FundStrategy

1st Quarter 2008

The Northern Trust Company

Economic Summary

The U.S. economy grew at an annual rate of 0.6% in the fourth quarter of 2007, after registeringa robust 4.9% gain in the third quarter. A contraction of real GDP in the first-half of the year is strongly likely to be followed by a small improvement in the second-half of 2008. The Fed is expected to stand pat, after lowering the federal funds rate to 2.00% on April 30, in order to assess the impact of the policy changes put in place.

The National Bureau of Economic Research, the official agency that dates business cycles, has yet to announce that a recession is underway in the U.S. economy but several economic reports indicate that a recession is here. Severely weak economic conditions, particularly in the labor and housing markets, have supported recent aggressive easing of monetary policy. In addition to lowering the federal funds rate 300 basis points to 2.25%, the Fed has introduced several innovative programs to reduce stress in financial markets. The actions of the Fed and the fiscal stimulus plan that Congress has passed should pave the way for an economic recovery in the second-half of 2008. The credit crunch and wide reach of the housing market crisis are most likely to result in a sluggish recovery.

The housing market continues to occupy front and center of macroeconomic policy discussions. Spending on housing construction subtracted one percentage point from GDP in 2007. The housing sector is most likely to hold back economic growth in 2008 and most of 2009. Construction of new single-family homes has fallen 63.0% from the peak in January 2006. of Sales of existing and new homes in February have dropped 35.4% from the peak in July 2005. Inventories remain at elevated levels supporting forecasts of further declines in home prices. The median price of an existing single-family home has lost 16% from its peak in July 2005. Mortgage underwriting standards have tightened sharply following the onset of the credit crisis, which is an additional factor holding back sales of homes. The ripple effects of the housing market recession have become visible in different parts of the economy extending from declines of employment in housing and housing-related sectors to setbacks in capital spending, weakness in factory productio and a sharp slowing of consumer spending.

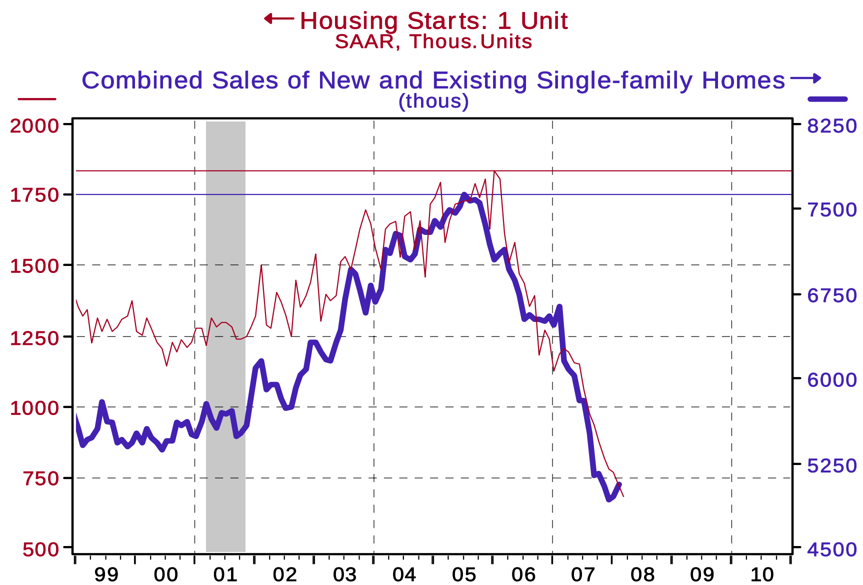
Employment conditions have deteriorated significantly in the past few months. Total nonfarm payroll employment has declined in each of the three months ended March, with private sector payroll employment down for four straight months. A total of 232,000 jobs have been lost in the first three months of the year. The unemployment rate at 5.1% in March 2008 has moved up rapidly from a cycle low of 4.4% in March 2007. Weekly reports from the labor market continue to indicate that firms have stopped hiring.

Consumers are facing constraints on several fronts: (1) the significant decline in home prices has reduced mortgage equity withdrawals which provided support to the consumer spending boom of 2004-2006, (2) the downward trend of equity prices has led to reduction in household wealth, (3) sharp increases in food and energy prices have reduced funds for discretionary consumer spending, (4) the weakness in labor markets and (5) a higher debt service burden from resetting of adjustable rate mortgages at higher rates. Evidence of the impact of these factors is visible in a drop of inflation adjusted retail sales in the last quarter of 2007 and the first quarter of 2008. These factors will continue to play a role in the rest of the year, with consumer spending likely to make an insignificant contribution to GDP.

Business capital spending added 0.5 percentage points to GDP in 2007, with the bulk of the increase coming from non-residential structures. The small increase in corporate profits in 2007, the weak economic environment, financing constraints from the credit crunch, and the cycle low reading of the CEO Confidence Index are factors that are working against robust growth in business capital spending.

The weakness of the dollar has two sides – increase in exports and higher import prices. On the positive side, exports of the U.S. economy have made a substantial contribution in recent quarters. In the quarters ahead, exports are predicted to provide a partial offset to weakness elsewhere in the economy. As a result of the strong growth in exports, the current account deficit as a percent of GDP has fallen to 4.9% in the fourth quarter of 2007 from 5.6% a year ago. The trade weighted dollar at $70.7 is down 37.4% down from the peak of 112.89 on January 28, 2002.

The Fed has been consistently pointing to the threat of inflationary pressures even as it has lowered the federal funds rate. In March, the Consumer Price Index had moved up 4.0% on a year-to-year basis and the core Consumer Price Index excluding food and energy showed a 2.35% year-to-year increase. Both these inflation numbers show a small deceleration from recent peak readings. Inflation is a lagging economic indicator; assuming our forecast of slowing economic conditions is accurate, inflation should show some moderation in the months ahead. Further weakness in the dollar translating into higher import prices and overall inflation is a legitimate concern that has placed the Fed in a tight spot.



Source: Haver Analytics

U.S. Equity Summary

U.S Equity markets took a turn for the worse in the first quarter of 2008 with the Russell 3000 returning -9.5% for the quarter. This was the second quarter in a row with negative returns and the worst performing quarter since the third quarter of 2002 when the Russell 3000 index declined 17.2%. In the 22 quarters since Q3 2002, the Russell index has posted positive returns in 17 of them. So while there is concern over the current markets and economy, it's a nice reminder that times have been relatively good over the past five years. March 2008 also gave us the single largest one day gain in the markets since 2002.

However, simply stated, this was not a good quarter for the U.S. Equity markets. Lack of liquidity has been the driving issue with tightening credit standards. This liquidity crisis has led to concerns over the viability of investment banks which were highlighted by the JP Morgan takeover of Bear Sterns. Owners of debt continued to have material losses related to debt write downs. Interestingly, U.S. markets had a positive reaction to the UBS write down of nearly $19 billion at the end of the quarter. Many hoped this would be the last of these material write downs.

The Fed did its part to try and keep the economy and markets moving in a positive direction. In January they gave a surprise rate cut of 75 bps and then cut rates another 75 bps in March. The Fed also stepped in to help embattled Bear Sterns. Unfortunately these efforts still did not keep markets in the black for the quarter.

There was very little room to hide this quarter with every sector posting negative returns. IT, Telecom, Financials, Health Care, and and Utilities all posted double digit losses for the quarter. Consumer Staples was the best performing sector at -2.6%. Despite seemingly daily high record oil prices, the Energy sector also cooled off this quarter returning -6.5%. For the 12 months ending 3/31, the energy sector is up 20%. Financials are the worst performing sector over the past 12 months down 26.7%.

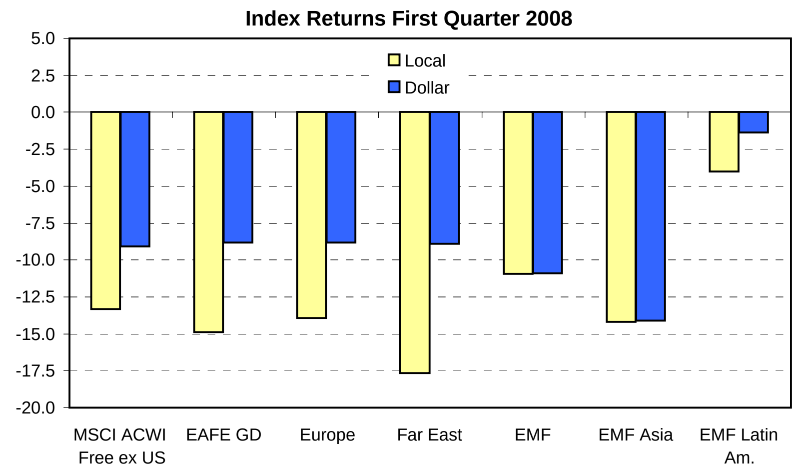
The story of the Northern Trust equity style universes parallels that of the Russell style indices. Small value was the best performing universe with a median return of -6.1%. Value did in fact outperform its growth counterpart in each of the different market cap splits. The worst performing universe was small growth returning -12.6%.

Periods Ending March 31, 2008	**Quarter**	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**7 years**
S&P 500	-9.4%	-5.1%	3.0%	5.9%	11.3%	3.7%
Russell 3000	-9.5%	-6.1%	2.2%	6.1%	12.1%	4.4%
Russell 1000	-9.5%	-5.4%	2.9%	6.2%	11.9%	4.2%
Russell 1000 Growth	-10.2%	-0.7%	3.1%	6.3%	10.0%	2.1%
Russell 1000 Value	-8.7%	-10.0%	2.5%	6.0%	13.7%	6.3%
Russell 2000	-9.9%	-13.0%	-4.0%	5.1%	14.9%	7.6%
Russell 2000 Growth	-12.8%	-8.9%	-3.8%	5.7%	14.2%	4.9%
Russell 2000 Value	-6.5%	-16.9%	-4.2%	4.3%	15.4%	10.0%
NT Equity Style Medians						
Large Cap Core	-8.4%	-2.5%	3.3%	6.6%	11.8%	4.1%
Large Growth	-11.5%	-0.8%	1.7%	7.8%	11.2%	3.3%
Large Value	-10.1%	-10.4%	1.9%	5.8%	14.1%	7.1%
Mid Growth	-11.8%	-5.2%	0.3%	8.7%	15.4%	7.0%
Mid Value	-8.0%	-11.6%	-1.8%	6.3%	17.0%	11.5%
Small Growth	-12.6%	-14.2%	-5.1%	5.3%	14.8%	6.3%
Small Value	-6.1%	-13.5%	-1.9%	5.8%	16.3%	12.3%

International Overview

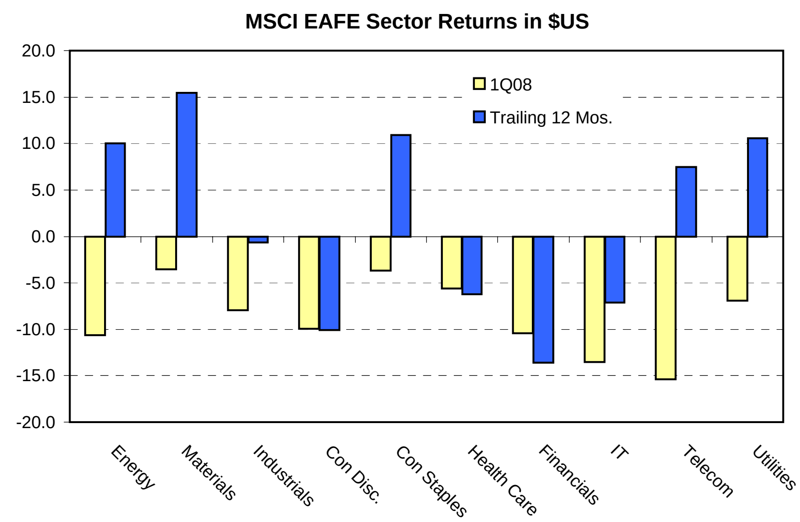
Overview

The beginning of 2008 did not bring international markets any kind relief from the pressures of world-wide exposure to the sub-prime lending slide and the overwhelming pressures of the credit crisis. These concerns continued to weigh down the international markets, including the emerging markets which for sometime have been insulated from the effects of these issues. Even with these issues before the international markets, the International Monetary Fund has predicted the world's economic growth for 2008 to be 4%. In the here and now, the world's first quarter market returns were poor across the board with few, if any, bright spots. The MSCI EAFE Index was down 14.9% for the quarter in local terms. Even with the currency pick-up from the extremely weak U.S. dollar, the index was still unable to crawl out of negative territory returning -8.9% for the quarter in USD terms.



International Currency Markets

During the first quarter, the dollar continued to depreciate against the Euro, down 7.2%, and the Yen, down 12% (the strongest the JPY has been in 12 years against the USD). The U.S. dollar also lost ground against the AUD losing 4%. Though the USD was able to gain ground on the CAD, 5.1% and slightly on the GBP,0.3%. The GBP was held down against the USD due to BOE reducing rates to 5.25% in the first quarter in response to economic weakness and the liquidity crisis.



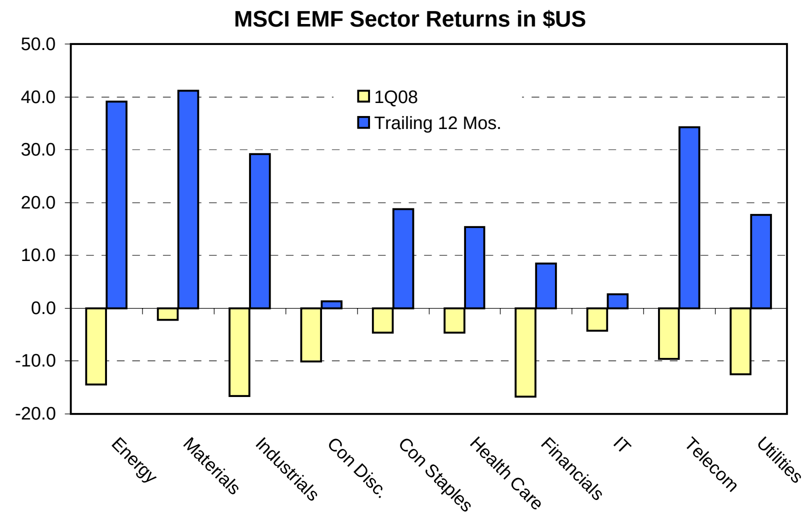
International Equity Markets

The International Equity Markets entered 2008 continuing to struggle during yet another volatile quarter. The MSCI ACWI Ex-US Index produced a negative 13.3 % return for the quarter which resulted in a negative 8.5% return for the one-year period (in local terms). The major developed markets continued to produce returns which weighted heavily on the index. Exclusive of Denmark, which returned +0.4%(local terms), none of the developed markets in the index were able to produce a positive return for the quarter. Japan's -17.8%(local terms) return was a large detractor on the index's performance, given the country's relatively high allocation, 14.9% of the index. The United Kingdom's poor performance for the quarter of -10.4%(local terms) coupled with its weighting of 16% in the index also was major detractor for the quarter.

International Overview (Continued)

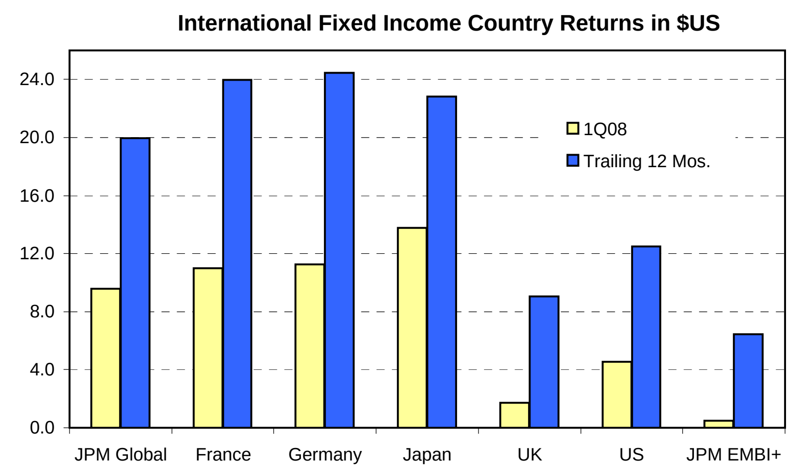
International Equity Markets (continued)

The Emerging Markets had been able to withstand the pressures affecting the developed markets, this came to an end with the first quarter of 2008. Though not directly exposed to the sub-prime housing concerns, the reduced appetite for risk and liquidity issues finally settled in on the Emerging Markets, which ended the first quarter with a return of negative -10.9 in both local and USD terms. Of the more heavily weighted (>10%) countries in the index only Taiwan was able to produce a positive return, 5.3%, for the quarter. Brazil which had been one of the better contributors to index was down 5%(USD terms) based on negative returns in the Financials and Energy sectors (-12.7% and -13.7% respectively in USD). China and India which had also been positive influences on the index were hit hard in the quarter with negative returns of 23.7% and 27.0% respectively in USD terms.



International Fixed Income Markets

The J.P. Morgan Global Bond Index increased by 9.6% (USD terms) in the first quarter. The continued U.S. subprime credit problems along with their concern regarding the economic slowdown, drove the U.S. Fed to continue with interest rate cuts, reducing Fed Funds rate by 200bps. during the quarter, pushing yields downward and treasury prices up. The Bank of England cut their key lending rate by another 25bps. in February in an effort to spur economic growth. The European Central Bank decide not to make a change to their lending rates in the first quarter. Bank of Japan, now lacking a full-time governor for the first time in more than 80 years also decided to leave their lending rates unchangec



The J.P. Morgan Emerging Market Bond Plus Index also increased, returning 0.47% for the quarter and 4.3% for the one-year (in USD). All of the countries in the index posted positive returns for the quarter. Brazil, which is the largest contributor to the index at >19%, returned 0.5% in dollar terms. While Russia, the index's second largest contributor (16.6%), returned 2.3% for the quarter (USD terms).

U.S. Fixed Income Overview

The first quarter of 2008 saw unprecedented market intervention from the Federal Reserve as investors remained very pessimistic due to recession fears in the U.S., apprehension of further write-offs by financial institutions and increased counterparty risk brought on by the Bear Stearns collapse. The Fed was very aggressive during the quarter in combating these fears as they slashed rates by 200 basis points, allowed broker dealer access to the discount window in order to increase liquidity, and finally, by making direct financial support for the acquisition of Bear Stearns by JP Morgan Chase.

Interest rate volatility increased dramatically during the quarter as the Fed moved to slash rates and the market experienced an increase in intra day interest rate volatility. The yield curve steepened dramatically during the quarter as the 30 year bond yield declined 15 basis points, the yield on the 10 year note declined by 60 basis points and the two year yield fell by 145 basis points.

Treasuries outperformed all spread sector securities by a wide margin as investors favored less risky and more liquid securities. With the dramatic cut in rates, the Lehman Treasury index returned 4.43% during the quarter. This healthy return was in stark contrast to the rest of the investment grade market as the Agency, MBS, Credit, ABS and CMBS sectors returned 3.23%, 2.43%, 0.43%, -1.93% and -2.57% respectively.

Mortgages underperformed duration matched Treasuries by 77 basis points during the quarter, but this sector outperformed all other investment grade debt, other than agencies. With several highly leveraged investors forced to liquidate their MBS portfolio, unlevered investors were reluctant to buy due to fears of additional liquidations. The result was that spreads widened to a record 300 bps over Treasuries.

Asset backed bonds underperformed duration matched Treasuries by 594 basis points during the quarter. The bulk of the underperformance came from residential sub sector which underperformed Treasuries by 1,680 basis points during the quarter. This large drop off in valuation was driven by continued deterioration in the sub prime mortgage market, as housing values continue to decline and the rate of delinquencies in this sector continues to rise

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CMBS issues were the poorest performing investment grade sector during the quarter, underperforming duration matched Treasuries by 777 basis points. The CMBS market was driven more by technical factors rather than by fundamental issues, as occupancy rates remain stable and delinquencies remain at historically low levels. Rather there were a lack of buyers as spooked investors moved into Treasuries or stayed on the sidelines waiting fo the markets to stabilize.

Investment grade credit spreads continued to widen as increased financing costs, counterparty risk and further deterioration in the housing markets caused investors to seek more of a premium. The late quarter intervention by the Fed moved to restore liquidity and the credit market moved up from its lows experienced mid March. High yield securities also experienced poor returns during the quarter as recession fears intensified and investors risk appetites continued to decrease. The Lehman HY index returned -3.01% for the quarter.

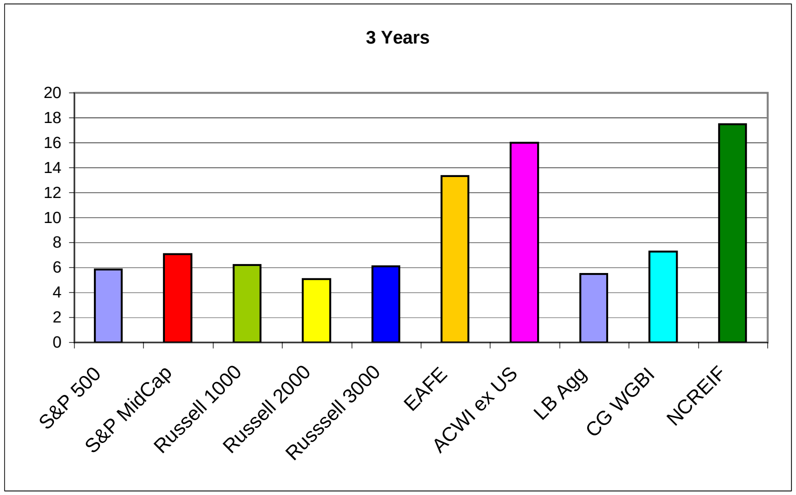
Period Ending March 31, 2008	**QTR**	**1 YR**	**2 YR**	**3 YR**	**5 YR**
Northern Trust U.S. Fixed Income Manager (Median)	**1.15**	**5.62**	**6.11**	**5.17**	**4.77**
Lehman US Universal Index	1.66	6.57	6.79	5.49	4.96
Lehman US Aggregate Index	2.17	7.67	7.13	5.48	4.58
Lehman Government/Credit	2.53	8.35	7.36	5.55	4.62
Lehman Government Bond Index	4.05	11.45	8.66	6.44	4.71
Lehman Government Intermediate Index	4.11	11.22	8.45	6.28	4.34
Lehman Treasury Index	4.43	12.21	9.00	6.60	4.80
Lehman Treasury 20+ Years	3.55	13.36	9.92	7.20	6.52
Lehman US TIPS Index	5.18	14.54	9.82	6.75	6.75
Lehman US Government Related Index	3.35	9.95	8.11	6.25	4.72
Lehman Mortgaged Backed Bond Index	2.43	7.82	7.38	5.78	4.80
Lehman Asset Backed Index	-1.93	-1.16	2.32	2.44	2.49
Lehman CMBS Index	-2.57	1.34	4.06	3.41	3.29
Lehman Credit Bond Index	0.43	3.99	5.53	4.28	4.43
Lehman High Yield Corporate Index	-3.01	-3.73	3.64	4.89	8.62
90 Day T-Bill	0.58	3.95	4.54	4.28	3.12

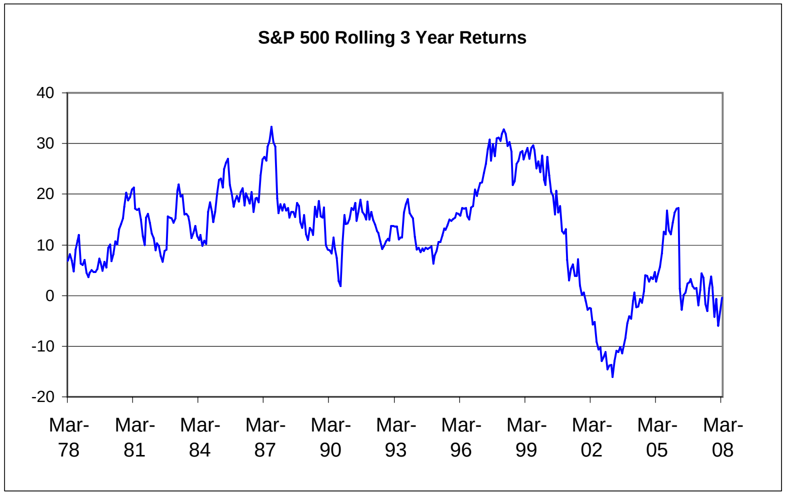
Statistical Source: Lehman Brothers Global Family of Indices March 31, 2008.

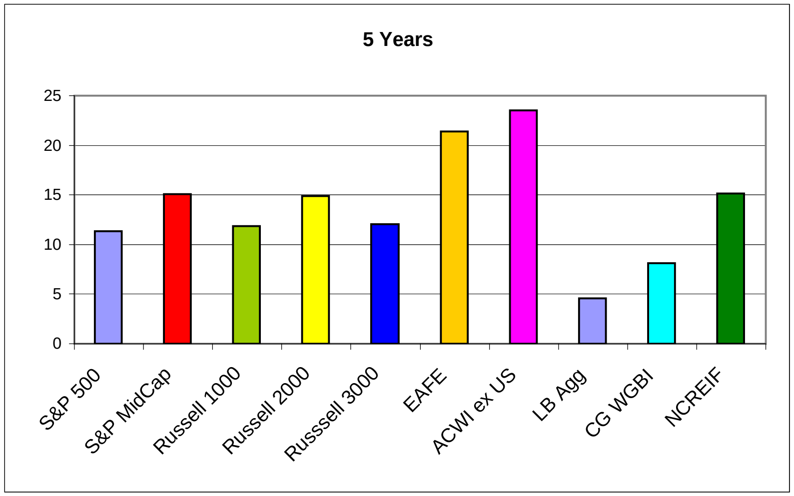
San Jose Federated City Employees Retirement System

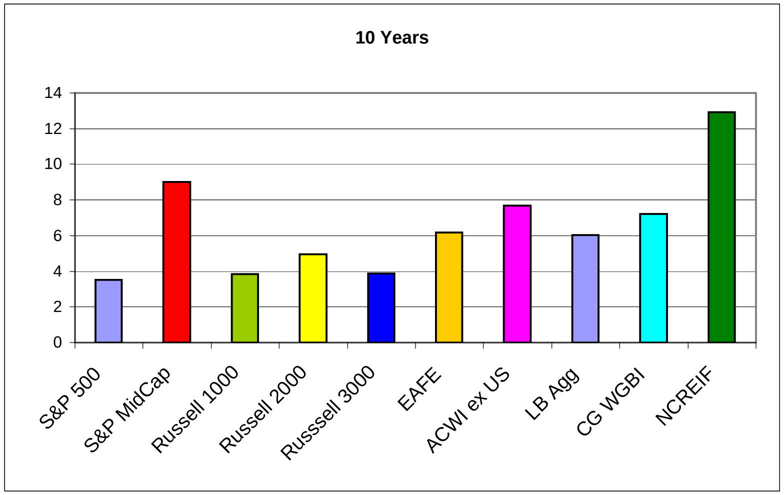
Major Benchmark Returns

Period Ending March 31, 2008





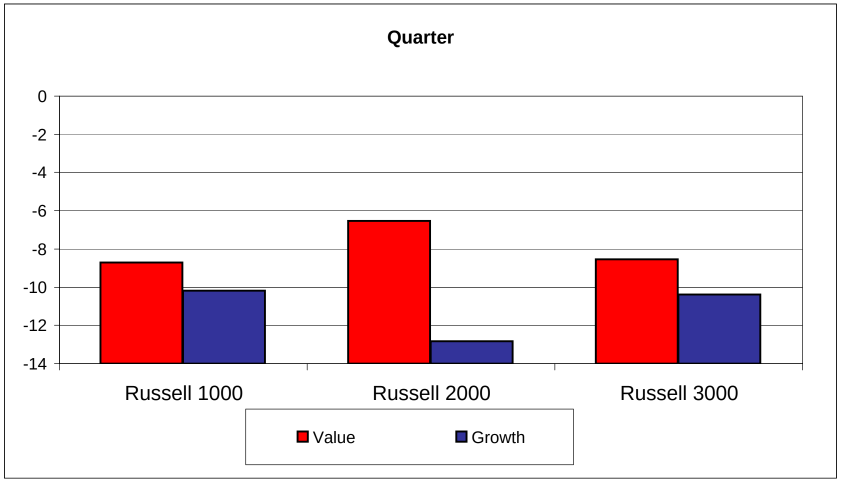


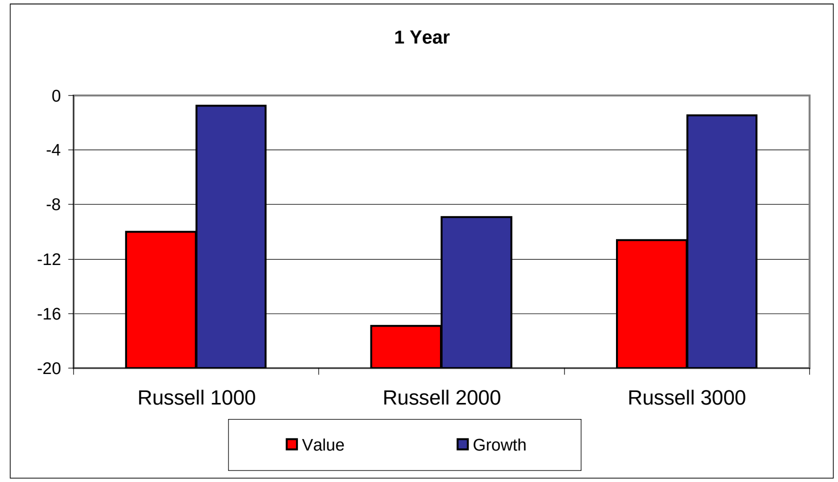


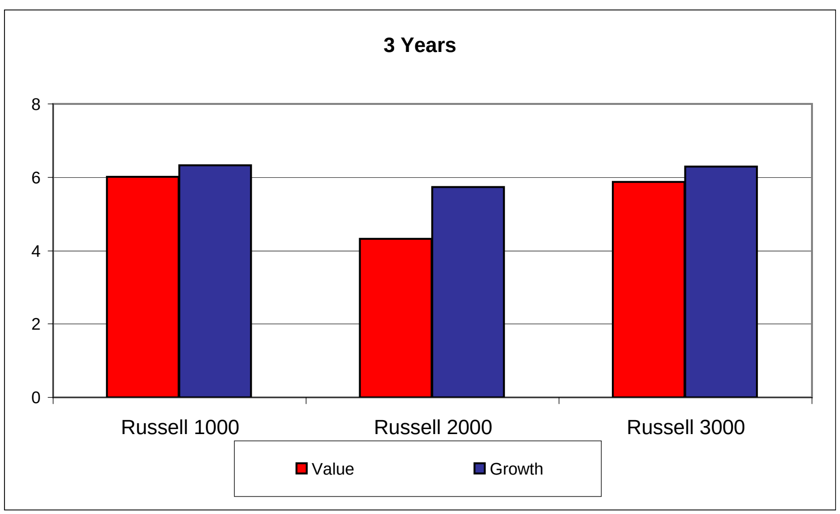
San Jose Federated City Employees Retirement System

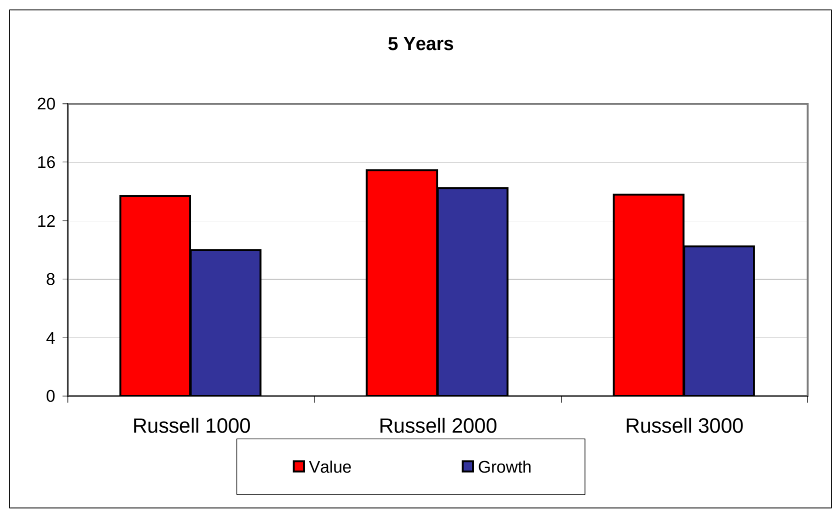
Equity Styles

Period Ending March 31, 2008

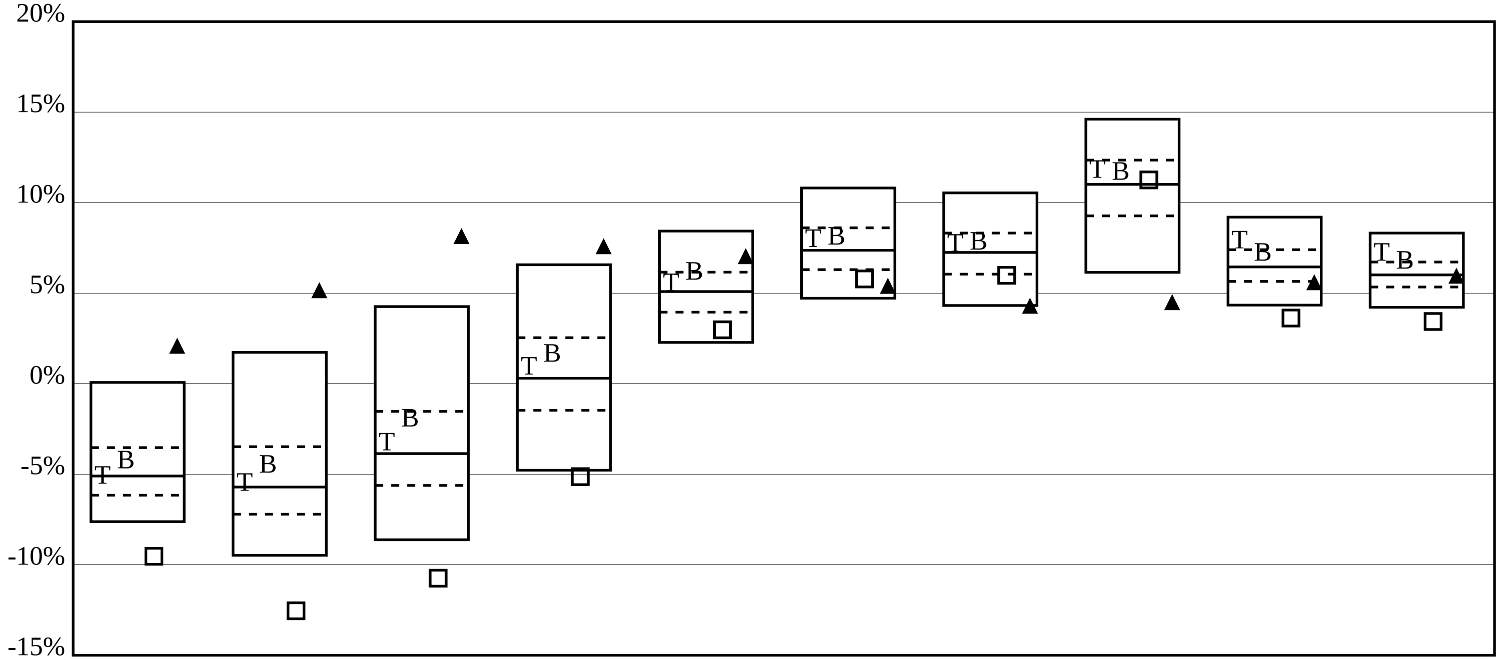








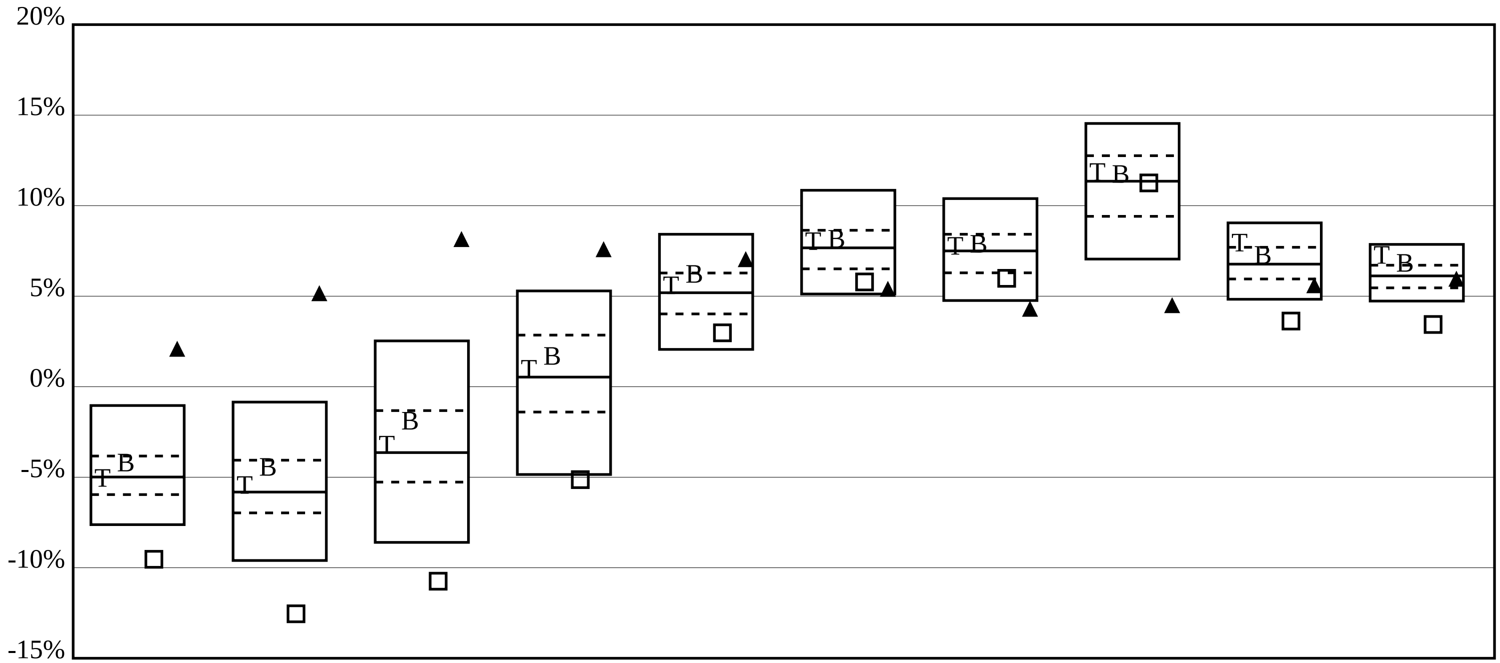
San Jose Fed. City Employees Ret. Syst.
Total Returns of All Master Trusts
Rates of Return for Periods Ending March 31, 2008



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	0.07	1.73	4.26	6.57	8.43	10.81	10.54	14.61	9.20	8.32
25th Percentile	-3.53	-3.48	-1.53	2.54	6.16	8.61	8.32	12.35	7.40	6.72
Median	-5.10	-5.71	-3.86	0.30	5.09	7.37	7.25	11.01	6.45	6.01
75th Percentile	-6.16	-7.21	-5.62	-1.47	3.95	6.30	6.05	9.27	5.65	5.34
95th Percentile	-7.62	-9.48	-8.62	-4.78	2.28	4.72	4.32	6.15	4.34	4.22
T Total Fund	-5.01 (48)	-5.40(45)	-3.17(41)	1.02 (40)	5.63 (36)	8.07 (34)	7.81 (34)	11.89 (33)	7.99 (15)	7.31 (14)
B Custom Blended Benchmark	-4.16 (33)	-4.40(31)	-1.85(26)	1.73 (32)	6.26 (22)	8.20 (32)	7.92 (31)	11.78 (34)	7.31 (26)	6.87 (23)
□ S&P 500	-9.46 (98)	-12.47 (98)	-10.67 (97)	-5.06 (95)	3.05 (88)	5.86 (83)	6.06 (74)	11.33 (42)	3.70 (98)	3.51 (98)
▲ Lehman Aggregate	2.17 (1)	5.24 (1)	8.23 (1)	7.67 (2)	7.12 (11)	5.48 (90)	4.38 (94)	4.58 (98)	5.68 (74)	6.04 (49)

Returns for periods greater than one year are annualized.

San Jose Fed. City Employees Ret. Syst.
Total Returns of Public Funds
Rates of Return for Periods Ending March 31, 2008

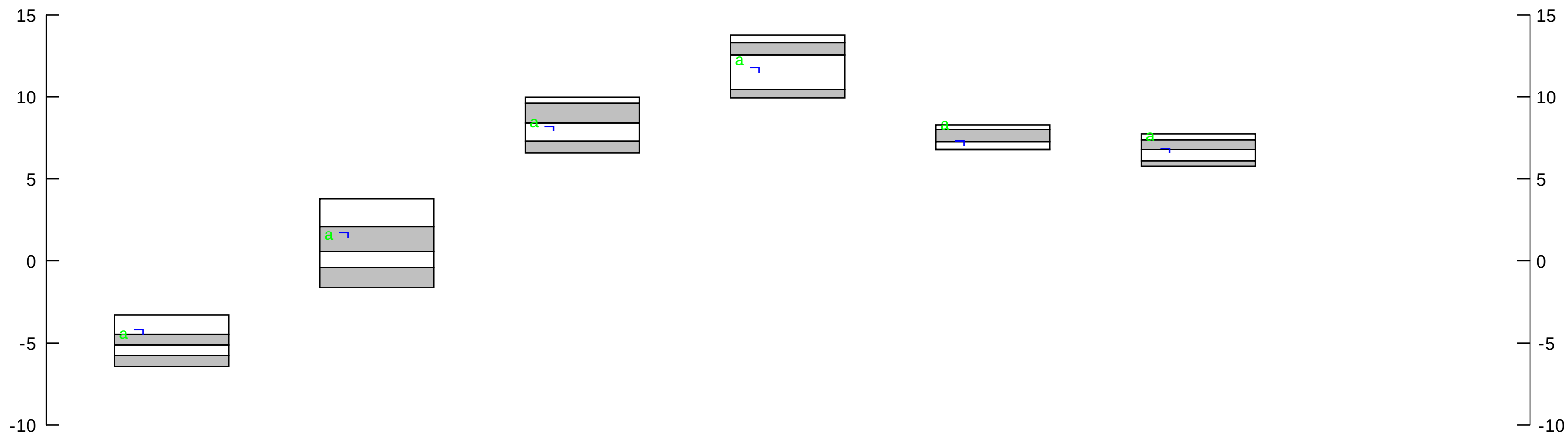


	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	-1.04	-0.85	2.53	5.29	8.42	10.85	10.39	14.54	9.05	7.86
25th Percentile	-3.83	-4.06	-1.32	2.85	6.28	8.64	8.42	12.76	7.70	6.71
Median	-4.99	-5.82	-3.64	0.53	5.19	7.67	7.50	11.35	6.77	6.12
75th Percentile	-5.96	-6.97	-5.27	-1.40	4.02	6.51	6.29	9.41	5.95	5.46
95th Percentile	-7.62	-9.60	-8.60	-4.85	2.06	5.12	4.76	7.05	4.83	4.73
T Total Fund	-5.01 (50)	-5.40(41)	-3.17(44)	1.02 (45)	5.63 (40)	8.07 (39)	7.81 (38)	11.89 (38)	7.99 (17)	7.31 (14)
B Custom Blended Benchmark	-4.16 (30)	-4.40(27)	-1.85(28)	1.73 (34)	6.26 (25)	8.20 (35)	7.92 (32)	11.78 (40)	7.31 (32)	6.87 (21)
□ S&P 500	-9.46 (98)	-12.47 (98)	-10.67 (97)	-5.06 (95)	3.05 (87)	5.86 (89)	6.06 (83)	11.33 (50)	3.70 (100)	3.51 (100)
▲ Lehman Aggregate	2.17 (1)	5.24 (1)	8.23 (1)	7.67 (1)	7.12 (13)	5.48 (93)	4.38 (98)	4.58 (98)	5.68 (81)	6.04 (57)

Returns for periods greater than one year are annualized.

Populations Ranking - Public Funds Universe

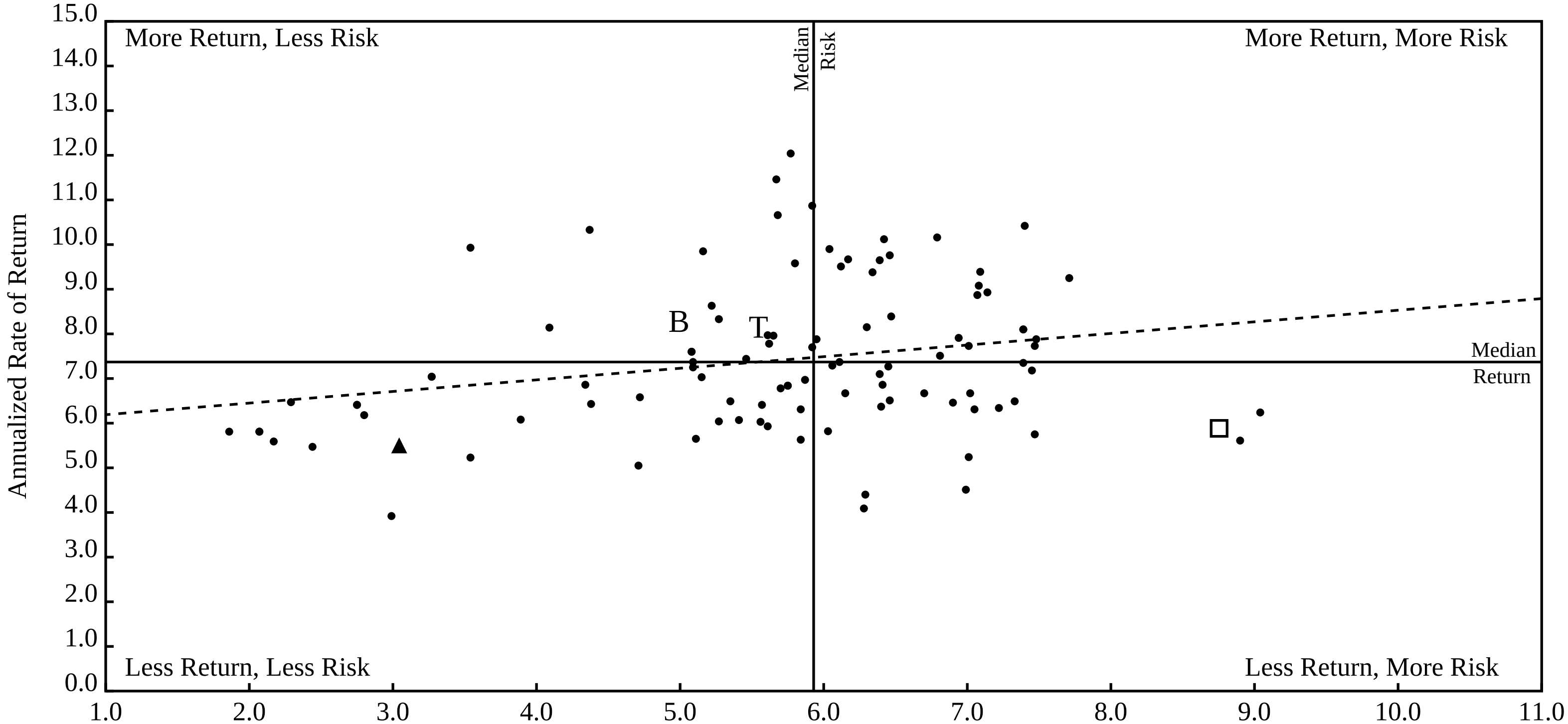
31 March 2008



		Three Months	One Year	Three Years	Five Years	Seven Years	Ten Years
	10th Percentile	-3.29	3.78	9.98	13.78	8.29	7.74
	1st Quartile	-4.47	2.09	9.60	13.31	8.01	7.36
	Median	-5.14	0.55	8.41	12.57	7.26	6.80
	3rd Quartile	-5.78	-0.40	7.29	10.45	6.82	6.09
	90th Percentile	-6.44	-1.64	6.58	9.94	6.77	5.79
a	FCERS San Jose	-4.73	1.32	8.18	11.96	8.03	7.34
	Percentile Rank	30th	36th	52nd	53rd	24th	28th
¬	FCERS Custom Blended	-4.16	1.73	8.19	11.78	7.31	6.87

This report is produced Gross of Fees

San Jose Fed. City Employees Ret. Syst.
Risk vs Total Return of All Master Trusts
3 Years Ending March 31, 2008

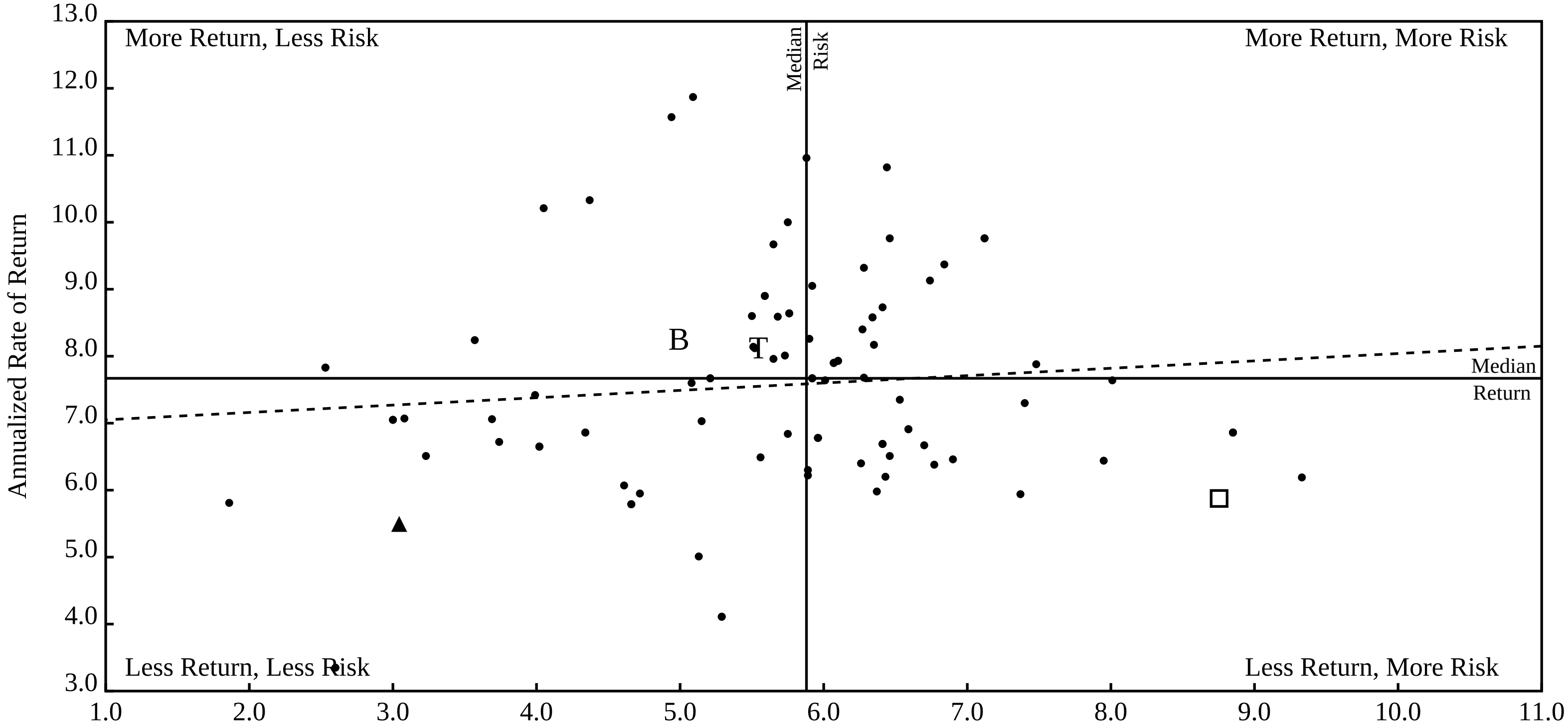


Risk (Historical Standard Deviation of Return)

Alpha	5.93
Beta	0.26
R-Squared	0.06

		Risk Value	Risk Rank	Return Value	Return Rank
T	Total Fund	5.58	62	8.07	34
B	Custom Blended Benchmark	5.02	76	8.20	32
□	S&P 500	8.80	2	5.86	83
▲	Lehman Aggregate	3.09	92	5.48	90
	Median	5.93		7.37	

San Jose Fed. City Employees Ret. Syst.
Risk vs Total Return of Public Funds
3 Years Ending March 31, 2008



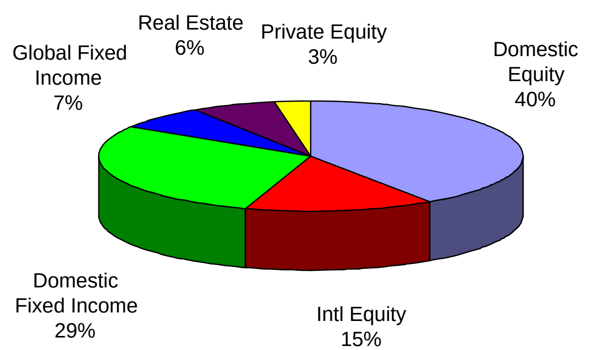
Alpha	6.94
Beta	0.11
R-Squared	0.01

		Risk Value	Risk Rank	Return Value	Return Rank
T	Total Fund	5.58	63	8.07	39
B	Custom Blended Benchmark	5.02	78	8.20	35
□	S&P 500	8.80	3	5.86	89
▲	Lehman Aggregate	3.09	95	5.48	93
	Median	5.88		7.67	

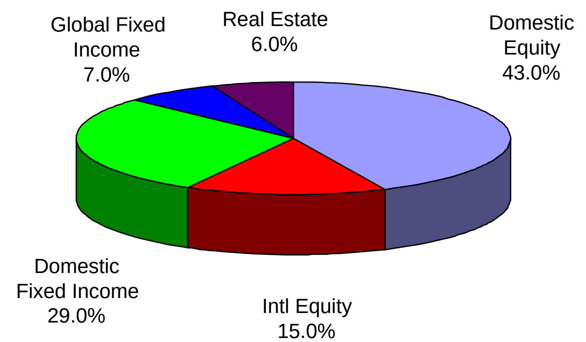
San Jose Federated City Employees Retirement System

Allocation by Asset Category

Actual Asset Allocation



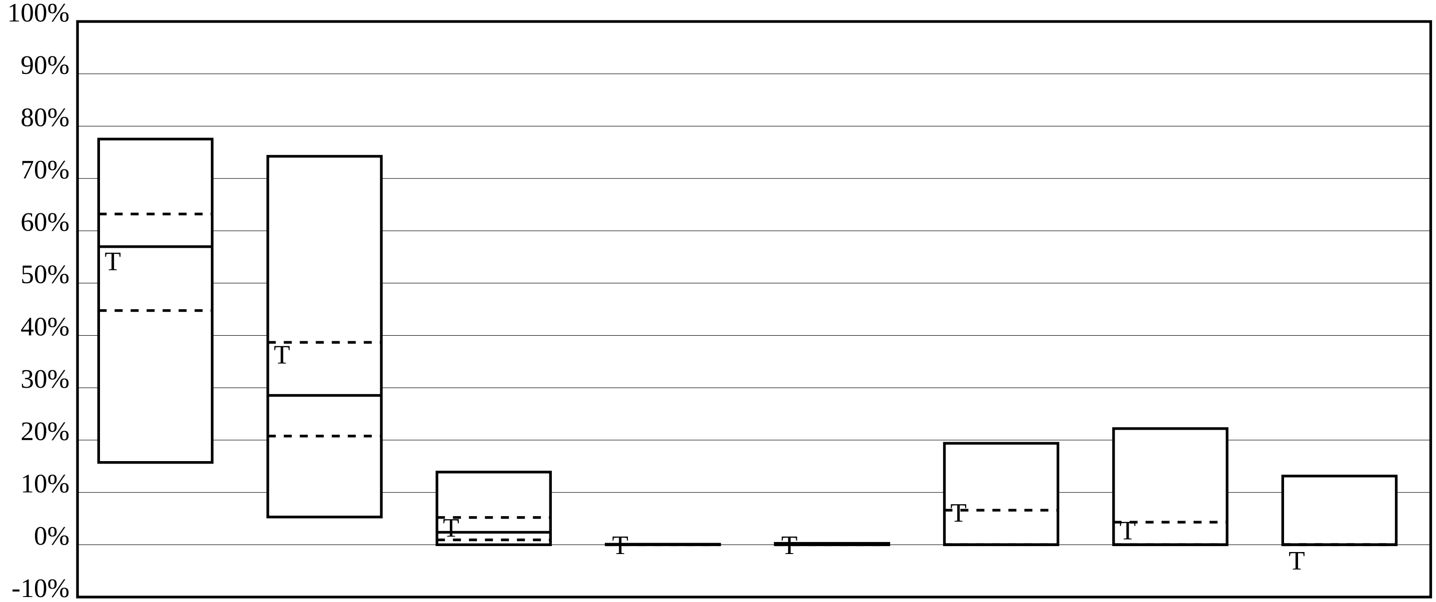
Target Allocation



Asset Class	Actual ($000)	% Actual	% Target	% Difference	Difference ($000)
Domestic Equity	$721,992	40.45%	43.00%	-2.55%	($45,451)
Intl Equity	$259,106	14.52%	15.00%	-0.48%	($8,607)
Domestic Fixed Income	$512,972	28.74%	29.00%	-0.26%	($4,606)
Global Fixed Income	$126,434	7.08%	7.00%	0.08%	$1,501
Real Estate	$110,633	6.20%	6.00%	0.20%	$3,548
Private Equity*	$50,373	2.82%	0.00%	2.82%	$50,373

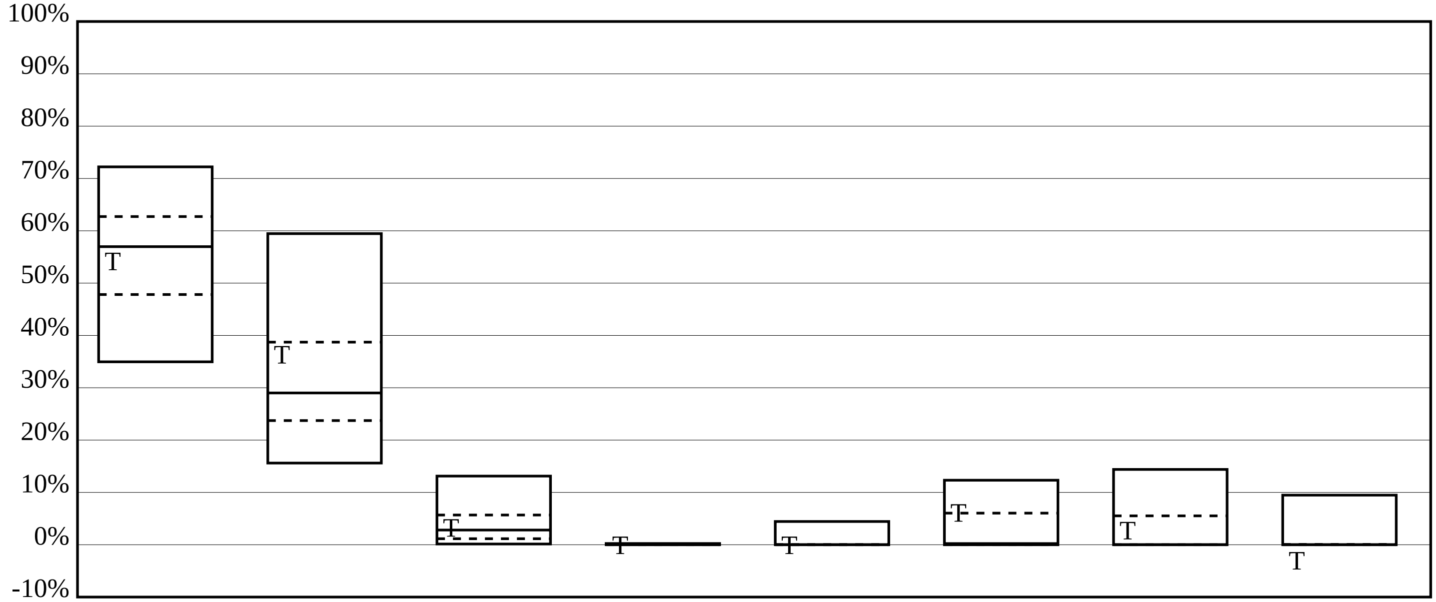
* Board has approved using the "Without Private Markets" asset allocation approach until the completion and approval of the current Asset Liability Modeling ("ALM") study.
 - Cash represents 0.18% of the total fund as of 3/31/08.

San Jose Fed. City Employees Ret. Syst.
Asset Allocation of All Master Trusts
Quarter Ending March 31, 2008



	Equities	Bonds	Cash	Convertibles	GIC/GAC	Real Estate	Alternative Inv	Other
5th Percentile	77.53	74.24	13.89	0.10	0.27	19.39	22.20	13.13
25th Percentile	63.21	38.68	5.21	0.00	0.00	6.60	4.31	0.00
Median	56.97	28.54	2.38	0.00	0.00	0.00	0.00	0.00
75th Percentile	44.76	20.77	0.93	0.00	0.00	0.00	0.00	0.00
95th Percentile	15.73	5.30	0.00	0.00	0.00	0.00	0.00	0.00
T Total Fund	54.25 (59)	36.41 (29)	3.32 (39)	0.00 (100)	0.00 (100)	6.18 (26)	2.80 (29)	-2.96 (100)

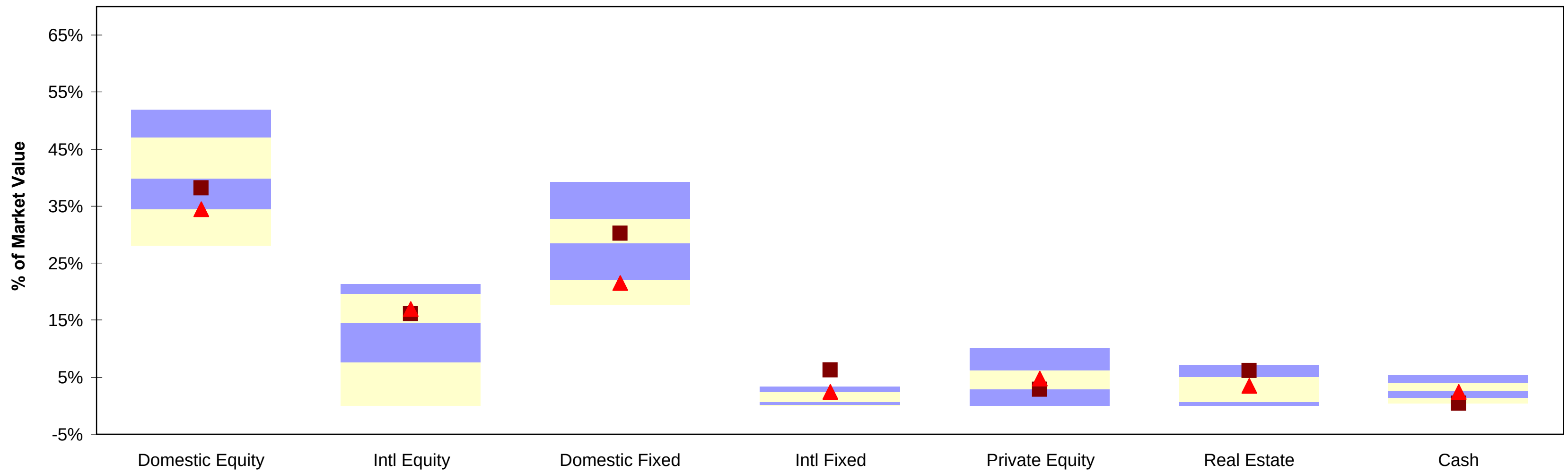
San Jose Fed. City Employees Ret. Syst.
Asset Allocation of Public Funds
Quarter Ending March 31, 2008



	Equities	Bonds	Cash	Convertibles	GIC/GAC	Real Estate	Alternative Inv	Other
5th Percentile	72.22	59.46	13.12	0.23	4.44	12.33	14.39	9.48
25th Percentile	62.72	38.72	5.68	0.01	0.00	6.04	5.52	0.03
Median	56.97	29.01	2.81	0.00	0.00	0.22	0.00	0.00
75th Percentile	47.82	23.73	1.15	0.00	0.00	0.00	0.00	0.00
95th Percentile	34.96	15.61	0.14	0.00	0.00	0.00	0.00	0.00
T Total Fund	54.25 (59)	36.41 (28)	3.32 (42)	0.00 (100)	0.00 (100)	6.18 (23)	2.80 (37)	-2.96 (100)

Asset Allocation Distribution - TNT Public Funds Universe

As of March 31, 2008, the System had below median allocations to domestic equity and cash, while maintaining higher than median allocation to international equity, domestic and foreign fixed income, and real estate. The Northern Trust Public Funds Universe was comprised of 42 plans with a total market value of $352 billion, which includes San Jose FCERS. The plans ranged in size from $22.1 million to $40.1 billion, with a median market value of $3.9 billion and an average market value of $8.4 billion. FCERS ranked at the 64th percentile, or 27th among Public Funds in size.



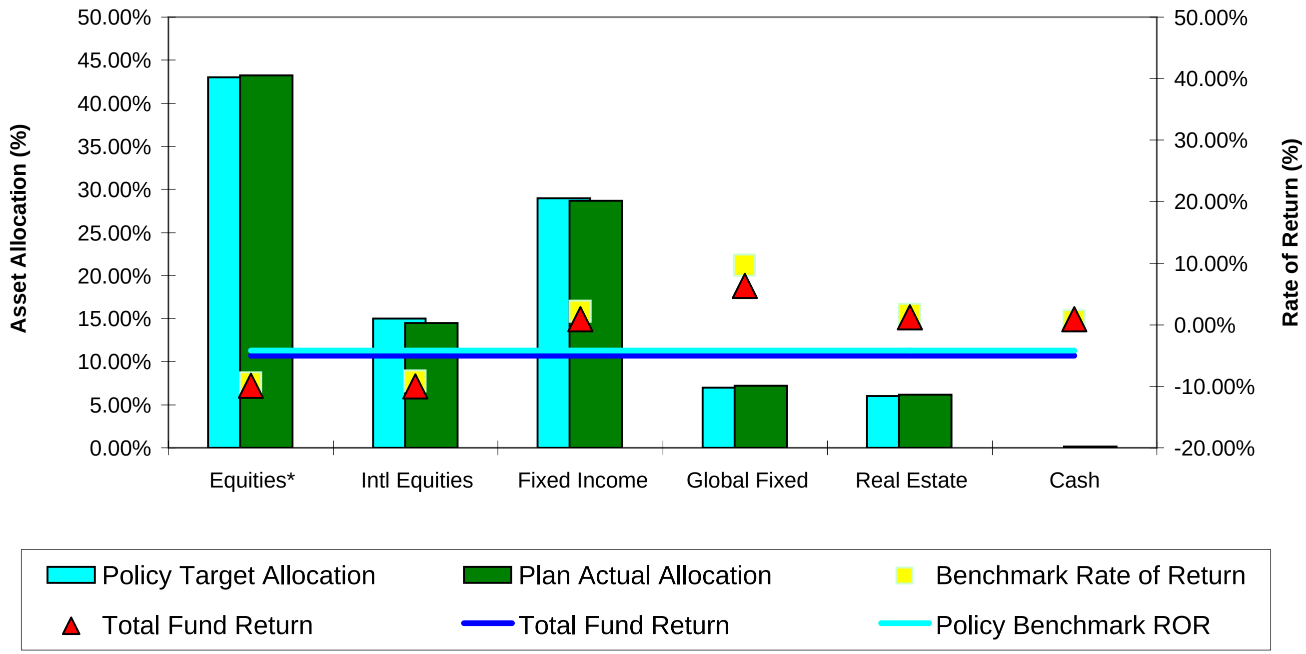
	Domestic Equity	Intl Equity	Domestic Fixed	Intl Fixed	Private Equity	Real Estate	Cash
■ **FCERS**	38.2%	16.1%	30.2%	6.2%	2.8%	6.2%	0.4%
▲ **Ave of Top 10 Public Funds***	34.5%	17.0%	21.5%	2.5%	4.8%	3.4%	2.4%
10th	51.9%	21.4%	39.3%	3.3%	10.0%	7.2%	5.3%
1st	47.1%	19.6%	32.7%	2.5%	6.2%	5.1%	4.0%
Median	39.9%	14.5%	28.5%	0.6%	2.8%	0.6%	2.6%
3rd	34.4%	7.6%	22.1%	0.2%	0.0%	0.0%	1.4%
90th	28.1%	0.0%	17.7%	0.0%	0.0%	0.0%	0.5%

* The average of the top 10 plans also included an allocation of 13.99% to the "other" category. This includes hedge funds, commodities, real assets, etc.

San Jose Federated City Employees Retirement System

Analysis of Plan Decisions - Total Plan Attribution (One Quarter)

The chart below is designed to graphically depict the impact of FCERS' actual asset class allocation versus FCERS' target allocation as well as the impact of manager performance by asset class. The dark green bars indicate the plan's actual allocation to an asset class while the light green bars indicate the target allocation percentage weights. The red triangles represent the asset class returns generated by the plan. The yellow boxes indicate the asset class returns of the corresponding benchmarks assigned to each asset class. The dark blue line represents the total fund return while the light blue line represents the policy benchmark rate of return.



Attribution Analysis

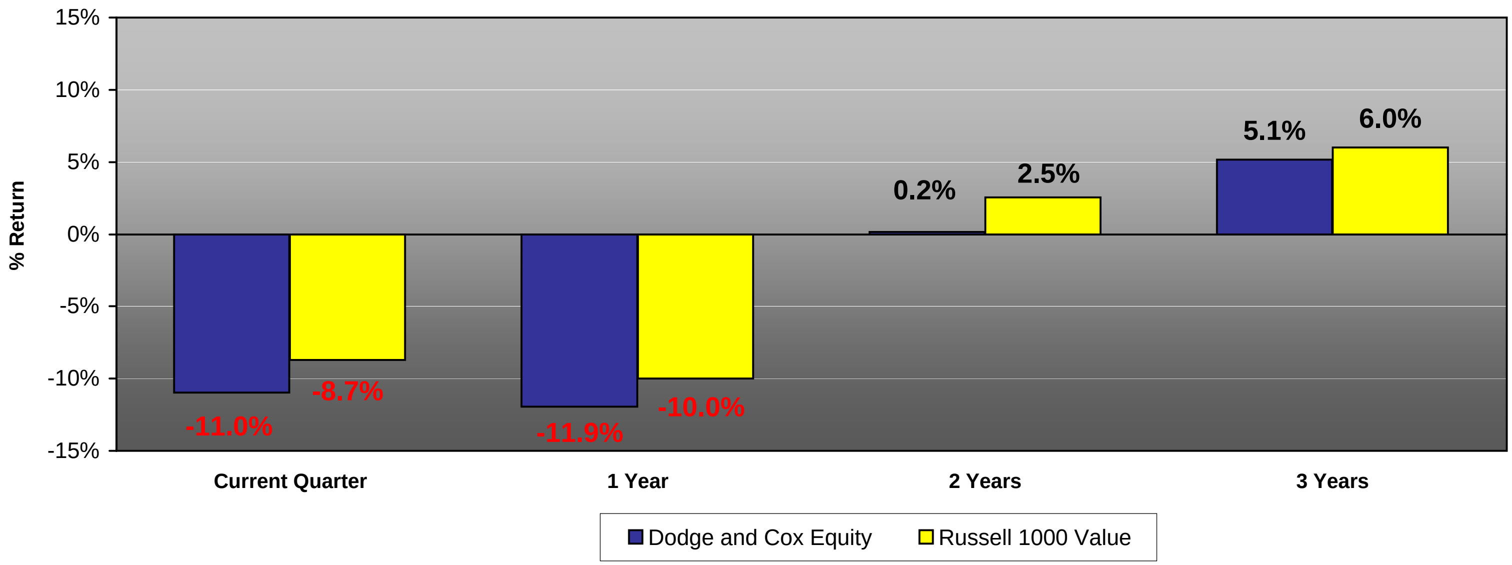
	Equities*	Intl Equities	Fixed Income	Global Fixed	Real Estate	Cash	Total Plan
Benchmark Returns	-9.52%	-9.15%	2.17%	9.66%	1.60%	0.58%	**-4.16%**
Asset Allocation	-0.02%	0.05%	-0.01%	0.02%	0.00%	0.00%	0.04%
Active Decisions	-0.16%	-0.12%	-0.36%	-0.24%	-0.03%	0.00%	-0.91%
Residual							0.02%
Actual Fund Return							**-5.01%**

* Equities column includes public as well as private equity exposure.

San Jose Federated City Employees Retirement System

Dodge and Cox Equity

Total Return vs. Benchmark



TUCS RANK

	Quarter	1 Year	2 Year	3 Year
Dodge and Cox Equity	77	70	81	62
Russell 1000 Value	30	52	43	45

San Jose Federated City Employees Retirement System

Individual Account Attribution

Dodge & Cox Equity vs Russell 1000 Value

Sector	Portfolio Weight	Benchmark Weight	Portfolio Return	Benchmark Return	Sector Selection	Security Selection
Consumer Discretionary	23.33	7.70	(6.77)	(7.86)	0.13	0.28
Consumer Staples	3.72	9.83	6.99	(3.95)	(0.28)	0.48
Energy	8.44	16.69	(10.10)	(6.67)	(0.19)	(0.37)
Financials	16.10	27.48	(16.01)	(12.73)	0.57	(0.60)
Health Care	19.96	7.24	(15.10)	(7.85)	0.13	(1.63)
Industrials	6.70	11.18	(0.11)	(2.47)	(0.29)	0.16
Information Technology	16.45	3.06	(17.75)	(14.58)	(0.82)	(0.60)
Materials	4.04	4.27	(3.27)	(2.61)	(0.01)	(0.03)
Telecommunication Services	1.26	6.02	(48.38)	(14.04)	0.31	(0.56)
Utilities	0.00	6.54	--	(9.46)	0.05	0.00
Total	**100.00**	**100.00**	**(11.58)**	**(8.72)**	**(0.40)**	**(2.87)**

Equity Portfolio Characteristics

Dodge & Cox Equity vs Russell 1000 Value

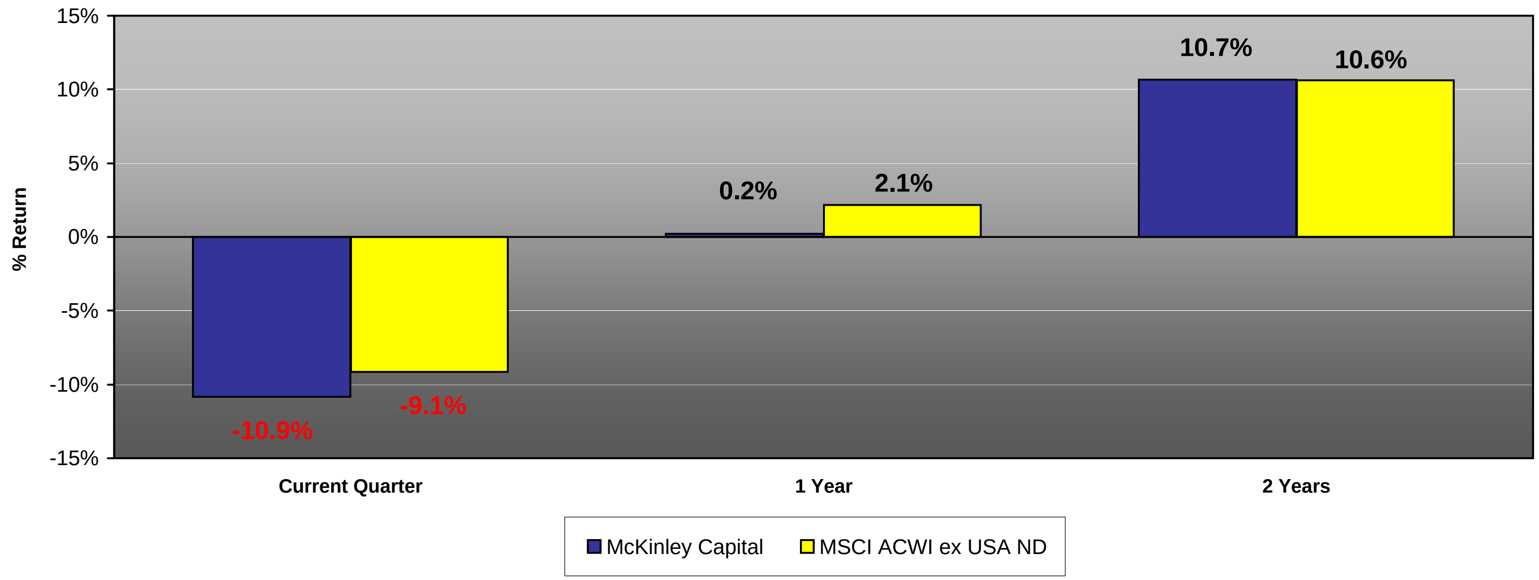
Characteristic	Manager	Russell 1000 Value
Market Cap (BIL)	65.83	105.99
P/E	14.04	13.47
Dividend Yield	2.37	3.01
Price/Book	1.56	1.76
Historic Beta	1.03	0.93
Return on Equity	12.79	15.39
5 Yr EPS Growth Rate	20.72	18.00
Percent Cash	5.72	- -

Top 5 Holdings	% of Portfolio
COMCAST CORP NEW CL A	4.58
HEWLETT PACKARD CO COM	4.53
WACHOVIA CORP NEW COM	3.37
NEWS CORP CL A COM	3.09
WAL-MART STORES INC COM	2.98

San Jose Federated City Employees Retirement System

McKinley Capital

Total Return vs. Benchmark



TUCS RANK

	Quarter	1 Year	2 Year
McKinley Capital	78	46	37
MSCI ACWI ex USA ND	55	36	38

San Jose Federated City Employees Retirement System

Individual Account Attribution

McKinley Capital vs MSCI ACWI ex US

Country	Portfolio Weight	Benchmark Weight	Portfolio Return Local	Benchmark Return Local	Portfolio Return Base	Benchmark Return Base	Country Selection	Security Selection	Currency Effect
Europe	**54.88**	**51.98**					**0.04**	**-0.18**	**0.15**
Denmark	1.71	0.76	-9.78	-7.68	-1.92	0.04	0.05	-0.05	0.03
Finland	1.51	1.36	-27.99	-17.43	-22.27	-10.51	-0.03	-0.32	0.04
France	2.38	8.10	-24.71	-15.44	-17.79	-8.35	0.14	-0.23	-0.21
Germany	10.39	6.81	-20.37	-18.57	-14.03	-11.75	-0.28	-0.27	0.18
Italy	0.00	2.87	--	-18.54	--	-11.72	0.11	-0.34	-0.09
Netherlands	4.87	2.13	-12.20	-13.80	-4.74	-6.58	-0.02	0.08	0.08
Spain	5.64	3.29	-2.43	-12.93	6.47	-5.64	0.04	0.42	0.03
Sweden	0.58	1.82	-13.83	-11.40	-6.61	-3.44	-0.01	-0.03	-0.02
Switzerland	10.72	5.36	-5.92	-14.47	7.93	-2.10	-0.04	0.73	0.24
United Kingdom	17.08	15.99	-11.44	-10.39	-11.57	-10.52	0.03	-0.18	-0.03
Asia / Pacific	**17.65**	**22.19**					**0.10**	**-0.87**	**-0.26**
Australia	5.06	4.72	-17.75	-15.11	-14.46	-11.74	-0.06	-0.17	0.02
Hong Kong	3.05	1.62	-27.88	-19.04	-27.72	-18.89	-0.14	-0.44	-0.09
Japan	9.54	14.91	-18.61	-17.86	-8.73	-7.81	0.31	-0.25	-0.20
North America	**7.06**	**6.50**					**-0.19**	**0.11**	**0.05**
Canada	7.06	6.50	-2.75	-2.39	-6.42	-6.11	-0.19	0.11	0.05
Emerging Markets	**18.18**	**19.09**					**-0.59**	**-0.46**	**0.20**
Brazil	1.80	2.79	-19.29	-6.72	-18.64	-5.04	-0.13	-0.26	0.01
China	5.27	2.69	-28.52	-23.83	-25.50	-23.69	-0.27	-0.31	-0.11
Czech Republic	1.37	0.16	-10.43	-12.86	2.39	-0.39	0.01	0.04	0.09
India	1.33	1.36	-21.67	-25.68	-23.05	-26.99	0.01	0.07	0.01
Israel	2.39	0.44	-8.63	-12.12	-0.41	-4.81	0.03	0.09	0.06
Mexico	1.96	1.00	1.39	2.69	3.75	5.07	0.15	-0.02	-0.02
Republic of Korea	0.94	2.67	-30.60	-8.08	-34.42	-13.12	-0.09	-0.26	0.17
Russian Federation	1.49	1.93	--	-12.31	--	-11.51	-0.01	0.00	0.07
South Africa	1.62	1.21	14.62	1.11	-3.60	-14.96	0.05	0.20	-0.06
Taiwan	0.00	2.27	--	-1.39	--	5.29	-0.27	0.00	-0.03
Europe Funds	**2.03**	**0.00**	**--**	**--**	**--**	**--**	**0.32**	**0.00**	**0.06**
Total	**100.00**	**100.00**	**-15.92**	**-13.41**	**-10.88**	**-9.15**	**-0.94**	**-1.40**	**0.23**

Equity Portfolio Characteristics

McKinley Capital vs MSCI ACWI ex US

Characteristic	Manager	MSCI ACWI ex US
P/E	18.24	12.92
Dividend Yield	1.84	3.06
Price/Book	2.99	1.94
Return on Equity	21.94	--

Top 5 Holdings	% of Portfolio
NINTENDO CO LTD NPV	3.03
BAYER AG NPV (BR)	2.97
UNILEVER NV CVA EUR0.16	2.91
NESTLE SA CHF1(REGD)	2.86
CHINA MOBILE LTD HKD0.10	2.85

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending March 31, 2008
Total Returns Gross of Fees and TUCS Rankings

	QUARTER	TUCS	YTD	TUCS	1 YR	TUCS	3 YRS	TUCS	5 YRS	TUCS	ITD
FCERS TOTAL FUND	-5.01	48	-5.01	48	1.02	40	8.07	34	11.89	33	8.91
CUSTOM BLENDED BENCHMARK	-4.16	33	-4.16	33	1.73	32	8.19	32	11.78	34	8.76
Domestic Equity	**-9.90**	**53**	**-9.90**	**53**	**-5.62**	**47**	**6.23**	**48**	**12.67**	**56**	**10.54**
Atlanta Capital Management	-7.84	14	-7.84	14	5.20	13	7.54	37	10.89	46	5.43
Russell 1000 Growth	-10.18	35	-10.18	35	-0.74	47	6.33	52	9.96	65	2.67
Brandywine Asset Management	-4.06	11	-4.06	11	-16.12	70	1.87	83	14.86	75	9.93
Russell 2000 Value	-6.53	53	-6.53	53	-16.88	73	4.33	61	15.44	65	10.11
Dodge and Cox Equity	-10.97	77	-10.97	77	-11.93	70	5.15	62	--	--	7.31
Russell 1000 Value	-8.72	30	-8.72	30	-10.00	52	6.01	45	--	--	8.04
Eagle Asset Management	-12.11	36	-12.11	36	-6.20	32	9.31	20	18.30	22	5.59
Russell 2000 Growth	-12.83	44	-12.83	44	-8.94	48	5.74	55	14.24	59	2.50
NTGI Russell 3000	-9.48	56	-9.48	56	-5.95	57	6.21	38	12.14	40	2.65
Russell 3000	-9.52	58	-9.52	58	-6.06	60	6.10	44	12.07	44	2.61
Wellington Management Company	-13.23	66	-13.23	66	-0.86	33	--	--	--	--	4.70
Russell 3000 Growth	-10.39	34	-10.39	34	-1.45	39	--	--	--	--	4.82
International Equity	**-9.98**	**68**	**-9.98**	**68**	**-1.02**	**51**	**13.96**	**55**	**21.92**	**56**	**7.17**
Boston Company	-10.04	68	-10.04	68	-5.06	76	10.37	85	21.23	69	20.29
MSCI ACWI ex U.S.	-9.15	55	-9.15	55	2.15	36	16.01	39	23.54	43	22.63
Fisher Investments	-8.89	51	-8.89	51	1.90	38	--	--	--	--	15.93
MSCI ACWI ex U.S.	-9.15	55	-9.15	55	2.15	36	--	--	--	--	17.70
McKinley Capital	-10.85	78	-10.85	78	0.21	46	--	--	--	--	19.75
MSCI ACWI ex U.S.	-9.15	55	-9.15	55	2.15	36	--	--	--	--	17.70
Private Equity	**5.10**	**--**	**5.10**	**--**	**20.40**	**--**	**--**	**--**	**--**	**--**	**15.90**
Pathway Fund VIII**	5.10	--	5.10	--	20.40	--	--	--	--	--	15.90
S&P 500 + 3%*	-2.59	--	-2.59	--	8.44	--	--	--	--	--	13.53

** Indicates a 1 quarter lag and an IRR calculation

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending March 31, 2008
Total Returns Gross of Fees and TUCS Rankings

	QUARTER	TUCS	YTD	TUCS	1 YR	TUCS	3 YRS	TUCS	5 YRS	TUCS	ITD
Total Fixed Income	**1.97**	**39**	**1.97**	**39**	**7.20**	**40**	**5.46**	**47**	**5.69**	**23**	**6.36**
Global Fixed Income	**6.32**	**32**	**6.32**	**32**	**15.45**	**29**	**7.06**	**40**	**8.99**	**35**	**6.57**
Loomis Sayles	6.32	32	6.32	32	15.45	29	7.06	40	--		6.34
CG WGBI	9.66	14	9.66	14	20.29	8	7.27	35	--	--	6.47
Domestic Fixed Income	**0.92**	**61**	**0.92**	**61**	**5.29**	**59**	**5.06**	**63**	**4.81**	**48**	**6.24**
Dodge and Cox Fixed Income	0.81	63	0.81	63	4.26	69	4.84	68	4.80	48	6.64
LB U.S. Aggregate	2.17	35	2.17	35	7.67	34	5.48	46	4.58	63	6.38
Blackrock	1.04	59	1.04	59	6.39	49	5.18	60	4.75	51	5.04
LB U.S. Aggregate	2.17	35	2.17	35	7.67	34	5.48	46	4.58	63	4.72
Real Estate	**1.18**	**49**	**1.18**	**49**	**12.79**	**32**	**18.17**	**24**	**18.22**	**37**	**12.90**
American Realty*	2.78	20	2.78	20	--	--	--	--	--	--	12.01
NCREIF Property Index*	3.21	16	3.21	16	--	--	--	--	--	--	16.52
DRA Growth & Income II*	7.30	6	7.30	6	46.60	2	61.90	1	38.80	3	56.50
NCREIF Property Index*	3.21	16	3.21	16	15.84	18	17.48	33	15.13	62	12.54
DRA Growth & Income V*	4.50	11	4.50	11	20.50	9	--	--	--	--	14.00
NCREIF Property Index*	3.21	16	3.21	16	15.84	18	--	--	--	--	18.98
DRA Growth & Income VI*	1.60	36	1.60	36	--	--	--	--	--	--	10.50
NCREIF Property Index*	3.21	16	3.21	16	--	--	--	--	--	--	6.88
Fidelity LP	-0.13	70	-0.13	70	-0.30	68	34.45	6	31.75	5	26.01
NCREIF Property Index	1.60	36	1.60	36	13.58	26	16.75	39	15.07	64	12.85
Fidelity Growth Fund III	-5.03	91	-5.03	91	--	--	--	--	--	--	-9.78
NCREIF Property Index*	1.60	36	1.60	36	--	--	--	--	--	--	8.59
GEAM ASSET LP*	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--	--	--	--	--	--
MIG Realty Advisors	0.56	63	0.56	63	30.34	5	15.04	50	17.48	41	10.72
NCREIF Property Index	1.60	36	1.60	36	13.58	26	16.75	39	15.07	64	12.32
PRISA	0.69	61	0.69	61	13.72	23	17.70	28	--	--	17.04
NCREIF Property Index	1.60	36	1.60	36	13.58	26	16.75	39	--	--	16.68

* Reported on a one quarter lag.
Real Estate Returns provided to Northern Trust by the Investment Managers. Real Estate Composite Calculated by NT.
Please see disclaimer in the back of the book.

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending March 31, 2008
Total Returns Net of Fees

	QUARTER		YTD		1 YR		3 YRS		5 YRS		ITD
FCERS TOTAL FUND	-5.07		-5.07		0.74		7.76		11.55		8.66
CUSTOM BLENDED BENCHMARK	-4.16		-4.16		1.73		8.19		11.78		8.76
Domestic Equity	**-9.96**		**-9.96**		**-5.85**		**5.99**		**12.41**		**10.37**
Atlanta Capital Management	-7.94		-7.94		4.75		7.07		10.42		4.98
Russell 1000 Growth	-10.18		-10.18		-0.74		6.33		9.96		2.67
Brandywine Asset Management	-4.19		-4.19		-16.58		1.31		14.23		9.34
Russell 2000 Value	-6.53		-6.53		-16.88		4.33		15.44		10.11
Dodge and Cox Equity	-11.05		-11.05		-12.21		4.81		--		6.96
Russell 1000 Value	-8.72		-8.72		-10.00		6.01		--		8.04
Eagle Asset Management	-12.25		-12.25		-6.79		8.63		17.57		4.93
Russell 2000 Growth	-12.83		-12.83		-8.94		5.74		14.24		2.50
NTGI Russell 3000	-9.48		-9.48		-5.96		6.19		12.11		2.62
Russell 3000	-9.52		-9.52		-6.06		6.10		12.07		2.61
Wellington Management Company	-13.37		-13.37		-1.44		--		--		4.17
Russell 3000 Growth	-10.39		-10.39		-1.45		--		--		4.82
International Equity	**-10.08**		**-10.08**		**-1.53**		**13.33**		**21.24**		**6.71**
Boston Company	-10.15		-10.15		-5.52		9.80		20.58		19.61
MSCI ACWI ex U.S.	-9.15		-9.15		2.15		16.01		23.54		22.63
Fisher Investments	-8.91		-8.91		1.39		--		--		15.24
MSCI ACWI ex U.S.	-9.15		-9.15		2.15		--		--		17.70
McKinley Capital	-10.99		-10.99		-0.36		--		--		19.07
MSCI ACWI ex U.S.	-9.15		-9.15		2.15		--		--		17.70
Private Equity	**5.10**	**--**	**5.10**	**--**	**20.40**	**--**	**--**	**--**	**--**	**--**	**15.90**
Pathway Fund VIII**	5.10	--	5.10	--	20.40	--	--	--	--	--	15.90
S&P 500 + 3%	-2.59	--	-2.59	--	8.44	--	--	--	--	--	13.53

** Indicates a 1 quarter lag and an IRR calculation

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending March 31, 2008
Total Returns Net of Fees

	QUARTER	YTD	1 YR	3 YRS	5 YRS	ITD
Total Fixed Income	**1.92**	**1.92**	**6.97**	**5.23**	**5.46**	**6.19**
Global Fixed Income	**6.23**	**6.23**	**15.08**	**6.69**	**8.63**	**6.27**
Loomis Sayles	6.23	6.23	15.08	6.69	--	5.98
CG WGBI	9.66	9.66	20.29	7.27	--	6.47
Domestic Fixed Income	**0.87**	**0.87**	**5.09**	**4.86**	**4.61**	**6.10**
Dodge and Cox Fixed Income	0.77	0.77	4.09	4.67	4.62	6.44
LB U.S. Aggregate	2.17	2.17	7.67	5.48	4.58	6.38
Blackrock	0.98	0.98	6.16	4.95	4.52	4.83
LB U.S. Aggregate	2.17	2.17	7.67	5.48	4.58	4.72
Real Estate	**1.18**	**1.18**	**12.51**	**17.62**	**17.26**	**11.94**
American Realty*	2.52	2.52	--	--	--	10.10
NCREIF Property Index*	3.21	3.21	--	--	--	16.52
DRA Growth & Income II*	7.00	7.00	40.20	50.20	32.00	22.10
NCREIF Property Index*	3.21	3.21	15.84	17.48	15.13	12.54
DRA Growth & Income V*	3.30	3.30	16.80	--	--	10.60
NCREIF Property Index*	3.21	3.21	15.84	--	--	18.98
DRA Growth & Income VI*	0.70	0.70	--	--	--	6.20
NCREIF Property Index*	3.21	3.21	--	--	--	6.88
Fidelity LP	-0.13	-0.13	-0.28	36.39	30.61	24.57
NCREIF Property Index	1.60	1.60	13.58	16.75	15.07	12.85
Fidelity Growth Fund III	-15.44	-15.44	--	--	--	-41.31
NCREIF Property Index*	1.60	1.60	--	--	--	8.59
GEAM Asset LP*	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--
MIG Realty Advisors	0.51	0.51	29.82	14.32	16.66	9.80
NCREIF Property Index	1.60	1.60	13.58	16.75	15.07	12.32
PRISA	0.48	0.48	12.78	16.64	--	15.97
NCREIF Property Index	1.60	1.60	13.58	16.75	--	16.68

* Reported on a one quarter lag.