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City of San Jose Police and Fire Department Retirement Plan

Third Quarter 2012 Private Markets Review

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Information Disclosure

- NEPC, LLC uses, as its data source, the plan's fund manager and custodian bank or fund service company, and NEPC, LLC relies on those sources for all transactions, including capital calls, distributions, income/expense and reported values. While NEPC, LLC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- The Investment Performance Analysis is provided as a management aid for the client's internal use only. Portfolio performance reported in the Investment Performance Analysis does not constitute a recommendation by NEPC, LLC.
- Information in this report on market indices and security characteristics is received from sources external to NEPC, LLC. While efforts are made to ensure that this external data is accurate, NEPC, LLC cannot accept responsibility for errors that may occur.



January 7, 2013

Board of Administration
 City of San Jose Police and Fire Department Retirement Plan
 1737 North First Street
 San Jose, CA 95112

RE: Private Equity Strategy – 3rd Quarter 2012

Dear Board of Administration Members:

We are pleased to present the September 30, 2012 Private Equity Report for the City of San Jose Police and Fire Department Retirement Plan (“the Plan”). The report provides a variety of performance analysis for the overall portfolio, as well as trailing performance, performance by lifecycle, vintage year and strategy.

The Plan’s private markets portfolio experienced a positive quarter, having a nominal IRR of 2.44% for the quarter and 11.86% for the past year. The annualized IRR of the private markets portfolio since inception was 6.85% at quarter end. Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.27.

The following table presents the status of the Plan’s private markets portfolio as of September 30, 2012:

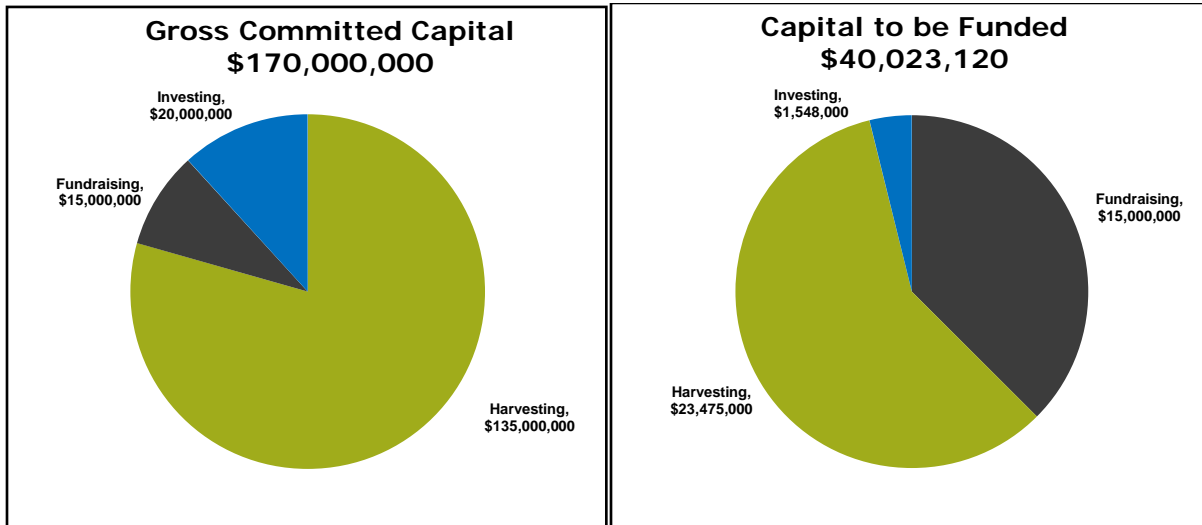
Commitment	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$170,000,000	\$0	\$129,976,880	\$37,657,810	\$128,099,709	76.46%	28.97%

Unfunded Commitment	Market Exposure (Reported Value + Unfunded Commitment)	Total Fund Composite as of 9/30/2012	Private Markets Target	Reported Value as a % of Total Fund	Market Exposure as a % of Total Fund
\$40,023,120	\$168,122,829	\$2,877,708,460	5%	4.45%	5.84%

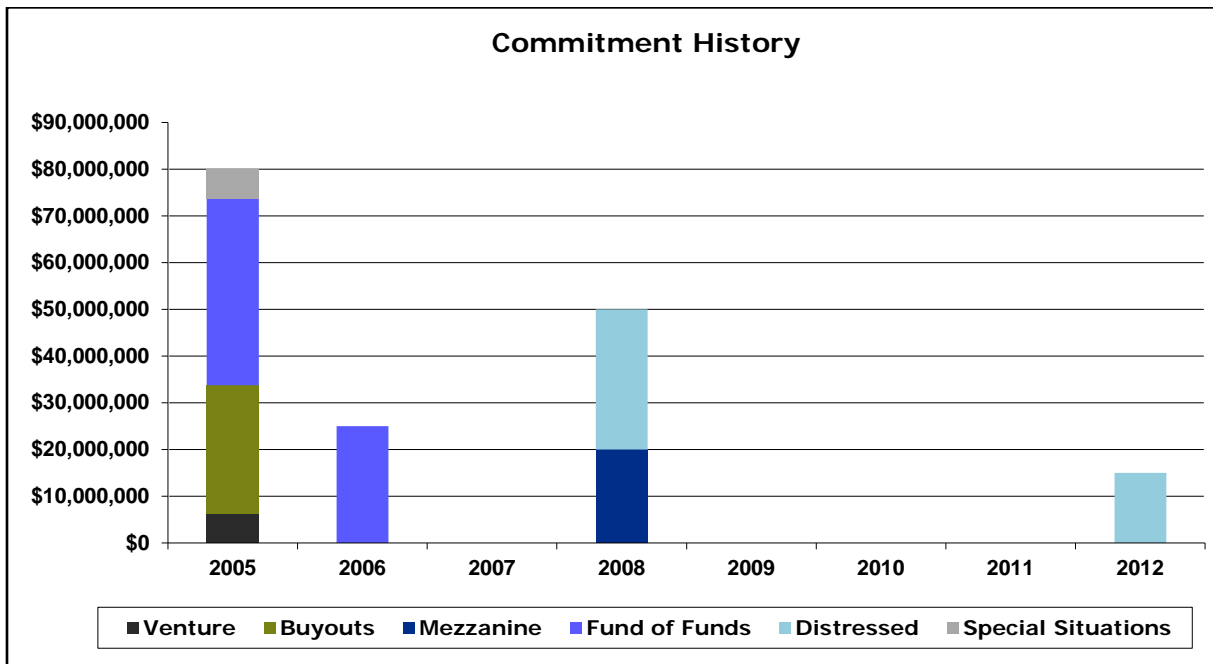
Total Value (Reported Value + Distributions)	Total Value To Capital Call Ratio	Internal Rate of Return IRR, Since Inception (September 2005)
\$165,757,519	1.27	6.85%



As of September 30, 2012, the Plan had net commitments totaling \$170.0 million to 10 private equity funds. The following charts illustrate the program's current life cycle.

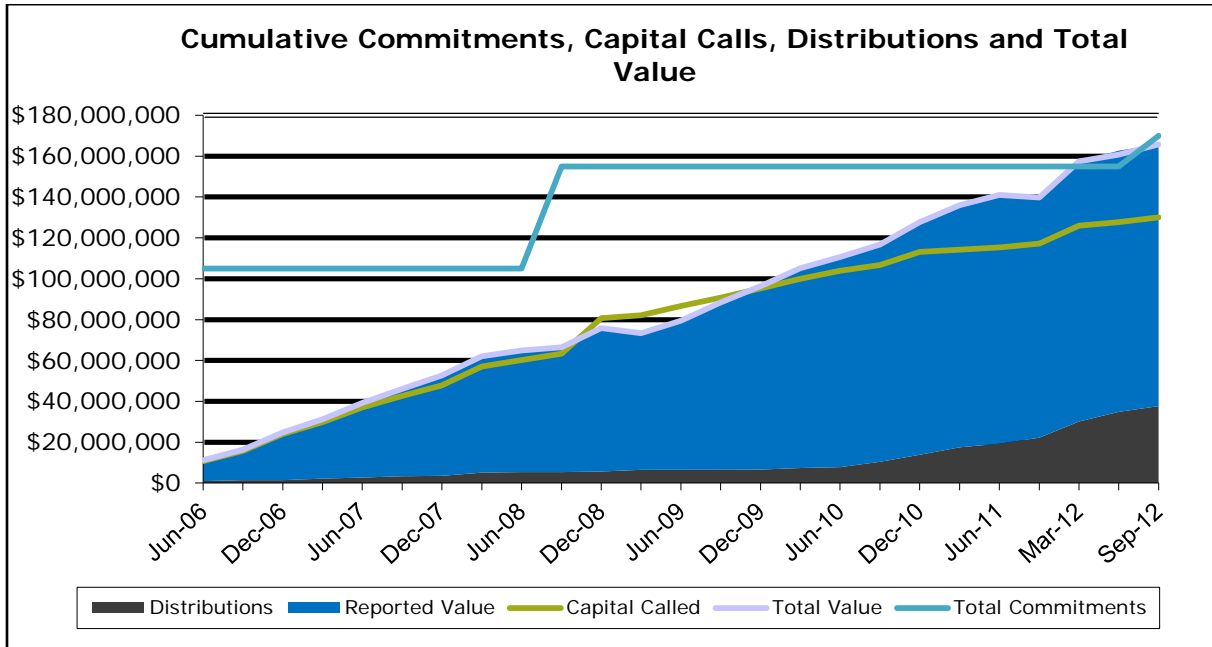


The following chart illustrates the commitment history of the Plan's private equity program through September 30, 2012:

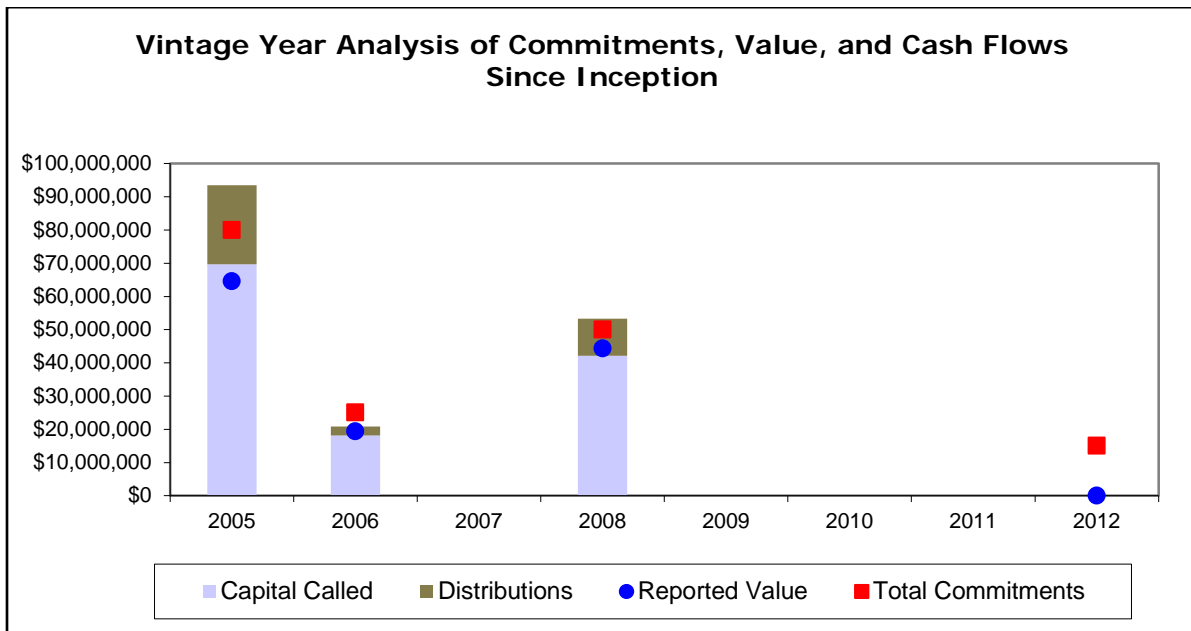




The following chart illustrates the Plan's cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through September 30, 2012:



The following chart provides an analysis of the Plan's vintage year performance comparing the capital calls to the distributions and reported value through September 30, 2012:

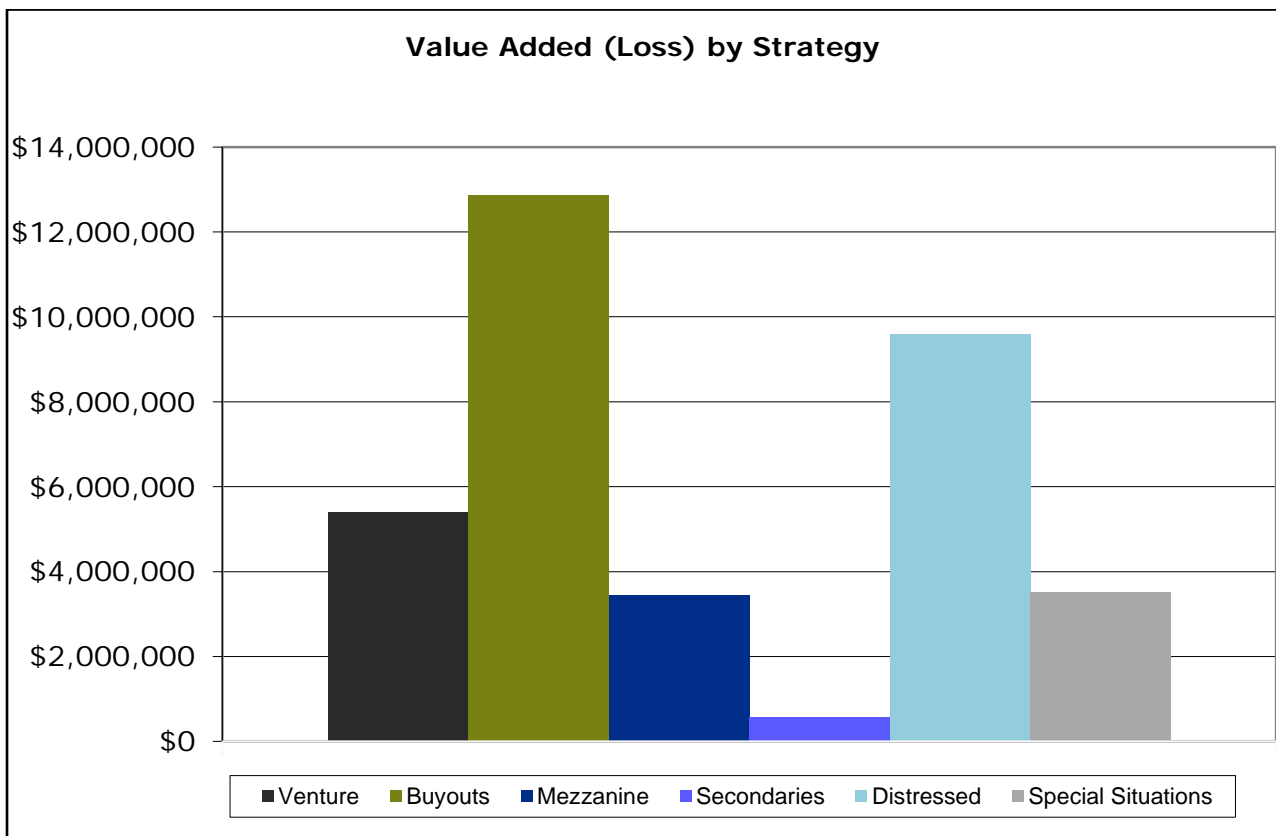




During the quarter-ended September 30, 2012, the Plan's private equity portfolio had capital calls from 3 funds and received distributions from 8 funds. The summary of the cash flows is as follows:

Amount Funded for the Quarter	Number of Funds Calling Capital	Distributions for the Quarter	Number of Funds Making Distributions	Net Cash/Stock Flows for the Quarter
\$1,720,444	3	\$2,263,193	8	\$542,749

Since inception, the private equity program has gained \$35.37 million in value for the Plan. Venture has added \$5.39 million; Buyout has added \$12.86 million; Mezzanine has added \$3.45 million; Secondaries has added \$0.57 million; Distressed has added \$9.58 million; and Special Situations has added \$3.52 million.



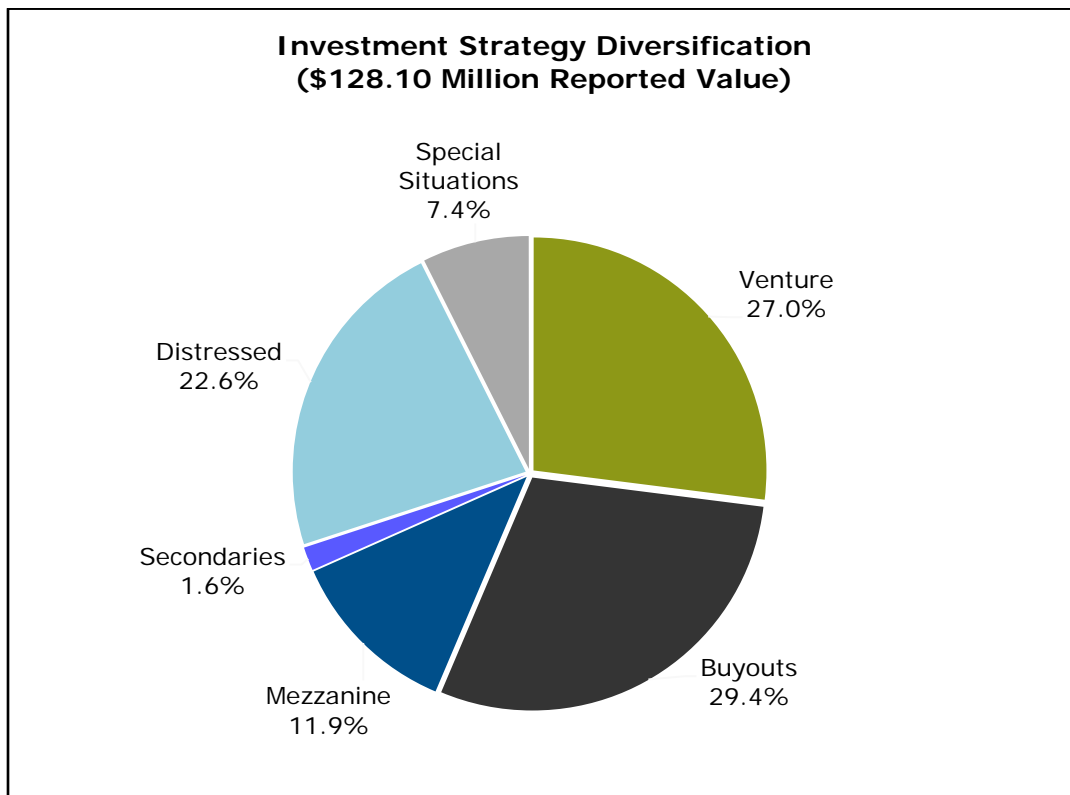
Fund of Fund breakdown: 57% Buyout; 28% Venture; 11% Special Situations and 4% Secondaries



The following table compares the recommended investment strategy allocation to the Plan's actual allocation using the reported value at quarter end.

Investment Strategy	Target	Min.	Max.	Reported Value	Unfunded Commitment	Total Exposure
Venture	20%	0%	40%	11.5%	2.7%	14.2%
Growth Equity	10%	0%	20%	-	-	-
Buyouts	20%	0%	40%	31.4%	6.1%	37.6%
Mezzanine	15%	10%	30%	9.1%	0.9%	10.0%
Secondaries	15%	10%	30%	1.2%	0.3%	1.5%
Distressed	15%	0%	30%	17.2%	12.7%	29.9%
Energy	5%	0%	10%	-	-	-
Opportunistic	0%	0%	10%	-	-	-
Special Situations	0%	0%	10%	5.6%	1.1%	6.7%
Totals	100%			76.2%	23.8%	100.0%
<i>Variance due to rounding</i>						
<i>Fund of Fund breakdown: 57% Buyout; 28% Venture; 11% Special Situations and 4% Secondaries</i>						

As of September 30, 2012 the 10 private equity funds in the Plan's portfolio were invested by market value in the following strategies:



Fund of Fund breakdown: 57% Buyout; 28% Venture; 11% Special Situations and 4% Secondaries



Private Equity Allocations – Status of Target Allocations by Vintage Year

The City of San Jose Police and Fire Department Retirement Plan (“SJP&F”) should consider a \$70 million allocation to vintage year 2012 funds:

- \$15 million to distressed
- \$15 million to emerging markets specialized fund of funds
- \$20 million to growth equity
- \$20 million to mezzanine

Annual Meetings Scheduled by the Private Equity Managers

- April 2 – 3, 2013: TPG Special Situations Partners Annual Meeting, San Francisco, CA.

We thank you for the opportunity to work with the City of San Jose Police and Fire Department Retirement Plan and look forward to continued success in the future.

Best regards,

Daniel LeBeau
Consultant

Allan Martin
Partner

Kevin Tatlow, CAIA
Senior Consultant – Private Markets

**San Jose Police and Fire
Executive Summary IRR Performance Report**

9/30/2012

Investment	Vintage Year	Commitment	Qtr TD	YTD	1 Year	3 Year	5 Year	Inception
HarbourVest Partners VII Buyout	2005	15,000,000	4.22	10.69	13.64	12.65	3.09	2.91
HarbourVest Partners VIII Buyout Fund	2006	15,000,000	1.96	5.50	9.55	12.14	5.65	5.94
HarbourVest Partners VIII Venture	2006	10,000,000	-0.32	3.15	4.42	11.07	7.02	6.61
Pantheon USA Fund VI, L.P.	2005	40,000,000	1.52	7.97	13.02	13.99	6.33	6.27
Portfolio Advisors Fund III, L.P. A - Buyout	2005	12,500,000	-0.45	6.50	9.31	13.97	3.32	5.31
Portfolio Advisors Fund III, L.P. B - Venture	2005	6,250,000	3.08	8.09	12.22	10.48	4.67	5.33
Portfolio Advisors Fund III, L.P. C - Special Situ	2005	6,250,000	1.45	5.02	9.34	11.06	3.96	7.63
Siguler Guff DOF III	2008	30,000,000	4.37	10.77	12.59	9.15	N/A	11.87
TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	3.10	9.19	14.78	11.27	N/A	10.76
TPG Opportunities Partners II, L.P.	2012	15,000,000	N/A	N/A	N/A	N/A	N/A	N/A
Total: City of San Jose Police and Fire Departn		170,000,000	2.44	8.26	11.86	11.89	6.58	6.85

Composite IRRs include all flows of the selected investments regardless of the start date of the investment.
"N/A" will be displayed if the investment has insufficient cash flows for the period

**San Jose Police and Fire
Performance Analysis**

9/30/2012

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
1 HarbourVest Partners VII Buyout	2005	15,000,000	13,275,000	1,725,000	2,840	1,373,625	13,806,021	15,179,646	1,901,806	89 %	0.10	1.14	2.91 %
2 HarbourVest Partners VIII Buyout Func	2006	15,000,000	10,350,000	4,650,000	0	1,575,685	10,871,415	12,447,100	2,097,100	69 %	0.15	1.20	5.94 %
3 HarbourVest Partners VIII Venture	2006	10,000,000	7,800,000	2,200,000	0	1,088,914	8,443,199	9,532,113	1,732,113	78 %	0.14	1.22	6.61 %
4 Pantheon USA Fund VI, L.P.	2005	40,000,000	34,400,000	5,600,000	136,032	11,800,000	33,174,391	44,974,391	10,438,359	86 %	0.34	1.30	6.27 %
5 Portfolio Advisors Fund III, L.P. A - Bu	2005	12,500,000	11,000,000	1,500,000	0	4,679,001	9,144,962	13,823,963	2,823,963	88 %	0.43	1.26	5.31 %
6 Portfolio Advisors Fund III, L.P. B - Ve	2005	6,250,000	5,187,500	1,062,500	0	1,902,148	4,683,991	6,586,139	1,398,639	83 %	0.37	1.27	5.33 %
7 Portfolio Advisors Fund III, L.P. C - Sp	2005	6,250,000	5,812,500	437,500	0	4,046,490	3,715,081	7,761,571	1,949,071	93 %	0.70	1.34	7.63 %
8 Siguler Guff DOF III	2008	30,000,000	23,700,000	6,300,000	158,692	4,467,023	28,969,984	33,437,007	9,578,315	79 %	0.19	1.40	11.87 %
9 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	18,451,880	1,548,120	115,157	6,724,924	15,290,665	22,015,589	3,448,552	92 %	0.36	1.19	10.76 %
10 TPG Opportunities Partners II, L.P.	2012	15,000,000	0	15,000,000	0	0	0	0	0	0 %	0.00	N/A	N/A
10 Total Partnerships		170,000,000	129,976,880	40,023,120	412,721	37,657,810	128,099,709	165,757,519	35,367,918	76 %	0.29	1.27	6.85 %

**San Jose Police and Fire
Lifecycle Performance Analysis**

9/30/2012

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
1 Fundraising													
1 TPG Opportunities Partners II, L.P.	2012	15,000,000	0	15,000,000	0	0	0	0	0	0 %	0.00	N/A	N/A
1 Fundraising Subtotal		15,000,000	0	15,000,000	0	0	0	0	0	0 %	0.00	N/A	N/A
2 Investing													
2 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	18,451,880	1,548,120	115,157	6,724,924	15,290,665	22,015,589	3,448,552	92 %	0.36	1.19	10.76 %
2 Investing Subtotal		20,000,000	18,451,880	1,548,120	115,157	6,724,924	15,290,665	22,015,589	3,448,552	92 %	0.36	1.19	10.76 %
3 Harvesting													
3 HarbourVest Partners VII Buyout	2005	15,000,000	13,275,000	1,725,000	2,840	1,373,625	13,806,021	15,179,646	1,901,806	89 %	0.10	1.14	2.91 %
4 HarbourVest Partners VIII Buyout Func	2006	15,000,000	10,350,000	4,650,000	0	1,575,685	10,871,415	12,447,100	2,097,100	69 %	0.15	1.20	5.94 %
5 HarbourVest Partners VIII Venture	2006	10,000,000	7,800,000	2,200,000	0	1,088,914	8,443,199	9,532,113	1,732,113	78 %	0.14	1.22	6.61 %
6 Pantheon USA Fund VI, L.P.	2005	40,000,000	34,400,000	5,600,000	136,032	11,800,000	33,174,391	44,974,391	10,438,359	86 %	0.34	1.30	6.27 %
7 Portfolio Advisors Fund III, L.P. A - Bu	2005	12,500,000	11,000,000	1,500,000	0	4,679,001	9,144,962	13,823,963	2,823,963	88 %	0.43	1.26	5.31 %
8 Portfolio Advisors Fund III, L.P. B - Ve	2005	6,250,000	5,187,500	1,062,500	0	1,902,148	4,683,991	6,586,139	1,398,639	83 %	0.37	1.27	5.33 %
9 Portfolio Advisors Fund III, L.P. C - Sp	2005	6,250,000	5,812,500	437,500	0	4,046,490	3,715,081	7,761,571	1,949,071	93 %	0.70	1.34	7.63 %
10 Siguler Guff DOF III	2008	30,000,000	23,700,000	6,300,000	158,692	4,467,023	28,969,984	33,437,007	9,578,315	79 %	0.19	1.40	11.87 %
3 Harvesting Subtotal		135,000,000	111,525,000	23,475,000	297,564	30,932,886	112,809,044	143,741,930	31,919,366	83 %	0.28	1.29	6.61 %
10 Total Partnerships		170,000,000	129,976,880	40,023,120	412,721	37,657,810	128,099,709	165,757,519	35,367,918	76 %	0.29	1.27	6.85 %

San Jose Police and Fire
Vintage Year Performance Analysis

9/30/2012

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
2005													
1 HarbourVest Partners VII Buyout	2005	15,000,000	13,275,000	1,725,000	2,840	1,373,625	13,806,021	15,179,646	1,901,806	89 %	0.10	1.14	2.91 %
2 Pantheon USA Fund VI, L.P.	2005	40,000,000	34,400,000	5,600,000	136,032	11,800,000	33,174,391	44,974,391	10,438,359	86 %	0.34	1.30	6.27 %
3 Portfolio Advisors Fund III, L.P. A - Bu	2005	12,500,000	11,000,000	1,500,000	0	4,679,001	9,144,962	13,823,963	2,823,963	88 %	0.43	1.26	5.31 %
4 Portfolio Advisors Fund III, L.P. B - Ve	2005	6,250,000	5,187,500	1,062,500	0	1,902,148	4,683,991	6,586,139	1,398,639	83 %	0.37	1.27	5.33 %
5 Portfolio Advisors Fund III, L.P. C - Sp	2005	6,250,000	5,812,500	437,500	0	4,046,490	3,715,081	7,761,571	1,949,071	93 %	0.70	1.34	7.63 %
2005 Subtotal		80,000,000	69,675,000	10,325,000	138,872	23,801,264	64,524,446	88,325,710	18,511,838	87 %	0.34	1.27	5.50 %
2006													
6 HarbourVest Partners VIII Buyout Func	2006	15,000,000	10,350,000	4,650,000	0	1,575,685	10,871,415	12,447,100	2,097,100	69 %	0.15	1.20	5.94 %
7 HarbourVest Partners VIII Venture	2006	10,000,000	7,800,000	2,200,000	0	1,088,914	8,443,199	9,532,113	1,732,113	78 %	0.14	1.22	6.61 %
2006 Subtotal		25,000,000	18,150,000	6,850,000	0	2,664,599	19,314,614	21,979,213	3,829,213	73 %	0.15	1.21	6.22 %
2008													
8 Siguler Guff DOF III	2008	30,000,000	23,700,000	6,300,000	158,692	4,467,023	28,969,984	33,437,007	9,578,315	79 %	0.19	1.40	11.87 %
9 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	18,451,880	1,548,120	115,157	6,724,924	15,290,665	22,015,589	3,448,552	92 %	0.36	1.19	10.76 %
2008 Subtotal		50,000,000	42,151,880	7,848,120	273,849	11,191,947	44,260,649	55,452,596	13,026,867	84 %	0.27	1.31	11.56 %
2012													
10 TPG Opportunities Partners II, L.P.	2012	15,000,000	0	15,000,000	0	0	0	0	0	0 %	0.00	N/A	N/A
2012 Subtotal		15,000,000	0	15,000,000	0	0	0	0	0	0 %	0.00	N/A	N/A
10 Total Partnerships		170,000,000	129,976,880	40,023,120	412,721	37,657,810	128,099,709	165,757,519	35,367,918	76 %	0.29	1.27	6.85 %

**San Jose Police and Fire
Investment Strategy Performance Analysis**

9/30/2012

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
100 Venture													
1 Portfolio Advisors Fund III, L.P. B - Ve	2005	6,250,000	5,187,500	1,062,500	0	1,902,148	4,683,991	6,586,139	1,398,639	83 %	0.37	1.27	5.33 %
100 Venture Subtotal		6,250,000	5,187,500	1,062,500	0	1,902,148	4,683,991	6,586,139	1,398,639	83 %	0.37	1.27	5.33 %
120 Buyouts													
1 HarbourVest Partners VII Buyout	2005	15,000,000	13,275,000	1,725,000	2,840	1,373,625	13,806,021	15,179,646	1,901,806	89 %	0.10	1.14	2.91 %
2 Portfolio Advisors Fund III, L.P. A - Bu	2005	12,500,000	11,000,000	1,500,000	0	4,679,001	9,144,962	13,823,963	2,823,963	88 %	0.43	1.26	5.31 %
120 Buyouts Subtotal		27,500,000	24,275,000	3,225,000	2,840	6,052,626	22,950,983	29,003,609	4,725,769	88 %	0.25	1.19	3.99 %
130 Mezzanine													
1 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	18,451,880	1,548,120	115,157	6,724,924	15,290,665	22,015,589	3,448,552	92 %	0.36	1.19	10.76 %
130 Mezzanine Subtotal		20,000,000	18,451,880	1,548,120	115,157	6,724,924	15,290,665	22,015,589	3,448,552	92 %	0.36	1.19	10.76 %
150 Distressed													
1 Siguler Guff DOF III	2008	30,000,000	23,700,000	6,300,000	158,692	4,467,023	28,969,984	33,437,007	9,578,315	79 %	0.19	1.40	11.87 %
2 TPG Opportunities Partners II, L.P.	2012	15,000,000	0	15,000,000	0	0	0	0	0	0 %	0.00	N/A	N/A
150 Distressed Subtotal		45,000,000	23,700,000	21,300,000	158,692	4,467,023	28,969,984	33,437,007	9,578,315	53 %	0.19	1.40	11.87 %
160 Special Situations													
1 Portfolio Advisors Fund III, L.P. C - Sp	2005	6,250,000	5,812,500	437,500	0	4,046,490	3,715,081	7,761,571	1,949,071	93 %	0.70	1.34	7.63 %
160 Special Situations Subtotal		6,250,000	5,812,500	437,500	0	4,046,490	3,715,081	7,761,571	1,949,071	93 %	0.70	1.34	7.63 %
170 Fund of Funds													
1 HarbourVest Partners VIII Buyout Func	2006	15,000,000	10,350,000	4,650,000	0	1,575,685	10,871,415	12,447,100	2,097,100	69 %	0.15	1.20	5.94 %
2 HarbourVest Partners VIII Venture	2006	10,000,000	7,800,000	2,200,000	0	1,088,914	8,443,199	9,532,113	1,732,113	78 %	0.14	1.22	6.61 %
3 Pantheon USA Fund VI, L.P.	2005	40,000,000	34,400,000	5,600,000	136,032	11,800,000	33,174,391	44,974,391	10,438,359	86 %	0.34	1.30	6.27 %
170 Fund of Funds Subtotal		65,000,000	52,550,000	12,450,000	136,032	14,464,599	52,489,005	66,953,604	14,267,572	81 %	0.28	1.27	6.26 %
10 Total Partnerships		170,000,000	129,976,880	40,023,120	412,721	37,657,810	128,099,709	165,757,519	35,367,918	76 %	0.29	1.27	6.85 %

**San Jose Police and Fire
Transaction Summary**

7/1/2012 - 9/30/2012

Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
HarbourVest Partners VIII Buyout Fund					
8/6/2012			102,114.00		-102,114.00
8/6/2012	375,000.00				272,886.00
9/27/2012			204,228.00		68,658.00
9/27/2012	150,000.00				218,658.00
Total: HarbourVest Partners VIII Buyout Fund			306,342.00		218,658.00
HarbourVest Partners VIII Venture					
9/28/2012			191,879.00		-191,879.00
9/28/2012	100,000.00				-91,879.00
Total: HarbourVest Partners VIII Venture			191,879.00		-91,879.00
Pantheon USA Fund VI, L.P.					
9/21/2012			800,000.00		-800,000.00
Total: Pantheon USA Fund VI, L.P.			800,000.00		-800,000.00
Portfolio Advisors Fund III, L.P. A - Buyout					
8/28/2012			152,128.00		-152,128.00
9/28/2012			100,594.00		-252,722.00
Total: Portfolio Advisors Fund III, L.P. A - Buyout			252,722.00		-252,722.00
Portfolio Advisors Fund III, L.P. B - Venture					
8/28/2012			232,312.00		-232,312.00
9/28/2012			90,241.00		-322,553.00
Total: Portfolio Advisors Fund III, L.P. B - Venture			322,553.00		-322,553.00
Portfolio Advisors Fund III, L.P. C - Special Situ					
8/28/2012			72,035.00		-72,035.00
9/28/2012			61,361.00		-133,396.00
Total: Portfolio Advisors Fund III, L.P. C - Special Situ			133,396.00		-133,396.00

Activity is cumulative for the period

**San Jose Police and Fire
Transaction Summary**

7/1/2012 - 9/30/2012

Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
Siguler Guff DOF III					
9/28/2012			7,500.00		-7,500.00
Total: Siguler Guff DOF III			7,500.00		-7,500.00
TCW/Crescent Mezzanine V, L.P.					
7/5/2012	1,095,444.00				1,095,444.00
9/7/2012			248,801.00		846,643.00
Total: TCW/Crescent Mezzanine V, L.P.			248,801.00		846,643.00
Total: City of San Jose Police and Fire Department Retirement Plan			1,720,444.00		-542,749.00
Total:			2,263,193.00		-542,749.00