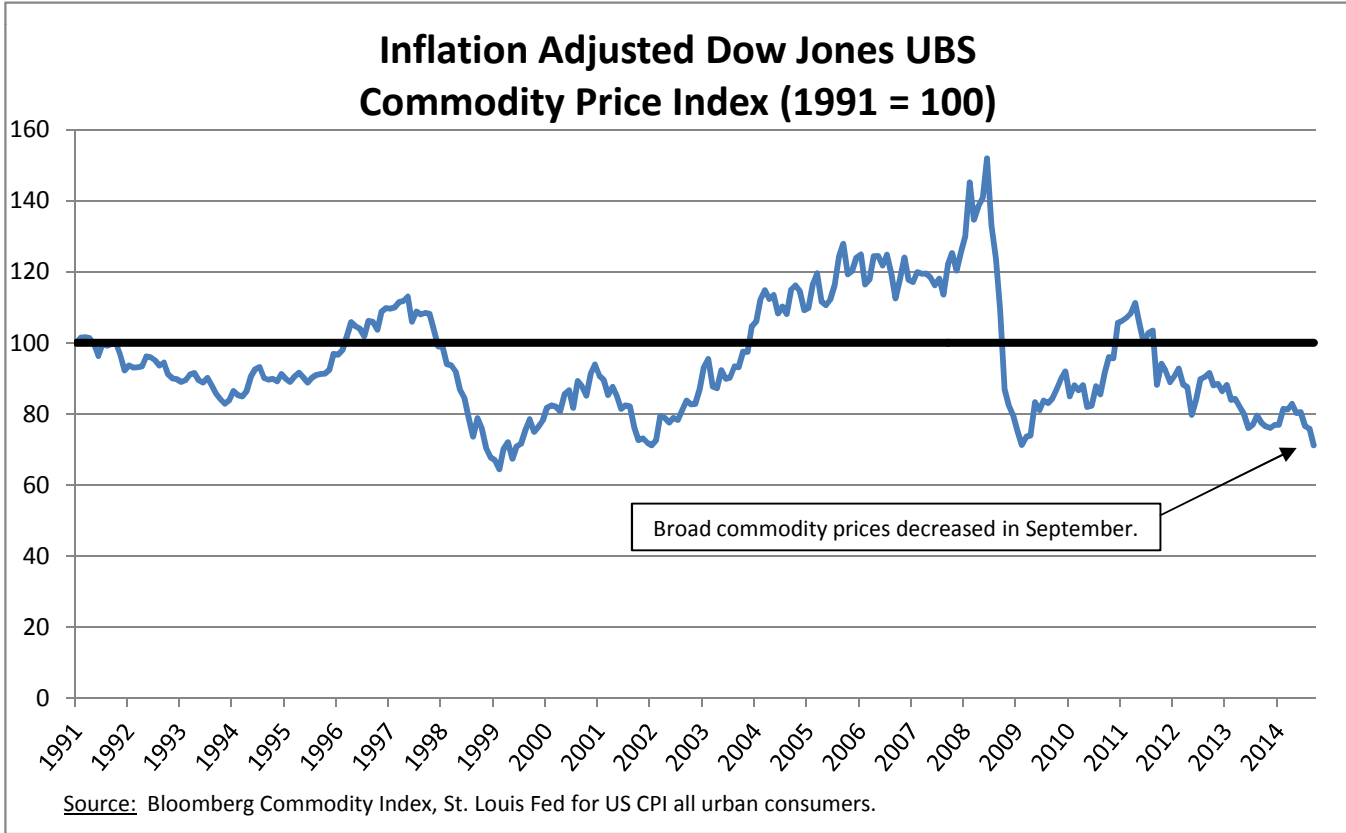
Source: www.ustreas.gov (10 yr treasury yield minus 1 year treasury yield)

Recession Dating: NBER <http://www.nber.org/cycles.html>

Measures of Inflation Expectations



(Please note the different time scales)



Appendix

Appendix

METRIC DESCRIPTION, RATIONALE FOR SELECTION AND CALCULATION METHODOLOGY

US Equity Markets:

Metric: P/E ratio = Price / "Normalized" earnings for the S&P 500 Index

To represent the price of US equity markets, we have chosen the S&P 500 index. This index has the longest published history of price, is well known, and also has reliable, long-term, published quarterly earnings. The price=P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the S&P 500 index). Equity markets are very volatile. Prices fluctuate significantly during normal times and extremely during periods of market stress or euphoria. Therefore, developing a measure of earnings power (E) which is stable is vitally important, if the measure is to provide insight. While equity prices can and do double, or get cut in half, real earnings power does not change nearly as much. Therefore, we have selected a well known measure of real, stable earnings power developed by Yale Professor Robert Shiller known as the Shiller E-10. The calculation of E-10 is simply the average real annual earnings over the past 10 years. Over 10 years, the earnings shenanigans and boom and bust levels of earnings tend to even out (and often times get restated). Therefore, this earnings statistic gives a reasonably stable, slow-to-change estimate of average real earnings power for the index. Professor Shiller's data and calculation of the E-10 are available on his website at <http://www.econ.yale.edu/~shiller/data.htm>. We have used his data as the base for our calculations. Details of the theoretical justification behind the measure can be found in his book *Irrational Exuberance* [Princeton University Press 2000, Broadway Books 2001, 2nd ed., 2005].

Developed Equity Markets Excluding the US:

Metric: P/E ratio = Price / "Normalized" earnings for the MSCI EAFE Index

To represent the price of non-US developed equity markets, we have chosen the MSCI EAFE index. This index has the longest published history of price for non-US developed equities. The price=P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the MSCI EAFE index). The price level of this index is available starting in December 1969. Again, for the reasons described above, we elected to use the Shiller E-10 as our measure of earnings (E). Since 12/1972, a monthly price earnings ratio is available from MSCI. Using this quoted ratio, we have backed out the implied trailing-twelve month earnings of the EAFE index for each month from 12/1972 to the present. These annualized earnings are then inflation adjusted using CPI-U to represent real earnings in US dollar terms for each time period. The Shiller E-10 for the EAFE index (10 year average real earnings) is calculated in the same manner as detailed above.

However, we do not believe that the pricing and earnings history of the EAFE markets are long enough to be a reliable representation of pricing history for developed market equities outside of the US. Therefore, in constructing the Long-Term Average Historical P/E for developed ex-US equities for comparison purposes, we have elected to use the US equity market as a developed market proxy, from 1881 to 1982. This lowers the Long-Term Average Historical P/E considerably. We believe this methodology provides a more realistic historical comparison for a market with a relatively short history.

Appendix

METRIC DESCRIPTION, RATIONALE FOR SELECTION AND CALCULATION METHODOLOGY

Emerging Market Equity Markets:

Metric: Ratio of Emerging Market P/E Ratio to Developed Market P/E Ratio

To represent the Emerging Markets P/E Ratio, we have chosen the MSCI Emerging Market Free Index, which has P/E data back to January 1995 on Bloomberg. To represent the Developed Markets PE Ratio, we have chosen the MSCI World Index, which also has data back to January 1995 on Bloomberg. Although there are issues with published, single time period P/E ratios, in which the denominator effect can cause large movements, we feel that the information contained in such movements will alert investors to market activity that they will want to interpret.

US Private Equity Markets:

Metrics: S&P LCD Average EBITDA Multiples Paid in LBOs and US Quarterly Deal Volume

The Average Purchase Price to EBITDA multiples paid in LBOs is published quarterly by S&P in their LCD study. This is the total price paid (both equity and debt) over the trailing-twelve month EBITDA (earnings before interest, taxes, depreciation and amortization) as calculated by S&P LCD. This is the relevant, high-level pricing metric that private equity managers use in assessing deals. Data is published monthly.

US quarterly deal volume for private equity is the total deal volume in \$ billions (both equity and debt) reported in the quarter by Thomson Reuters Buyouts. This metric gives a measure of the level of activity in the market. Data is published quarterly.

U.S Private Real Estate Markets:

Metrics: US Cap Rates, Cap Rate Spreads, and Transactions as a % of Market Value

Real estate cap rates are a measure of the price paid in the market to acquire properties versus their annualized income generation before financing costs (NOI=net operating income). The data, published by NCREIF, describes completed and leased properties (core) on an unleveraged basis. We chose to use current value cap rates. These are capitalization rates from properties that were revalued during the quarter. This data relies on estimates of value and therefore tends to be lagging (estimated prices are slower to rise and slower to fall than transaction prices). The data is published quarterly.

Spreads between the cap rate (described above) and the 10-year nominal Treasury yield, indicate a measure of the cost of properties versus a current measure of the cost of financing.

Transactions as a % of Market Value Trailing-Four Quarters is a measure of property turnover activity in the NCREIF Universe. This quarterly metric is a measure of activity in the market.

Credit Markets US Fixed Income:

Metric: Spreads

The absolute level of spreads over treasuries and spread trends (widening / narrowing) are good indicators of credit risk in the fixed income markets. Spreads incorporate estimates of future default, but can also be driven by technical dislocations in the fixed income markets. Abnormally narrow spreads (relative to historical levels) indicate higher levels of valuation risk, wide spreads indicate lower levels of valuation risk and / or elevated default fears. Investment grade bond spreads are represented by the Barclays Capital US Corporate Investment Grade Index Intermediate Component. The high yield corporate bond spreads are represented by the Barclays Capital US Corporate High Yield Index.

Appendix

METRIC DESCRIPTION, RATIONALE FOR SELECTION AND CALCULATION METHODOLOGY

Measure of Equity Market Fear / Uncertainty

Metric: VIX – Measure of implied option volatility for U.S. equity markets

The VIX is a key measure of near-term volatility conveyed by implied volatility of S&P 500 index option prices. VIX increases with uncertainty and fear. Stocks and the VIX are negatively correlated. Volatility tends to spike when equity markets fall.

Measure of Monetary Policy

Metric: Yield Curve Slope

We calculate the yield curve slope as the 10 year treasury yield minus the 1 year treasury yield. When the yield curve slope is zero or negative, this is a signal to pay attention. A negative yield curve slope signals lower rates in the future, caused by a contraction in economic activity. Recessions are typically preceded by an inverted (negatively sloped) yield curve. A very steep yield curve (2 or greater) indicates a large difference between shorter-term interest rates (the 1 year rate) and longer-term rates (the 10 year rate). This can signal expansion in economic activity in the future, or merely higher future interest rates.

Measures of US Inflation Expectations

Metrics: Breakeven Inflation and Inflation Adjusted Commodity Prices

Inflation is a very important indicator impacting all assets and financial instruments. Breakeven inflation is calculated as the 10 year nominal treasury yield minus the 10 year real yield on US TIPS (treasury inflation protected securities). Abnormally low long-term inflation expectations are indicative of deflationary fears. A rapid rise in breakeven inflation indicates an acceleration in inflationary expectations as market participants sell nominal treasuries and buy TIPS. If breakeven inflation continues to rise quarter over quarter, this is a signal of inflationary worries rising, which may cause Fed action and / or dollar decline.

Commodity price movement (above the rate of inflation) is an indication of anticipated inflation caused by real global economic activity putting pressure on resource prices. We calculate this metric by adjusted in the Dow Jones UBS Commodity Index (formerly Dow Jones AIG Commodity Index) by US CPI-U. While rising commodity prices will not necessarily translate to higher US inflation, higher US inflation will likely show up in higher commodity prices, particularly if world economic activity is robust.

These two measures of anticipated inflation can, and often are, conflicting.

Measures of US Treasury Bond Interest Rate Risk

Metrics: 10-Year Treasury Forward-Looking Real Yield and 10-Year Treasury Duration

The expected annualized real yield of the 10 year U.S. Treasury Bond is a measure of valuation risk for U.S. Treasuries. A low real yield means investors will accept a low rate of expected return for the certainty of receiving their nominal cash flows. PCA estimates the expected annualized real yield by subtracting an estimate of expected 10 year inflation (produced by the Survey of Professional Forecasters as collected by the Federal Reserve Bank of Philadelphia), from the 10 year Treasury constant maturity interest rate.

Duration for the 10-Year Treasury Bond is calculated based on the current yield and a price of 100. This is a measure of expected percentage movements in the price of the bond based on small movements in percentage yield. We make no attempt to account for convexity.

Definition of “extreme” metric readings

A metric reading is defined as “extreme” if the metric reading is in the top or bottom decile of its historical readings. These “extreme” reading should cause the reader to pay attention. These metrics have reverted toward their mean values in the past.

PCA Market Sentiment Indicator

Explanation, Construction and Q&A

By:

Pension Consulting Alliance, Inc.

John Linder, CFA, CPA

Neil Rue, CFA

PCA has created the PCA Market Sentiment Indicator (PMSI) to complement our valuation focused PCA Investment Market Risk Metrics. This measure of sentiment is meant to capture significant and persistent shifts in long-lived market trends of economic growth risk, either towards a risk seeking trend or a risk aversion trend.

This paper explores:

- What is the PCA Market Sentiment Indicator (PMSI)?
- How do I read the indicator graph?
- How is the PCA Market Sentiment Indicator (PMSI) constructed?
- What do changes in the indicator mean?



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PCA Market Sentiment Indicator

PCA has created a market sentiment indicator for monthly publication (the PMSI – see below) to complement PCA's Investment Market Risk Metrics.

PCA's Investment Market Risk Metrics, which rely significantly on standard market measures of relative valuation, often provide valid early signals of increasing long-term risk levels in the global investment markets. However, as is the case with numerous valuation measures, the Risk Metrics may convey such risk concerns long before a market corrections take place. The PMSI helps to address this early-warning bias by measuring whether the markets are beginning to acknowledge key Risk Metrics trends, and / or indicating non-valuation based concerns. Once the PMSI indicates that the market sentiment has shifted, it is our belief that investors should consider significant action, particularly if confirmed by the Risk Metrics. Importantly, PCA believes the Risk Metrics and PMSI should always be used in conjunction with one another and never in isolation. The questions and answers below highlight and discuss the basic underpinnings of the PCA PMSI:

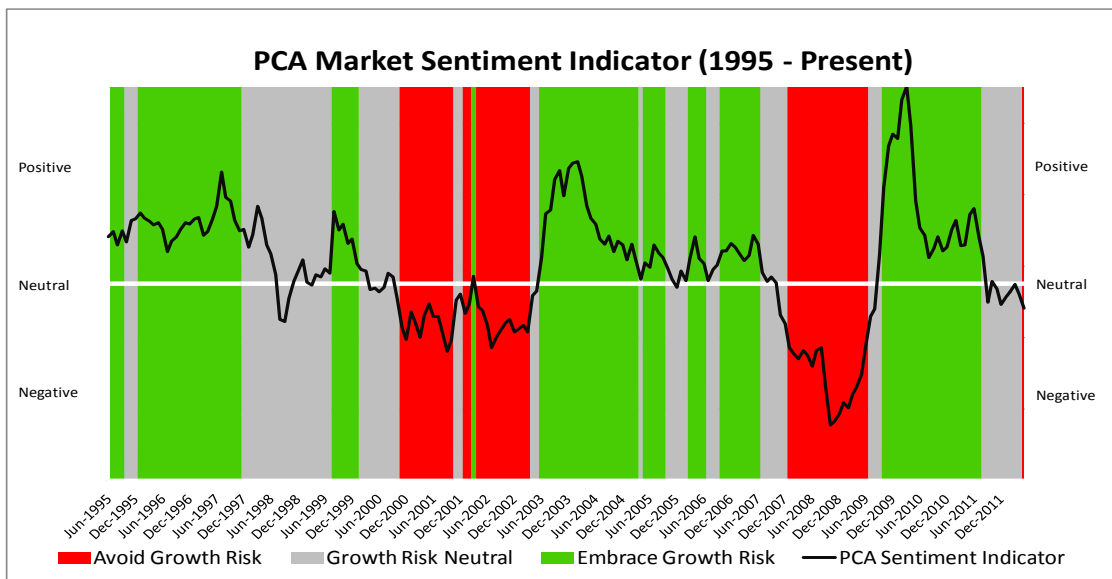
What is the PCA Market Sentiment Indicator (PMSI)?

The PMSI is a measure meant to gauge the market's sentiment regarding economic growth risk. Growth risk cuts across most financial assets, and is the largest risk exposure that most portfolios bear. The PMSI takes into account the momentum (trend over time, positive or negative) of the economic growth risk exposure of publicly traded stocks and bonds, as a signal of the future direction of growth risk returns; either positive (risk seeking market sentiment), or negative (risk averse market sentiment).

How do I read the PCA Market Sentiment Indicator (PMSI) graph?

Simply put, the PMSI is a color coded indicator that signals the market's sentiment regarding economic growth risk. It is read left to right chronologically. A green indicator on the PMSI indicates that the market's sentiment towards growth risk is positive. A gray indicator indicates that the market's sentiment towards growth risk is neutral or inconclusive. A red indicator indicates that the market's sentiment towards growth risk is negative. The black line on the graph is the level of the PMSI. The degree of the signal above or below the neutral reading is an indication the signal's current strength.

Momentum as we are defining it is the use of the past behavior of a series as a predictor of its future behavior.



PCA Market Sentiment Indicator

How is the PCA Market Sentiment Indicator (PMSI) Constructed?

The PMSI is constructed from two sub-elements representing investor sentiment in stocks and bonds:

1. Stock return momentum: Return momentum for the S&P 500 Equity Index (trailing 12-months)
2. Bond yield spread momentum: Momentum of bond yield spreads (excess of the measured bond yield over the identical duration U.S. Treasury bond yield) for corporate bonds (trailing 12-months) for both investment grade bonds (75% weight) and high yield bonds (25% weight). The scale of this measure is adjusted to match that of the stock return momentum measure.

The black line reading on the graph is calculated as the average of the stock return momentum measure and the bonds spread momentum measure. The color reading on the graph is determined as follows:

1. If both stock return momentum and bond spread momentum are positive = GREEN (positive)
2. If one of the momentum indicators is positive, and the other negative = GRAY (inconclusive)
3. If both stock return momentum and bond spread momentum are negative = RED (negative)

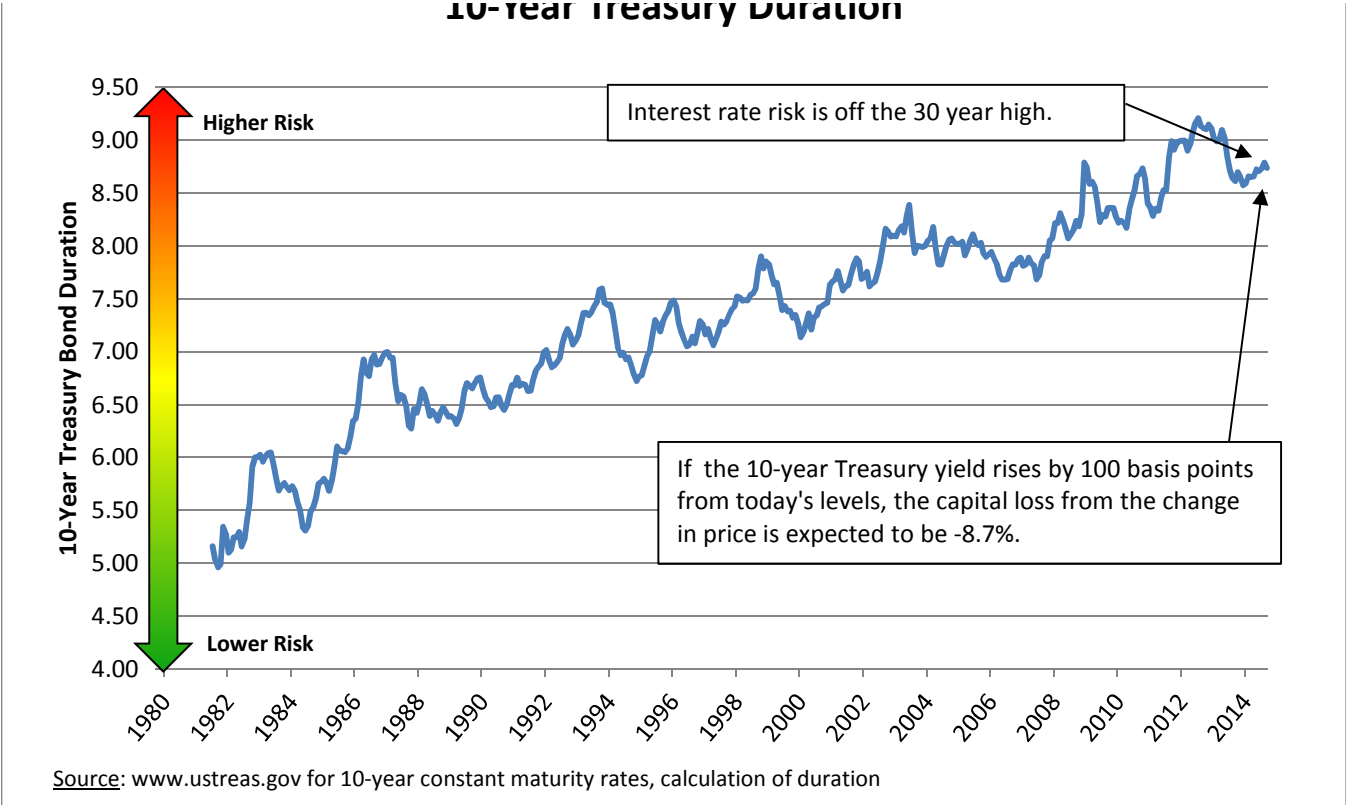
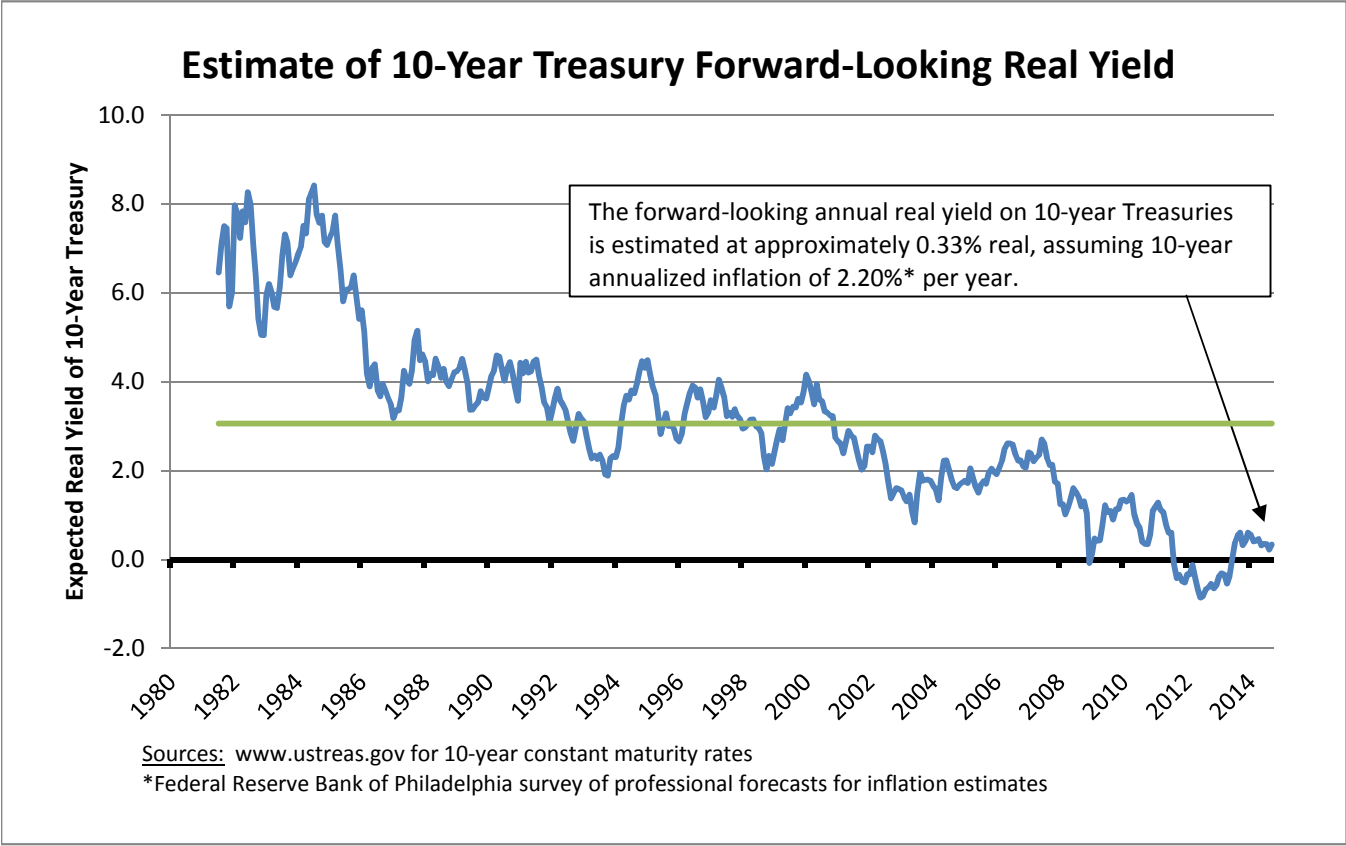
What does the PCA Market Sentiment Indicator (PMSI) mean? Why might it be useful?

There is strong evidence that time series momentum is significant and persistent. In particular, across an extensive array of asset classes, the sign of the trailing 12-month return (positive or negative) is indicative of future returns (positive or negative) over the next 12 month period. The PMSI is constructed to measure this momentum in stocks and corporate bond spreads. A reading of green or red is agreement of both the equity and bond measures, indicating that it is likely that this trend (positive or negative) will continue over the next 12 months. When the measures disagree, the indicator turns gray. A gray reading does not necessarily mean a new trend is occurring, as the indicator may move back to green, or into the red from there. The level of the reading (black line) and the number of months at the red or green reading, gives the user additional information on which to form an opinion, and potentially take action.

ⁱ Momentum as we are defining it is the use of the past behavior of a series as a predictor of its future behavior.

ⁱⁱ "Time Series Momentum" Moskowitz, Ooi, Pedersen, August 2010
<http://pages.stern.nyu.edu/~lpederse/papers/TimeSeriesMomentum.pdf>

Measures of U.S. Treasury Interest Rate Risk



SECTION 3

REVIEW OF SCHOLARSHARE POLICY

REVIEW OF SCHOLARSHARE POLICY

Active Funds

<u>Fund</u>	<u>Asset Class</u>	<u>Benchmark</u>
T. Rowe Price Instl Large Cap Growth	Domestic Equity	Russell 1000 Growth TR USD
T. Rowe Price Instl Large Cap Value	Domestic Equity	Russell 1000 Value TR USD
TIAA-CREF Small Cap Equity	Domestic Equity	Russell 2000 TR USD
TIAA-CREF Social Choice Equity	Domestic Equity	Russell 3000 TR USD
TIAA-CREF Real Estate Securities	Domestic Equity	FTSE NAREIT All Equity REITs TR
DFA Large Cap International	International Equity	MSCI World ex US NR USD
DFA Emerging Markets Core Equity	International Equity	MSCI EM NR USD
PIMCO Total Return	Fixed Income	BarCap US Agg Bond TR USD
PIMCO Real Return	Fixed Income	BarCap US Trsy US TIPS TR USD
PIMCO Income	Fixed Income	BarCap US Agg Bond TR USD
TIAA-CREF Inflation-Linked Bond	Fixed Income	BarCap US Trsy US TIPS TR USD
T. Rowe Price Institutional Floating Rate	High Yield	S&P/LSTA Performing Loan TR
TIAA-CREF High Yield Bond	High Yield	BofA ML US HY C Pay BB-B Constd TR

Passive Funds

<u>Fund</u>	<u>Asset Class</u>	<u>Benchmark</u>
TIAA-CREF Equity Index	Domestic Equity	Russell 3000 TR USD
TIAA-CREF S&P 500 Index	Domestic Equity	S&P 500 TR
TIAA-CREF International Equity Index	International Equity	MSCI EAFE NR USD
TIAA-CREF Emerging Markets Equity Index	International Equity	MSCI EM NR USD
TIAA-CREF Bond Index	Fixed Income	BarCap US Agg Bond TR USD

T-C Life Funding Agreements

T-C Life Funding Agreements*	---	---
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*Investment through a funding agreement with TIAA-CREF Life Insurance Company. Not benchmarked to an index, rather, portfolio performance is monitored using a set of qualitative guidelines.

REVIEW OF SCHOLARSHARE POLICY

Performance Criteria for Placing a Fund on Watch

Actively Managed Funds

Asset Class	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Long-term (> 60 months)
Domestic Equity	Fund return < bench return -3.5% for 6 consecutive months	Fund return < bench return -1.75% for 6 consecutive months	VRR< 0.97 for 6 consecutive months
International Equity	Fund return < bench return -4.5% for 6 consecutive months	Fund return < bench return -2.0% for 6 consecutive months	VRR< 0.97 for 6 consecutive months
Fixed Income	Fund return < bench return -1.0% for 6 consecutive months	Fund return < bench return -0.5% for 6 consecutive months	VRR< 0.98 for 6 consecutive months
High Yield	Fund return < bench return -6.5% for 6 consecutive months	Fund return < bench return -3.25% for 6 consecutive months	VRR< 0.96 for 6 consecutive months

Passively Managed Funds

Asset Class	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Long-term (rolling 60-month periods)
Domestic Equity	Tracking Error > 0.30% for 6 consecutive months	Tracking Error> 0.25% for 6 consecutive months	Fd annlzd return < bench annlzd return -0.30% for 6 consecutive months
International Equity	Tracking Error > 0.75% for 6 consecutive months	Tracking Error> 0.70% for 6 consecutive months	Fd annlzd return < bench annlzd return -0.30% for 6 consecutive months
Fixed Income	Tracking Error > 0.40% for 6 consecutive months	Tracking Error> 0.55% for 6 consecutive months	Fd annlzd return < bench annlzd return -0.35% for 6 consecutive months

- [1] Return discounts from a benchmark return based on 2/3rds of the typical tracking error estimates of the specified type of fund manager.
- [2] Annualized return is the average annual return of either the manager or its benchmark.
- [3] VRR – Value Relative Ratio – is calculated as: Manager Cumulative Return / Benchmark Cumulative Return.
- [4] Tracking error is a measure of the volatility of the average annual difference between the manager's return and the benchmark's return.

REVIEW OF SCHOLARSHARE POLICY

Performance Criteria for Placing a Fund on Watch (Continued)

T-C Life Funding Agreements (based on non-investment performance criteria)

Fund Name	Financial Strength	Mortgage Portfolio	Bond Portfolio	Account Diversification
T-C Life Funding Agreements	Moody's = Aaa Standard & Poor's = AAA A.M. Best = A+++ Fitch = AAA	100% in Good Standing	At least 90% Investment Grade	Portfolio is diversified across asset classes and types

The T-C Life Funding Agreements are measured against a set of non-investment performance criteria (see above) in a published TIAA-CREF report every quarter.

REVIEW OF SCHOLARSHARE POLICY

Investment Status Schedule

Performance Category	Actively Managed Portfolios	Passively Managed Portfolios
Positive	<ul style="list-style-type: none"> Performance exceeds the benchmark. 	<ul style="list-style-type: none"> Performance exceeds the benchmark (first 1-12 month period), or Tracking error is within the allowable range¹ (short, medium, and long time periods).
Acceptable	<ul style="list-style-type: none"> Performance meets or is under the benchmark and is within the allowable range. 	<ul style="list-style-type: none"> Performance does not exceed the benchmark but is within the allowable range (first 1-12 month period only).
Caution	<ul style="list-style-type: none"> Performance is below allowable range but either: <ol style="list-style-type: none"> for less than six consecutive months, or the Board has not taken (or decided not to take) a formal action to place the asset class or individual fund portfolio on Watch even though performance has been below allowable range for six months or longer. 	<ul style="list-style-type: none"> Tracking error falls outside of the allowable range but either <ol style="list-style-type: none"> for less than six consecutive months, or the Board has not voted to place the asset class or stand alone fund on Watch
Watch ²	<ul style="list-style-type: none"> Performance is below allowable range for more than six consecutive months and the Board has formally voted to place the asset class or individual fund on Watch. 	<ul style="list-style-type: none"> Tracking error falls outside of the allowable range for more than six consecutive months and the Board has formally voted to place the asset class or individual fund portfolio on Watch.

¹ Ranges are shown in the Investment Performance Criteria Schedules.

² The amount of time generally required before an investment is put on watch.

SUMMARY OF FUND PERFORMANCE STATUS

Funds	Prior Quarter		Current Quarter	
	Status	On Watch	Status	On Watch
Active Funds				
T. Rowe Price Instl Large Cap Growth	Positive		Positive	
T. Rowe Price Instl Large Cap Value	Acceptable		Positive	
TIAA-CREF Small Cap Equity	Acceptable		Positive	
TIAA-CREF Social Choice Equity	Acceptable		Acceptable	
TIAA-CREF Real Estate Securities	Acceptable		Acceptable	
DFA Large Cap International	Positive		Acceptable	
DFA Emerging Markets Core Equity	Positive		Positive	
PIMCO Total Return	Positive		Positive	
PIMCO Real Return	Positive		Positive	
PIMCO Income	Positive		Positive	
TIAA-CREF Inflation-Linked Bond	Acceptable		Acceptable	
T. Rowe Price Instl Floating Rate	Acceptable		Acceptable	
TIAA-CREF High-Yield Bond	Acceptable		Acceptable	
Passive Funds				
TIAA-CREF Equity Index	Positive		Positive	
TIAA-CREF S&P 500 Index	Positive		Positive	
TIAA-CREF International Equity Index	Positive		Positive	
TIAA-CREF Emerging Markets Index	Positive		Positive	
TIAA-CREF Bond Index	Positive		Positive	
T-C Life Funding Agreements				
T-C Life Funding Agreements	Positive		Positive	

- Current status is based on Short-Term (rolling 12-month) and Medium-Term (rolling 36-month) evaluation results.
- According to the Investment Status Schedule on the previous page, the portfolio's overall "Current Status" equals the lowest status as achieved by one or more of the criteria during the quarter.

SUMMARY OF FUND ASSETS

Assets as of 9/30/2014

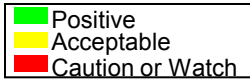
Funds	Assets (\$)	% of Total
Active Funds		
T. Rowe Price Instl Large Cap Growth	260,957,767	4.38%
T. Rowe Price Instl Large Cap Value	268,416,889	4.51%
TIAA-CREF Small Cap Equity	56,421,499	0.95%
TIAA-CREF Social Choice Equity	119,742,005	2.01%
TIAA-CREF Real Estate Securities	181,775,226	3.05%
DFA Large Cap International	202,466,756	3.40%
DFA Emerging Markets Core Equity	45,651,501	0.77%
PIMCO Total Return	261,916,655	4.40%
PIMCO Real Return	92,488,728	1.55%
PIMCO Income	110,836,981	1.86%
TIAA-CREF Inflation-Linked Bond	241,222,548	4.05%
T. Rowe Price Instl Floating Rate	49,349,633	0.83%
TIAA-CREF High-Yield Bond	137,600,973	2.31%
Active Funds Total	2,028,847,161	34.05%
Passive Funds		
TIAA-CREF Equity Index	1,374,154,162	23.06%
TIAA-CREF S&P 500 Index	173,386,690	2.91%
TIAA-CREF International Equity Index	512,797,528	8.61%
TIAA-CREF Emerging Markets Index	107,042,050	1.80%
TIAA-CREF Bond Index	991,220,340	16.64%
Passive Funds Total	3,158,600,770	53.01%
T-C Life Funding Agreements		
T-C Life Funding Agreements	770,551,523	12.93%
TOTAL	5,957,999,455	100.00%

SECTION 4

SENSITIVITY ANALYSES

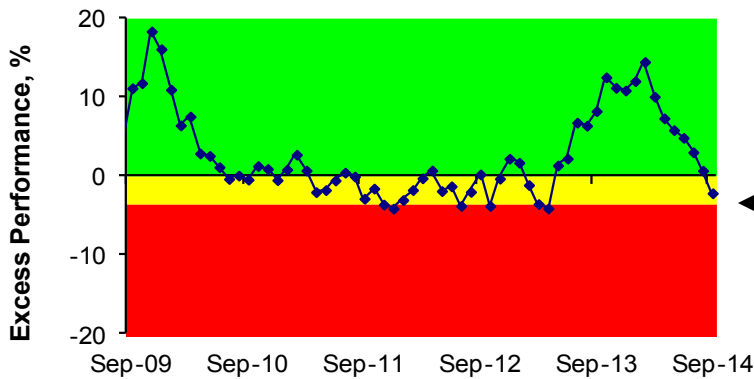
ACTIVE FUNDS

T. ROWE PRICE INSTL. LARGE CAP GROWTH FUND



Short-term

(Rolling 12-Month Excess Performance)

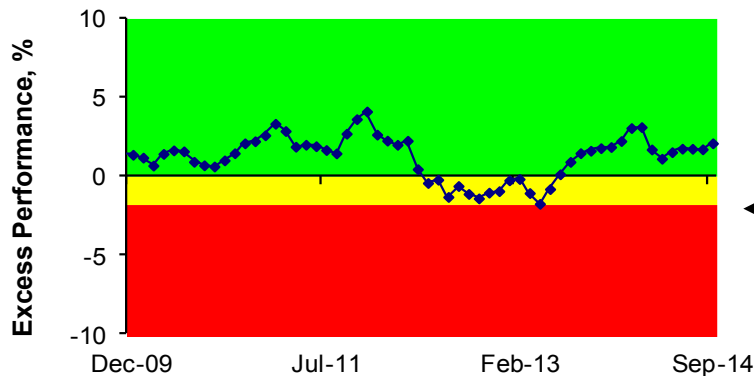


- Short-term performance ended the period in the Acceptable range

← probationary performance band -3.5%

Medium-term

(Rolling 36-Month Excess Performance)



- Medium-term performance remained in the Positive range

← probationary performance band -1.75%

- Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

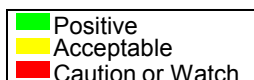
	1 Year	3 Year	5 Year	Program Inc. (11/2011)
T. Rowe Price Instl Large Cap Growth	17.05	24.60	17.01	22.19
Russell 1000 Growth TR	19.15	22.45	16.50	20.33
Peer Rank (Percentile)	42	6	10	8

Current Status
Positive

Source: Morningstar Direct

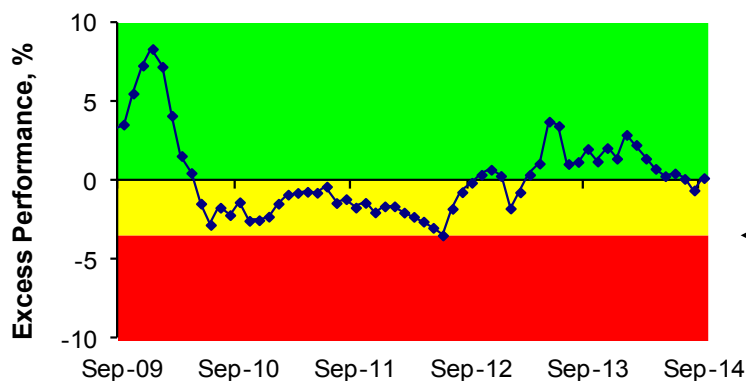
Peer Group = US OE Large Growth

T. ROWE PRICE INSTL. LARGE CAP VALUE FUND



Short-term

(Rolling 12-Month Excess Performance)

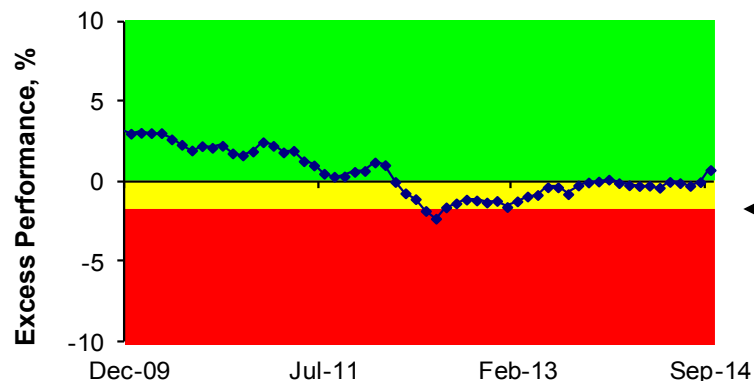


▪ Short-term performance continued in the Positive range

← probationary performance band -3.5%

Medium-term

(Rolling 36-Month Excess Performance)



▪ Medium-term performance ended the period in the Positive range

← probationary performance band -1.75%

▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
T. Rowe Price Instl Large Cap Value	19.10	24.67	15.00	22.65
Russell 1000 Value TR	18.89	23.93	15.26	21.91
Peer Rank (Percentile)	14	9	20	8

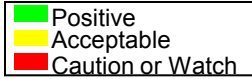
Current Status

Positive

Source: Morningstar Direct

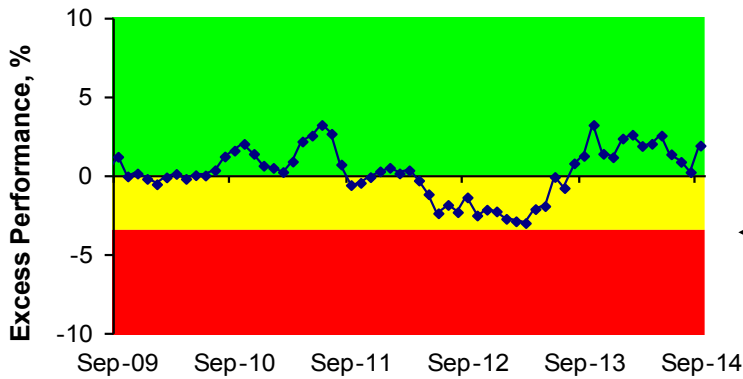
Peer Group = US OE Large Value

TIAA-CREF SMALL CAP EQUITY FUND



Short-term

(Rolling 12-Month Excess Performance)

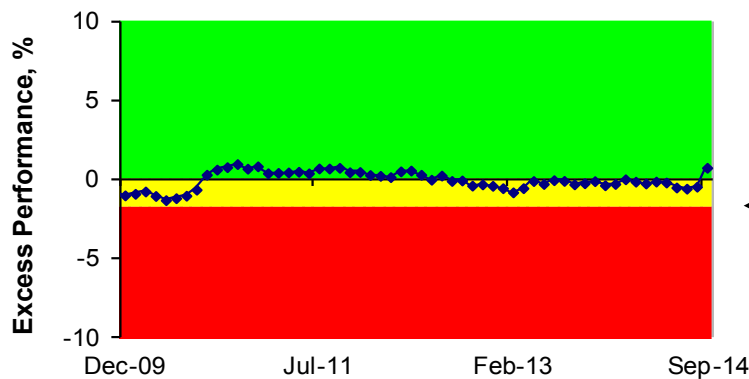


▪ Short-term performance remained in the Positive range

← probationary performance band -3.5%

Medium-term

(Rolling 36-Month Excess Performance)



▪ Medium-term performance improved into the Positive range

← probationary performance band -1.75%

▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
TIAA-CREF Small Cap Equity	5.83	21.96	14.86	18.18
Russell 2000 TR	3.93	21.26	14.29	17.68
Peer Rank (Percentile)	48	37	39	39

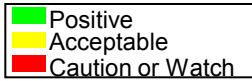
Current Status

Positive

Source: Morningstar Direct

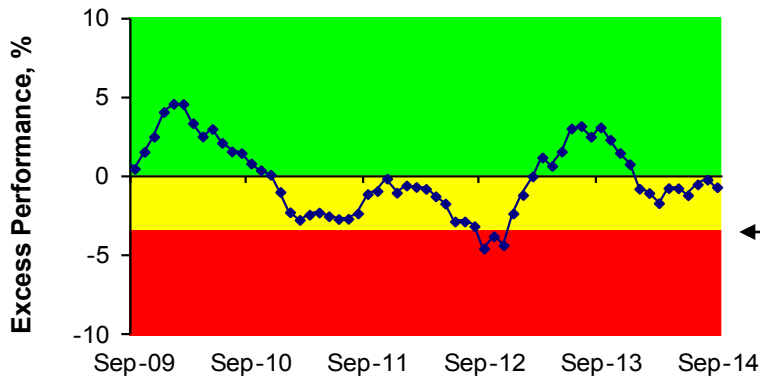
Peer Group = US OE Small Blend

TIAA-CREF SOCIAL CHOICE EQUITY FUND



Short-term

(Rolling 12-Month Excess Performance)

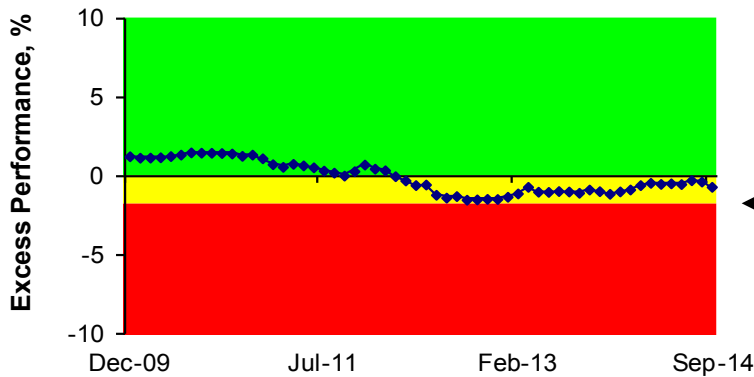


▪ Short-term performance remained in the Acceptable range

← probationary performance band -3.5%

Medium-term

(Rolling 36-Month Excess Performance)



▪ Medium-term performance remained in the Acceptable range

← probationary performance band -1.75%

▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

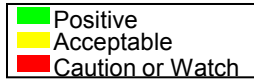
	1 Year	3 Year	5 Year	Program Inc. (11/2011)
TIAA-CREF Social Choice Equity	17.03	22.38	15.28	19.80
Russell 3000 TR	17.76	23.08	15.78	20.89
Peer Rank (Percentile)	52	42	27	52

Current Status
Acceptable

Source: Morningstar Direct

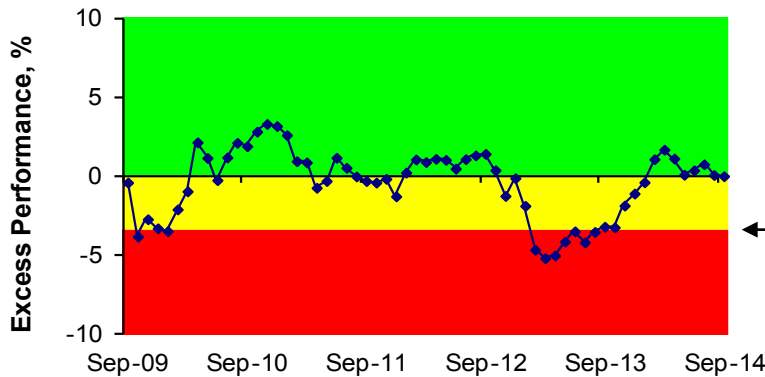
Peer Group = US OE Large Cap Blend

TIAA-CREF REAL ESTATE SECURITIES FUND



Short-term

(Rolling 12-Month Excess Performance)

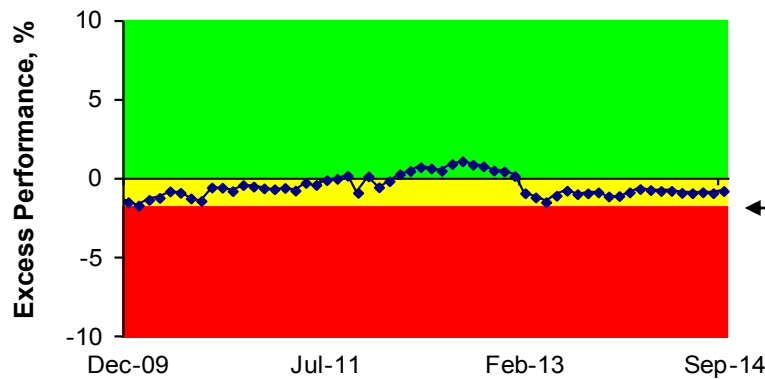


▪ Short-term performance ended the period on the edge of the Acceptable range

← probationary performance band -3.5%

Medium-term

(Rolling 36-Month Excess Performance)



▪ Medium-term performance remained in the Acceptable range

← probationary performance band -1.75%

▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

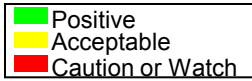
	1 Year	3 Year	5 Year	Program Inc. (11/2011)
TIAA-CREF Real Estate Securites	13.14	16.35	15.93	13.42
FTSE NAREIT All Equity REITs TR	13.17	17.17	16.17	14.59
Peer Rank (Percentile)	47	25	13	29

Current Status
Acceptable

Source: Morningstar Direct

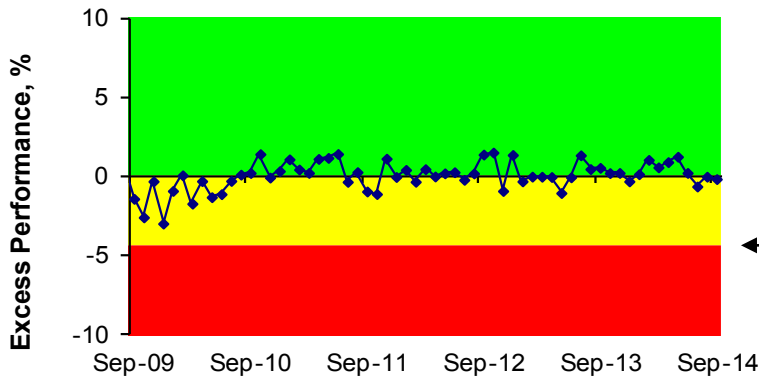
Peer Group = US OE Real Estate

DFA LARGE CAP INTERNATIONAL PORTFOLIO



Short-term

(Rolling 12-Month Excess Performance)

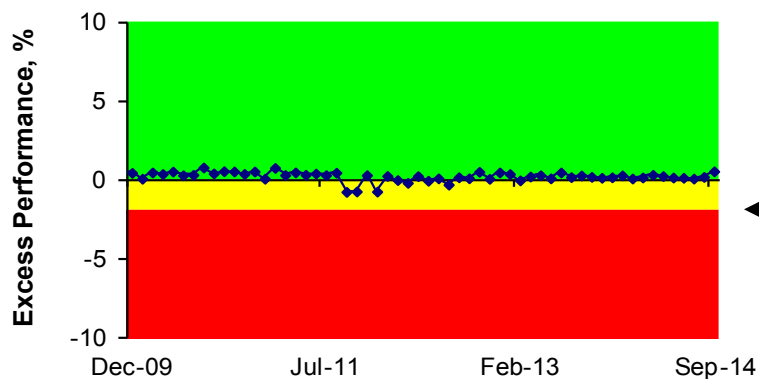


▪ Short-term performance dipped into the Acceptable range

← probationary performance band -4.5%

Medium-term

(Rolling 36-Month Excess Performance)



▪ Medium-term performance remained near the Positive range

← probationary performance band -2.0%

▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

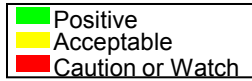
	1 Year	3 Year	5 Year	Program Inc. (11/2011)
DFA Large Cap International	4.65	13.69	6.63	13.05
MSCI World ex US NR USD	4.86	13.15	6.52	12.86
Peer Rank (Percentile)	38	40	44	36

Current Status
Acceptable

Source: Morningstar Direct

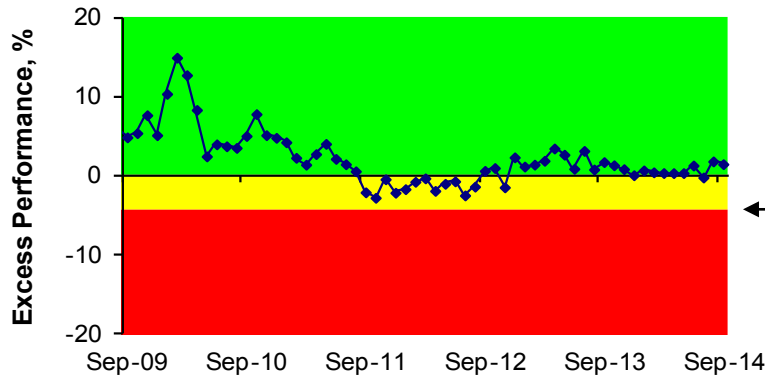
Peer Group = US OE Foreign Large Blend

DFA EMERGING MARKETS CORE EQUITY PORTFOLIO



Short-term

(Rolling 12-Month Excess Performance)

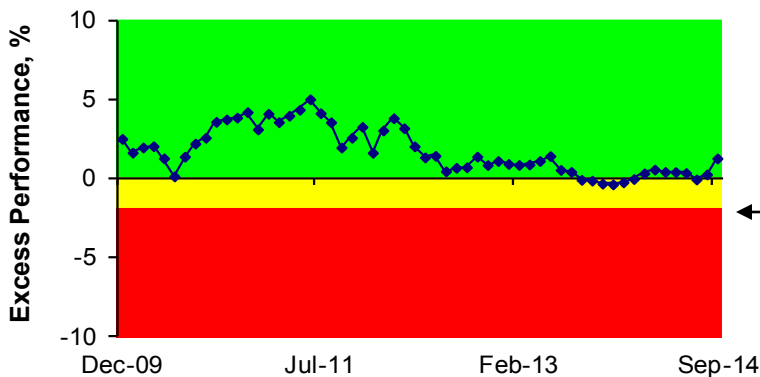


▪ Short-term performance continued in the Positive range

← probationary performance band -4.5%

Medium-term

(Rolling 36-Month Excess Performance)



▪ Medium-term performance continued in the Positive range

← probationary performance band -2.0%

▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

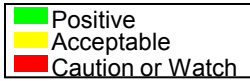
	1 Year	3 Year	5 Year	Program Inc. (11/2011)
DFA Emerging Markets Core Equity	5.70	8.41	5.44	6.40
MSCI EM NR USD	4.30	7.19	4.42	5.27
Peer Rank (Percentile)	33	40	33	39

Current Status
Positive

Source: Morningstar Direct

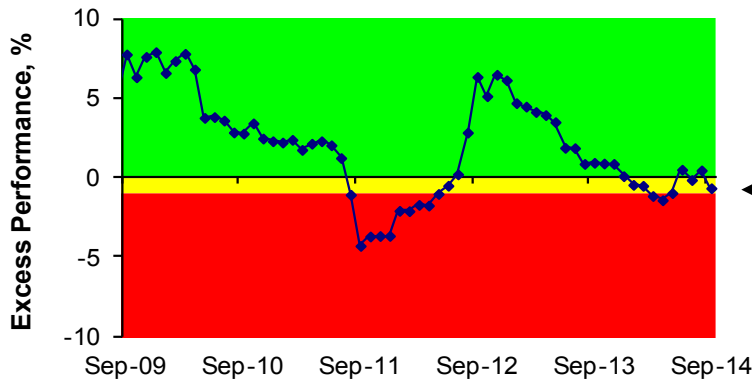
Peer Group = US OE Diversified Emerging Markets

PIMCO TOTAL RETURN FUND



Short-term

(Rolling 12-Month Excess Performance)

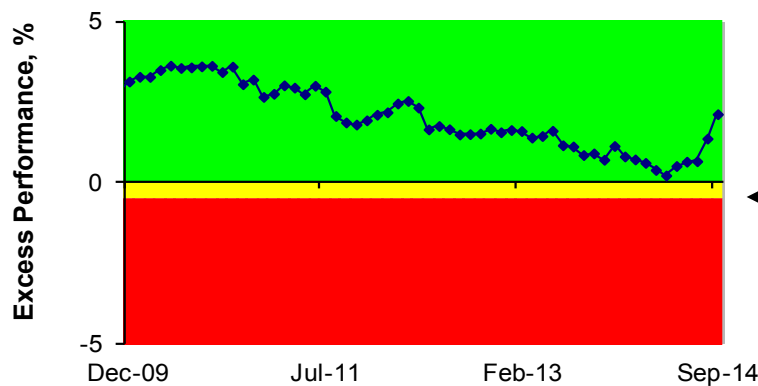


- Short-term performance ended the period in the Acceptable range

← probationary performance band -1.0%

Medium-term

(Rolling 36-Month Excess Performance)



- Medium-term performance remained in the Positive range

← probationary performance band -0.5%

- Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
PIMCO Total Return Institutional	3.29	4.57	5.07	4.58
BC US Aggregate Bond TR	3.96	2.43	4.12	2.46
Peer Rank (Percentile)	78	21	42	20

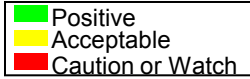
Current Status

Positive

Source: Morningstar Direct

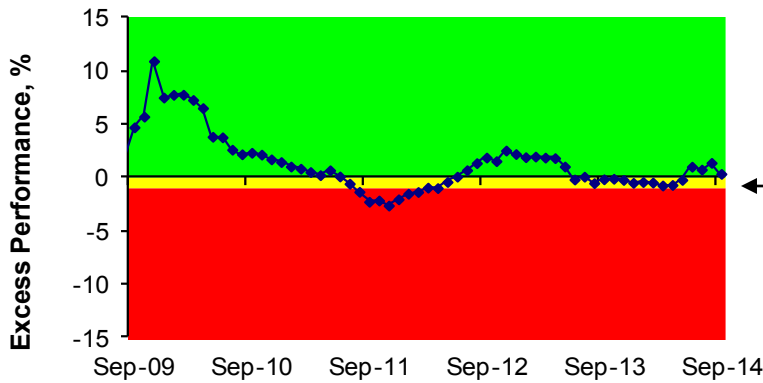
Peer Group = US OE Intermediate-Term Bond

PIMCO REAL RETURN FUND



Short-term

(Rolling 12-Month Excess Performance)

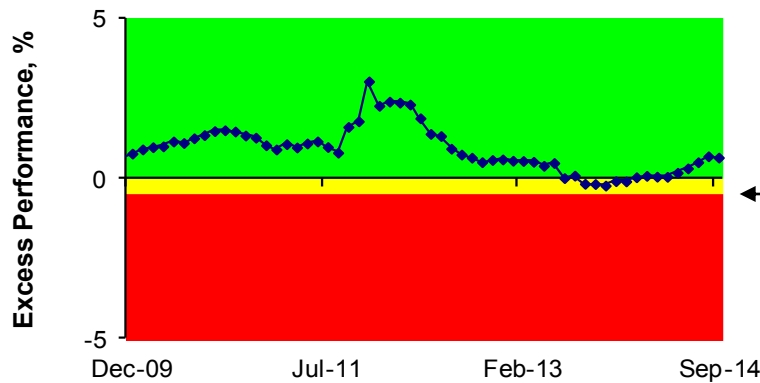


▪ Short-term performance continued in the Positive range

← probationary performance band -1.0%

Medium-term

(Rolling 36-Month Excess Performance)



▪ Medium-term performance continued in the Positive range

← probationary performance band -0.5%

▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
PIMCO Real Return Institutional	2.00	2.04	4.94	1.41
BarCap US Treasury US TIPS TR	1.59	1.34	4.48	0.61
Peer Rank (Percentile)	5	8	2	11

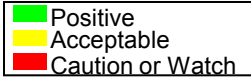
Current Status

Positive

Source: Morningstar Direct

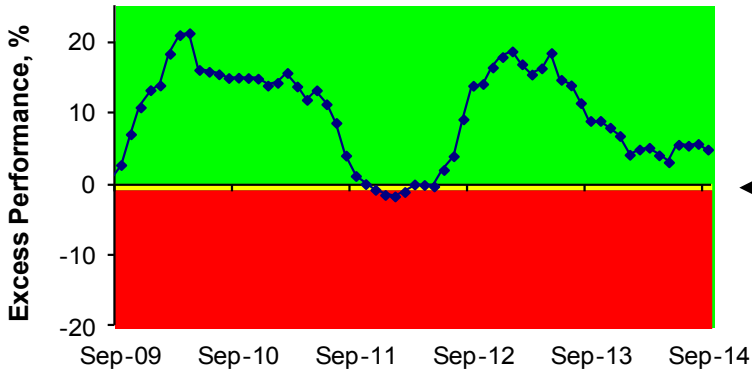
Peer Group = US OE Inflation-Protected Bond

PIMCO INCOME FUND



Short-term

(Rolling 12-Month Excess Performance)

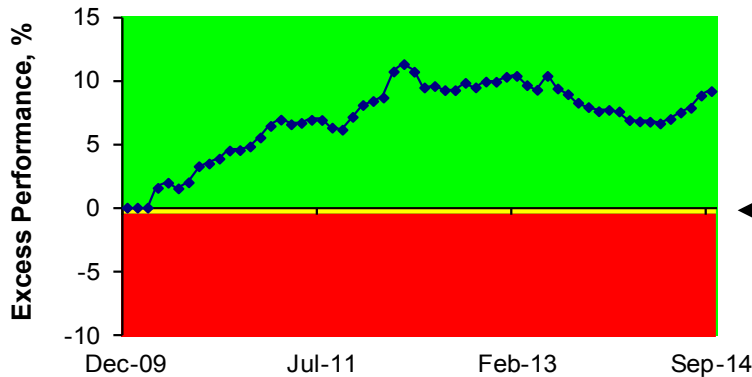


▪ Short-term performance remained in the Positive range

← probationary performance band -1.0%

Medium-term

(Rolling 36-Month Excess Performance)



▪ Medium-term performance remained in the Positive range

← probationary performance band -0.5%

▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
PIMCO Income Institutional	8.87	11.62	12.77	12.17
BC US Aggregate Bond TR	3.96	2.43	4.12	2.46
Peer Rank (Percentile)	9	2	1	1

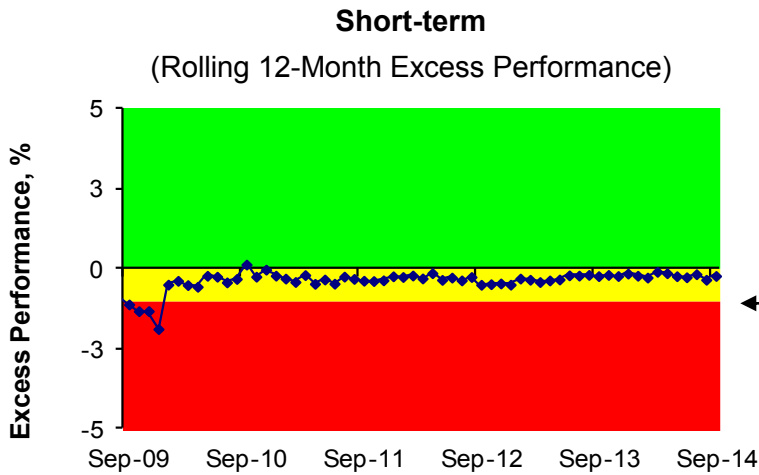
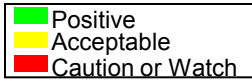
Current Status

Positive

Source: Morningstar Direct

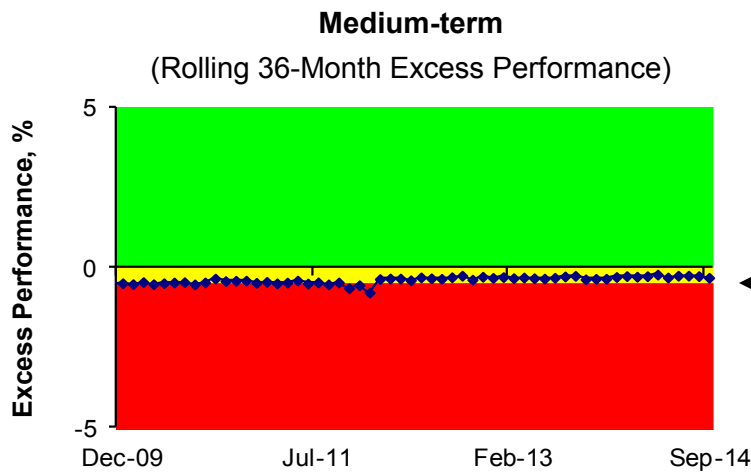
Peer Group = US OE Multisector Bond

TIAA-CREF INFLATION-LINKED BOND FUND



▪ Short-term performance remained in the Acceptable range

← probationary performance band -1.0%



▪ Medium-term performance remained in the Acceptable range

← probationary performance band -0.5%

▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

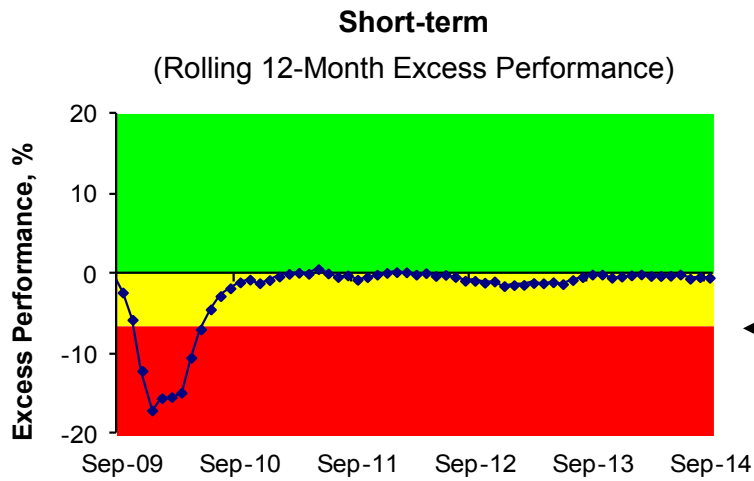
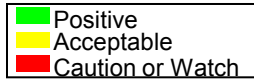
	1 Year	3 Year	5 Year	Program Inc. (11/2011)
TIAA-CREF Inflation-Linked Bond	1.39	1.05	4.27	0.36
BarCap US Treasury US TIPS TR	1.59	1.34	4.48	0.61
Peer Rank (Percentile)	28	38	17	40

Current Status
Acceptable

Source: Morningstar Direct

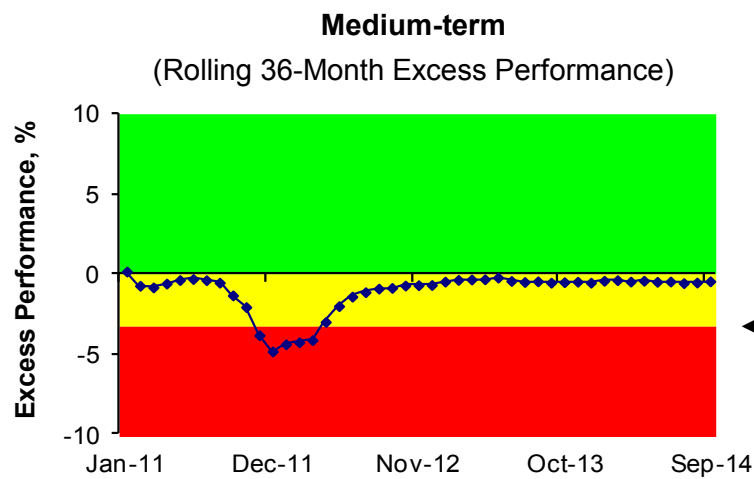
Peer Group = US OE Inflation-Protected Bond

T. ROWE PRICE INSTL. FLOATING RATE FUND



- Short-term performance remained in the Acceptable range

← probationary performance band -6.5%



- Medium-term performance continued in the Acceptable range

← probationary performance band -3.25%

- Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

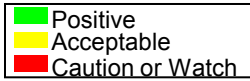
	1 Year	3 Year	5 Year	Program Inc. (11/2011)
T. Rowe Price Instl Floating Rate	3.47	6.31	5.88	5.42
S&P/LSTA Performing Loan TR	3.90	6.73	6.47	6.00
Peer Rank (Percentile)	29	44	49	52

Current Status
Acceptable

Source: Morningstar Direct

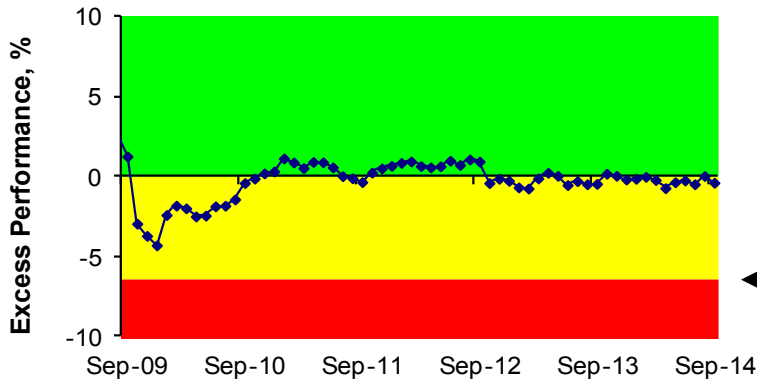
Peer Group = US OE Bank Loan

TIAA-CREF HIGH YIELD BOND FUND



Short-term

(Rolling 12-Month Excess Performance)

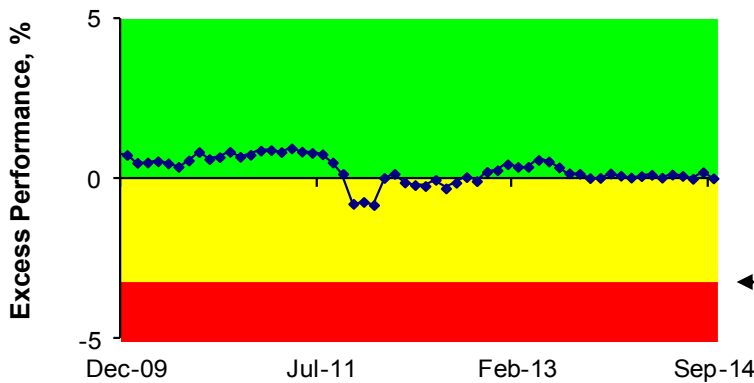


▪ Short-term performance continued in the Acceptable range

← probationary performance band -6.5%

Medium-term

(Rolling 36-Month Excess Performance)



▪ Medium-term performance remained near the Positive range

← probationary performance band -3.25%

▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
TIAA-CREF High Yield	6.98	10.28	9.67	8.99
BofA ML US HY C Pay BB-B Constd TR	7.32	10.24	9.78	9.24
Peer Rank (Percentile)	24	44	38	53

Current Status

Acceptable

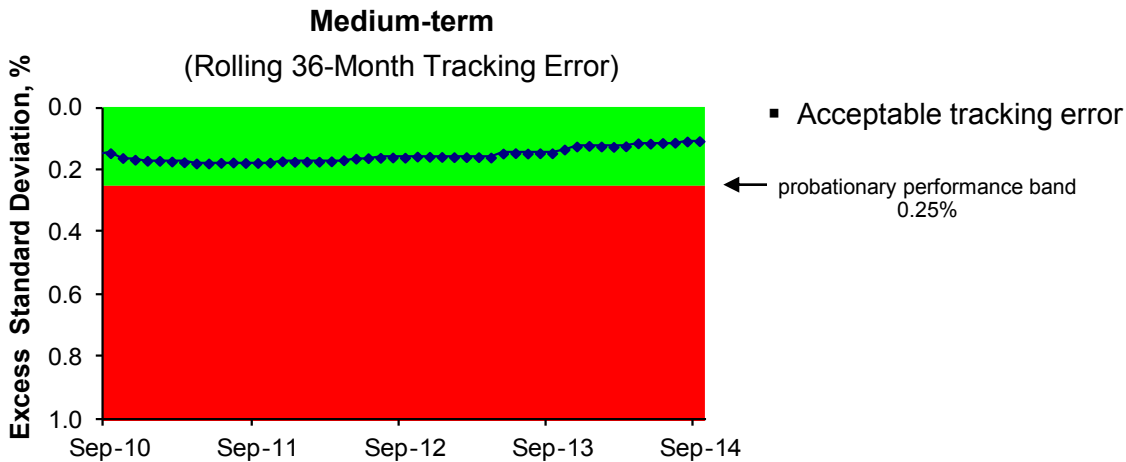
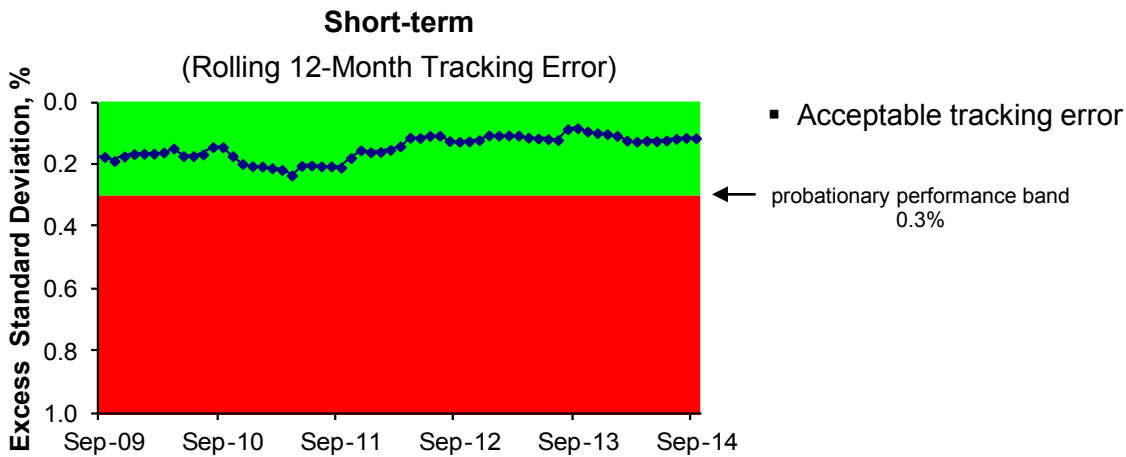
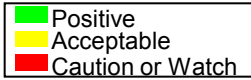
Source: Morningstar Direct

Peer Group = US OE High Yield Bond

SENSITIVITY ANALYSES

PASSIVE FUNDS

TIAA-CREF EQUITY INDEX FUND



▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
TIAA-CREF Equity Index	17.68	23.03	15.70	20.81
Russell 3000 TR	17.76	23.08	15.78	20.89
Peer Rank (Percentile)	45	28	17	30

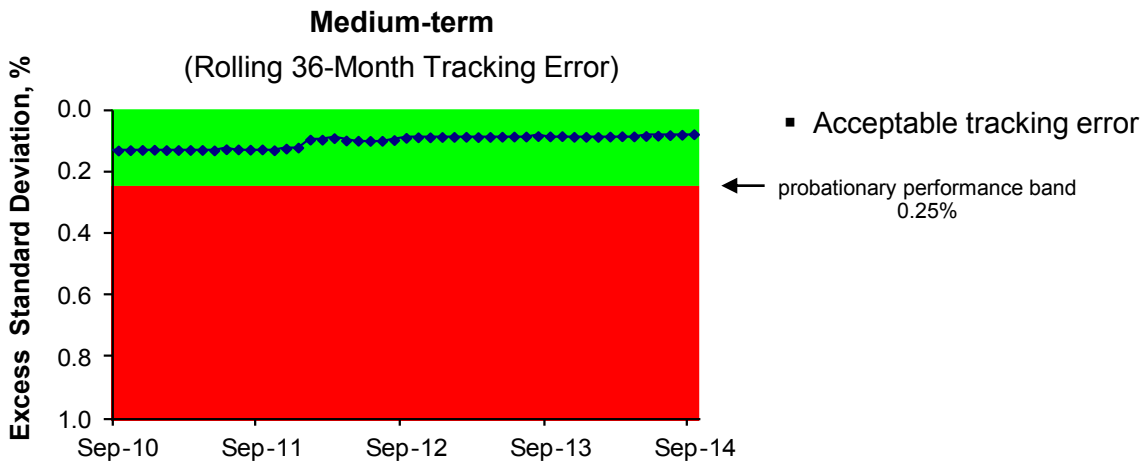
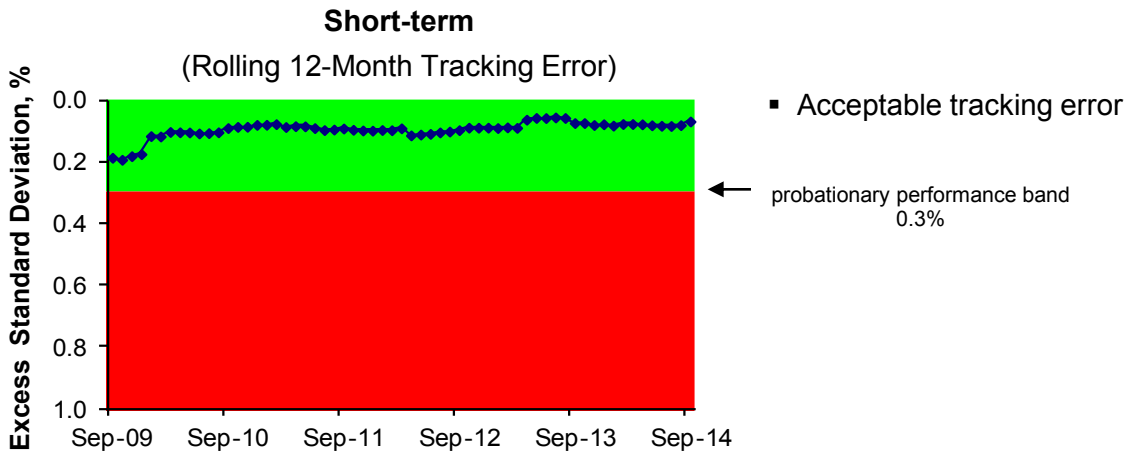
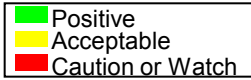
Current Status

Positive

Source: Morningstar Direct

Peer Group = US OE Large Blend

TIAA-CREF S&P 500 INDEX FUND



- Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
TIAA-CREF S&P 500 Index	19.64	22.88	15.59	20.89
S&P 500 Index TR	19.73	22.99	15.70	20.99
Peer Rank (Percentile)	18	31	20	28

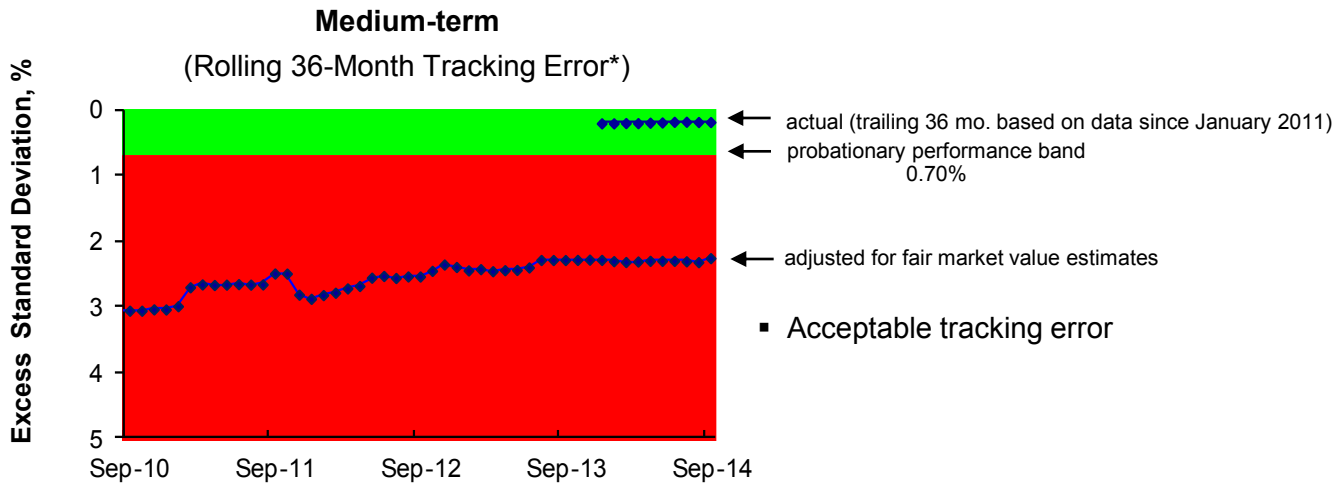
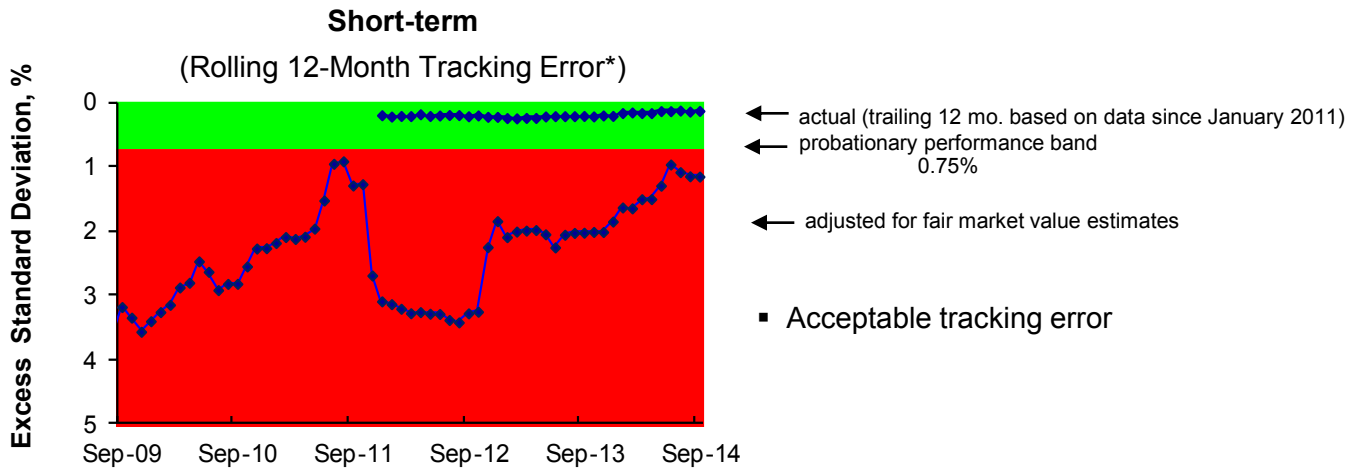
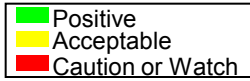
Source: Morningstar Direct

Peer Group = US OE Large Blend

Current Status

Positive

TIAA-CREF INTERNATIONAL EQUITY INDEX FUND



▪ Long-term criteria to take effect 4Q 2016

*Increased tracking error is due primarily to the Fund's "fair market value" adjustment procedures, which increases or decreases the Fund's actual closing price to compensate for pricing differences between international markets. This results in increased tracking error during periods of high volatility.

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
TIAA-CREF International Equity Index	4.19	14.16	6.66	13.64
MSCI EAFE Index NR	4.25	13.65	6.56	13.44
Peer Rank (Percentile)	45	27	43	23

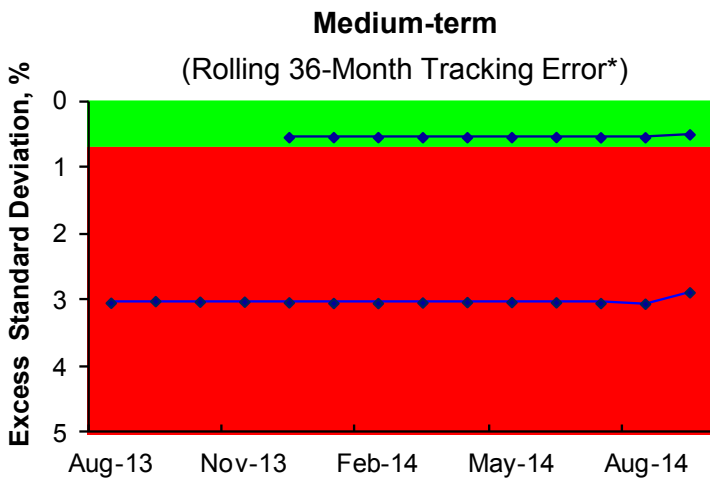
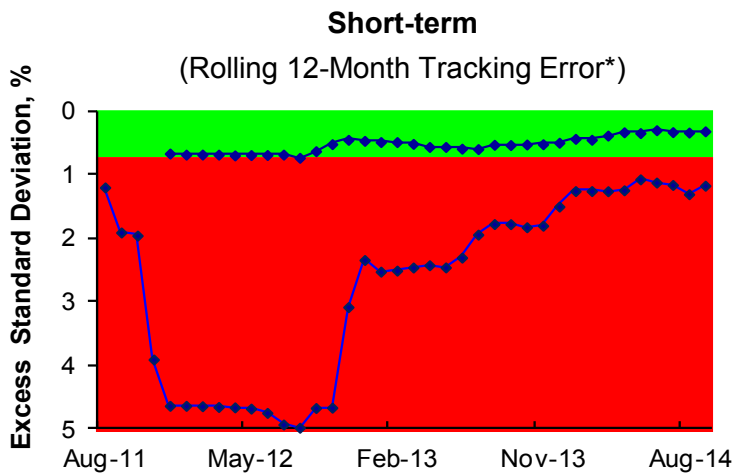
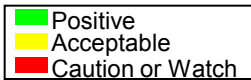
Current Status

Positive

Source: Morningstar Direct

Peer Group = US OE Foreign Large Blend

TIAA-CREF EMERGING MARKETS EQUITY INDEX FUND



▪ Long-term criteria to take effect 4Q 2016

*Increased tracking error is due primarily to the Fund's "fair market value" adjustment procedures, which increases or decreases the Fund's actual closing price to compensate for pricing differences between international markets. This results in increased tracking error during periods of high volatility.

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
TIAA-CREF Emerging Markets Equity Index	3.49	7.22	---	4.81
MSCI EM NR USD	4.30	7.19	---	5.27
Peer Rank (Percentile)	60	59	---	63

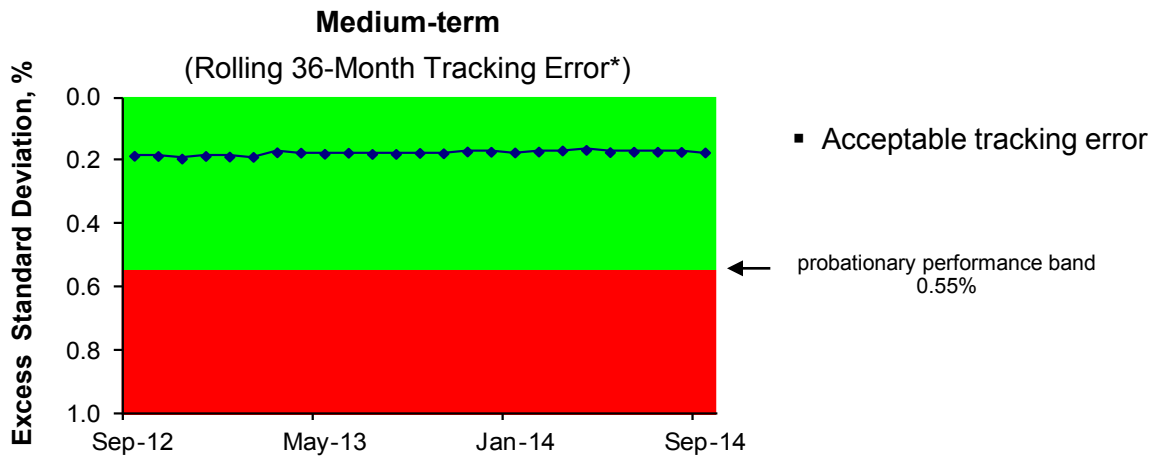
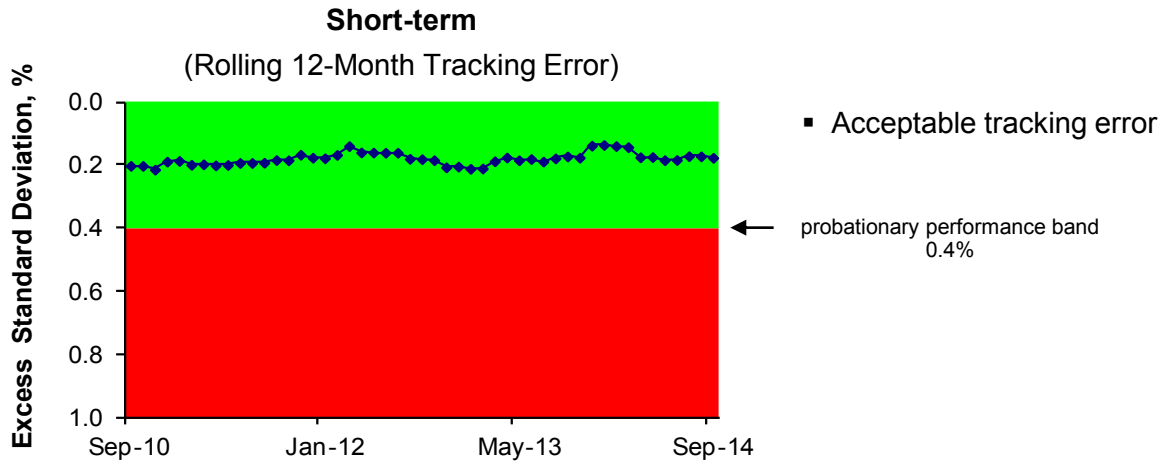
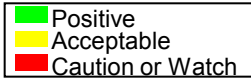
Current Status

Positive

Source: Morningstar Direct

Peer Group = US OE Diversified Emerging Markets

TIAA-CREF BOND INDEX FUND



▪ Long-term criteria to take effect 4Q 2016

Annualized Performance Results (net of fund management fees)

	1 Year	3 Year	5 Year	Program Inc. (11/2011)
TIAA-CREF Bond Index	3.86	2.25	3.90	2.28
BC US Aggregate Bond TR	3.96	2.43	4.12	2.46
Peer Rank (Percentile)	64	80	78	80

Current Status

Positive

Source: Morningstar Direct

Peer Group = US OE Intermediate-Term Bond

T-C LIFE FUNDING AGREEMENTS

T-C LIFE FUNDING AGREEMENTS

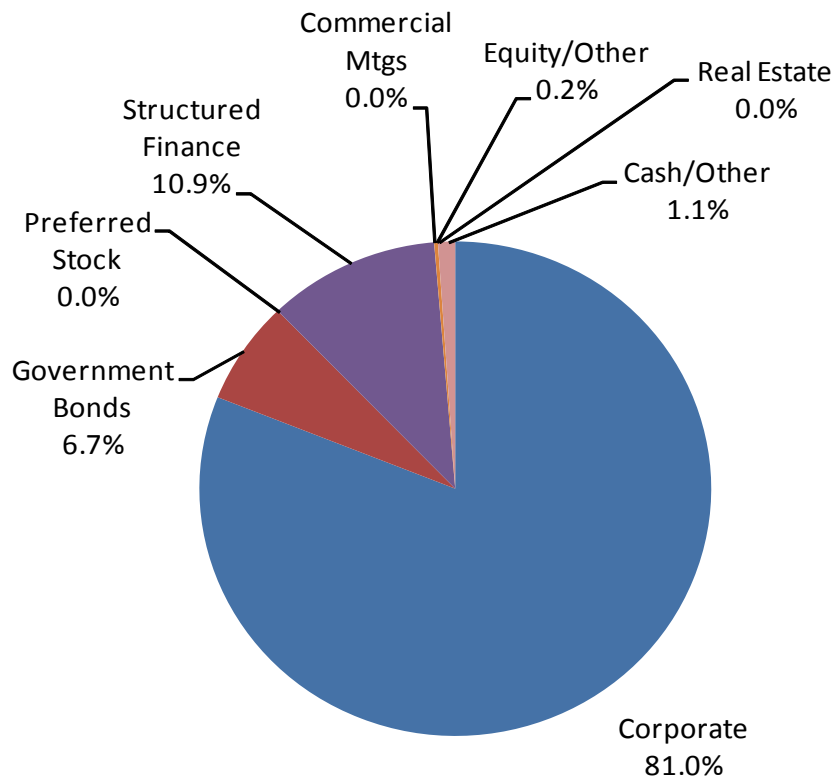
(based on non investment performance criteria)

Criteria	Status as of 9/30/2014	Status as of 6/30/2014	Status as of 3/31/2014	Status as of 12/31/2013
Financial Strength	Moody's = Aa1 Standard & Poor's = AA+ A.M. Best = A++ Fitch = AAA	Moody's = Aaa Standard & Poor's = AA+ A.M. Best = A++ Fitch = AAA	Moody's = Aaa Standard & Poor's = AA+ A.M. Best = A++ Fitch = AAA	Moody's = Aaa Standard & Poor's = AA+ A.M. Best = A++ Fitch = AAA
Mortgage Portfolio	100% in Good Standing*	100% in Good Standing*	100% in Good Standing*	100% in Good Standing*
Bond Portfolio	98.33% in Investment Grade (at least 90%)	98.30% in Investment Grade (at least 90%)	98.40% in Investment Grade (at least 90%)	98.40% in Investment Grade (at least 90%)
Account Diversification	Portfolio is diversified across asset classes and types (see chart below)	Portfolio is diversified across asset classes and types (see chart below)	Portfolio is diversified across asset classes and types (see chart below)	Portfolio is diversified across asset classes and types (see chart below)

*Portfolio did not contain any commercial mortgages.

Note, prior-period investment status will shift to the right.

Source: TIAA-CREF



Current Status

Positive

SECTION 5

SUMMARY POINTS

SUMMARY POINTS

	Criteria Utilized for Performance Watch Status			
	On Watch	Short-term	Medium-term	Long-term
T. Rowe Price Instl Large Cap Growth	No	---	---	N/A
T. Rowe Price Instl Large Cap Value	No	---	---	N/A
TIAA-CREF Small Cap Equity	No	---	---	N/A
TIAA-CREF Social Choice Equity	No	---	---	N/A
TIAA-CREF Real Estate Securities	No	---	---	N/A
DFA Large Cap International	No	---	---	N/A
DFA Emerging Markets Core Equity	No	---	---	N/A
PIMCO Total Return	No	---	---	N/A
PIMCO Real Return	No	---	---	N/A
PIMCO Income	No	---	---	N/A
TIAA-CREF Inflation-Linked Bond	No	---	---	N/A
T. Rowe Price Instl Floating Rate	No	---	---	N/A
TIAA-CREF High Yield Bond	No	---	---	N/A
TIAA-CREF Equity Index	No	---	---	N/A
TIAA-CREF S&P 500 Index	No	---	---	N/A
TIAA-CREF International Eq Index	No	---	---	N/A
TIAA-CREF Emerging Markets Eq Index	No	---	---	N/A
TIAA-CREF Bond Index	No	---	---	N/A
T-C Life Funding Agreements	No	---	---	---
Total	0 of 19	0 of 18 eligible portfolios	0 of 18 eligible portfolios	0 of 0 eligible portfolios

- N/A Watch status not applicable for time period due to fund inception date
- ✓ Indicates eligible for watch status as a result of performance
- Indicates not eligible for watch status as a result of performance or qualitative measurement

- Performance-based watch status criteria is on a *relative* basis
 - Absolute results may still be negative
- Criteria set up to evaluate managers over differing time periods
- No Portfolios on Watch

GLOSSARY

Annualized Return – The average annual return of either the manager or its benchmark.

Excess Performance – Manager returns in excess of the benchmark returns.

Standard Deviation – A measure of dispersion of a set of data from its mean.

Excess Standard Deviation – A measure of the volatility of the average annual difference between the manager's return and the benchmark's return, same as tracking error.

VRR – Value Relative Ratio – Is calculated as: $\text{Manager Cumulative Return} / \text{Benchmark Cumulative Return}$.

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Date: November 14, 2014

To: ScholarShare Investment Board (SIB)

From: Pension Consulting Alliance, Inc. (PCA)

CC: Allan Emkin – PCA; Eric White, CFA – PCA; Kay Ceserani – PCA

RE: Review of Underlying Funds Qualifying for “Watch” Status

Summary

PCA has conducted a review of the underlying funds in the ScholarShare College Savings Plan. The review included a quantitative analysis of the underlying funds based on specific performance criteria (as per the *Monitoring Procedures and Criteria*), as well as a qualitative analysis including a review of organizational concerns, stability of personnel, changes in investment objectives, etc.

Given the fact that material events occurred at the end of the third quarter and the beginning of the fourth quarter PCA has decided to extend this Watch Status update memo through October 31, 2014. As such, this memo covers the period from June 30, 2014 through October 31, 2014.

At the October 2, 2014 Board meeting, the Board approved the recommendation to place the following three funds on “Watch” status to be closely monitored: i) PIMCO Total Return Fund, ii) PIMCO Income Fund, and iii) PIMCO Real Return Fund. The Board also authorized the Executive Director of SIB to take necessary action, with the recommendation of PCA and TIAA-CREF Tuition Financing, Inc. (TFI), to remove any or all of the three PIMCO funds for replacement by actively-managed bond fund(s) with comparable risk return characteristics. On October, 10, 2014, in accordance with the ScholarShare *Monitoring Procedures and Criteria* and upon recommendation of PCA and TFI, assets were transferred from the PIMCO Total Return Fund to the TIAA-CREF Bond Plus Fund. With that fund replacement completed, the remaining two funds on “Watch” status include the PIMCO Income Fund and the PIMCO Real Return Fund as outlined in the table below.

**Performance of Funds on Watch Status
As of 10/31/2014**

Funds on Watch Status	Board Action Date	Watch Status Start Date	No. Months Since Watch Began	Excess Perf. Since Watch Began
PIMCO Income Fund	10/02/2014	10/01/2014	1	-0.07
PIMCO Real Return Fund	10/02/2014	10/01/2014	1	0.05

Each of these items is discussed in more detail below.

Background

New Funds Qualifying for "Watch" Status

PCA has conducted a review of the underlying funds in the ScholarShare College Savings Plan (see also the 3Q2014 ScholarShare College Savings Plan Investment Performance Status Report), and determined that no additional funds qualify for "Watch" status at this time.

Funds Currently on "Watch" Status

PIMCO Income Fund – The PIMCO Income Institutional Fund was placed on "Watch" for organizational concerns upon the departure of the firm's CIO and founder, Bill Gross, in September 2014. As of the latest quarter end period, the portfolio continued to post strong relative performance results that exceeded the benchmark by 4.91% over the 1-year period and 9.19% over the 3-year period; these results ranked in the 9th and 2nd percentile versus peers, respectively. At this time ***PCA recommends that the PIMCO Income Fund remain on "Watch" status.***

PIMCO Real Return Fund – The PIMCO Real Return Fund was also placed on "Watch" for organizational concerns upon the departure of the firm's CIO and founder, Bill Gross, in September 2014. As of the latest quarter end period, the portfolio outperformed the benchmark by 41 basis points over the 1-year period and 70 basis points over the 3-year period; these results ranked in the 5th and 8th percentile versus peers, respectively. At this time ***PCA recommends that the PIMCO Real Return Fund remain on "Watch" status.***

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ScholarShare College Savings Plan

Investment Performance Report

3rd Quarter, 2014



SCHOLARSHARE

.....
CALIFORNIA'S 529 COLLEGE SAVINGS PLAN
.....



FINANCIAL SERVICES

Market Overview – 3Q 2014



Key themes

- The long-anticipated transition to a post-quantitative easing (QE) world may have finally begun; many asset classes that previously benefited from the Fed's policies are likely to see poorer returns over the next year.
- The U.S. recovery is continuing at a modest pace. Pent up consumer demand and rising housing activity are likely to support economic growth for several years.
- China's growth rate continues to disappoint, which has broad repercussions across other emerging markets. Their central banks may need to raise interest rates to entice foreign investors, adding a further drag on economic growth.

Equities

- U.S. equities are fairly valued, and the outlook for earnings growth potential is good. High-quality, large-cap stocks may outperform, while higher yielding sectors might lag now that interest rates are moving up.
- New political leadership in many countries has helped propel equity markets as investors anticipate reforms. Valuations are attractive relative to developed markets, but earnings growth has yet to recover, and a stronger dollar could hamper returns.

Fixed Income

- The Fed is expected to begin raising interest rates in mid-2015. Higher yielding parts of the market, both domestically and abroad, should offer some protection against price declines.

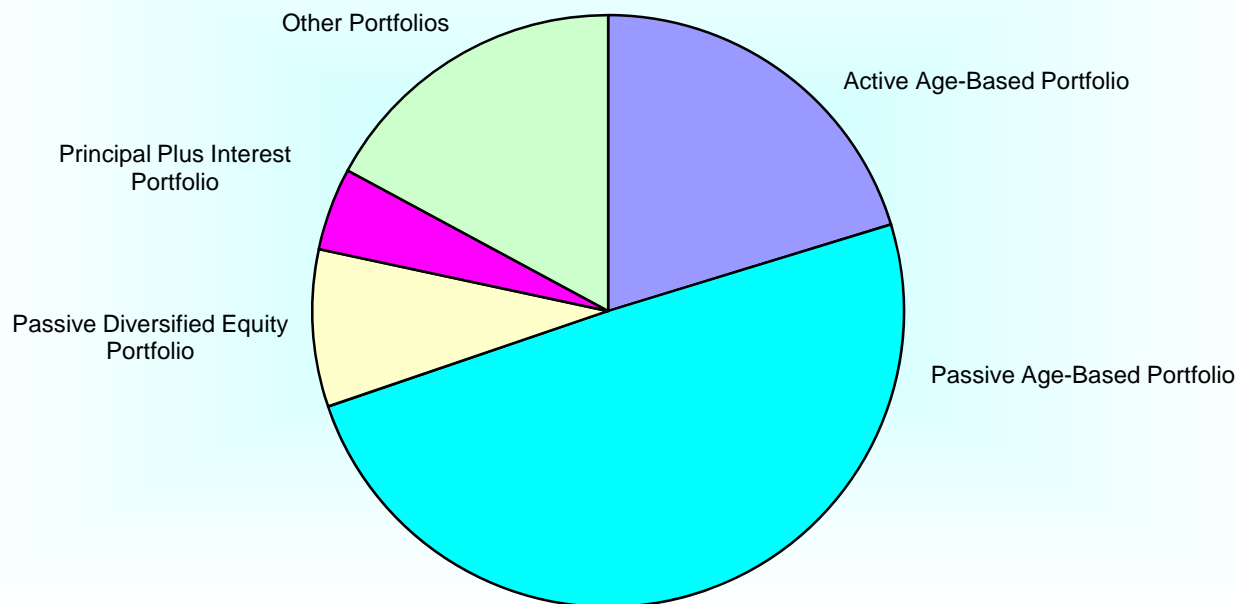
Past performance is not indicative of future results. You can not invest directly in an index. U.S. Equities – Russell 3000 Index; U.S. Growth Stocks – Russell 1000 Growth; U.S. Value Stocks – Russell 1000 Value; U.S. Mid Cap Stocks – Russell Midcap Index; U.S. Small-Cap Stocks – Russell 2000 Index; International Developed Markets – MSCI EAFE Index; Emerging Markets – MSCI Emerging Markets; Real Estate Stocks – FTSE NAREIT All Equity REITS; U.S. Investment Grade Bonds – Barclays U.S. Aggregate Bond Index; U.S. Treasuries – Barclays U.S. Government/Credit Long Index; Inflation-Linked Bonds – Barclays TIPS Index; High Yield Bonds – BofA Merrill Lynch BB/B Cash Pay Index; Commodities - Bloomberg Commodity Index; Cash - Barclays U.S. 3 month Treasury Bellweathers Index C19873

Market Performance as of September 30, 2014 (%)				
Asset Class	Latest Quarter	1 Year	3 Year	5 Year
U.S. Equities	0.01	17.76	23.08	15.78
U.S. Growth Stocks	1.49	19.15	22.45	16.50
U.S. Value Stocks	-0.19	18.89	23.93	15.26
U.S. Mid-Cap Stocks	-1.66	15.83	23.79	17.19
U.S. Small-Cap Stocks	-7.36	3.93	21.26	14.29
Int'l Developed Markets	-5.88	4.25	13.65	6.56
Emerging Markets	-3.49	4.30	7.19	4.42
Real Estate Stocks	-2.48	13.17	17.17	16.17
U.S. Investment Grade Bonds	0.17	3.96	2.43	4.12
U.S. Treasuries	1.04	12.87	4.75	8.04
Inflation-Linked Bonds	-2.04	1.59	1.34	4.48
High Yield Bonds	-1.59	7.32	10.24	9.78
Commodities	-11.83	-6.58	-5.34	-1.37
Cash	0.01	0.06	0.09	0.11
Annualized Tuition Inflation Ending as of 2013-2014 Academic Year* (%)				
Educational Institution	1 Year	3 Year	5 Year	
National Average Public 4-Year In-state	2.86	5.24	6.15	
National Average Private Nonprofit 4-Year	3.81	3.98	3.93	
CPI as of September, 2014	1.66	1.61	1.96	

*Data are for the entire academic year and are average total charges for full-time attendance. Tuition and fees were enrollment weighted. SOURCES: CollegeBoard, Trends in College Pricing 2013 and U.S. Department of Labor: Bureau of Labor Statistics

TIAA-CREF Tuition Financing, Inc., a registered investment advisor

**ScholarShare Assets by Investment Portfolio
as of 9/30/14
Total Assets: \$5,959 Million**

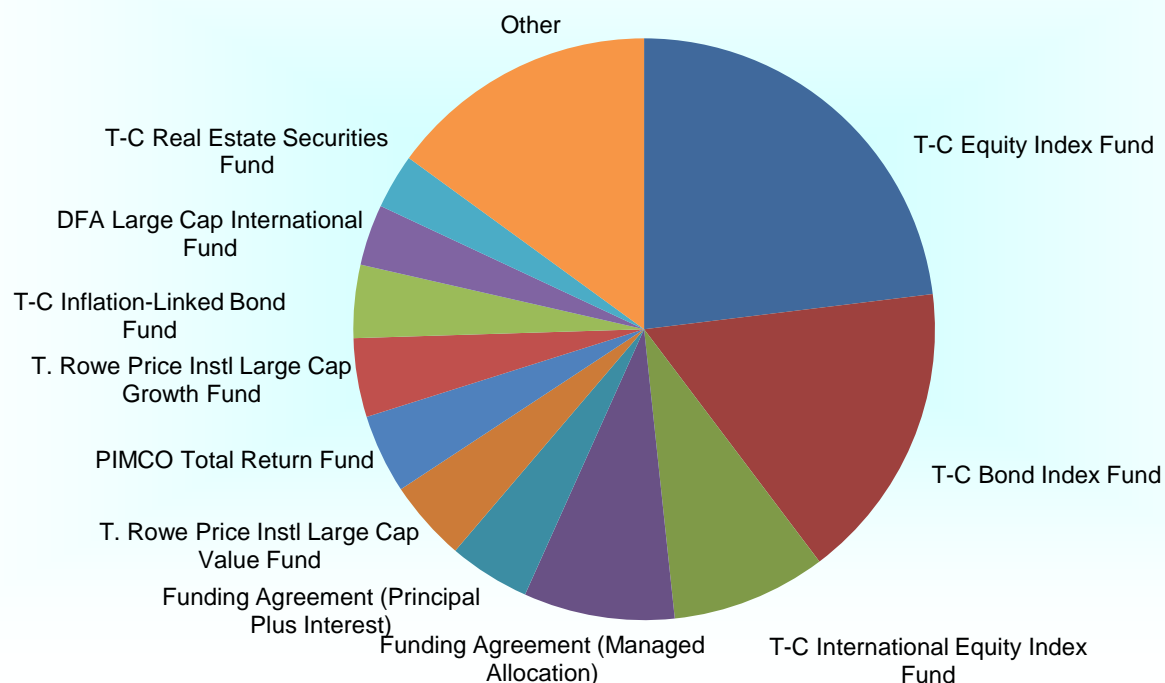


Portfolio Name	% of Assets	\$ Millions	Portfolio Name	% of Assets	\$ Millions
Passive Age-Based Portfolio	49%	\$ 2,949	Principal Plus Interest Portfolio	5%	\$ 269
Active Age-Based Portfolio	20%	\$ 1,208	Other Portfolios (see below)	17%	\$ 1,021
Passive Diversified Equity Portfolio	9%	\$ 512			
Other Portfolios					
Index U.S. Equity Portfolio	2.97%	\$ 177	Passive Conservative Portfolio	0.48%	\$ 29
Index U.S. Large Cap Equity Portfolio	2.91%	\$ 173	Active Conservative Portfolio	0.46%	\$ 27
Active Diversified Equity Portfolio	2.51%	\$ 149	Active Moderate Growth Portfolio	0.44%	\$ 26
Social Choice Portfolio	2.01%	\$ 120	Passive Moderate Growth Portfolio	0.28%	\$ 17
Index International Equity Portfolio	1.50%	\$ 89	Active Diversified Fixed Income Portfolio	0.23%	\$ 14
Active Growth Portfolio	1.38%	\$ 82	Active International Equity Portfolio	0.23%	\$ 14
Passive Growth Portfolio	1.06%	\$ 63	Passive Diversified Fixed Income Portfolio	0.09%	\$ 5
Index Bond Portfolio	0.58%	\$ 35			

ScholarShare Assets by Underlying Funds

as of 9/30/14

Total Assets: \$5,959 Million



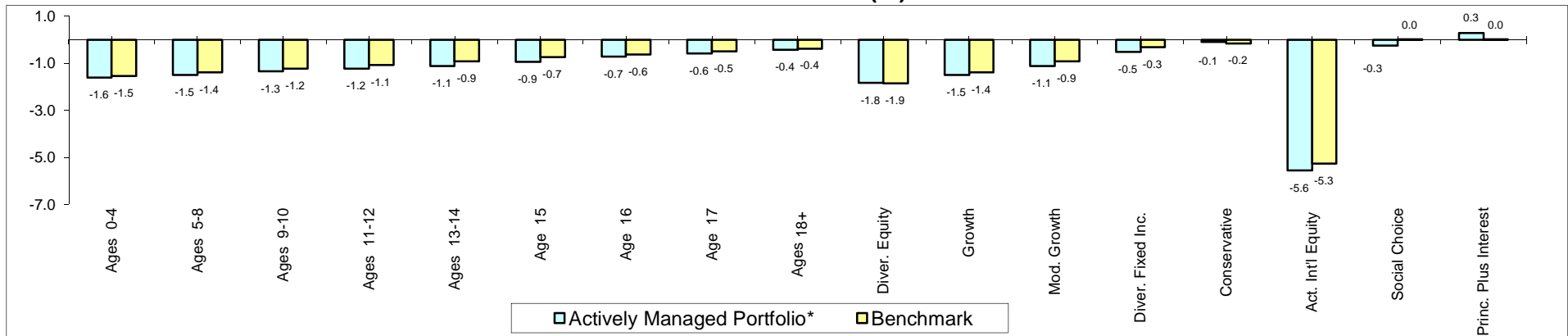
Fund Name	% of Assets	\$ Millions	Fund Name	% of Assets	\$ Millions
T-C Equity Index Fund	23.06%	\$ 1,374	PIMCO Total Return Fund	4.40%	\$ 262
T-C Bond Index Fund	16.64%	\$ 991	T. Rowe Price Instl Large Cap Growth Fund	4.38%	\$ 261
T-C International Equity Index Fund	8.61%	\$ 513	T-C Inflation-Linked Bond Fund	4.05%	\$ 241
Funding Agreement (Managed Allocation)	8.41%	\$ 501	DFA Large Cap International Fund	3.40%	\$ 202
Funding Agreement (Principal Plus Interest)	4.52%	\$ 269	T-C Real Estate Securities Fund	3.05%	\$ 182
T. Rowe Price Instl Large Cap Value Fund	4.51%	\$ 268	Other	14.98%	\$ 893

Other Funds

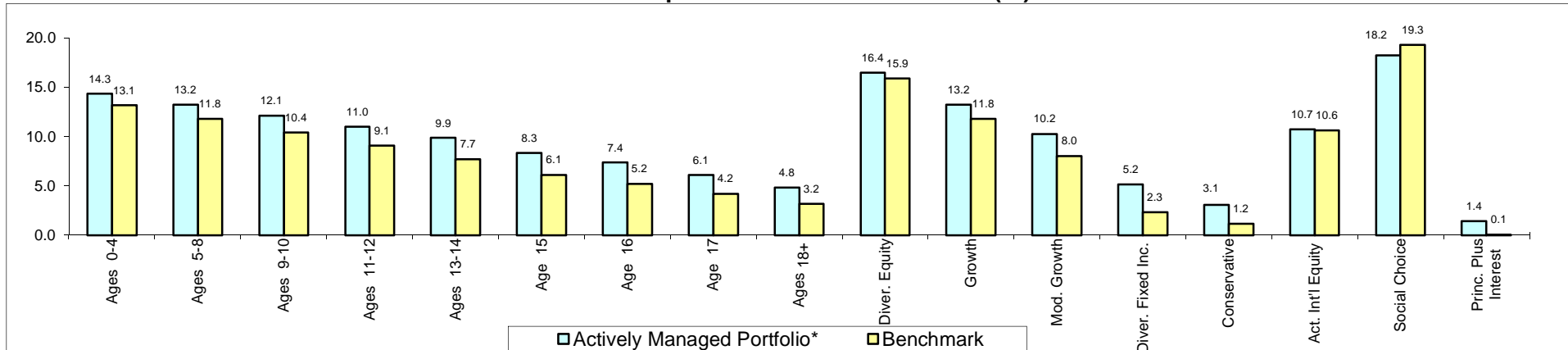
T-C S&P 500 Index Fund	2.91%	\$ 173	PIMCO Real Return Fund	1.55%	\$ 92
T-C High Yield Bond Fund	2.31%	\$ 138	T-C Small Cap Equity Fund	0.95%	\$ 56
T-C Social Choice Equity Fund	2.01%	\$ 120	T. Rowe Price Instl Floating Rate Fund	0.83%	\$ 49
PIMCO Income Fund	1.86%	\$ 111	DFA Emerging Markets Core Equity Portfolio	0.77%	\$ 46
T-C Emerging Markets Equity Index Fund	1.80%	\$ 107			

Actively Managed Portfolios vs. Composite Benchmarks

Q3 2014 Returns (%)



Since Inception Returns as of 09/30/14 (%)



* Returns are net of most recent weighted average Underlying Fund Fees, Program Management Fees (5 bps) and State Administrative Fees (5 bps).

- The U.S. economy added 671,000 jobs in the third quarter, capped by a strong September employment report (+248,000) and upward revisions to the July and August totals.
- New home sales fell in July before climbing 18% in August, the biggest one-month jump since 1992.
- Following a broad-based trend in several investment markets, most actively managed portfolios had negative absolute returns in Q3, and most performed in line with their blended benchmarks after fees. Portfolios and age bands with higher equity allocations tended to have lower absolute returns, while those with higher fixed income exposure tended to have higher absolute returns.
- A notable contributor to relative returns was the TIAA-CREF Small-Cap Equity Fund, which returned 150 basis points over its benchmark in Q3. Another standout was the PIMCO Income Fund, which outperformed by 59 basis points.
- Detracting from performance was the T. Rowe Price Institutional Large Cap Growth Fund. This fund trailed its benchmark by 89 basis points and remains in negative territory for the year, though still has notably strong long term returns.

ScholarShare College Savings Plan Performance Summary
 Actively Managed Portfolios vs. Composite Benchmarks*
 For the Period Ending 09/30/2014

Investment Portfolios	Average Annual Total Return						Inception Date
	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception	
Active Age-Based Portfolios**							
Active Age-Based Portfolio 0-4	-1.60%	4.17%	11.57%	-	-	14.31%	11/04/11
Blended Benchmark Returns	-1.55%	4.94%	11.35%	-	-	13.14%	
Difference	-0.05%	-0.77%	0.22%			1.17%	
Active Age-Based Portfolio 5-8	-1.51%	4.14%	10.73%	-	-	13.20%	11/04/11
Blended Benchmark Returns	-1.39%	4.82%	10.36%	-	-	11.78%	
Difference	-0.12%	-0.68%	0.37%			1.42%	
Active Age-Based Portfolio 9-10	-1.34%	4.11%	9.94%	-	-	12.11%	11/04/11
Blended Benchmark Returns	-1.24%	4.69%	9.38%	-	-	10.41%	
Difference	-0.10%	-0.58%	0.56%			1.70%	
Active Age-Based Portfolio 11-12	-1.24%	4.15%	9.02%	-	-	10.99%	11/04/11
Blended Benchmark Returns	-1.08%	4.56%	8.39%	-	-	9.05%	
Difference	-0.16%	-0.41%	0.63%			1.94%	
Active Age-Based Portfolio 13-14	-1.13%	4.12%	8.06%	-	-	9.85%	11/04/11
Blended Benchmark Returns	-0.93%	4.42%	7.41%	-	-	7.69%	
Difference	-0.20%	-0.30%	0.65%			2.16%	
Active Age-Based Portfolio 15	-0.94%	3.87%	7.04%	-	-	8.33%	11/04/11
Blended Benchmark Returns	-0.74%	3.90%	6.07%	-	-	6.11%	
Difference	-0.20%	-0.03%	0.97%			2.22%	
Active Age-Based Portfolio 16	-0.73%	3.54%	6.22%	-	-	7.35%	11/04/11
Blended Benchmark Returns	-0.63%	3.44%	5.23%	-	-	5.20%	
Difference	-0.10%	0.10%	0.99%			2.15%	
Active Age-Based Portfolio 17	-0.59%	2.95%	5.04%	-	-	6.07%	11/04/11
Blended Benchmark Returns	-0.50%	2.79%	4.21%	-	-	4.18%	
Difference	-0.09%	0.16%	0.83%			1.89%	
Active Age-Based Portfolio 18 & Over	-0.43%	2.41%	3.99%	-	-	4.83%	11/04/11
Blended Benchmark Returns	-0.38%	2.15%	3.20%	-	-	3.17%	
Difference	-0.05%	0.26%	0.79%			1.66%	
Active Multi-Fund Investment Portfolios							
Active Diversified Equity Portfolio	-1.83%	4.15%	13.16%	-	-	16.43%	11/04/11
Blended Benchmark Returns	-1.86%	5.16%	13.32%	-	-	15.88%	
Difference	0.03%	-1.01%	-0.16%			0.55%	
Active Growth Portfolio	-1.51%	4.06%	10.73%	-	-	13.20%	11/04/11
Blended Benchmark Returns	-1.39%	4.82%	10.36%	-	-	11.78%	
Difference	-0.12%	-0.76%	0.37%			1.42%	
Active Moderate Growth Portfolio	-1.12%	4.08%	7.98%	-	-	10.24%	11/09/11
Blended Benchmark Returns	-0.93%	4.42%	7.41%	-	-	8.02%	
Difference	-0.19%	-0.34%	0.57%			2.22%	
Active Conservative Portfolio	-0.09%	2.44%	2.63%	-	-	3.07%	11/04/11
Blended Benchmark Returns	-0.15%	1.91%	1.75%	-	-	1.18%	
Difference	0.06%	0.53%	0.88%			1.89%	
Active International Equity Portfolio	-5.56%	-0.07%	4.92%	-	-	10.74%	11/10/11
Blended Benchmark Returns	-5.27%	0.00%	4.81%	-	-	10.61%	
Difference	-0.29%	-0.07%	0.11%			0.13%	
Active Diversified Fixed Income Portfolio	-0.52%	4.14%	4.14%	-	-	5.16%	11/08/11
Blended Benchmark Returns	-0.32%	3.82%	3.48%	-	-	2.34%	
Difference	-0.20%	0.32%	0.66%			2.82%	
Active Single Fund Investment Portfolios							
Social Choice Portfolio	-0.25%	6.84%	16.91%	-	-	18.18%	11/04/11
Benchmark Returns	0.01%	6.95%	17.76%	-	-	19.29%	
Difference	-0.26%	-0.11%	-0.85%			-1.11%	
Principal Plus Interest Portfolio***	0.29%	0.87%	1.26%	-	-	1.43%	11/04/11
Benchmark Returns	0.01%	0.03%	0.04%	-	-	0.06%	
Difference	0.28%	0.84%	1.22%			1.37%	

* Returns are net of most recent weighted average Underlying Fund Fees, Program Management Fees (5 bps) and State Administrative Fees (5 bps).

**There is a guaranteed crediting rate of 1.00% for the TC Life Funding Agreement in the Active Age-Based Portfolio.

***The crediting rate of 1.20% for the TC Life Funding Agreement in the Principal Plus Interest Portfolio is guaranteed through 12/31/14.

ScholarShare College Savings Plan Performance Summary
Actively Managed Portfolios
Asset Allocation, Fees, and Performance
Q3 2014

Investment Portfolios

Active Age-Based Portfolio Age of Beneficiary	Q3 Portfolio Return	Q3 Blended Benchmk Return	Annual Asset Based Fees (bp)*	T. Rowe Price Instl Large Cap Growth Fund	T. Rowe Price Instl Large Cap Value Fund	T. Rowe Price Instl Floating Rate Fund	TIAA-CREF Small Cap Equity Fund	TIAA-CREF Real Estate Securities Fund	DFA Large Cap International Portfolio	DFA Emerging Markets Core Equity I Portfolio	PIMCO Total Return Instl Fund	PIMCO Real Return Instl Fund	PIMCO Income Instl Fund	T-C Life Funding Agreement
Underlying Fund Expenses (bp)				56	58	56	48	52	29	63	46	47	45	0
0 - 4	-1.60%	-1.55%	60	22.68%	22.68%	2.00%	5.04%	5.60%	19.20%	4.80%	10.00%	4.00%	4.00%	0.00%
5 - 8	-1.51%	-1.39%	60	19.85%	19.85%	3.00%	4.40%	4.90%	16.80%	4.20%	15.00%	6.00%	6.00%	0.00%
9 - 10	-1.34%	-1.24%	59	17.01%	17.01%	4.00%	3.78%	4.20%	14.40%	3.60%	20.00%	8.00%	8.00%	0.00%
11 - 12	-1.24%	-1.08%	59	14.18%	14.18%	5.00%	3.14%	3.50%	12.00%	3.00%	25.00%	10.00%	10.00%	0.00%
13 - 14	-1.13%	-0.93%	58	11.34%	11.34%	6.00%	2.52%	2.80%	9.60%	2.40%	30.00%	12.00%	12.00%	0.00%
15	-0.94%	-0.74%	53	8.51%	8.51%	6.00%	1.88%	2.10%	7.20%	1.80%	30.00%	12.00%	12.00%	10.00%
16	-0.73%	-0.63%	48	7.09%	7.09%	5.50%	1.57%	1.75%	6.00%	1.50%	27.50%	11.00%	11.00%	20.00%
17	-0.59%	-0.50%	41	5.67%	5.67%	4.50%	1.26%	1.40%	4.80%	1.20%	22.50%	9.00%	9.00%	35.00%
18+	-0.43%	-0.38%	34	4.25%	4.25%	3.50%	0.95%	1.05%	3.60%	0.90%	17.50%	7.00%	7.00%	50.00%
Fund's Performance vs Benchmk Q3 2014 (bp)				(89)	39	(13)	150	(19)	(33)	28	(53)	(16)	59	24

Active Multi-Fund Investment Portfolios

Active Diversified Equity Portfolio	-1.83%	-1.86%	61	28.35%	28.35%		6.30%	7.00%	24.00%	6.00%				
Active Growth Portfolio	-1.51%	-1.39%	60	19.85%	19.85%	3.00%	4.40%	4.90%	16.80%	4.20%	15.00%	6.00%	6.00%	
Active Moderate Growth Portfolio	-1.12%	-0.93%	58	11.34%	11.34%	6.00%	2.52%	2.80%	9.60%	2.40%	30.00%	12.00%	12.00%	
Active Diversified Fixed Income Portfolio	-0.52%	-0.32%	57			10.00%					50.00%	20.00%	20.00%	
Active Conservative Portfolio	-0.09%	-0.15%	33			5.00%					25.00%	10.00%	10.00%	50.00%
Active International Equity Portfolio	-5.56%	-5.27%	46						80.00%	20.00%				
Fund's Performance vs Benchmk Q3 2014 (bp)				(89)	39	(13)	150	(19)	(33)	28	(53)	(16)	59	24

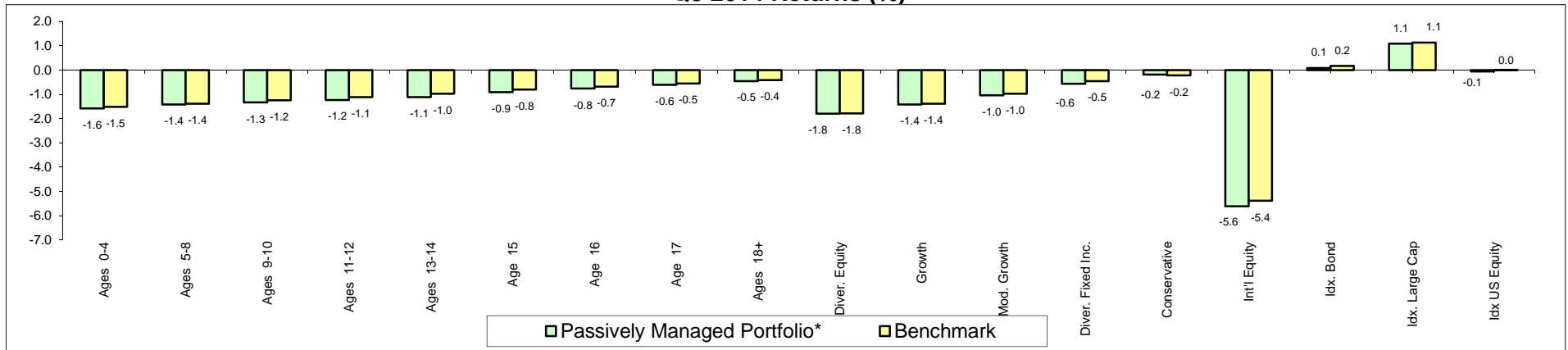
Active Single Fund Investment Portfolios

Investment Portfolios	Q3 Portfolio Return	Q3 Blended Benchmk Return	Annual Asset Based Fees (bp)*	Percent Allocation	Underlying Mutual Fund	Fund's Performance vs Benchmk Q3 2014 (bp)
Social Choice Portfolio	-0.25%	0.01%	28	100.00%	TIAA-CREF Social Choice Equity Fund	(25)
Principal Plus Interest Portfolio	0.29%	0.01%	-	100.00%	TIAA-CREF Life Co. Funding Agreement	28

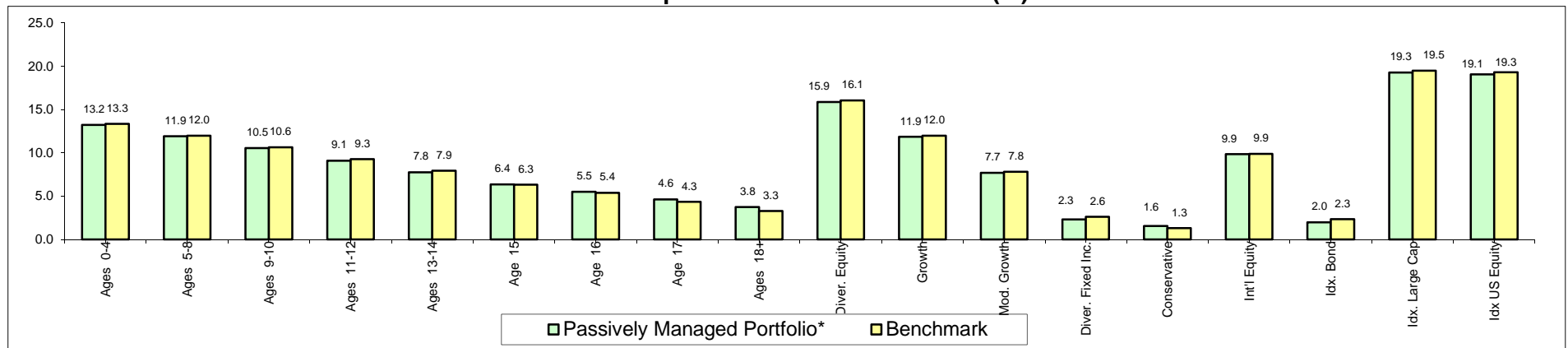
* Asset Based Fees include most recent weighted average Underlying Fund Fees, Program Management Fees (5 bps) and State Administrative Fees (5 bps).

Passively Managed Portfolios vs. Composite Benchmarks

Q3 2014 Returns (%)



Since Inception Returns as of 09/30/14 (%)



* Returns are net of most recent weighted average Underlying Fund Fees and Program Management Fees (5 bps) for the quarter, as well as State Administrative Fees (5 bps) before 11/12/13.

- The S&P 500 Index fell 1.38% in July, ending a string of five straight months of gains. In August, the index surged 4% and closed above the 2,000 level for the first time. September, however, generally lived up to its reputation as being the worst month for stocks, as the S&P 500 returned -1.40% and finished the full quarter with only a slight 1.13% gain.
- Based on MSCI indexes, equity market returns outside of the U.S. ranged from a small decline in Europe (-0.24%) to a nearly 6% rise in Japan.
- U.S. Treasuries (+0.34%) marginally extended their 2014 rally, with the yield on the bellwether 10-year note dipping one basis point to close the quarter at 2.52%.
- Most Passively Managed Portfolios posted losses for the quarter, but as designed, they generally performed in line with their benchmarks net of underlying mutual fund expenses, program management fees, and the impact of fair value pricing for the international index funds.
- Contributing to Q3 relative performance was the TC Life Funding Agreement (+24 basis points vs. benchmark for the quarter based on the 1.00% annual crediting rate). The Funding Agreement has been consistently outperforming the 3 Month Treasury Bill Index during the current low interest rate environment.
- The Index U.S. Large Cap Equity Portfolio, with exposure to the broad large cap U.S. stock market through the TIAA-CREF S&P 500 Index Fund, generated the highest absolute returns for the quarter, returning 1.09%.
- The Index International Equity Portfolio had the lowest absolute performance in Q3 due to weakness in the international equity markets, returning -5.60%.

ScholarShare College Savings Plan Performance Summary
Passively Managed Portfolios vs. Composite Benchmarks*
For the Period Ending 09/30/2014

Investment Portfolios	Average Annual Total Return						
	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception	Inception Date
Passive Age-Based Portfolio**							
Passive Age-Based Portfolio 0-4	-1.58%	4.67%	11.50%	-	-	13.23%	11/04/11
Blended Benchmark Returns	-1.51%	4.93%	11.42%	-	-	13.35%	
Difference	-0.07%	-0.26%	0.08%	-	-	-0.12%	
Passive Age-Based Portfolio 5-8	-1.42%	4.68%	10.61%	-	-	11.91%	11/04/11
Blended Benchmark Returns	-1.38%	4.83%	10.47%	-	-	11.99%	
Difference	-0.04%	-0.15%	0.14%	-	-	-0.08%	
Passive Age-Based Portfolio 9-10	-1.33%	4.45%	9.58%	-	-	10.54%	11/04/11
Blended Benchmark Returns	-1.24%	4.73%	9.52%	-	-	10.63%	
Difference	-0.09%	-0.28%	0.06%	-	-	-0.09%	
Passive Age-Based Portfolio 11-12	-1.23%	4.29%	8.51%	-	-	9.10%	11/04/11
Blended Benchmark Returns	-1.11%	4.62%	8.57%	-	-	9.28%	
Difference	-0.12%	-0.33%	-0.06%	-	-	-0.18%	
Passive Age-Based Portfolio 13-14	-1.11%	4.28%	7.62%	-	-	7.77%	11/04/11
Blended Benchmark Returns	-0.98%	4.51%	7.62%	-	-	7.93%	
Difference	-0.13%	-0.23%	0.00%	-	-	-0.16%	
Passive Age-Based Portfolio 15	-0.91%	3.91%	6.50%	-	-	6.35%	11/04/11
Blended Benchmark Returns	-0.80%	3.99%	6.28%	-	-	6.32%	
Difference	-0.11%	-0.08%	0.22%	-	-	0.03%	
Passive Age-Based Portfolio 16	-0.76%	3.54%	5.79%	-	-	5.52%	11/04/11
Blended Benchmark Returns	-0.68%	3.52%	5.41%	-	-	5.39%	
Difference	-0.08%	0.02%	0.38%	-	-	0.13%	
Passive Age-Based Portfolio 17	-0.61%	2.98%	4.78%	-	-	4.64%	11/04/11
Blended Benchmark Returns	-0.55%	2.86%	4.36%	-	-	4.34%	
Difference	-0.06%	0.12%	0.42%	-	-	0.30%	
Passive Age-Based Portfolio 18 & Over	-0.45%	2.39%	3.92%	-	-	3.75%	11/04/11
Blended Benchmark Returns	-0.41%	2.20%	3.32%	-	-	3.29%	
Difference	-0.04%	0.19%	0.60%	-	-	0.46%	
Passive Multi-Fund Investment Portfolios							
Passive Diversified Equity Portfolio	-1.79%	4.92%	13.28%	-	-	15.88%	11/04/11
Blended Benchmark Returns	-1.79%	5.11%	13.33%	-	-	16.07%	
Difference	0.00%	-0.19%	-0.05%	-	-	-0.19%	
Passive Growth Portfolio	-1.42%	4.61%	10.53%	-	-	11.86%	11/04/11
Blended Benchmark Returns	-1.38%	4.83%	10.47%	-	-	11.99%	
Difference	-0.04%	-0.22%	0.06%	-	-	-0.13%	
Passive Moderate Growth Portfolio	-1.04%	4.29%	7.64%	-	-	7.71%	11/08/11
Blended Benchmark Returns	-0.98%	4.51%	7.62%	-	-	7.81%	
Difference	-0.06%	-0.22%	0.02%	-	-	-0.10%	
Passive Conservative Portfolio	-0.19%	2.25%	2.35%	-	-	1.56%	11/04/11
Blended Benchmark Returns	-0.22%	2.00%	1.92%	-	-	1.31%	
Difference	0.03%	0.25%	0.43%	-	-	0.25%	
Index International Equity Portfolio	-5.60%	-0.98%	3.96%	-	-	9.85%	11/04/11
Blended Benchmark Returns	-5.38%	-0.58%	4.33%	-	-	9.88%	
Difference	-0.22%	-0.40%	-0.37%	-	-	-0.03%	
Passive Diversified Fixed Income Portfolio	-0.56%	3.79%	3.69%	-	-	2.33%	11/08/11
Blended Benchmark Returns	-0.45%	4.00%	3.82%	-	-	2.62%	
Difference	-0.11%	-0.21%	-0.13%	-	-	-0.29%	
Passive Single Fund Investment Portfolios							
Index Bond Portfolio	0.09%	3.93%	3.72%	-	-	1.99%	11/04/11
Benchmark Returns	0.17%	4.10%	3.96%	-	-	2.35%	
Difference	-0.08%	-0.17%	-0.24%	-	-	-0.36%	
Index U.S. Large Cap Equity Portfolio	1.09%	8.24%	19.56%	-	-	19.27%	11/04/11
Benchmark Returns	1.13%	8.34%	19.73%	-	-	19.49%	
Difference	-0.04%	-0.10%	-0.17%	-	-	-0.22%	
Index U.S. Equity Portfolio	-0.06%	6.89%	17.55%	-	-	19.07%	11/04/11
Benchmark Returns	0.01%	6.95%	17.76%	-	-	19.29%	
Difference	-0.07%	-0.06%	-0.21%	-	-	-0.22%	

* Returns are net of most recent weighted average Underlying Fund Fees and Program Management Fees (5 bps) for the quarter, as well as State Administrative Fees (5 bps) before 11/12/13.

**There is a guaranteed crediting rate of 1.00% for the TC Life Funding Agreement in the Passive Age-Based Portfolio.

ScholarShare College Savings Plan Performance Summary
Passively Managed Portfolios
Asset Allocation, Fees, and Performance
Q3 2014

Investment Portfolios

Passive Age-Based Portfolio Age of Beneficiary	Q3 Portfolio Return	Q3 Blended Benchmk Return	Annual Asset Based Fees (bp)*	TIAA-CREF Equity Index Fund	TIAA-CREF International Equity Index Fund	TIAA-CREF Emerging Markets Equity Index Fund	TIAA-CREF Real Estate Securities Fund	TIAA-CREF Bond Index Fund	TIAA-CREF Inflation- Linked Bond Fund	TIAA-CREF High Yield Fund	T-C Life Funding Agreement
Underlying Fund Expenses (bp)				7	7	25	52	12	27	37	0
0 - 4	-1.58%	-1.51%	18	50.40%	19.20%	4.80%	5.60%	14.00%	4.00%	2.00%	0.00%
5 - 8	-1.42%	-1.38%	18	44.10%	16.80%	4.20%	4.90%	21.00%	6.00%	3.00%	0.00%
9 - 10	-1.33%	-1.24%	19	37.80%	14.40%	3.60%	4.20%	28.00%	8.00%	4.00%	0.00%
11 - 12	-1.23%	-1.11%	20	31.50%	12.00%	3.00%	3.50%	35.00%	10.00%	5.00%	0.00%
13 - 14	-1.11%	-0.98%	21	25.20%	9.60%	2.40%	2.80%	42.00%	12.00%	6.00%	0.00%
15	-0.91%	-0.80%	19	18.90%	7.20%	1.80%	2.10%	42.00%	12.00%	6.00%	10.00%
16	-0.76%	-0.68%	18	15.75%	6.00%	1.50%	1.75%	38.50%	11.00%	5.50%	20.00%
17	-0.61%	-0.55%	15	12.60%	4.80%	1.20%	1.40%	31.50%	9.00%	4.50%	35.00%
18 +	-0.45%	-0.41%	13	9.45%	3.60%	0.90%	1.05%	24.50%	7.00%	3.50%	50.00%
Fund's Performance vs Benchmk Q3 2014 (bp)				(1)	(17)	(8)	(19)	1	(1)	(46)	24

Passive Multi-Fund Investment Portfolios

Passive Diversified Equity Portfolio	-1.79%	-1.79%	16	63.00%	24.00%	6.00%	7.00%				
Passive Growth Portfolio	-1.42%	-1.38%	18	44.10%	16.80%	4.20%	4.90%	21.00%	6.00%	3.00%	
Passive Moderate Growth Portfolio	-1.04%	-0.98%	21	25.20%	9.60%	2.40%	2.80%	42.00%	12.00%	6.00%	
Passive Diversified Fixed Income Portfolio	-0.56%	-0.45%	23					70.00%	20.00%	10.00%	
Passive Conservative Portfolio	-0.19%	-0.22%	14					35.00%	10.00%	5.00%	50.00%
Index International Equity Portfolio	-5.60%	-5.38%	16		80.00%	20.00%					
Fund's Performance vs Benchmk Q3 2014 (bp)				(1)	(17)	(8)	(19)	1	(1)	(46)	24

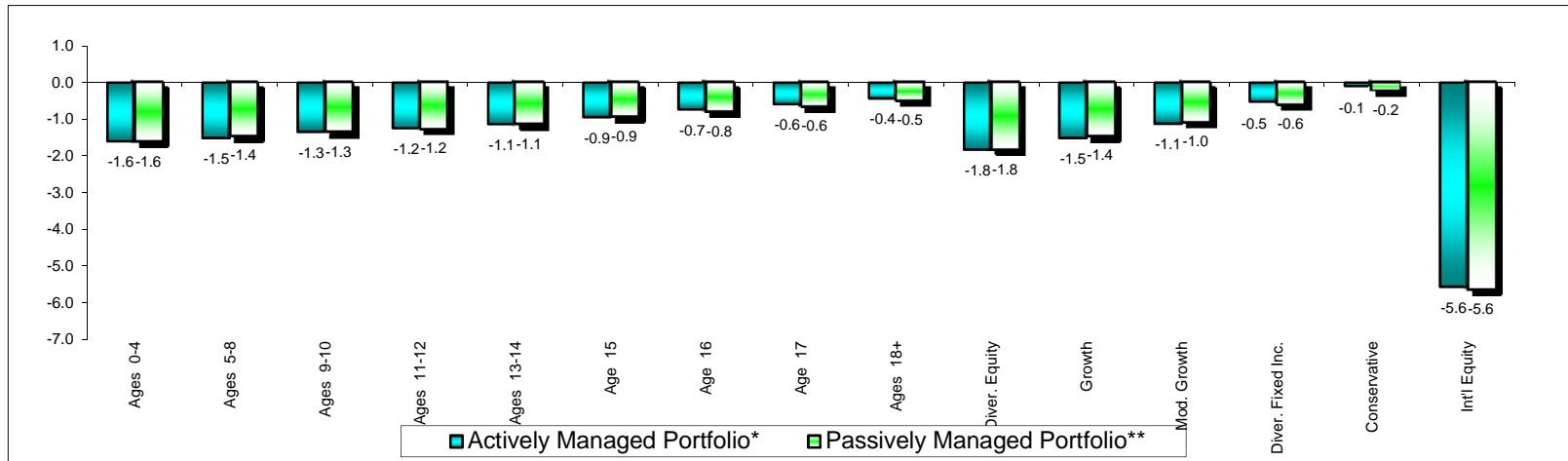
Passive Single Fund Investment Portfolios

Investment Portfolios	Q3 Portfolio Return	Q3 Blended Benchmk Return	Annual Asset Based Fees (bp)*	Percent Allocation	Underlying Mutual Fund	Fund's Performance vs Benchmk Q3 2014 (bp)
Index Bond Portfolio	0.09%	0.17%	18	100.00%	TIAA-CREF Bond Index Fund	1
Index U.S. Large Cap Equity Portfolio	1.09%	1.13%	11	100.00%	TIAA-CREF S&P 500 Index Fund	(5)
Index U.S. Equity Portfolio	-0.06%	0.01%	12	100.00%	TIAA-CREF Equity Index Fund	(1)

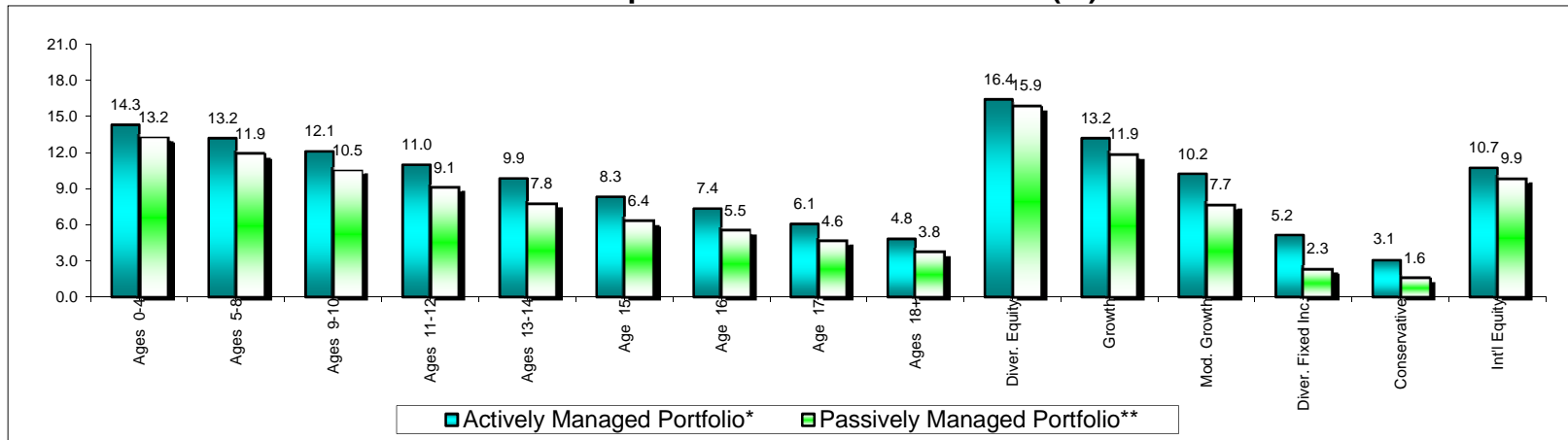
* Asset Based Fees include most recent weighted average Underlying Fund Fees and Program Management Fees (5 bps).

Actively Managed Portfolios vs. Passively Managed Portfolios

Q3 2014 Returns (%)



Since Inception Returns as of 09/30/14 (%)



* Returns are net of most recent weighted average Underlying Fund Fees, Program Management Fees (5 bps), and State Administrative Fees (5 bps).

** Returns are net of most recent weighted average Underlying Fund Fees, Program Management Fees (5 bps), and State Administrative Fees (5 bps) before 11/12/13.

- In Q3, Passive Age-Based Portfolios tended to have similar returns to the Active Age-Based Portfolios. While certain underlying funds in the Active Portfolios outperformed and others underperformed, the Active Portfolios generally generated index-like returns for the quarter.
- Since Inception returns continue to favor the Actively Managed Portfolios.

ScholarShare College Savings Plan Performance Summary

Underlying Funds vs. Benchmarks

For the Period Ending 09/30/2014

	Average Annual Total Return						Fund Incept. Date
	3 Month	YTD	1 Year	3 Year	5 Year	Life	
TIAA-CREF FUNDS							
T-C Bond Index Fund	0.18%	4.05%	3.86%	2.25%	3.90%	3.97%	09/14/2009
Barclays Capital U.S. Aggregate Bond Index	0.17%	4.10%	3.96%	2.43%	4.12%	4.21%	
Difference	0.01%	-0.05%	-0.10%	-0.18%	-0.22%	-0.24%	
T-C Emerging Markets Equity Index Fund*	-3.57%	1.54%	3.49%	7.22%	-	2.70%	08/31/2010
MSCI Emerging Markets® Index	-3.49%	2.43%	4.30%	7.19%	-	3.43%	
Difference	-0.08%	-0.89%	-0.81%	0.03%	-	-0.73%	
T-C Equity Index Fund	0.00%	6.94%	17.68%	23.03%	15.70%	4.83%	07/01/1999
Russell 3000 Index	0.01%	6.95%	17.76%	23.07%	15.78%	4.91%	
Difference	-0.01%	-0.01%	-0.08%	-0.04%	-0.08%	-0.08%	
T-C High Yield Bond Fund	-2.05%	3.20%	6.98%	10.27%	9.67%	7.96%	03/31/2006
Merrill Lynch BB/B Cash Pay Index	-1.59%	3.86%	7.32%	10.23%	9.78%	7.74%	
Difference	-0.46%	-0.66%	-0.34%	0.04%	-0.11%	0.22%	
T-C Inflation-Linked Bond Fund	-2.05%	3.51%	1.39%	1.05%	4.27%	4.85%	10/01/2002
Barclays Capital U.S. TIPS index	-2.04%	3.67%	1.59%	1.34%	4.48%	5.13%	
Difference	-0.01%	-0.16%	-0.20%	-0.29%	-0.21%	-0.28%	
T-C International Equity Index Fund*	-6.05%	-1.51%	4.19%	14.16%	6.66%	9.06%	10/01/2002
Morgan Stanley EAFE Index	-5.88%	-1.38%	4.25%	13.65%	6.56%	9.07%	
Difference	-0.17%	-0.13%	-0.06%	0.51%	0.10%	-0.01%	
T-C Real Estate Securities Fund	-2.67%	12.25%	13.14%	16.35%	15.93%	10.67%	10/01/2002
FTSE NAREIT Equity Index	-2.48%	13.36%	13.17%	17.17%	16.17%	11.20%	
Difference	-0.19%	-1.11%	-0.03%	-0.82%	-0.24%	-0.53%	
T-C S&P 500 Index Fund	1.08%	8.28%	19.64%	22.87%	15.59%	9.40%	10/01/2002
S&P 500 Index	1.13%	8.34%	19.73%	22.99%	15.70%	9.50%	
Difference	-0.05%	-0.06%	-0.09%	-0.12%	-0.11%	-0.10%	
T-C Small Cap Equity Fund	-5.86%	-1.91%	5.83%	21.95%	14.86%	11.01%	10/01/2002
Russell 2000 Index	-7.36%	-4.41%	3.93%	21.25%	14.29%	11.02%	
Difference	1.50%	2.50%	1.90%	0.70%	0.57%	-0.01%	
T-C Social Choice Equity Fund	-0.24%	6.91%	17.03%	22.38%	15.28%	4.82%	07/01/1999
Russell 3000 Index	0.01%	6.95%	17.76%	23.07%	15.78%	4.91%	
Difference	-0.25%	-0.04%	-0.73%	-0.69%	-0.50%	-0.09%	
DFA FUNDS							
DFA Emerging Markets Core Equity Portfolio*	-3.21%	3.95%	5.70%	8.41%	5.44%	9.66%	04/05/2005
MSCI Emerging Markets® Index	-3.49%	2.43%	4.30%	7.19%	4.42%	9.17%	
Difference	0.28%	1.52%	1.40%	1.22%	1.02%	0.49%	
DFA Large Cap International Portfolio*	-6.07%	-1.01%	4.65%	13.69%	6.63%	6.02%	07/17/1991
MSCI World Ex US NR Index	-5.74%	-0.66%	4.86%	13.15%	6.52%	6.14%	
Difference	-0.33%	-0.35%	-0.21%	0.54%	0.11%	-0.12%	
PIMCO FUNDS							
PIMCO Income Fund	0.76%	7.26%	8.87%	11.61%	12.77%	10.30%	03/30/2007
Barclays Capital U.S. Aggregate Bond Index	0.17%	4.10%	3.96%	2.43%	4.12%	4.93%	
Difference	0.59%	3.16%	4.91%	9.18%	8.65%	5.37%	
PIMCO Real Return Fund	-2.20%	4.17%	2.00%	2.04%	4.94%	6.71%	01/29/1997
Barclays Capital U.S. TIPS index	-2.04%	3.67%	1.59%	1.34%	4.48%	-	
Difference	-0.16%	0.50%	0.41%	0.70%	0.46%	-	
PIMCO Total Return Fund	-0.36%	3.33%	3.29%	4.56%	5.07%	7.85%	05/11/1987
Barclays Capital U.S. Aggregate Bond Index	0.17%	4.10%	3.96%	2.43%	4.12%	6.81%	
Difference	-0.53%	-0.77%	-0.67%	2.13%	0.95%	1.04%	
T. ROWE PRICE FUNDS							
T. Rowe Price Instl Floating Rate Fund	-0.40%	1.69%	3.47%	6.30%	5.88%	5.87%	01/31/2008
S&P/LTSA Performing Loan Index	-0.27%	2.12%	3.90%	6.73%	6.47%	6.01%	
Difference	-0.13%	-0.43%	-0.43%	-0.43%	-0.59%	-0.14%	
T. Rowe Price Instl Large Cap Growth Fund	0.60%	3.96%	17.05%	24.59%	17.02%	8.90%	10/31/2001
Russell 1000 Growth Index	1.49%	7.89%	19.15%	22.44%	16.51%	6.83%	
Difference	-0.89%	-3.93%	-2.10%	2.15%	0.51%	2.07%	
T. Rowe Price Instl Large Cap Value Fund	0.20%	8.36%	19.10%	24.67%	15.00%	8.19%	3/31/2000
Russell 1000 Value Index	-0.19%	8.07%	18.89%	23.93%	15.26%	6.46%	
Difference	0.39%	0.29%	0.21%	0.74%	-0.26%	1.73%	

* For funds holding securities traded on foreign exchange that close before the U.S. market, fair value pricing creates tracking error relative to a benchmark index that uses foreign closing prices.

The results of our approach speak for themselves

Pensions & Investments

- One of the top ten managers of equity assets based on institutional tax-exempt assets under management¹
- One of the top ten managers of fixed income assets based on institutional tax-exempt assets under management¹
- One of the top five real estate managers of U.S. tax-exempt assets²

Morningstar

- 97% of our mutual funds and annuities received an overall Morningstar rating of three or more stars across all asset classes (33% – 3 stars, 61% – 4 stars, 4% – 5 stars; as of 9/30/14)^{3,4}

Barron's/ Lipper

- Ranked among the top 15 mutual fund families for the past three years based on one-year asset-weighted total returns (#13 among 64 fund families in 2013, #10 among 62 fund families in 2012 and #13 among 58 fund families in 2011)⁵
- Awarded the 2014 and 2013 Best Overall Large Fund Company United States based on risk-adjusted performance⁶



1. Pensions & Investments, May 26, 2014. Rankings based on institutional tax-exempt assets under management as of December 31, 2013 reported by each responding asset manager.
2. Pensions & Investments, October 28, 2013. Rankings based on institutional tax exempt assets under management as of June 30, 2013 reported by each responding asset manager.
3. Morningstar ratings include Retail, Retirement, Premier and Institutional fund share classes; CREF Variable Annuity Accounts; and the Life Funds. Please note Morningstar rates CREF group variable annuities within the open-end mutual fund universe. Current rankings may be higher or lower on a monthly basis. Morningstar is an independent service that rates mutual funds and variable annuities. The top 10% of accounts in an investment category receive five stars, the next 22.5% receive four stars, and the next 35% receive three stars. Morningstar proprietary ratings reflect historical risk-adjusted performance and can change every month. They are calculated from the account's three-, five- and ten-year average annual returns in excess of 90-day Treasury bill returns with appropriate fee adjustments, and a risk factor that reflects subaccount performance below 90-day T-bill returns. The overall star ratings are Morningstar's published ratings, which are weighted averages of its three-, five- and ten-year ratings for periods ended September 30, 2014. Past performance cannot guarantee future results. For current performance and rankings, please visit <https://www.tiaa-cref.org/public/tcfpi/InvestResearch>
4. Please note variable annuity account options are available through contracts issued by TIAA or CREF. These contracts are designed for retirement or other long-term goals, and offer a variety of income options, including lifetime income. Payments from the variable annuity accounts are not guaranteed and will rise or fall based on investment performance.
5. TIAA-CREF ranked #13 among 64 fund families in 2013, #10 among 62 fund families in 2012, # 13 among 58 fund families in 2011. The Lipper/Barron's Fund Family survey uses an asset-weighted ranking system. Each fund's return was measured against all those in its Lipper category, and the resulting percentile ranking was then weighted by asset size relative to the fund family's other assets in its general category. The family's overall ranking was then determined by weighting the five fund categories in proportion to their overall importance within Lipper's fund universe. In the five-year overall ranking, TIAA-CREF is ranked 19th out of 55 mutual fund families in 2013, 29th out of 53 mutual fund families in 2012 and 2011. TIAA-CREF does not qualify for the 10-year ranking.
6. The Lipper Award is given to the group with the lowest average decile ranking of three years' Consistent Return for eligible funds over the three-year period ended 11/30/12 and 11/30/13 respectively. TIAA-CREF was ranked against 36 fund companies in 2012 and 48 fund companies in 2013 with at least five equity, five bond, or three mixed-asset portfolios. Past performance does not guarantee future results. For current performance and rankings, please visit the Research and Performance section on tiaa-cref.org.

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