

IPPFA

Dow Jones U.S. Total Stock Market (“TSM”) Index

January 29, 2010

Agenda

- ❖ **IPPFA & Dow Jones Indexes**
- ❖ **Index Comparison & Competitive Advantages**
 - ❖ Completeness
 - ❖ Construction
 - ❖ Conflict-Free
- ❖ **Discussion & Technical Information**

Index Comparison

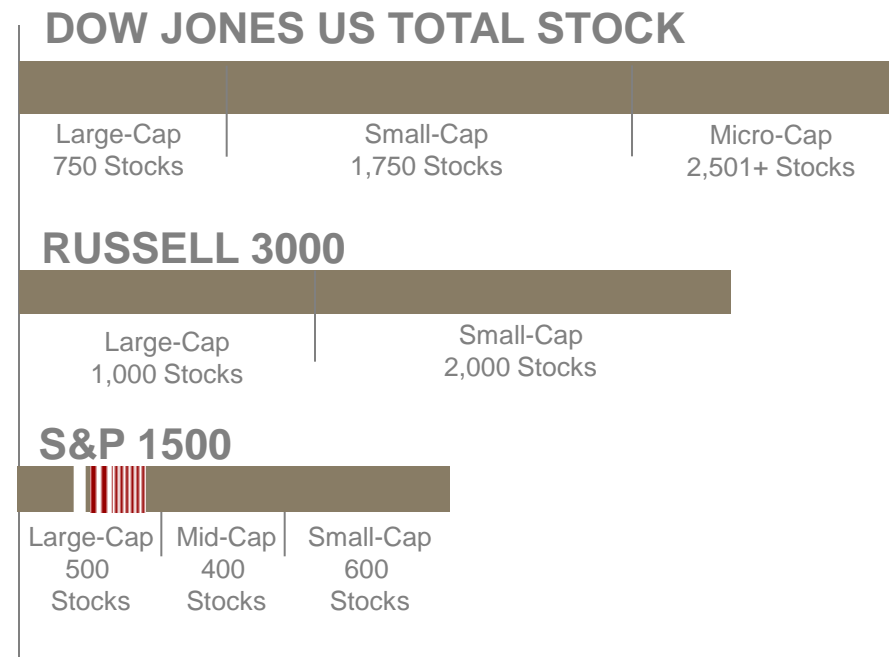
	Dow Jones U.S. Total Stock Market Index	Russell 3000 Index	S&P 1500 Index
Target Market Coverage	100%	98%	90%
Size Segments	Large: 1-750 Small: 751-2,500 Micro: 2,501+	Large: 1-1,000 Small: 1,001-3,000	Large: 500* Mid: 400** Small: 600***
Style Factors	6 Projected P/E Proj. Earnings Growth Price-to-Book Dividend Yield Trailing Rev. Growth Trailing Earn. Growth	2 Book-to-Price I/B/E/S Forecast Long-Term Growth Mean	6 Sales Growth Earn. Change to Price Momentum Book Value to Price Sales to Price Dividend Yield
Reconstitution	Monthly: Adds & Deletes Quarterly: Shares & Float Semi-Annual: Size & Style	Annual	As-needed basis
Treatment of IPOs	Monthly	Quarterly	Seasoned for 6 to 12 months before consideration
Index Governance	Rules-based	Rules-based	Committee-based

*S&P 500: Companies with full market capitalization of US\$ 3.5 billion or more.

**S&P MidCap 400: Companies with full market capitalization of US\$ 850 million to US\$ 3.8 billion

***S&P SmallCap 600: Companies with full market capitalization of US\$ 250 million to US\$ 1.2 billion

Size Segment Distinctions



Dow Jones size segments reflect how most active managers truly invest. Small cap managers tend to invest in stocks larger than Russell 2000.

TSM Exclusions Found in Russell 2000

Reason for Exclusion	# of Stocks	Market Cap (\$MM)
Foreign	47	35,720.56
Offshore	13	10,436.18
Investment Trust/ Closed-End Fund	20	8,251.46
Total	80	54,408.20

Name	Ticker	Market Cap (\$MM)
China Automotive Systems Inc	CAAS	250.67
China BAK Battery Inc	CBAK	285.57
China Fire & Security Group Inc	CFSG	529.79
China Green Agriculture Inc	CGA	265.83
China Housing & Land Development Inc	CHLN	119.52
China Information Security Technology In	CPBY	270.34
China Precision Steel Inc	CPSL	126.65
China Security & Surveillance Technology	CSR	368.02
China Sky One Medical Inc	CSKI	219.64
China TransInfo Technology Corp	CTFO	211.38
China-Biotics Inc	CHBT	273.28
ChinaCast Education Corp	CAST	260.04

Data as of September 30, 2009.

- ❖ There are 80 stocks in the Russell 3000 Index that are intentionally excluded from the Dow Jones U.S. Total Stock Market Index.
- ❖ 72 of these stocks are components in the Russell 2000 Index and account for 2.39% of the index's total weight.
- ❖ 12 of the 47 foreign stocks are Chinese-based companies that actually contain the word "China" as part of the company's name.

Not All Coverage Is Created Equally

❖ The S&P 500 is missing 83 of the largest 500 stocks in the U.S.

Name	Ticker	Market Cap Rank
Berkshire Hathaway, Inc.	BRK/A	19
Marvell Technology Group Ltd.	MRVL	215
BlackRock Inc.	BLK	223
Crown Castle International Corp.	CCI	227
Annaly Capital Management Inc.	NLY	229
Seagate Technology Inc.	STX	239
Mosaic Co.	MOS	248
Delta Air Lines Inc.	DAL	251
Discovery Communications Inc.	DISCA	257
Vertex Pharmaceuticals Inc.	VRTX	263

Data as of December 31, 2009.

Benchmark Misfit & Trustee Decision Making

- ❖ **Benchmark misfit exists when the sum of the sub-asset classes does not equal the entire asset class.**
- ❖ **Benchmark misfit falls into two categories: (1) gaps and overlaps, and (2) allocation misfit.**

*Excerpted from the Journal of Indexes article “*Benchmarking Policy Portfolios*” July/August 2009.

Benchmark Misfit & Trustee Decision Making

Benchmark	Constituents	Market Cap (\$ billion)	Market Coverage
Dow Jones U.S. Total Stock Market Index	4,599	9,662.04	100.00%
S&P 500 Index	500	7,851.81	81.26%
Russell 2000 Index	<u>1,934</u>	<u>745.35</u>	<u>7.71%</u>
S&P 500 + Russell 2000 Subtotal	2,434	8,597.16	88.98%
Gap in Market Coverage	2,165	1,064.88	11.02%

- ❖ Gaps and overlaps occur when the sub-asset class benchmarks are mixed and matched among different index providers.

*Excerpted from the Journal of Indexes article "Benchmarking Policy Portfolios" July/August 2009.

Style Factors

	Dow Jones U.S. Total Stock Market Index	Russell 3000 Index	S&P 1500 Index
Style Factors	6 Projected P/E Proj. Earnings Growth Price-to-Book Dividend Yield Trailing Rev. Growth Trailing Earn. Growth	2 Book-to-Price I/B/E/S Forecast Long-Term Growth Mean	6 Sales Growth Earn. Change to Price Momentum Book Value to Price Sales to Price Dividend Yield

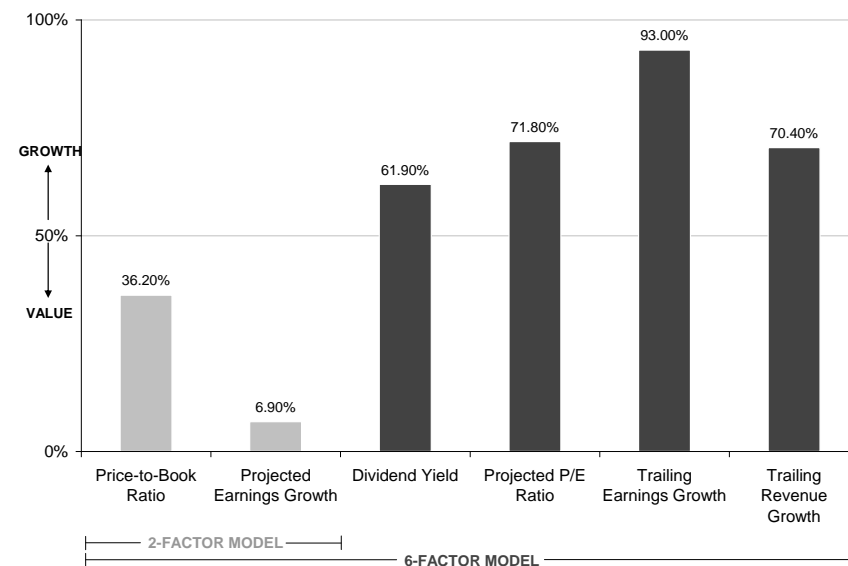
- ❖ **Style segmentation rules are meant to be comprehensive and implemented in a manner that results in pure style indexes.**
- ❖ **Dow Jones constituents are EITHER growth or value.**
- ❖ **Russell and S&P allow stocks to be in both growth and value indexes.**

*Effective December 2009, S&P updated the factors it uses to calculate its style index series. It's performance and track record are not yet known.

Style Factors

Components Reclassified Under 2-Factor Model

	Count	Market Cap (\$Billion)	% Change in MCap
Large Cap	91	1,509.44	12.07%
Growth to Value	62	842.21	12.81%
Value to Growth	29	667.23	11.25%
Small Cap	161	140.07	9.23%
Growth to Value	94	71.16	9.34%
Value to Growth	67	68.91	9.11%
Total	252	1,649.51	11.76%



Data as of March 31, 2008.

Style Factors

Dow Jones and Russell Style Discrepancies

Dow Jones	Russell	Discrepancies
Large Growth	Large Value	64
Large Value	Large Growth	24
Small Growth	Large Value	12
Small Growth	Small Value	153
Small Value	Large Growth	11
Small Value	Small Growth	36
	Total	300

- ❖ 300 of the 2,109 pure growth or pure value companies within the Russell 3000 Index had different style classifications relative to the Dow Jones U.S. Total Stock Market Style Indexes.
- ❖ This number represents about a 14% change in component count.

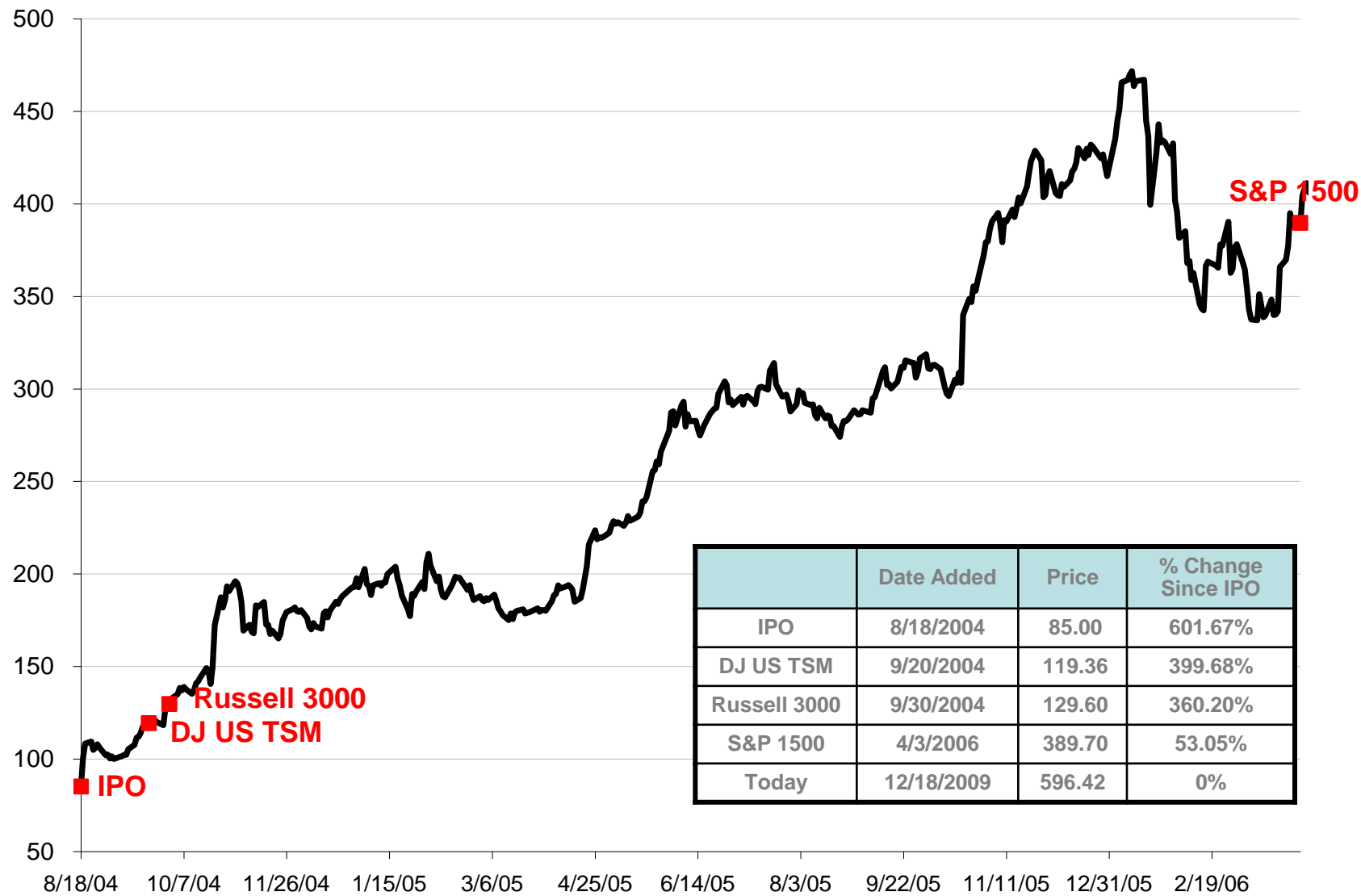
Data as of June 30, 2008.

Reconstitution:

Construction Reflects Market Sensitivity

Frequency	Index Maintenance	Frequency of Change
Immediate	Corporate actions such as mergers, acquisitions, splits and spin –offs.	Pre-announcements provided when known, but changes always applied on the effective date.
Monthly	<ul style="list-style-type: none"> ▪ Added - New components, such as IPOs ▪ Removed – Issues moving to pink sheets, ceasing to trade, or those issues failing index/minimum liquidity requirements 	Pre-announcements made after market close on the 2 nd Friday of the month; changes made after market close on the 3 rd Friday of month.
Quarterly	<ul style="list-style-type: none"> • Weight adjustments whereby component shares and float factors are updated. 	After market close on the 3 rd Friday in March, June, September and December.
Semi - Annual	<ul style="list-style-type: none"> ▪ Complete constituent composition review for all size and style indexes. Reconstitution and rebalance. 	After market close on the 3 rd Friday in March and September.

Treatment of IPOs (Google)



Data as of December 18, 2009.

Treatment of IPOs (Visa)



Data as of December 18, 2009.

Construction Makes A Difference

Index Name	3-Month	1-Year	3-Year	5-Year	10-Year	2008	2007	2006
Dow Jones U.S. Total Stock Market Index	5.81%	28.57%	-5.19%	0.97%	-0.25%	-37.23%	5.62%	15.77%
Russell 3000 Index	5.90%	28.34%	-5.42%	0.76%	-0.20%	-37.31%	5.14%	15.71%
S&P Composite 1500 Index	5.97%	27.25%	-5.30%	0.69%	-0.19%	-36.72%	5.47%	15.34%

Index Name	3-Month	1-Year	3-Year	5-Year	10-Year	2008	2007	2006
Dow Jones U.S. Large-Cap Total Stock Market Index	6.06%	26.98%	-5.26%	0.90%	-0.77%	-37.06%	6.40%	15.62%
Russell 1000 Index	6.07%	28.43%	-5.36%	0.79%	-0.49%	-37.60%	5.77%	15.46%
S&P 500 Index	6.04%	26.46%	-5.63%	0.42%	-0.95%	-37.00%	5.49%	15.79%

Index Name	3-Month	1-Year	3-Year	5-Year	10-Year	2008	2007	2006
Dow Jones U.S. Large-Cap Growth Total Stock Market Index	7.79%	37.40%	-1.59%	2.19%	-3.64%	-37.49%	10.97%	9.14%
Russell 1000 Growth Index	7.94%	37.21%	-1.89%	1.63%	-3.99%	-38.44%	11.81%	9.07%
S&P 500/Citigroup Growth Index	7.76%	31.57%	-2.24%	1.57%	-2.85%	-34.92%	9.13%	11.01%

Index Name	3-Month	1-Year	3-Year	5-Year	10-Year	2008	2007	2006
Dow Jones U.S. Large-Cap Value Total Stock Market Index	4.51%	17.21%	-8.88%	-0.51%	2.22%	-36.62%	1.84%	21.87%
Russell 1000 Value Index	4.22%	19.69%	-8.96%	-0.25%	2.47%	-36.85%	-0.17%	22.25%
S&P 500/Citigroup Value Index	4.22%	21.18%	-9.10%	-0.85%	0.80%	-39.22%	1.99%	20.80%

Data as of December 31, 2009.

Construction Makes A Difference

Index Name	3-Month	1-Year	3-Year	5-Year	10-Year	2008	2007	2006
Dow Jones U.S. Small-Cap Total Stock Market Index	4.37%	41.93%	-3.44%	2.49%	4.34%	-37.76%	1.90%	16.98%
Russell 2000 Index	3.87%	27.17%	-6.07%	0.51%	3.51%	-33.79%	-1.57%	18.37%
S&P SmallCap 600 Index	5.12%	25.57%	-4.80%	1.36%	6.35%	-31.07%	-0.30%	15.12%

Index Name	3-Month	1-Year	3-Year	5-Year	10-Year	2008	2007	2006
Dow Jones U.S. Small-Cap Growth Total Stock Market Index	4.36%	47.38%	-2.20%	3.14%	-0.03%	-41.26%	8.05%	13.78%
Russell 2000 Growth Index	4.14%	34.47%	-4.00%	0.87%	-1.37%	-38.54%	7.05%	13.35%
S&P SmallCap 600/Citigroup Growth Index	5.81%	28.35%	-3.14%	1.80%	4.42%	-32.94%	5.60%	10.54%

Index Name	3-Month	1-Year	3-Year	5-Year	10-Year	2008	2007	2006
Dow Jones U.S. Small-Cap Value Total Stock Market Index	4.37%	36.83%	-4.65%	1.84%	8.53%	-33.92%	-4.13%	20.04%
Russell 2000 Value Index	3.63%	20.58%	-8.22%	-0.01%	8.27%	-28.92%	-9.78%	23.48%
S&P SmallCap 600/Citigroup Value Index	4.42%	22.85%	-6.48%	0.83%	7.72%	-29.51%	-5.54%	19.57%

Index Name	3-Month	1-Year	3-Year	5-Year	10-Year	2008	2007	2006
Dow Jones U.S. Micro-Cap Total Stock Market Index	-2.13%	46.62%	-9.63%	-3.01%	5.50%	-44.98%	-8.52%	14.88%

Data as of December 31, 2009.

Construction Makes A Difference

Average Excess Returns	Composite	Large-Cap	Small-Cap
Dow Jones : Russell	0.18%	0.15%	0.66%
Dow Jones : S&P	0.34%	0.28%	1.11%
Russell : S&P	0.22%	0.25%	0.93%

- ❖ There is a 50% chance that the Dow Jones U.S. Total Stock Market Indexes may differ by more than 15bps for large-caps and 66bps for small-caps relative to its peers on a monthly basis.

Data as of June 30, 2009.

Client Confidence

- ❖ **Transparency**
- ❖ **Plan Sponsor Protection**
- ❖ **Conflict-Free**