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City of San Jose Police & Fire Department Retirement Plan

Third Quarter 2010 Private Markets Review

January 21, 2011

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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 24, 2011

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

RE: Private Equity Strategy – 3rd Quarter 2010

Dear Board of Administration Members:

We are pleased to present the September 30, 2010 Private Equity Report for the City of San Jose Police & 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 3.24% for the quarter and 13.86% for the past year. The annualized IRR of the private markets portfolio since inception was 3.62% at quarter end. Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.09.

The following table presents the status of the Plan’s private markets portfolio as of September 30, 2010:

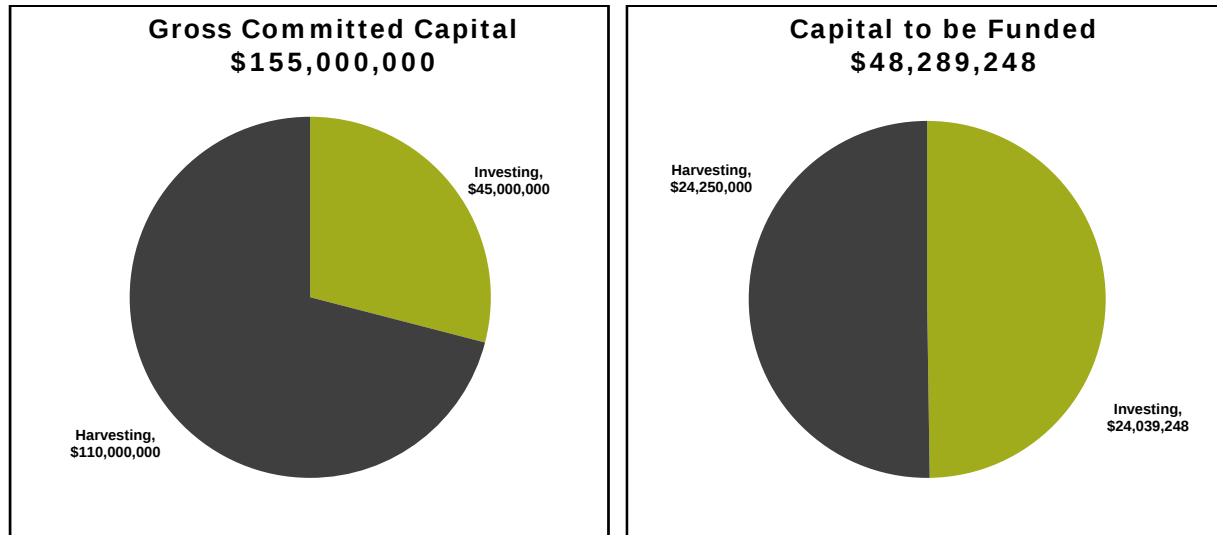
Commitment	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$155,000,000	\$0	\$106,710,752	\$10,405,859	\$106,363,987	68.85%	9.75%

Unfunded Commitment	Market Exposure (Reported Value + Unfunded Commitment)	Total Fund Composite as of 9/30/2010	Private Markets Target	Reported Value as a % of Total Fund	Market Exposure as a % of Total Fund
\$48,289,248	\$154,653,235	\$2,548,146,732	5%	4.17%	6.07%

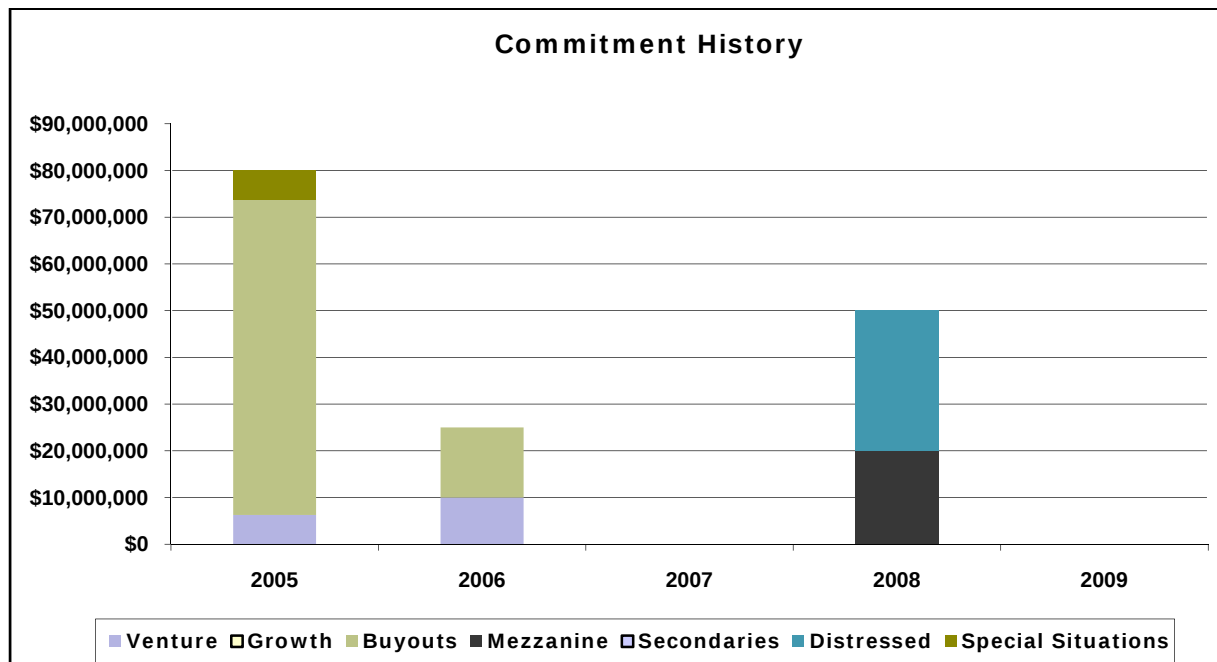
Total Value (Reported Value + Distributions)	Total Value To Capital Call Ratio	Internal Rate of Return IRR, Since Inception (September 2005)
\$116,769,846	1.09	3.62%



As of September 30, 2010, the Plan had net commitments totaling \$155.0 million to 9 private equity funds. The following charts illustrate the program's current life cycle.

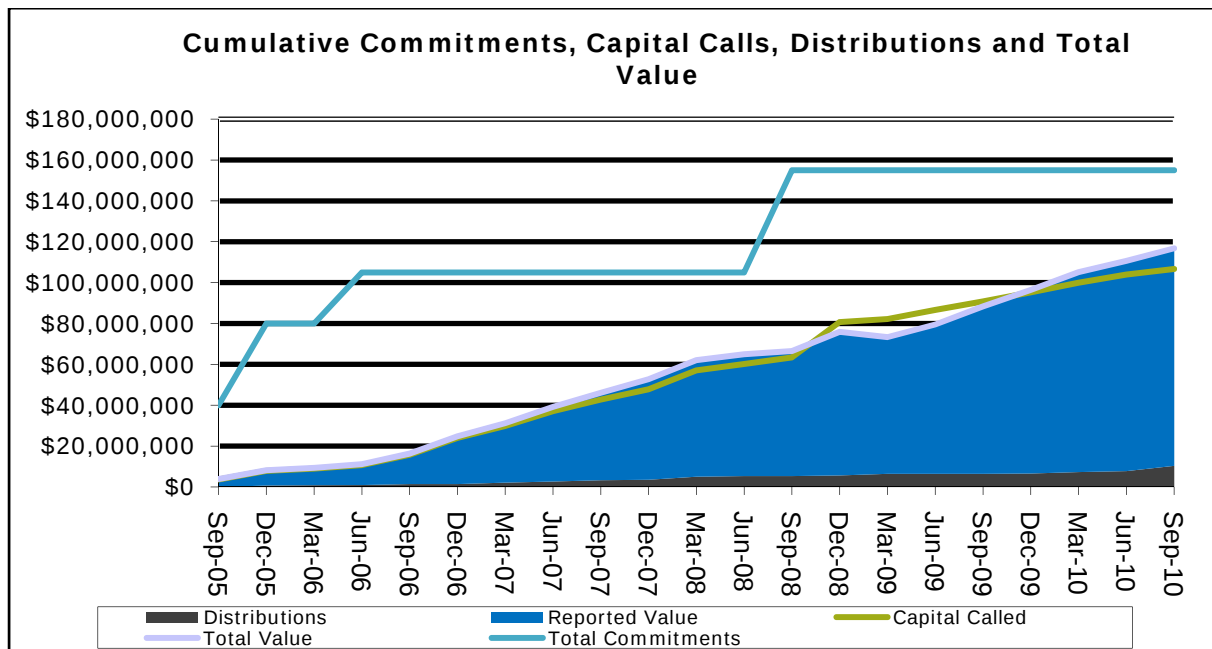


The following chart illustrates the commitment history of the Plan's private equity program through September 30, 2010:

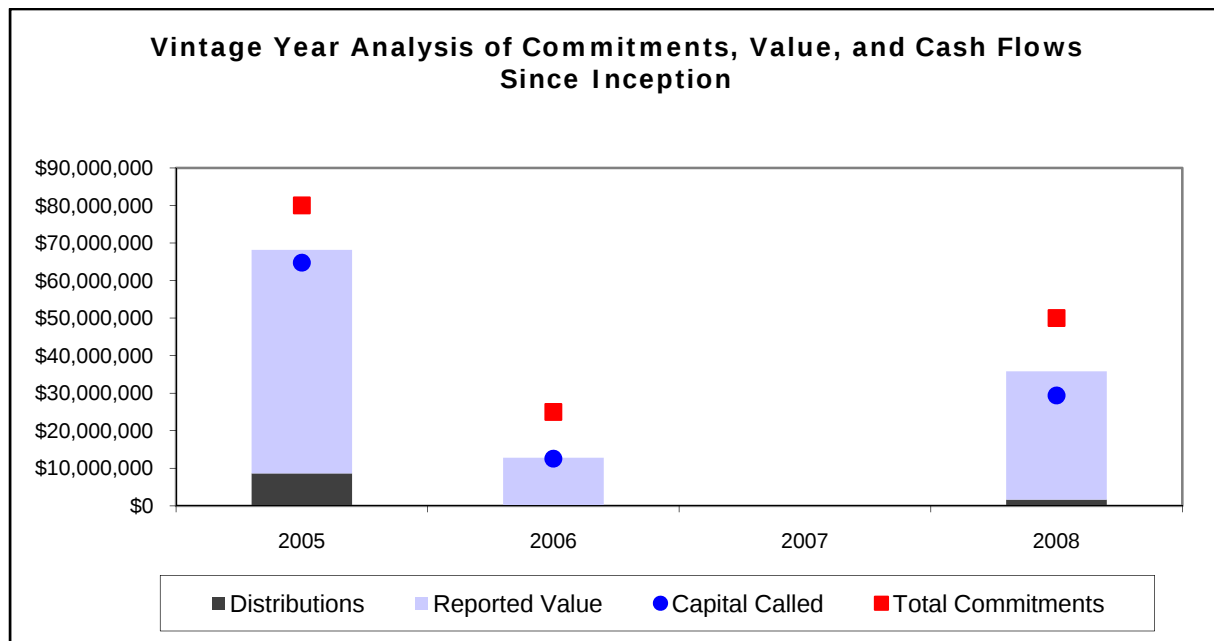




The following chart illustrates the Plan's cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through September 30, 2010:



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, 2010:

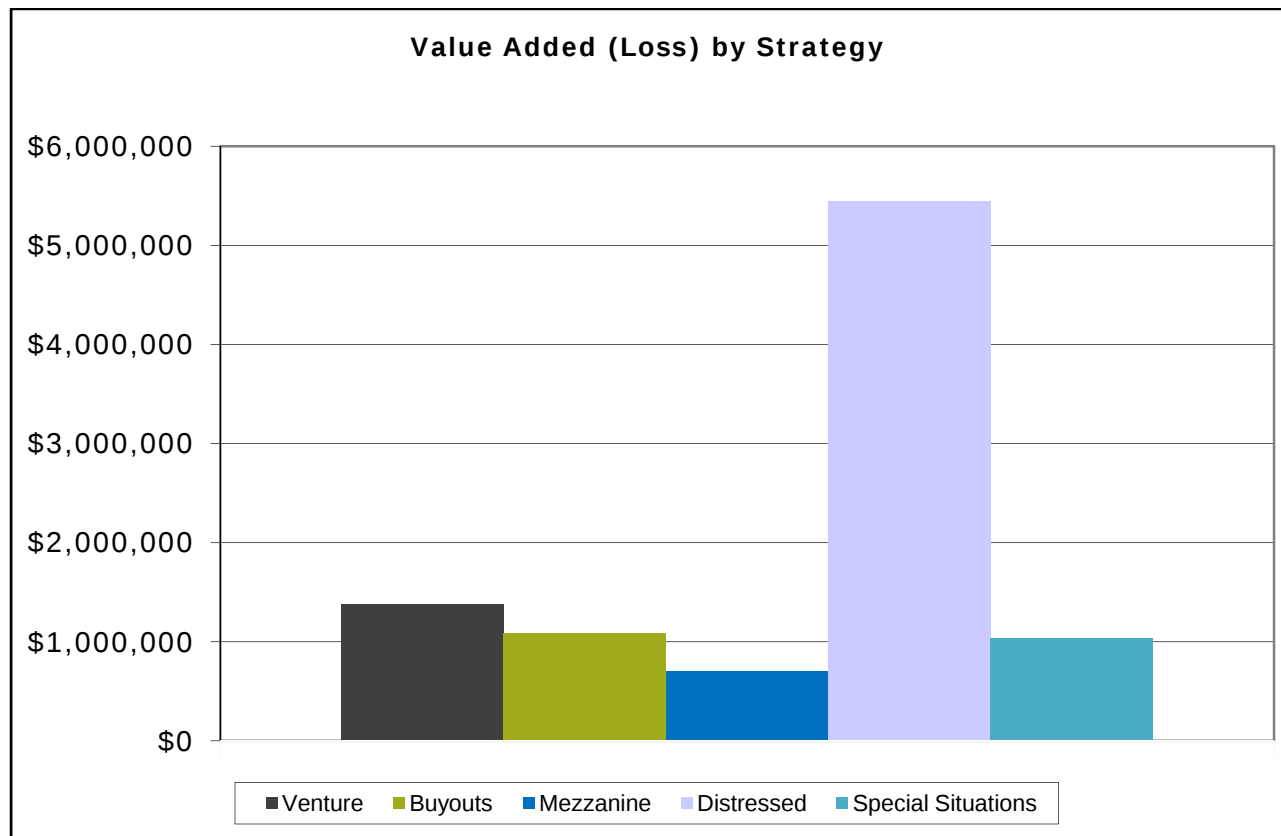




During the quarter-ended September 30, 2010, the Plan's private equity portfolio had capital calls from 6 funds and received distributions from 5 funds. The summary of the cash flows is as follows:

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
\$2,737,500	6	\$2,609,354	5	(\$128,146)

Since inception, the private equity program has gained \$9.65 million in value for the Plan. Mezzanine has added \$0.70 million; Distressed has added \$5.44 million; Special Situations has added \$1.03 million; Buyout-focused Funds of Funds has added \$1.09 million and Venture has added \$1.38 million.

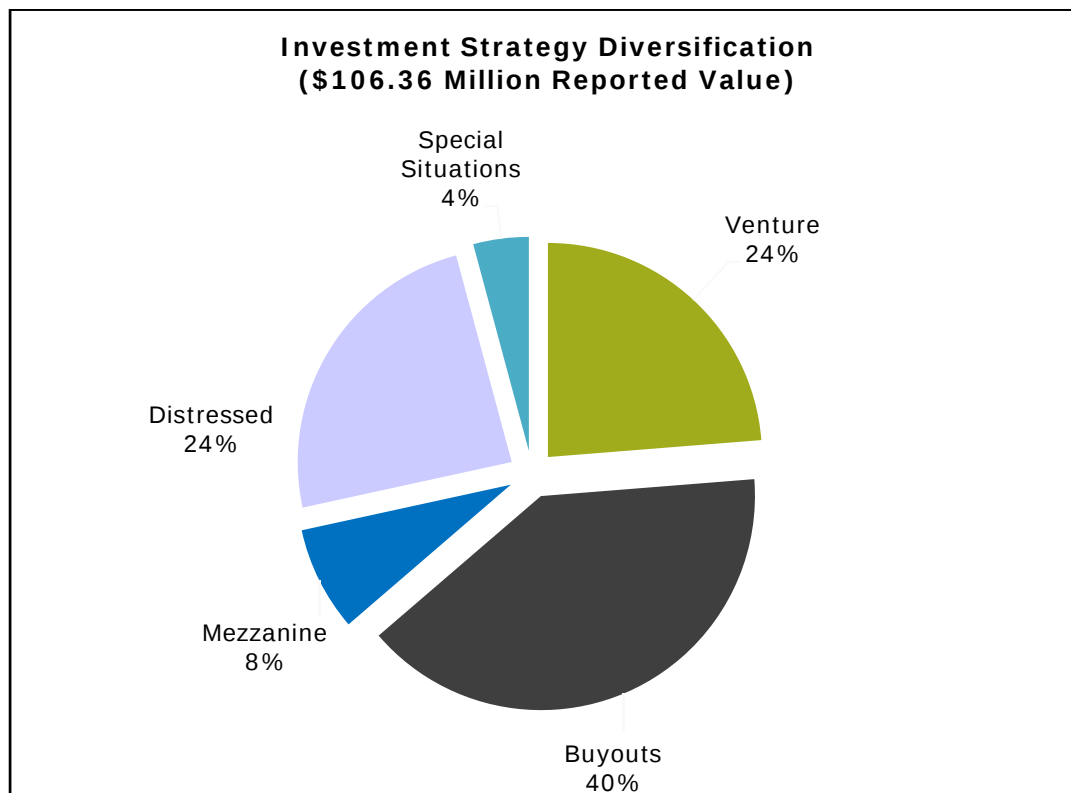




The following table compares the recommended investment strategy allocation to the Plan's actual allocation using the reported value at quarter end.

Investment Strategy	Target	Min.	Max.	Reported Value	Unfunded Commitment	Total Exposure
Venture	20 %	0%	40%	12.0%	5.2%	17.2 %
Growth Equity	10 %	0%	20%	-	-	-
Buyouts	20 %	0%	40%	28.9%	11.5%	40.3 %
Mezzanine	15 %	10%	30%	5.4%	7.5%	12.9 %
Secondaries	15 %	10%	30%	0.8%	0.2%	1.0 %
Distressed	15 %	0%	30%	16.7%	5.8%	22.5 %
Energy	5 %	0%	10%	-	-	-
Opportunistic	0 %	0%	10%	-	-	-
Special Situations	0 %	0%	10%	5.1%	1.0%	6.0 %
Totals	100 %			68.8 %	31.2 %	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, 2010 the 9 private equity funds in the Plan's portfolio were invested by market value in the following strategies:





Private Equity Allocations – Status of Target Allocations by Vintage Year

2011 – We recommend private equity investors maintain a steady commitment pace.

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,

Allan Martin
Partner

Kevin Tatlow, CAIA
Senior Consultant

Daniel LeBeau
Consultant

San Jose Police and Fire

Executive Summary IRR Performance Report

9/30/2010

Investment	Vintage	Commitment	Qtr TD	YTD	1 Year	3 Year	5 Year	Inception
HarbourVest Partners VII Buyout	2005	15,000,000	3.52	10.64	14.69	-3.41		-2.79
HarbourVest Partners VIII Buyout Fund	2006	15,000,000	4.57	12.02	17.13	0.68		1.70
HarbourVest Partners VIII Venture	2006	10,000,000	2.79	3.54	5.87	0.13		-0.45
Pantheon USA Fund VI, L.P.	2005	40,000,000	3.83	9.05	16.15	2.09	2.57	2.75
Portfolio Advisors Fund III, L.P. A - Buyout	2005	12,500,000	1.90	6.42	21.00	-1.84		1.52
Portfolio Advisors Fund III, L.P. B - Venture	2005	6,250,000	0.54	0.37	4.72	-0.87		0.74
Portfolio Advisors Fund III, L.P. C - Special Situ	2005	6,250,000	1.22	5.43	17.64	0.98		6.08
Siguler Guff DOF III	2008	30,000,000	3.66	8.07	11.73			17.28
TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	2.73	5.68	8.25			7.79
		155,000,000	3.24	7.83	13.86	2.76	3.55	3.62

Composite IRRs include all flows of the selected investments regardless of the start date of the investment.

**San Jose Police and Fire
Performance Analysis**

9/30/2010

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
1 HarbourVest Partners VII Buyout	2005	15,000,000	12,150,000	2,850,000	2,840	0	11,171,119	11,171,119	-981,721	81 %	0.00	0.92	-2.79 %
2 HarbourVest Partners VIII Buyout Fund	2006	15,000,000	6,975,000	8,025,000	0	102,114	7,143,409	7,245,523	270,523	47 %	0.01	1.04	1.70 %
3 HarbourVest Partners VIII Venture	2006	10,000,000	5,600,000	4,400,000	0	0	5,551,725	5,551,725	-48,275	56 %	0.00	0.99	-0.45 %
4 Pantheon USA Fund VI, L.P.	2005	40,000,000	30,600,000	9,400,000	136,032	2,600,000	30,757,738	33,357,738	2,621,706	77 %	0.08	1.09	2.75 %
5 Portfolio Advisors Fund III, L.P. A - Buy	2005	12,500,000	11,000,000	1,500,000	0	2,685,009	8,804,177	11,489,186	489,186	88 %	0.24	1.04	1.52 %
6 Portfolio Advisors Fund III, L.P. B - Ven	2005	6,250,000	5,187,500	1,062,500	0	977,909	4,323,701	5,301,610	114,110	83 %	0.19	1.02	0.74 %
7 Portfolio Advisors Fund III, L.P. C - Spe	2005	6,250,000	5,812,500	437,500	0	2,392,282	4,452,956	6,845,238	1,032,738	93 %	0.41	1.18	6.08 %
8 Siguler Guff DOF III	2008	30,000,000	21,000,000	9,000,000	158,692	834,035	25,768,474	26,602,509	5,443,817	70 %	0.04	1.26	17.28 %
9 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	8,385,752	11,614,248	115,157	814,510	8,390,688	9,205,198	704,289	42 %	0.10	1.08	7.79 %
9 Total Partnerships		155,000,000	106,710,752	48,289,248	412,721	10,405,859	106,363,987	116,769,846	9,646,373	69 %	0.10	1.09	3.62 %

San Jose Police and Fire
Lifecycle Performance Analysis

9/30/2010

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
2 Investing													
1 HarbourVest Partners VIII Buyout Fund	2006	15,000,000	6,975,000	8,025,000	0	102,114	7,143,409	7,245,523	270,523	47 %	0.01	1.04	1.70 %
2 HarbourVest Partners VIII Venture	2006	10,000,000	5,600,000	4,400,000	0	0	5,551,725	5,551,725	-48,275	56 %	0.00	0.99	-0.45 %
3 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	8,385,752	11,614,248	115,157	814,510	8,390,688	9,205,198	704,289	42 %	0.10	1.08	7.79 %
2 Investing Subtotal		45,000,000	20,960,752	24,039,248	115,157	916,624	21,085,822	22,002,446	926,537	47 %	0.04	1.04	2.57 %
3 Harvesting													
4 HarbourVest Partners VII Buyout	2005	15,000,000	12,150,000	2,850,000	2,840	0	11,171,119	11,171,119	-981,721	81 %	0.00	0.92	-2.79 %
5 Pantheon USA Fund VI, L.P.	2005	40,000,000	30,600,000	9,400,000	136,032	2,600,000	30,757,738	33,357,738	2,621,706	77 %	0.08	1.09	2.75 %
6 Portfolio Advisors Fund III, L.P. A - Buy	2005	12,500,000	11,000,000	1,500,000	0	2,685,009	8,904,177	11,489,186	489,186	88 %	0.24	1.04	1.52 %
7 Portfolio Advisors Fund III, L.P. B - Ven	2005	6,250,000	5,187,500	1,062,500	0	977,909	4,323,701	5,301,610	114,110	83 %	0.19	1.02	0.74 %
8 Portfolio Advisors Fund III, L.P. C - Spe	2005	6,250,000	5,812,500	437,500	0	2,392,282	4,452,956	6,845,238	1,032,738	93 %	0.41	1.18	6.08 %
9 Siguler Guff DOF III	2008	30,000,000	21,000,000	9,000,000	158,692	834,035	25,768,474	26,602,509	5,443,817	70 %	0.04	1.26	17.28 %
3 Harvesting Subtotal		110,000,000	85,750,000	24,250,000	297,564	9,489,235	85,278,165	94,767,400	8,719,836	78 %	0.11	1.10	3.78 %
9 Total Partnerships		155,000,000	106,710,752	48,289,248	412,721	10,405,859	106,363,987	116,769,846	9,646,373	69 %	0.10	1.09	3.62 %

San Jose Police and Fire
Vintage Year Performance Analysis

9/30/2010

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
2005													
1 HarbourVest Partners VII Buyout	2005	15,000,000	12,150,000	2,850,000	2,840	0	11,171,119	11,171,119	-981,721	81 %	0.00	0.92	-2.79 %
2 Pantheon USA Fund VI, L.P.	2005	40,000,000	30,600,000	9,400,000	136,032	2,600,000	30,757,738	33,357,738	2,621,706	77 %	0.08	1.09	2.75 %
3 Portfolio Advisors Fund III, L.P. A - Buy	2005	12,500,000	11,000,000	1,500,000	0	2,685,009	8,804,177	11,489,186	489,186	88 %	0.24	1.04	1.52 %
4 Portfolio Advisors Fund III, L.P. B - Ven	2005	6,250,000	5,187,500	1,062,500	0	977,909	4,323,701	5,301,610	114,110	83 %	0.19	1.02	0.74 %
5 Portfolio Advisors Fund III, L.P. C - Spe	2005	6,250,000	5,812,500	437,500	0	2,392,282	4,452,956	6,845,238	1,032,738	93 %	0.41	1.18	6.08 %
2005 Subtotal		80,000,000	64,750,000	15,250,000	138,872	8,655,200	59,509,691	68,164,891	3,276,019	81 %	0.13	1.05	1.68 %
2006													
6 HarbourVest Partners VIII Buyout Fund	2006	15,000,000	6,975,000	8,025,000	0	102,114	7,143,409	7,245,523	270,523	47 %	0.01	1.04	1.70 %
7 HarbourVest Partners VIII Venture	2006	10,000,000	5,600,000	4,400,000	0	0	5,551,725	5,551,725	-48,275	56 %	0.00	0.99	-0.45 %
2006 Subtotal		25,000,000	12,575,000	12,425,000	0	102,114	12,695,134	12,797,248	222,248	50 %	0.01	1.02	0.83 %
2008													
8 Siguler Guif DOF III	2008	30,000,000	21,000,000	9,000,000	158,692	834,035	25,768,474	26,602,509	5,443,817	70 %	0.04	1.26	17.28 %
9 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	8,385,752	11,614,248	115,157	814,510	8,390,688	9,205,198	704,289	42 %	0.10	1.08	7.79 %
2008 Subtotal		50,000,000	29,385,752	20,614,248	273,849	1,648,545	34,159,162	35,807,707	6,148,106	59 %	0.06	1.21	15.17 %
9 Total Partnerships													
		155,000,000	106,710,752	48,289,248	412,721	10,405,859	106,363,987	116,769,846	9,646,373	69 %	0.10	1.09	3.62 %

San Jose Police and Fire
Investment Strategy Performance Analysis
9/30/2010

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
100 Venture													
1 HarbourVest Partners VIII Venture	2006	10,000,000	5,600,000	4,400,000	0	0	5,551,725	5,551,725	-48,275	56 %	0.00	0.99	-0.45 %
2 Portfolio Advisors Fund III, L.P. B - Ven	2005	6,250,000	5,187,500	1,062,500	0	977,909	4,323,701	5,301,610	114,110	83 %	0.19	1.02	0.74 %
100 Venture Subtotal		16,250,000	10,787,500	5,462,500	0	977,909	9,875,426	10,853,335	65,835	66 %	0.09	1.01	0.25 %
120 Buyouts													
1 HarbourVest Partners VII Buyout	2005	15,000,000	12,150,000	2,850,000	2,840	0	11,171,119	11,171,119	-981,721	81 %	0.00	0.92	-2.79 %
2 HarbourVest Partners VIII Buyout Fund	2006	15,000,000	6,975,000	8,025,000	0	102,114	7,143,409	7,245,523	270,523	47 %	0.01	1.04	1.70 %
3 Portfolio Advisors Fund III, L.P. A - Buy	2005	12,500,000	11,000,000	1,500,000	0	2,685,009	8,804,177	11,489,186	489,186	88 %	0.24	1.04	1.52 %
120 Buyouts Subtotal		42,500,000	30,125,000	12,375,000	2,840	2,787,123	27,118,705	29,905,828	-222,012	71 %	0.09	0.99	-0.27 %
130 Mezzanine													
1 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	8,385,752	11,614,248	115,157	814,510	8,390,688	9,205,198	704,289	42 %	0.10	1.08	7.79 %
130 Mezzanine Subtotal		20,000,000	8,385,752	11,614,248	115,157	814,510	8,390,688	9,205,198	704,289	42 %	0.10	1.08	7.79 %
150 Distressed													
1 Siguler Guff DOF III	2008	30,000,000	21,000,000	9,000,000	158,692	834,035	25,768,474	26,602,509	5,443,817	70 %	0.04	1.26	17.28 %
150 Distressed Subtotal		30,000,000	21,000,000	9,000,000	158,692	834,035	25,768,474	26,602,509	5,443,817	70 %	0.04	1.26	17.28 %
160 Special Situations													
1 Portfolio Advisors Fund III, L.P. C - Spe	2005	6,250,000	5,812,500	437,500	0	2,392,282	4,452,956	6,845,238	1,032,738	93 %	0.41	1.18	6.08 %
160 Special Situations Subtotal		6,250,000	5,812,500	437,500	0	2,392,282	4,452,956	6,845,238	1,032,738	93 %	0.41	1.18	6.08 %
170 Fund of Funds													
1 Pantheon USA Fund VI, L.P.	2005	40,000,000	30,600,000	9,400,000	136,032	2,600,000	30,757,738	33,357,738	2,621,706	77 %	0.08	1.09	2.75 %
170 Fund of Funds Subtotal		40,000,000	30,600,000	9,400,000	136,032	2,600,000	30,757,738	33,357,738	2,621,706	77 %	0.08	1.09	2.75 %
9 Total Partnerships		155,000,000	106,710,752	48,289,248	412,721	10,405,859	106,363,987	116,769,846	9,646,373	69 %	0.10	1.09	3.62 %

San Jose Police and Fire

Transaction Summary

6/30/2010 - 9/30/2010

Date	Capital Calls	Additional Fees	Cash	Stock	Net Cash Flows
HarbourVest Partners VII Buyout					
7/1/2010	300,000.00				300,000.00
8/23/2010	225,000.00				525,000.00
Subtotal HarbourVest Partners VII Buyout	525,000.00	0.00	0.00	0.00	525,000.00
HarbourVest Partners VIII Buyout Fund					
7/30/2010	450,000.00				450,000.00
Subtotal HarbourVest Partners VIII Buyout Fund	450,000.00	0.00	0.00	0.00	450,000.00
HarbourVest Partners VIII Venture					
9/23/2010	250,000.00				250,000.00
Subtotal HarbourVest Partners VIII Venture	250,000.00	0.00	0.00	0.00	250,000.00
Pantheon USA Fund VI, L.P.					
9/13/2010	400,000.00				400,000.00
9/27/2010			1,520,000.00		-1,120,000.00
9/27/2010	800,000.00				-320,000.00
Subtotal Pantheon USA Fund VI, L.P.	1,200,000.00	0.00	1,520,000.00	0.00	-320,000.00
Portfolio Advisors Fund III, L.P. A - Buyout					
9/22/2010			629,041.00		-629,041.00
Subtotal Portfolio Advisors Fund III, L.P. A - Buyout	0.00	0.00	629,041.00	0.00	-629,041.00
Portfolio Advisors Fund III, L.P. B - Venture					
9/22/2010	187,500.00				187,500.00
9/22/2010			263,731.00		-76,231.00
Subtotal Portfolio Advisors Fund III, L.P. B - Venture	187,500.00	0.00	263,731.00	0.00	-76,231.00
Portfolio Advisors Fund III, L.P. C - Special Situ					
9/22/2010	125,000.00				125,000.00
9/22/2010			189,082.00		-64,082.00

Activity is cumulative for the period

San Jose Police and Fire

Transaction Summary

6/30/2010 - 9/30/2010

	Date	Capital Calls	Additional Fees	Cash	Stock	Net Cash Flows
Subtotal Portfolio Advisors Fund III, L.P. C - Special Situ		<u>125,000.00</u>	<u>0.00</u>	<u>189,082.00</u>	<u>0.00</u>	<u>-64,082.00</u>
Siguler Guff DOF III						
	9/30/2010			7,500.00		-7,500.00
Subtotal Siguler Guff DOF III		<u>0.00</u>	<u>0.00</u>	<u>7,500.00</u>	<u>0.00</u>	<u>-7,500.00</u>
0	Grand Total	<u>2,737,500.00</u>	<u>0.00</u>	<u>2,609,354.00</u>	<u>0.00</u>	<u>128,146.00</u>