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City of San Jose Police & Fire Department Retirement Plan

Second Quarter 2010 Real Estate Review

October 2010

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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.



October 13, 2010

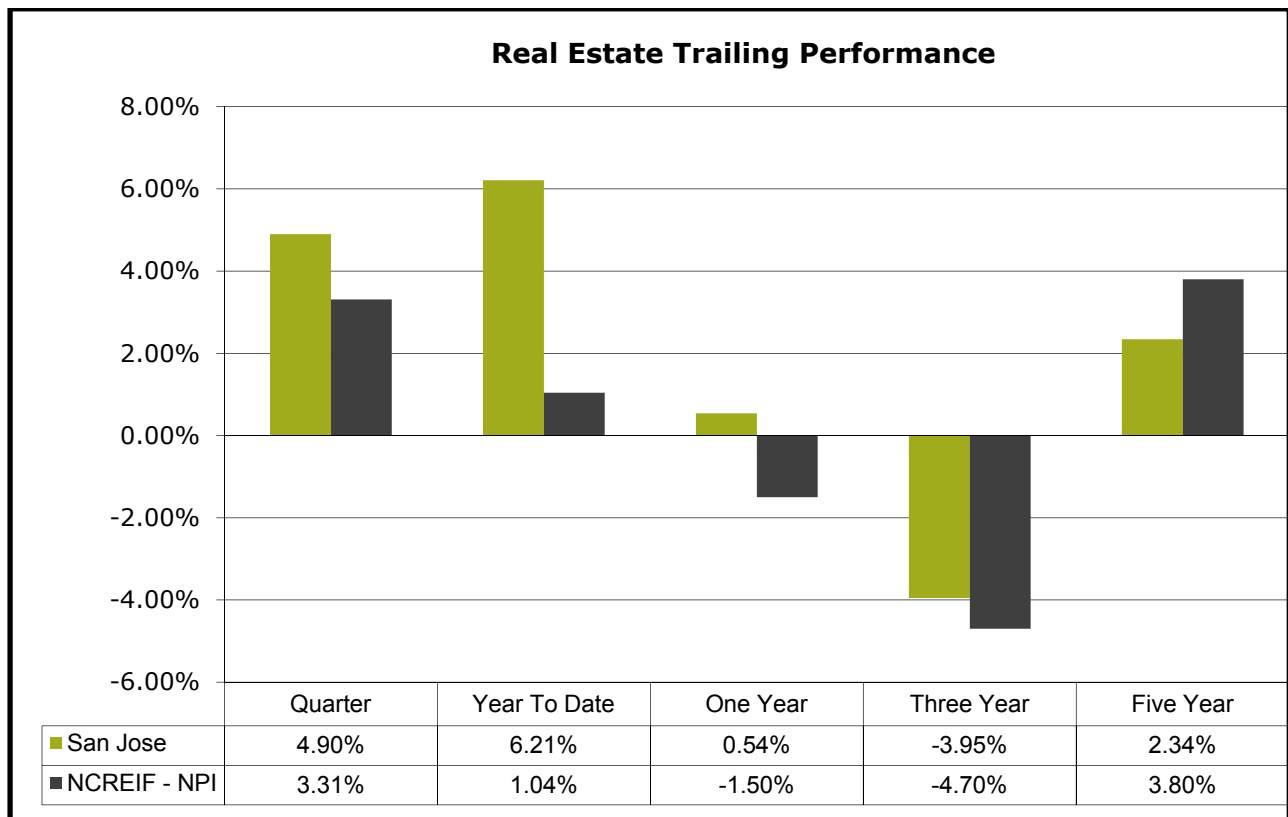
Investment Committee
 City of San Jose Police & Fire Department Retirement Plan
 1737 North First Street
 San Jose, CA 95112

RE: Private Markets Real Estate – 2st Quarter 2010

Dear Committee Members:

We are pleased to present the June 30, 2010 Private Markets Real Estate 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 real estate portfolio, as well as trailing performance, performance by lifecycle, vintage year and strategy.

The Plan's real estate portfolio experienced a positive quarter, having a nominal IRR of 4.9% for the period, and 0.54% for the past year. The annualized IRR of the real estate portfolio since inception was 7.01%.





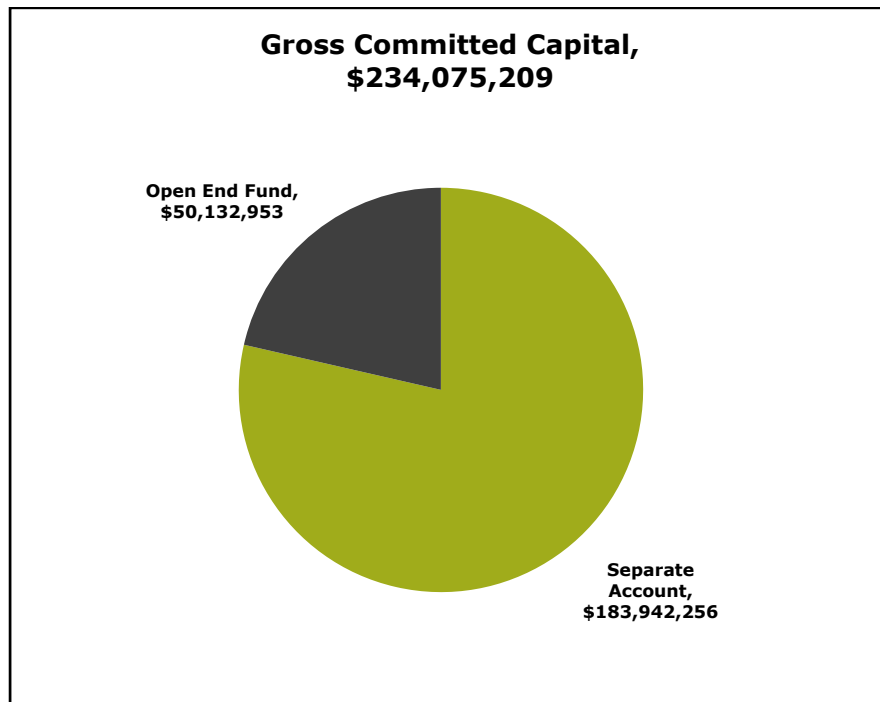
Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.46. The following table presents the status of the Plan's real estate portfolio as of June 30, 2010:

Commitments	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$234,075,209	\$0	\$234,075,209	\$182,014,742	\$159,048,058	100.00%	77.76%

Unfunded Commitments	Market Exposure (Reported Value + Unfunded Commitments)	Total Fund Composite as of 6/30/2010	Private Real Estate Target	Reported Value of Total Fund	Market Exposure as a % Total Fund
\$0	\$159,048,058	\$2,294,090,937	10%	6.93%	6.93%

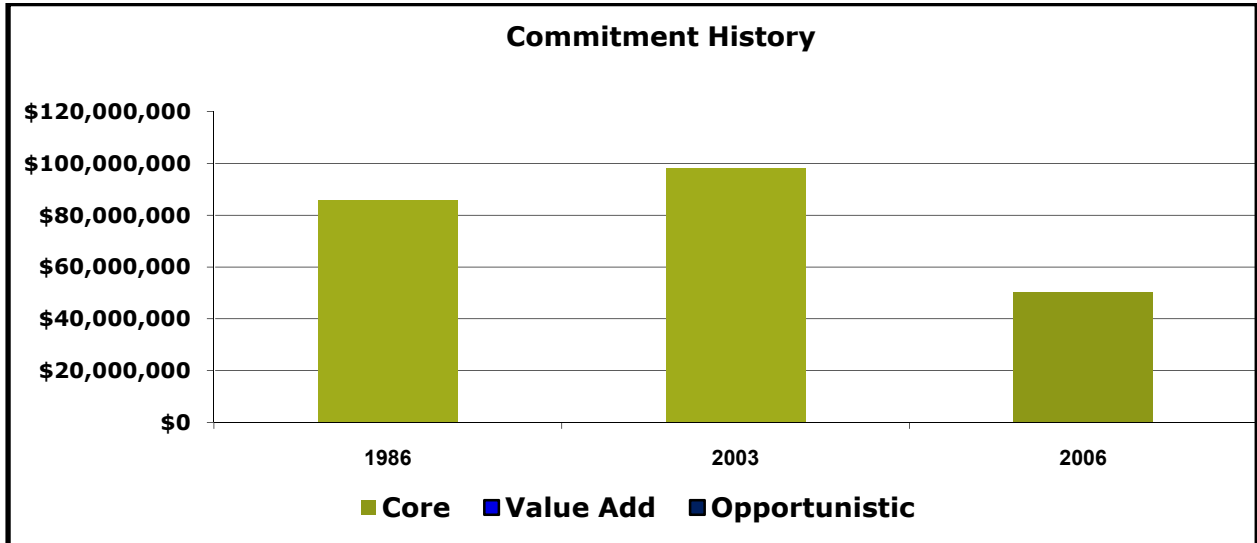
Total Value (Reported Value + Distributions)	Total Value To Paid In Capital	Internal Rate of Return IRR, Since Inception (Mar 1986)
\$341,062,800	1.46	7.01%

As of June 30, 2010, the Plan had commitments totaling \$234 million to three real estate accounts. Of the three accounts in the portfolio, two are direct separate accounts and one is an open ended core fund. The following charts illustrate the program's current allocation by vehicle:

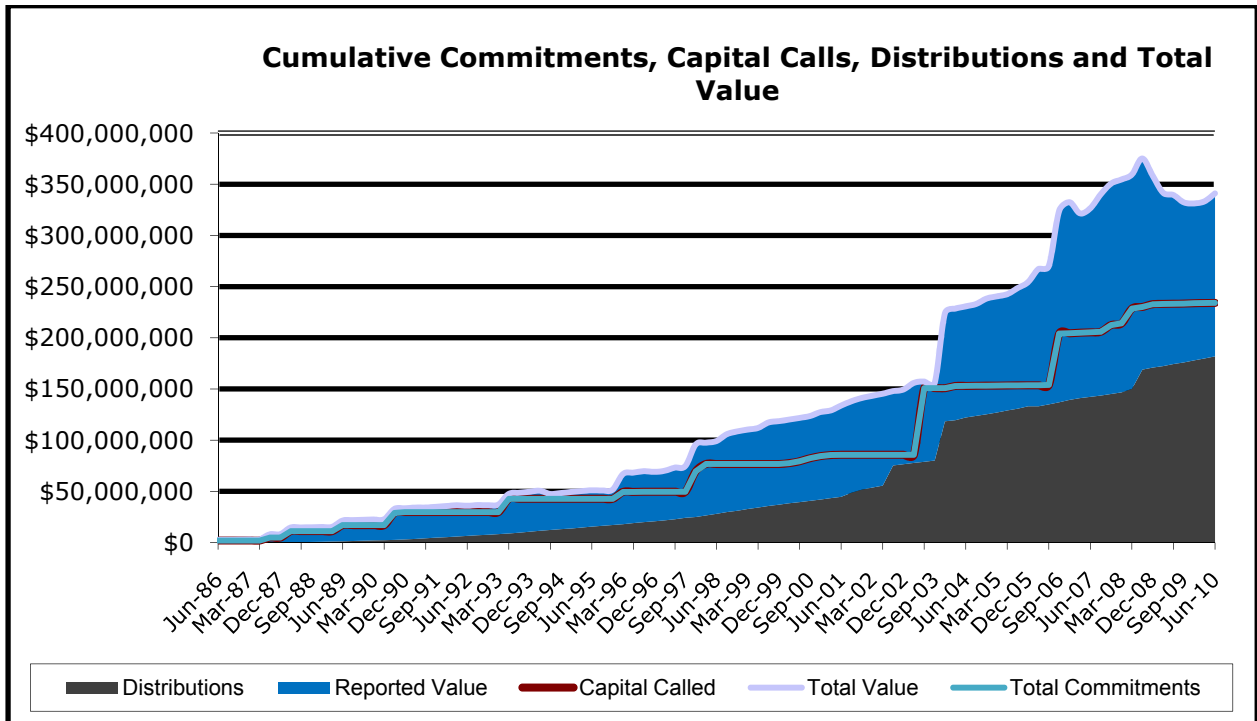




The following chart illustrates the commitment history of the Plan's real estate program through June 30, 2010:

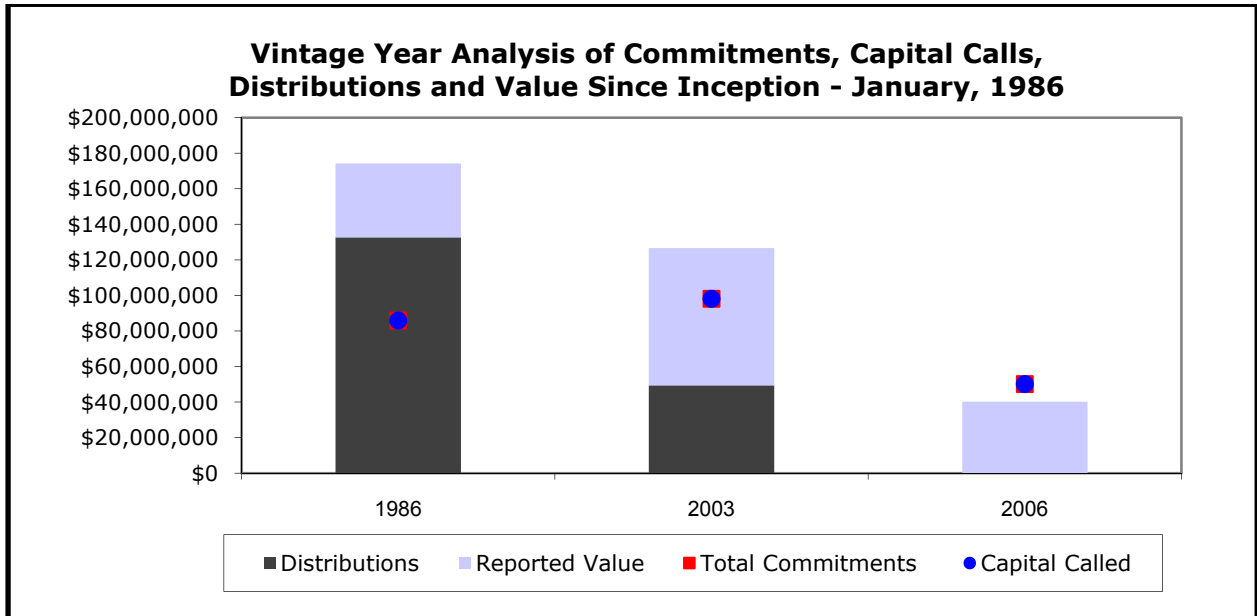


The following chart illustrates the Plan's cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through June 30, 2010:

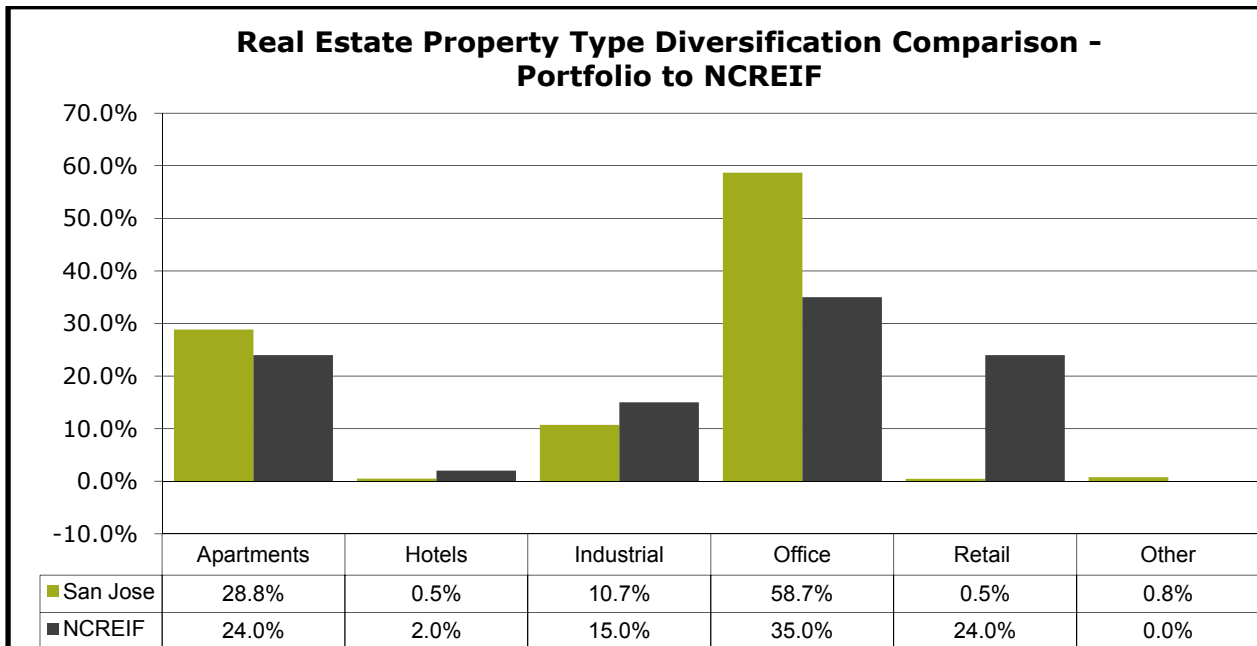




The following chart provides an analysis of the Plan's vintage year performance comparing the capital calls to the distributions and reported value through June 30, 2010:



The following chart provides an analysis of the Plan's real estate portfolio diversification by property type through June 30, 2010:

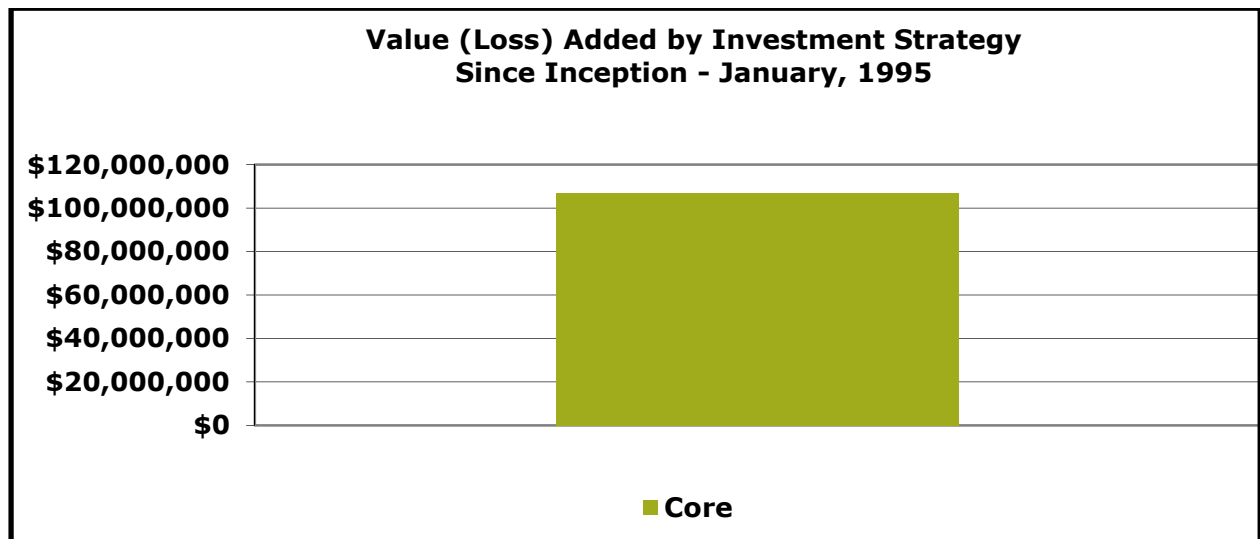




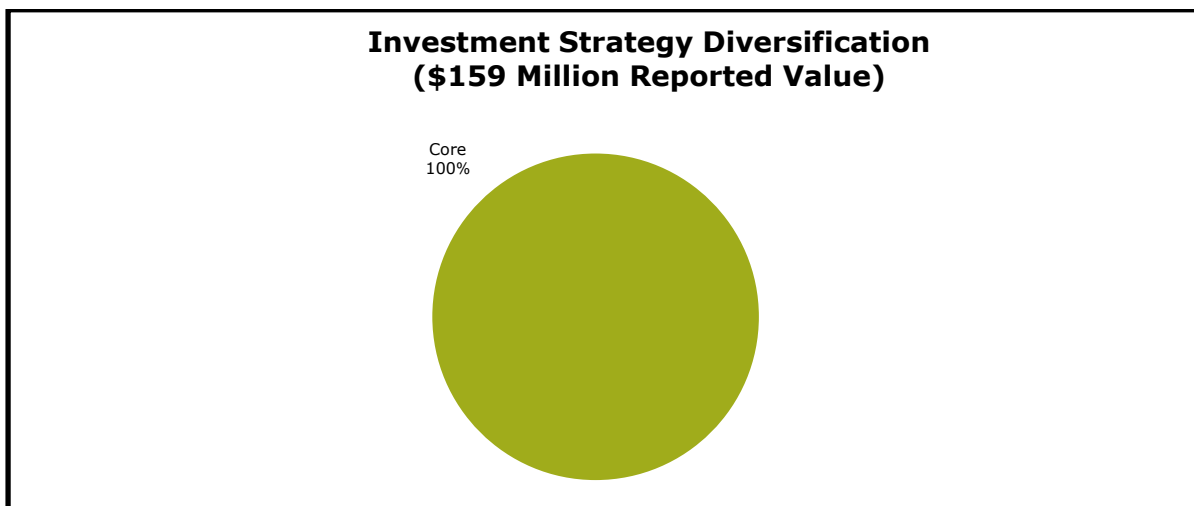
During the quarter-ended June 30, 2010, the Plan's real estate portfolio paid calls and expenses to one account and received distributions from two accounts. The summary of the cash flows is as follows:

Calls & Expenses Funded during the Quarter	Number of Funds Calling Capital	Distributions during the Quarter	Number of Funds Making Distributions	Net Cash/Stock Flows for the Quarter
\$146,720	1	\$2,766,738	2	\$2,620,018

Since inception, the Core Real Estate program has added \$106,987,591 in value for the Plan.



At quarter end, the real estate program had the following investment strategy diversification by the investment fund's reported value:





Private Markets Real Estate– Status of Target Allocations by Vintage Year and Redemption Requests.

2010 – Projected Activity

- The Plan's current Real Estate Strategy is to move from a portfolio of directly held properties to a portfolio of fund investments. The transition to bring the separate accounts under the management of American Realty Advisors has been completed, and will be followed by an exchange of many of the separate account assets for interests in American Realty's core fund. Future activity should include identification of potential specialty funds to further diversify the portfolio.

Annual Meetings

- No upcoming meetings

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

Best regards,

Allan Martin
Managing Partner

Kevin Tatlow, CAIA
Senior Consultant

Daniel LeBeau
Senior Analyst



Portfolio Fund Strategies and Highlights

Kennedy Associates Real Estate Separate Account, Core

As of June 30, 2010, Kennedy Associates was managing a separate account for the Plan. The account consists entirely of core properties with a focus on office properties.

As of June 30, 2010, the portfolio had a NAV of \$77.2 million and had 7 investments.

\$77.2 mil	7 Properties	Property Type Diversification						
		Apartment	Hotel	Industrial	Office	Retail	Other	
Kennedy RESA		-	-	9.1%	90.9%	-		
NCREIF - NPI		25.0%	2.0%	15.0%	35.0%	24.0%	-	
Overweight/(Underweight)		(25.0%)	(2.0%)	(5.9%)	55.9%	(24.0%)	-	
		Geographic Diversification						
		East	Midwest	South	West	Europe	Asia	Other
Kennedy RESA		-	37.0%	-	63.0%	-	-	-
NCREIF - NPI		33.0%	11.0%	22.0%	35.0%	-	-	-
Overweight/(Underweight)		(33.0%)	26.0%	(22.0%)	28.0%	-	-	-

MIG Real Estate Separate Account, Core

As of June 30, 2010, MIG was managing a separate account for the Plan. The portfolio consists of two apartment properties and is expected to generate regular income.

As of June 30, 2010, the portfolio had a NAV of \$41.6 million and had 2 investments.

\$41.6 mil	2 Properties	Property Type Diversification						
		Apartment	Hotel	Industrial	Office	Retail	Other	
MIG RESA		100.0%	-	-	-	-		
NCREIF - NPI		25.0%	2.0%	15.0%	35.0%	24.0%	-	
Overweight/(Underweight)		75.0%	(2.0%)	(15.0%)	(35.0%)	(24.0%)	-	
		Geographic Diversification						
		East	Midwest	South	West	Europe	Asia	Other
MIG RESA		-	-	41.0%	59.0%	-	-	-
NCREIF - NPI		33.0%	11.0%	22.0%	35.0%	-	-	-
Overweight/(Underweight)		(33.0%)	(11.0%)	19.0%	24.0%	-	-	-



Multi-Employer Property Trust, Core

MEPT is an open-end core fund that typically takes less leverage risk but more development risk than its peers. Fund management will make forward commitments based on substantial pre/post construction lease-up requirements.

As of June 30, 2010, MEPT posted a total return of 3.2%, net of fees. The fund's portfolio-level leverage was at 18.0%, slightly down from the first quarter, at 22.0%. The weighted average interest rate was 4.2%, and the fund does not have any loan maturities in 2010. Development stands at 6.3%, down from 6.4% at the end of the first quarter.

\$3.8 billion 140 Investments		Property Type Diversification						
		Apartment	Hotel	Industrial	Office	Retail	Other	
Multi-Employer Property Trust		13.0%	2.0%	25.0%	55.0%	1.0%	3.0%	
NCREIF - NPI		25.0%	2.0%	15.0%	35.0%	24.0%	-	
Overweight/(Underweight)		(12.0%)	-	10.0%	20.0%	(23.0%)	3.0%	
<i>Note: Other includes Land</i>								
		Geographic Diversification						
		East	Midwest	South	West	Europe	Asia	Other
Multi-Employer Property Trust		37.0%	19.0%	2.0%	42.0%	-	-	-
NCREIF - NPI		33.0%	11.0%	22.0%	35.0%	-	-	-
Overweight/(Underweight)		4.0%	8.0%	(20.0%)	7.0%	-	-	-
Reinvestment Policy	Income is reinvested							
Management Fees	Fees are paid from the capital account							
Queue Status	As of June 30, 2010: Entry Queue was \$0. Redemption Queue was \$0.							

San Jose Police and Fire

Executive Summary IRR Performance Report

6/30/2010

Investment	Vintage	Commitment	Qtr TD	YTD	1 Year	3 Year	5 Year	Inception
Kennedy Separately Managed Account	2003	98,073,312	7.46	9.82	7.32	-1.76	4.63	5.90
MIG Separately Managed Account	1986	85,868,944	1.99	3.15	-3.28	0.85	4.95	8.46
Multi-Employer Property Trust	2006	50,132,953	3.22	2.86	-7.13	-11.64		-5.70
		234,075,209	4.90	6.21	0.54	-3.95	2.34	7.01

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

**San Jose Police and Fire
Performance Analysis**

6/30/2010

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 Kennedy Separately Managed Account	2003	98,073,312	98,073,312	0	0	49,396,008	77,213,345	126,609,353	28,536,041	100 %	0.50	1.29	5.90 %
2 MIG Separately Managed Account	1986	85,868,944	85,868,944	0	0	132,618,734	41,609,550	174,228,284	88,359,340	100 %	1.54	2.03	8.46 %
3 Multi-Employer Property Trust	2006	50,132,953	50,132,953	0	0	0	40,225,163	40,225,163	-9,907,790	100 %	0.00	0.80	-5.70 %
3 Total Partnerships		234,075,209	234,075,209	0	0	182,014,742	159,048,058	341,062,800	106,987,591	100 %	0.78	1.46	7.01 %

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

6/30/2010

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
A Open End Real Estate													
1 Multi-Employer Property Trust	2006	50,132,953	50,132,953	0	0	0	40,225,163	40,225,163	-9,907,790	100 %	0.00	0.80	-5.70 %
A Open End Real Estate Subtotal		50,132,953	50,132,953	0	0	0	40,225,163	40,225,163	-9,907,790	100 %	0.00	0.80	-5.70 %
Separate Account													
2 Kennedy Separately Managed Account	2003	98,073,312	98,073,312	0	0	49,396,008	77,213,345	126,609,353	28,536,041	100 %	0.50	1.29	5.90 %
3 MIG Separately Managed Account	1986	85,868,944	85,868,944	0	0	132,618,734	41,609,550	174,228,284	88,359,340	100 %	1.54	2.03	8.46 %
Separate Account Subtotal		183,942,256	183,942,256	0	0	182,014,742	118,822,895	300,837,637	116,895,381	100 %	0.99	1.64	7.93 %
3 Total Partnerships		234,075,209	234,075,209	0	0	182,014,742	159,048,058	341,062,800	106,987,591	100 %	0.78	1.46	7.01 %

**San Jose Police and Fire
Vintage Year Performance Analysis**

6/30/2010

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
1986													
1 MIG Separately Managed Account	1986	85,868,944	85,868,944	0	0	132,618,734	41,609,550	174,228,284	88,359,340	100 %	1.54	2.03	8.46 %
1986 Subtotal		85,868,944	85,868,944	0	0	132,618,734	41,609,550	174,228,284	88,359,340	100 %	1.54	2.03	8.46 %
2003													
2 Kennedy Separately Managed Account	2003	98,073,312	98,073,312	0	0	49,396,008	77,213,345	126,609,353	28,536,041	100 %	0.50	1.29	5.90 %
2003 Subtotal		98,073,312	98,073,312	0	0	49,396,008	77,213,345	126,609,353	28,536,041	100 %	0.50	1.29	5.90 %
2006													
3 Multi-Employer Property Trust	2006	50,132,953	50,132,953	0	0	0	40,225,163	40,225,163	-9,907,790	100 %	0.00	0.80	-5.70 %
2006 Subtotal		50,132,953	50,132,953	0	0	0	40,225,163	40,225,163	-9,907,790	100 %	0.00	0.80	-5.70 %
3 Total Partnerships		234,075,209	234,075,209	0	0	182,014,742	159,048,058	341,062,800	106,987,591	100 %	0.78	1.46	7.01 %

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

6/30/2010

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
610 RE Core													
1 Kennedy Separatley Managed Account	2003	98,073,312	98,073,312	0	0	49,396,008	77,213,345	126,609,353	28,536,041	100 %	0.50	1.29	5.90 %
2 MIG Separatley Managed Account	1986	85,868,944	85,868,944	0	0	132,618,734	41,609,550	174,228,284	88,359,340	100 %	1.54	2.03	8.46 %
3 Multi-Employer Property Trust	2006	50,132,953	50,132,953	0	0	0	40,225,163	40,225,163	-9,907,790	100 %	0.00	0.80	-5.70 %
610 RE Core Subtotal		234,075,209	234,075,209	0	0	182,014,742	159,048,058	341,062,800	106,987,591	100 %	0.78	1.46	7.01 %
3 Total Partnerships													
		234,075,209	234,075,209	0	0	182,014,742	159,048,058	341,062,800	106,987,591	100 %	0.78	1.46	7.01 %

San Jose Police and Fire

Transaction Summary

3/31/2010 - 6/30/2010

	Date	Capital Calls	Additional Fees	Cash	Stock	Net Cash Flows
Kennedy Separately Managed Account						
	4/14/2010	83,903.00				83,903.00
	4/14/2010			354,903.00		-271,000.00
	4/29/2010	51,005.00				-219,995.00
	5/13/2010			690,000.00		-909,995.00
	6/15/2010	11,812.00				-898,183.00
	6/15/2010			454,814.00		-1,352,997.00
Subtotal Kennedy Separately Managed Account		<u>146,720.00</u>	<u>0.00</u>	<u>1,499,717.00</u>	<u>0.00</u>	<u>-1,352,997.00</u>
MIG Separately Managed Account						
	3/31/2010			665,896.00		-665,896.00
	6/30/2010			601,125.00		-1,267,021.00
Subtotal MIG Separately Managed Account		<u>0.00</u>	<u>0.00</u>	<u>1,267,021.00</u>	<u>0.00</u>	<u>-1,267,021.00</u>
0	Grand Total	<u>146,720.00</u>	<u>0.00</u>	<u>2,766,738.00</u>	<u>0.00</u>	<u>-2,620,018.00</u>

Activity is cumulative for the period