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City of San Jose Police & Fire Department Retirement Plan

Second Quarter 2010 Private Markets 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 Equity Strategy – 2nd Quarter 2010

Dear Committee Members:

We are pleased to present the June 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 1.57% for the quarter and 17.24% for the past year. The annualized IRR of the private markets portfolio since inception was 2.64%. Since inception, the Total Value to Paid In Multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.06.

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

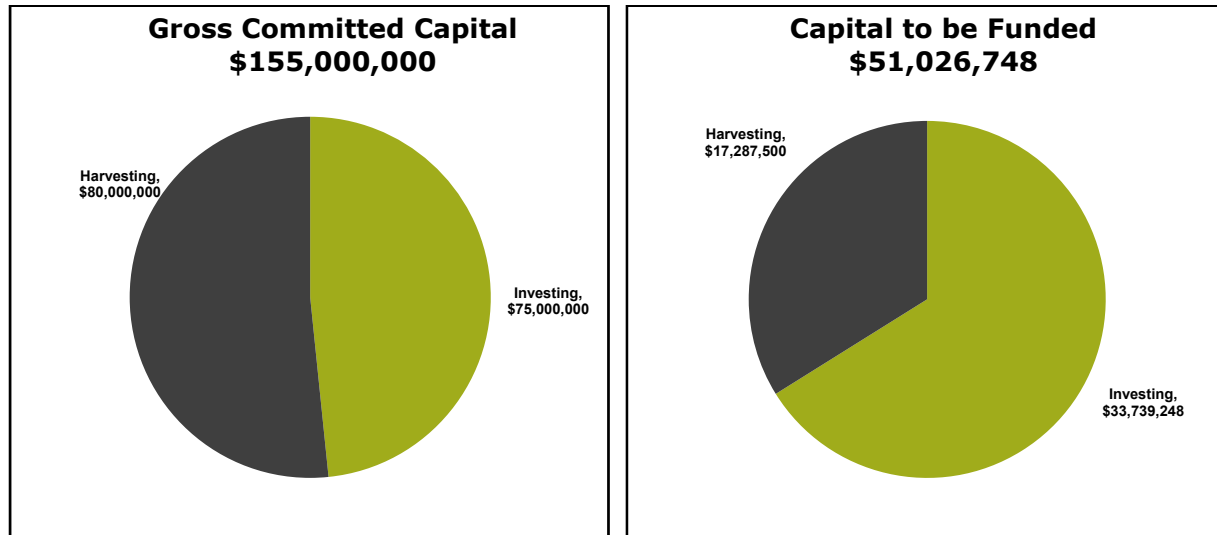
Commitment	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$155,000,000	\$0	\$103,973,252	\$7,796,505	\$102,878,288	67.08%	7.50%

Unfunded Commitment	Market Exposure (Reported Value + Unfunded Commitment)	Total Fund Composite as of 6/30/2010	Private Markets Target	Reported Value as a % of Total Fund	Market Exposure as a % of Total Fund
\$51,026,748	\$153,905,036	\$2,294,090,937	5%	4.48%	6.71%

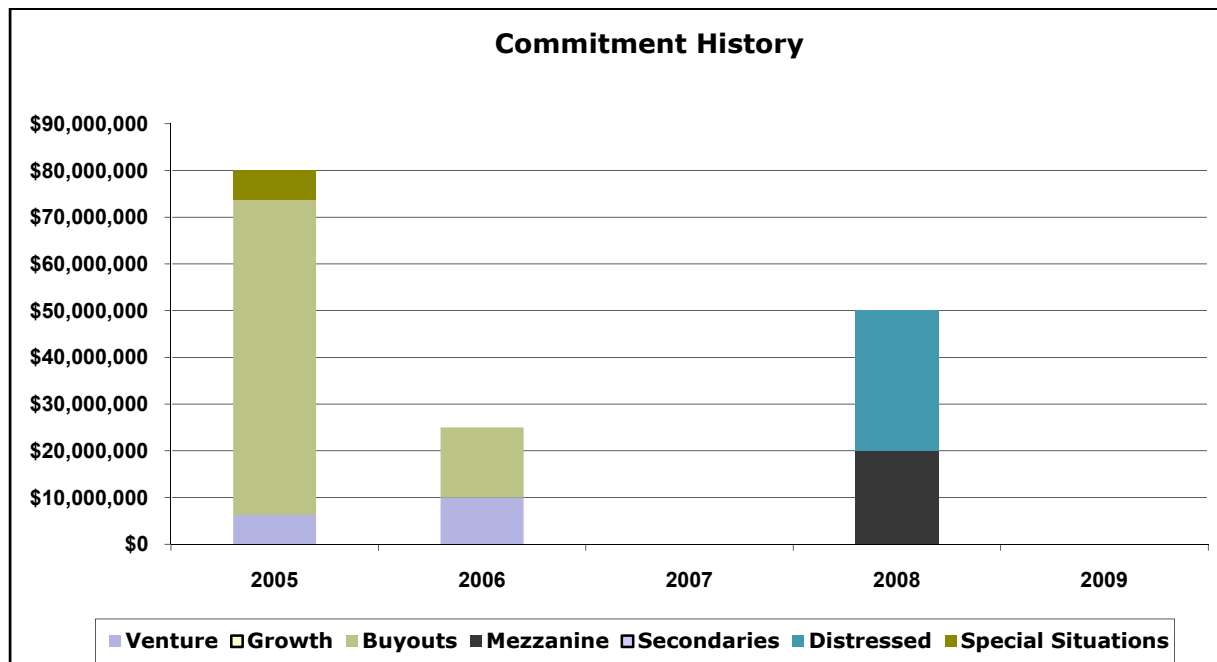
Total Value (Reported Value + Distributions)	Total Value To Capital Call Ratio	Internal Rate of Return IRR, Since Inception (September 2005)
\$110,674,793	1.06	2.61%



As of June 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.

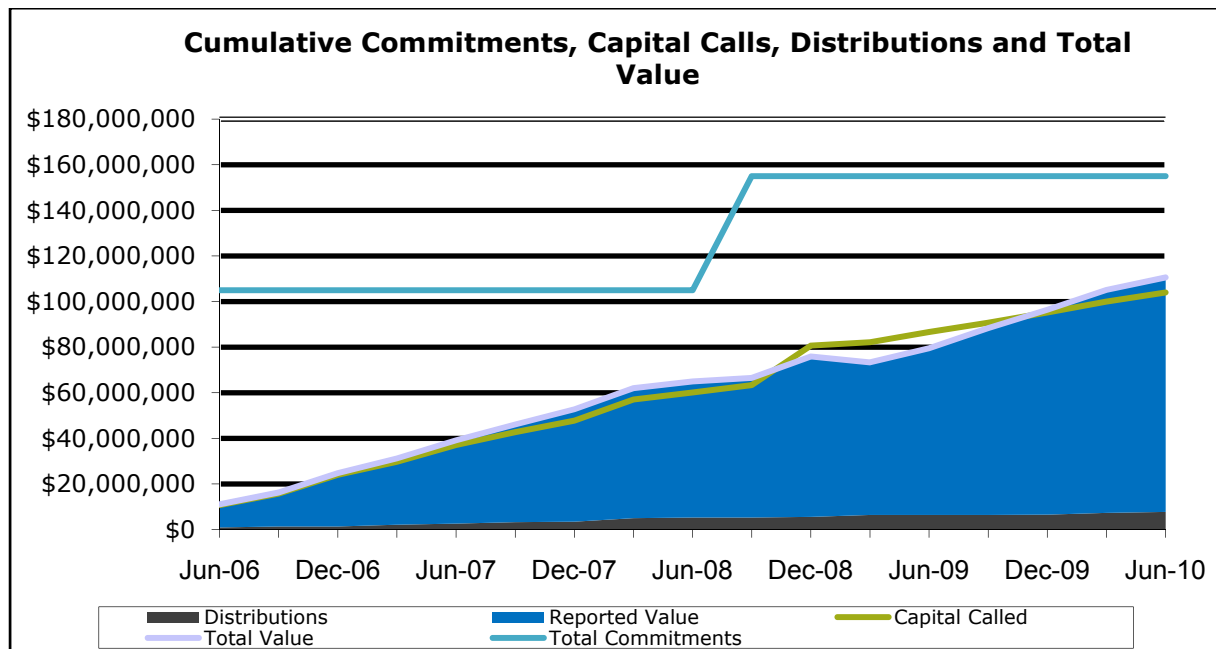


The following chart illustrates the commitment history of the Plan's private equity program through June 30, 2010:

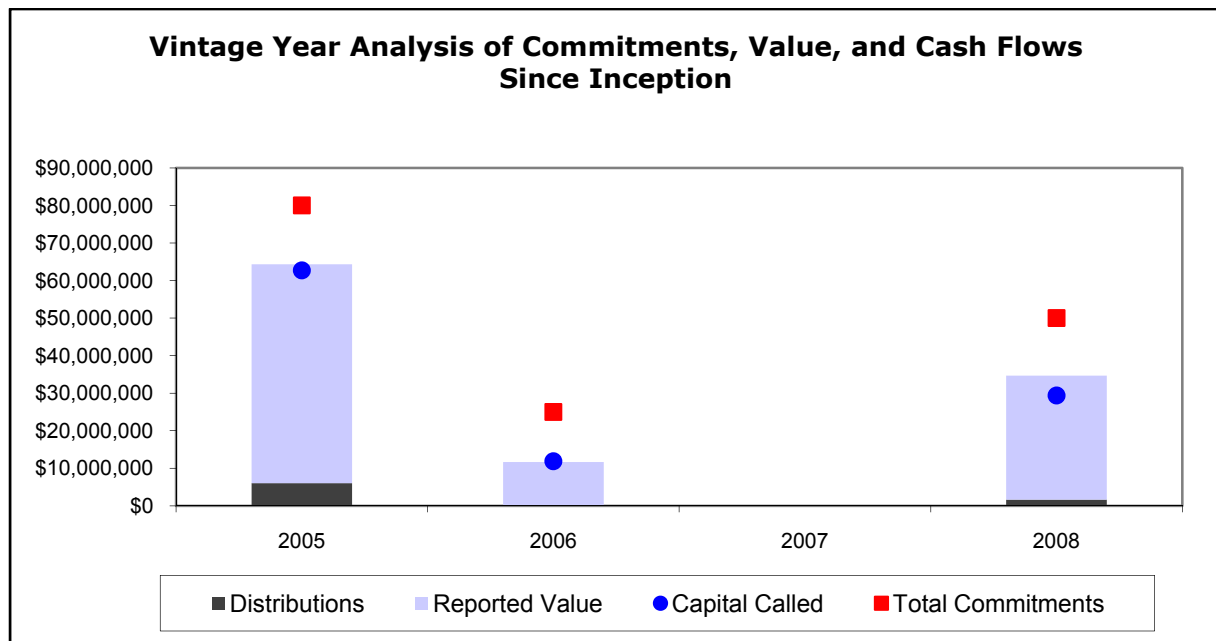




The following chart illustrates the Plan's cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through June 30, 2010:



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:

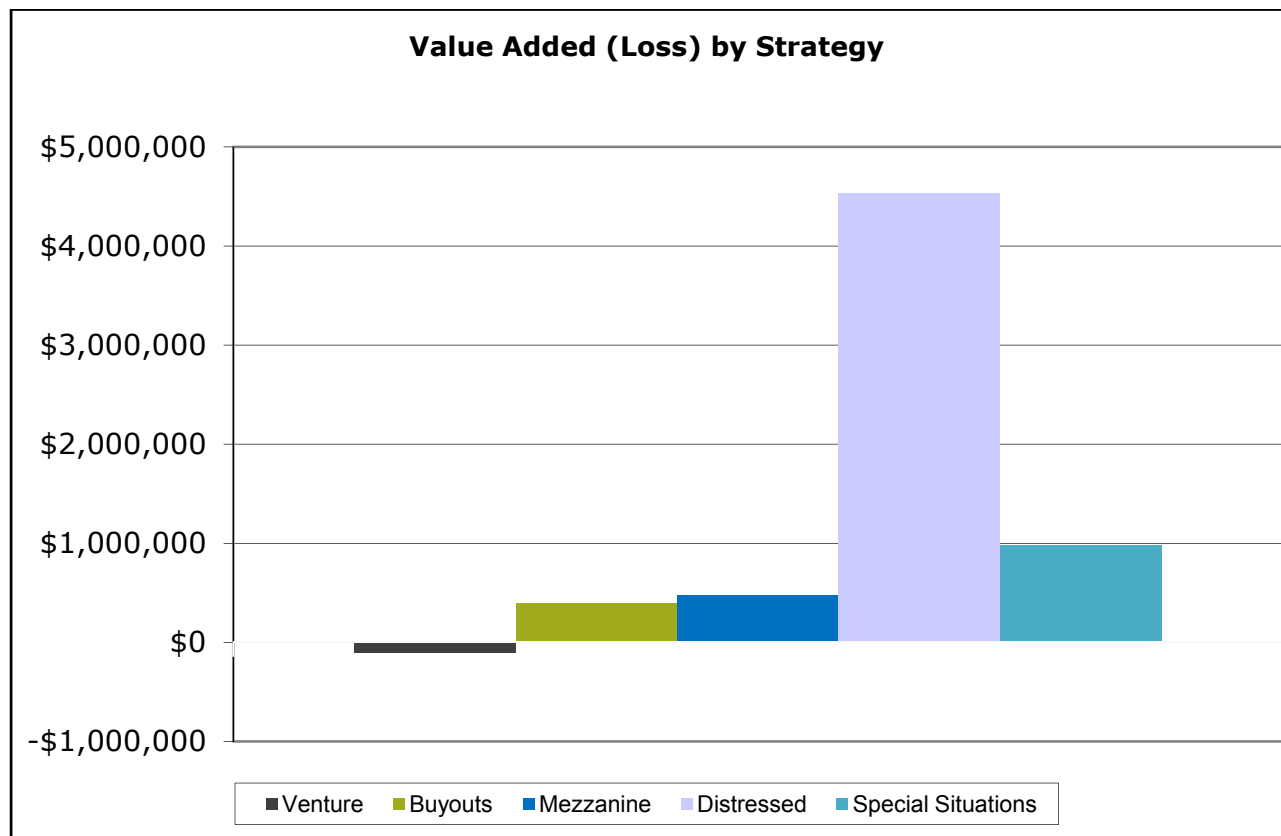




During the quarter-ended June 30, 2010, the Plan's private equity portfolio had capital calls from 4 funds and received distributions from 3 funds. The summary of the cash flows is as follows:

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
\$3,990,463	4	\$437,659	3	(\$3,552,804)

Since inception, the private equity program has gained \$6.19 million in value for the Plan. Mezzanine has added \$0.48 million; Distressed has added \$4.53 million; Special Situations has added \$0.97 million; Buyout-focused Funds of Funds have added \$0.39 million and Venture has lost (\$0.10 million).

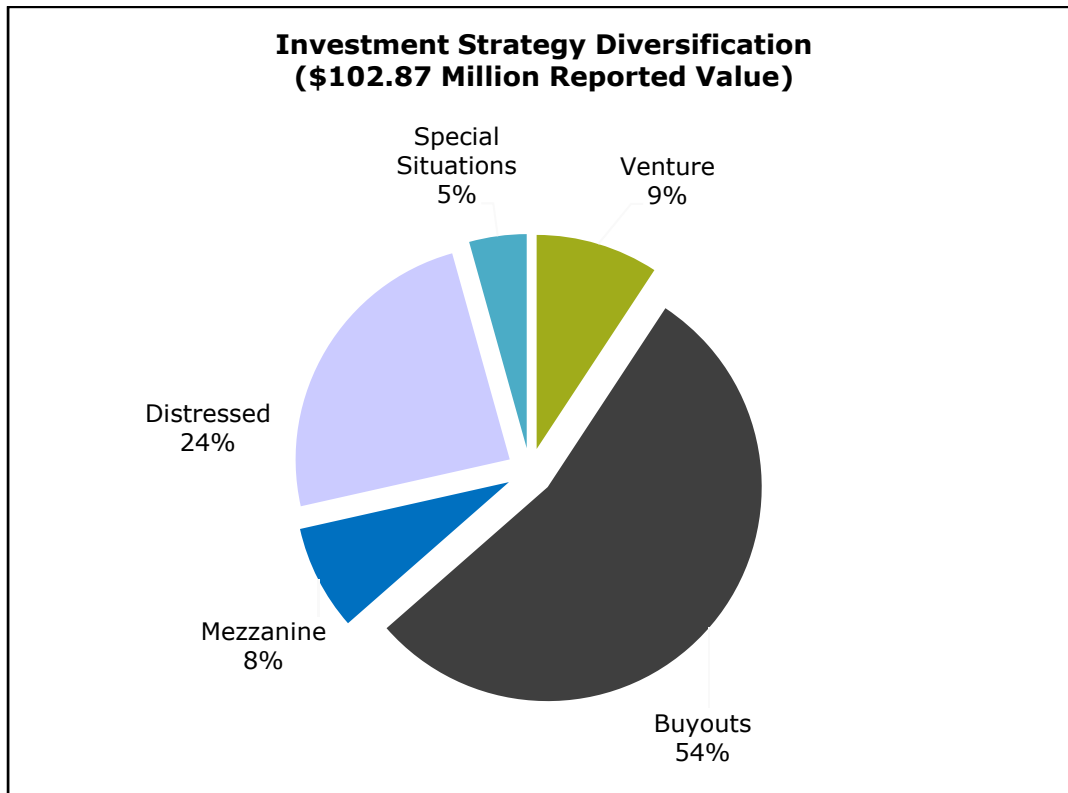




The following table compares the recommended investment strategy allocation to the Plan's actual allocation using the reported value at quarter end.

Investment Strategy	Target	Min.	Max.	Reported Value	Unfunded Commitment	Total Exposure
Venture	20%	0%	40%	6.2%	3.8%	10.0%
Growth Equity	10%	0%	20%	-	-	-
Buyouts	20%	0%	40%	36.3%	15.6%	51.8%
Mezzanine	15%	10%	30%	5.3%	7.5%	12.9%
Secondaries	15%	10%	30%	-	-	-
Distressed	15%	0%	30%	16.2%	5.8%	22.0%
Energy	5%	0%	10%	-	-	-
Opportunistic	0%	0%	10%	-	-	-
Special Situations	0%	0%	10%	2.9%	0.4%	3.3%
Totals	100%			66.8%	33.2%	100.0%

As of June 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

2010 – We recommend private equity investors maintain a steady commitment pace in 2010.

Annual meetings scheduled for San Jose Police and Fire

- TCW, October 13, 2010, Santa Monica, CA

We thank you for the opportunity to work with the City San Jose Police and 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

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
HarbourVest Partners VII 2005 Buyout Partnership	2005	15,000,000	0.93	6.87	16.23	-4.83		-4.26
HarbourVest Partners VIII Buyout Fund	2006	15,000,000	3.67	7.00	19.57	-1.18		-0.25
HarbourVest Partners VIII Venture Fund	2006	10,000,000	0.47	0.57	4.27	-1.76		-2.05
Pantheon USA Fund VI, L.P.	2005	40,000,000	1.83	5.03	17.99	1.11		1.70
Portfolio Advisors Fund III, L.P. A - Buyout	2005	12,500,000	4.61	4.44	23.94	-0.48		1.06
Portfolio Advisors Fund III, L.P. B - Venture	2005	6,250,000	-0.03	-0.17	5.42	-0.08		0.64
Portfolio Advisors Fund III, L.P. C - Special Situ	2005	6,250,000	4.29	4.12	22.63	2.26		6.15
Siguler Guff DOF III	2008	30,000,000	0.20	4.25	18.55			17.68
TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	0.60	2.58	14.51			6.87
		155,000,000	1.57	4.42	17.24	2.03		2.64

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 HarbourVest Partners VII 2005 Buyout	2005	15,000,000	11,625,000	3,375,000	2,840	0	10,271,092	10,271,092	-1,356,748	78 %	0.00	0.88	-4.26 %
2 HarbourVest Partners VIII Buyout Fund	2006	15,000,000	6,525,000	8,475,000	0	102,114	6,387,473	6,489,587	-35,413	44 %	0.02	0.99	-0.25 %
3 HarbourVest Partners VIII Venture Fund	2006	10,000,000	5,350,000	4,650,000	0	0	5,157,133	5,157,133	-192,867	54 %	0.00	0.96	-2.05 %
4 Pantheon USA Fund VI, L.P.	2005	40,000,000	29,400,000	10,600,000	136,032	1,080,000	29,930,285	31,010,285	1,474,253	74 %	0.04	1.05	1.70 %
5 Portfolio Advisors Fund III, L.P. A - Buy	2005	12,500,000	11,000,000	1,500,000	0	2,055,968	9,258,407	11,314,375	314,375	88 %	0.19	1.03	1.06 %
6 Portfolio Advisors Fund III, L.P. B - Ven	2005	6,250,000	5,000,000	1,250,000	0	714,178	4,376,223	5,090,401	90,401	80 %	0.14	1.02	0.64 %
7 Portfolio Advisors Fund III, L.P. C - Spe	2005	6,250,000	5,687,500	562,500	0	2,203,200	4,462,554	6,665,754	978,254	91 %	0.39	1.17	6.15 %
8 Siguler Guff DOF III	2008	30,000,000	21,000,000	9,000,000	158,692	826,535	24,867,063	25,693,598	4,534,906	70 %	0.04	1.21	17.68 %
9 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	8,385,752	11,614,248	115,157	814,510	8,168,058	8,982,568	481,659	42 %	0.10	1.06	6.87 %
9 Total Partnerships		155,000,000	103,973,252	51,026,748	412,721	7,796,505	102,878,288	110,674,793	6,288,820	67 %	0.07	1.06	2.64 %

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
2 Investing													
1 HarbourVest Partners VIII Buyout Fund	2006	15,000,000	6,525,000	8,475,000	0	102,114	6,387,473	6,489,587	-35,413	44 %	0.02	0.99	-0.25 %
2 HarbourVest Partners VIII Venture Fund	2006	10,000,000	5,350,000	4,650,000	0	0	5,157,133	5,157,133	-192,867	54 %	0.00	0.96	-2.05 %
3 Siguler Guff DOF III	2008	30,000,000	21,000,000	9,000,000	158,692	826,535	24,867,063	25,693,598	4,534,906	70 %	0.04	1.21	17.68 %
4 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	8,385,752	11,614,248	115,157	814,510	8,168,058	8,982,568	481,659	42 %	0.10	1.06	6.87 %
2 Investing Subtotal		75,000,000	41,260,752	33,739,248	273,849	1,743,159	44,579,727	46,322,886	4,788,285	55 %	0.04	1.12	8.35 %
3 Harvesting													
5 HarbourVest Partners VII 2005 Buyout	2005	15,000,000	11,625,000	3,375,000	2,840	0	10,271,092	10,271,092	-1,356,748	78 %	0.00	0.88	-4.26 %
6 Pantheon USA Fund VI, L.P.	2005	40,000,000	29,400,000	10,600,000	136,032	1,080,000	29,930,285	31,010,285	1,474,253	74 %	0.04	1.05	1.70 %
7 Portfolio Advisors Fund III, L.P. A - Buy	2005	12,500,000	11,000,000	1,500,000	0	2,055,968	9,258,407	11,314,375	314,375	88 %	0.19	1.03	1.06 %
8 Portfolio Advisors Fund III, L.P. B - Ven	2005	6,250,000	5,000,000	1,250,000	0	714,178	4,376,223	5,090,401	90,401	80 %	0.14	1.02	0.64 %
9 Portfolio Advisors Fund III, L.P. C - Spe	2005	6,250,000	5,687,500	562,500	0	2,203,200	4,462,554	6,665,754	978,254	91 %	0.39	1.17	6.15 %
3 Harvesting Subtotal		80,000,000	62,712,500	17,287,500	138,872	6,053,346	58,298,561	64,351,907	1,500,535	78 %	0.10	1.02	0.84 %
9 Total Partnerships		155,000,000	103,973,252	51,026,748	412,721	7,796,505	102,878,288	110,674,793	6,288,820	67 %	0.07	1.06	2.64 %

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
2005													
1 HarbourVest Partners VII 2005 Buyout	2005	15,000,000	11,625,000	3,375,000	2,840	0	10,271,092	10,271,092	-1,356,748	78 %	0.00	0.88	-4.26 %
2 Pantheon USA Fund VI, L.P.	2005	40,000,000	29,400,000	10,600,000	136,032	1,080,000	29,930,285	31,010,285	1,474,253	74 %	0.04	1.05	1.70 %
3 Portfolio Advisors Fund III, L.P. - A - Buy	2005	12,500,000	11,000,000	1,500,000	0	2,055,968	9,258,407	11,314,375	314,375	88 %	0.19	1.03	1.06 %
4 Portfolio Advisors Fund III, L.P. - B - Ven	2005	6,250,000	5,000,000	1,250,000	0	714,178	4,376,223	5,090,401	90,401	80 %	0.14	1.02	0.64 %
5 Portfolio Advisors Fund III, L.P. - C - Spe	2005	6,250,000	5,687,500	562,500	0	2,203,200	4,462,554	6,665,754	978,254	91 %	0.39	1.17	6.15 %
2005 Subtotal		80,000,000	62,712,500	17,287,500	138,872	6,053,346	58,298,561	64,351,907	1,500,535	78 %	0.10	1.02	0.84 %
2006													
6 HarbourVest Partners VIII Buyout Fund	2006	15,000,000	6,525,000	8,475,000	0	102,114	6,387,473	6,489,587	-35,413	44 %	0.02	0.99	-0.25 %
7 HarbourVest Partners VIII Venture Fun	2006	10,000,000	5,350,000	4,650,000	0	0	5,157,133	5,157,133	-192,867	54 %	0.00	0.96	-2.05 %
2006 Subtotal		25,000,000	11,875,000	13,125,000	0	102,114	11,544,606	11,646,720	-228,280	48 %	0.01	0.98	-0.98 %
2008													
8 Siguler Guff DOF III	2008	30,000,000	21,000,000	9,000,000	158,692	826,535	24,867,063	25,693,598	4,534,906	70 %	0.04	1.21	17.68 %
9 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	8,385,752	11,614,248	115,157	814,510	8,168,058	8,982,568	481,659	42 %	0.10	1.06	6.87 %
2008 Subtotal		50,000,000	29,385,752	20,614,248	273,849	1,641,045	33,035,121	34,676,166	5,016,565	59 %	0.06	1.17	15.36 %
9 Total Partnerships													
		155,000,000	103,973,252	51,026,748	412,721	7,796,505	102,878,288	110,674,793	6,288,820	67 %	0.07	1.06	2.64 %

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
100 Venture													
1 HarbourVest Partners VIII Venture Fund	2006	10,000,000	5,350,000	4,650,000	0	0	5,157,133	5,157,133	-192,867	54 %	0.00	0.96	-2.05 %
2 Portfolio Advisors Fund III, L.P. - B - Ven	2005	6,250,000	5,000,000	1,250,000	0	714,178	4,376,223	5,090,401	90,401	80 %	0.14	1.02	0.64 %
100 Venture Subtotal		16,250,000	10,350,000	5,900,000	0	714,178	9,533,356	10,247,534	-102,466	64 %	0.07	0.99	-0.44 %
120 Buyouts													
1 HarbourVest Partners VII 2005 Buyout	2005	15,000,000	11,625,000	3,375,000	2,840	0	10,271,092	10,271,092	-1,356,748	78 %	0.00	0.88	-4.26 %
2 HarbourVest Partners VIII Buyout Fund	2006	15,000,000	6,525,000	8,475,000	0	102,114	6,387,473	6,489,587	-35,413	44 %	0.02	0.99	-0.25 %
3 Portfolio Advisors Fund III, L.P. - A - Buy	2005	12,500,000	11,000,000	1,500,000	0	2,055,968	9,258,407	11,314,375	314,375	88 %	0.19	1.03	1.06 %
120 Buyouts Subtotal		42,500,000	29,150,000	13,350,000	2,840	2,158,082	25,916,972	28,075,054	-1,077,786	69 %	0.07	0.96	-1.43 %
130 Mezzanine													
1 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	8,385,752	11,614,248	115,157	814,510	8,168,058	8,982,568	481,659	42 %	0.10	1.06	6.87 %
130 Mezzanine Subtotal		20,000,000	8,385,752	11,614,248	115,157	814,510	8,168,058	8,982,568	481,659	42 %	0.10	1.06	6.87 %
150 Distressed													
1 Siguler Guff DOF III	2008	30,000,000	21,000,000	9,000,000	158,692	826,535	24,867,063	25,693,598	4,534,906	70 %	0.04	1.21	17.68 %
150 Distressed Subtotal		30,000,000	21,000,000	9,000,000	158,692	826,535	24,867,063	25,693,598	4,534,906	70 %	0.04	1.21	17.68 %
160 Special Situations													
1 Portfolio Advisors Fund III, L.P. - C - Spe	2005	6,250,000	5,687,500	562,500	0	2,203,200	4,462,554	6,665,754	978,254	91 %	0.39	1.17	6.15 %
160 Special Situations Subtotal		6,250,000	5,687,500	562,500	0	2,203,200	4,462,554	6,665,754	978,254	91 %	0.39	1.17	6.15 %
170 Fund of Funds													
1 Pantheon USA Fund VI, L.P.	2005	40,000,000	29,400,000	10,600,000	136,032	1,080,000	29,930,285	31,010,285	1,474,253	74 %	0.04	1.05	1.70 %
170 Fund of Funds Subtotal		40,000,000	29,400,000	10,600,000	136,032	1,080,000	29,930,285	31,010,285	1,474,253	74 %	0.04	1.05	1.70 %
9 Total Partnerships		155,000,000	103,973,252	51,026,748	412,721	7,796,505	102,878,288	110,674,793	6,288,820	67 %	0.07	1.06	2.64 %

San Jose Police and Fire

Transaction Summary

3/31/2010 - 6/30/2010

	Date	Capital Calls	Additional Fees	Cash	Stock	Net Cash Flows
HarbourVest Partners VII 2005 Buyout Partnership						
	5/28/2010	225,000.00				225,000.00
Subtotal HarbourVest Partners VII 2005 Buyout Partnership		225,000.00	0.00	0.00	0.00	225,000.00
HarbourVest Partners VIII Buyout Fund						
	5/24/2010	300,000.00				300,000.00
	6/28/2010	375,000.00				675,000.00
Subtotal HarbourVest Partners VIII Buyout Fund		675,000.00	0.00	0.00	0.00	675,000.00
HarbourVest Partners VIII Venture Fund						
	6/7/2010	400,000.00				400,000.00
Subtotal HarbourVest Partners VIII Venture Fund		400,000.00	0.00	0.00	0.00	400,000.00
Portfolio Advisors Fund III, L.P. A - Buyout						
	6/14/2010			175,514.00		-175,514.00
Subtotal Portfolio Advisors Fund III, L.P. A - Buyout		0.00	0.00	175,514.00	0.00	-175,514.00
Portfolio Advisors Fund III, L.P. C - Special Situ						
	6/14/2010			247,145.00		-247,145.00
Subtotal Portfolio Advisors Fund III, L.P. C - Special Situ		0.00	0.00	247,145.00	0.00	-247,145.00
Siguler Guff DOF III						
	3/31/2010			7,500.00		-7,500.00
	6/29/2010			7,500.00		-15,000.00
Subtotal Siguler Guff DOF III		0.00	0.00	15,000.00	0.00	-15,000.00
TCW/Crescent Mezzanine V, L.P.						
	4/14/2010	884,215.00				884,215.00
	5/25/2010	989,591.00				1,873,806.00
	6/2/2010	816,657.00				2,690,463.00

Activity is cumulative for the period

San Jose Police and Fire

Transaction Summary

3/31/2010 - 6/30/2010

		Date	Capital Calls	Additional Fees	Cash	Stock	Net Cash Flows
Subtotal TCW/Crescent Mezzanine V, L.P.			<u>2,690,463.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,690,463.00</u>
0	Grand Total		<u><u>3,990,463.00</u></u>	<u><u>0.00</u></u>	<u><u>437,659.00</u></u>	<u><u>0.00</u></u>	<u><u>3,552,804.00</u></u>