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City of San Jose Police and Fire Department Retirement Plan

Third Quarter 2011 Private Markets Review

January 12, 2012

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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 12, 2012

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

RE: Private Equity Strategy – 3rd Quarter 2011

Dear Board of Administration Members:

We are pleased to present the September 30, 2011 Private Equity Report for the City of San Jose Police and Fire Department Retirement Plan (“the Plan”). The report provides a variety of performance analysis for the overall portfolio, as well as trailing performance, performance by lifecycle, vintage year and strategy.

The Plan’s private markets portfolio experienced a negative quarter, having a nominal IRR of -2.52% for the quarter and 11.69% for the past year. The annualized IRR of the private markets portfolio since inception was 5.74% at quarter end. Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.19.

The following table presents the status of the Plan’s private markets portfolio as of September 30, 2011:

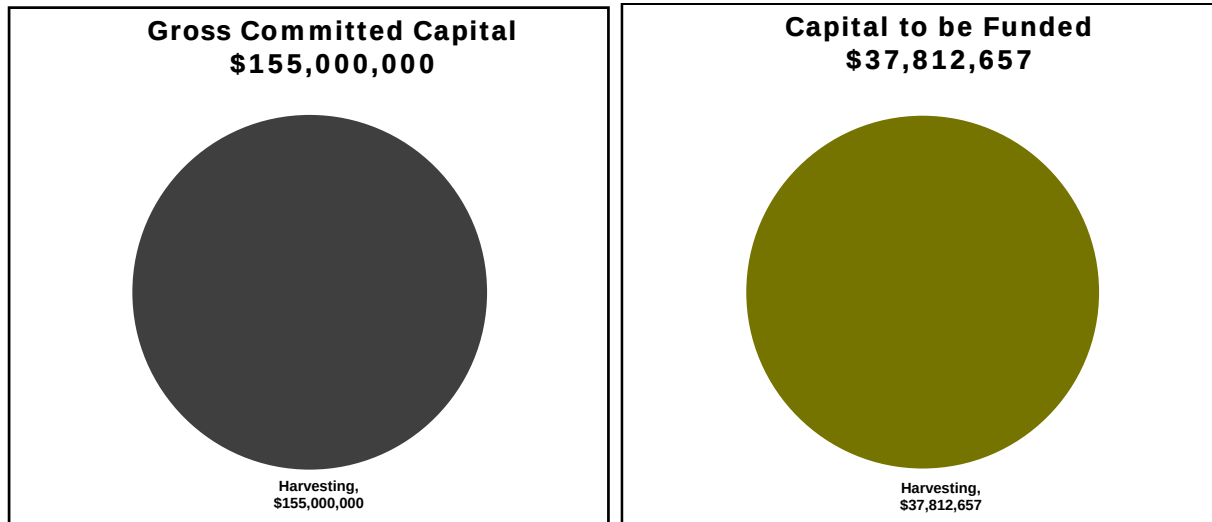
Commitment	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$155,000,000	\$0	\$117,187,343	\$22,197,252	\$117,584,631	75.60%	18.94%

Unfunded Commitment	Market Exposure (Reported Value + Unfunded Commitment)	Total Fund Composite as of 9/30/2011	Private Markets Target	Reported Value as a % of Total Fund	Market Exposure as a % of Total Fund
\$37,812,657	\$155,397,288	\$2,559,848,675	5%	4.59%	6.07%

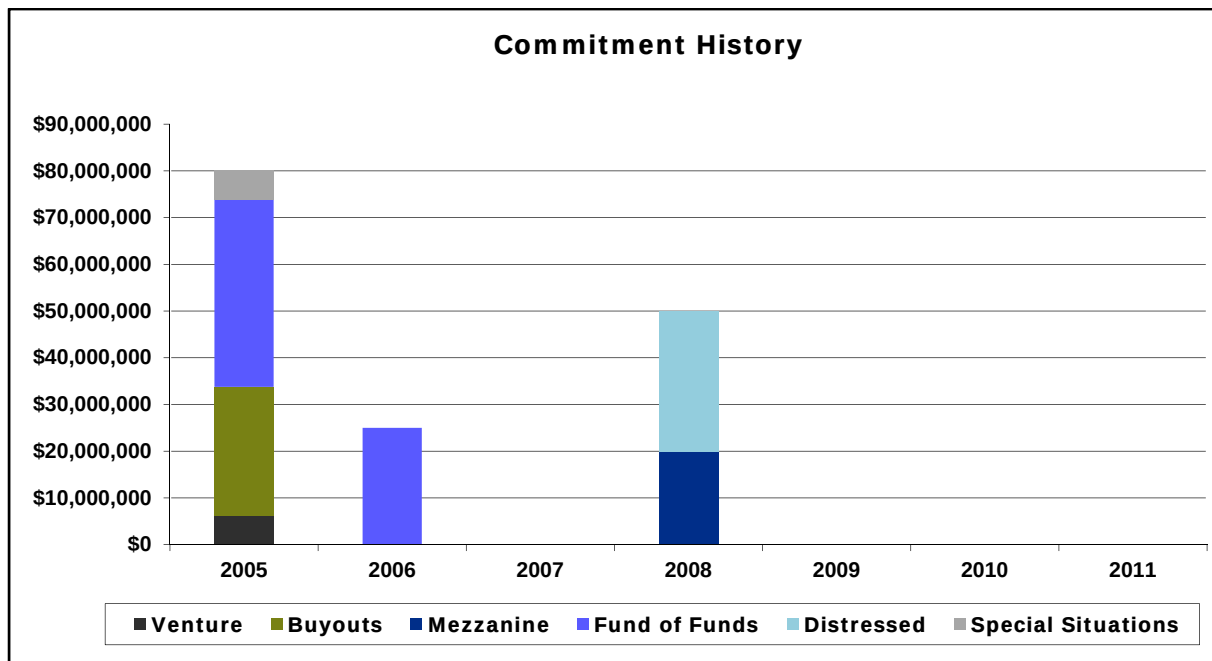
Total Value (Reported Value + Distributions)	Total Value To Capital Call Ratio	Internal Rate of Return IRR, Since Inception (September 2005)
\$139,781,883	1.19	5.74%



As of September 30, 2011, the Plan had net commitments totaling \$155.0 million to 9 private equity funds. The following charts illustrate the program's current life cycle.

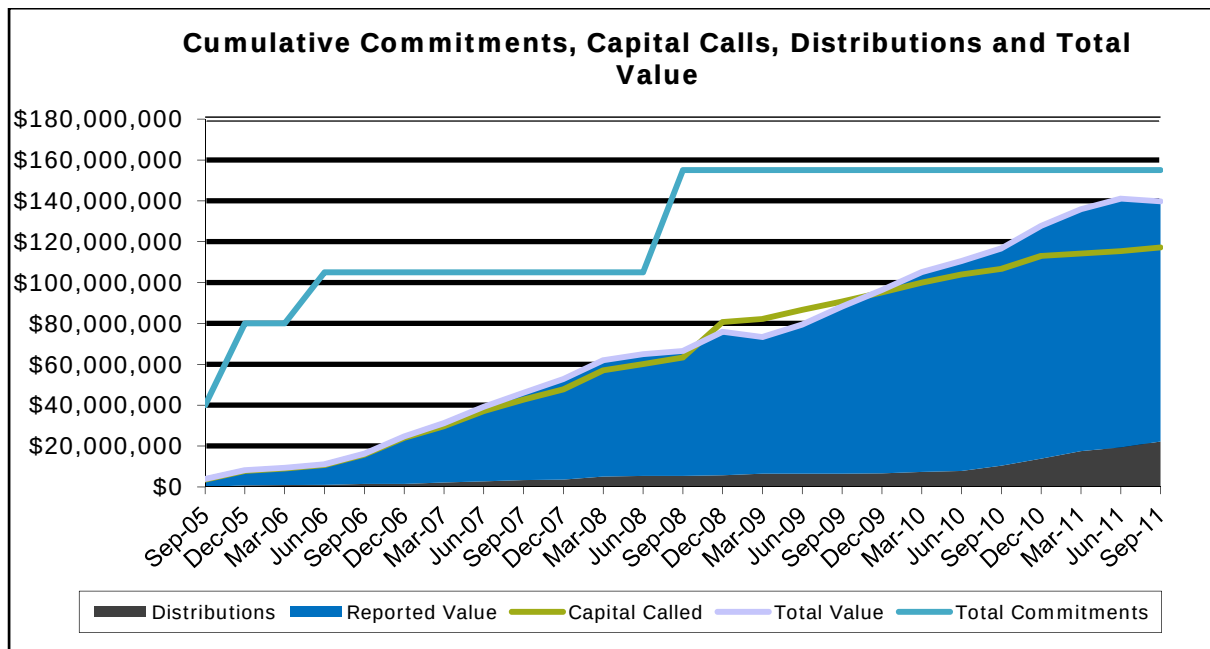


The following chart illustrates the commitment history of the Plan's private equity program through September 30, 2011:

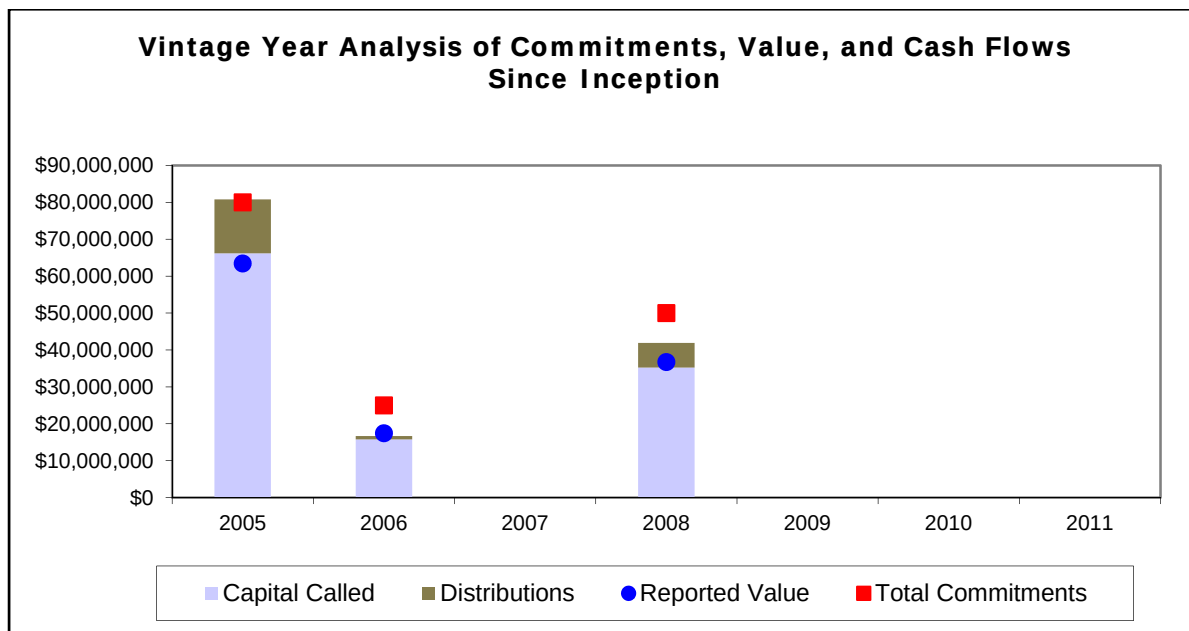




The following chart illustrates the Plan's cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through September 30, 2011:



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, 2011:

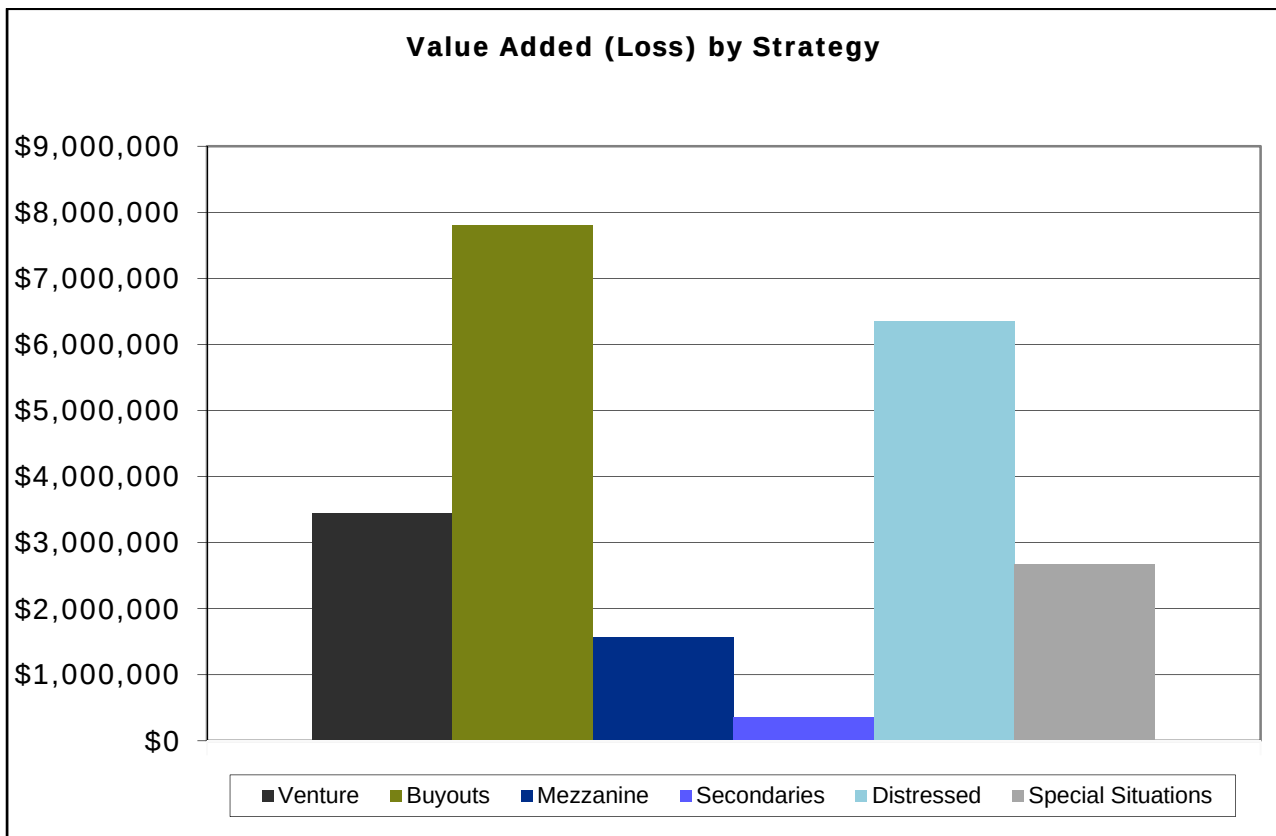




During the quarter-ended September 30, 2011, the Plan's private equity portfolio had capital calls from 4 funds and received distributions from 6 funds. The summary of the cash flows is as follows:

Amount Funded for the Quarter	Number of Funds Calling Capital	Distributions for the Quarter	Number of Funds Making Distributions	Net Cash / Stock Flows for the Quarter
\$1,782,461	4	\$2,909,006	6	\$1,126,545

Since inception, the private equity program has gained \$22.18 million in value for the Plan. Venture has added \$3.44 million; Buyout has added \$7.80 million; Mezzanine has added \$1.56 million; Secondaries has added \$0.36; Distressed has added \$6.34 million; and Special Situations has added \$2.68 million.



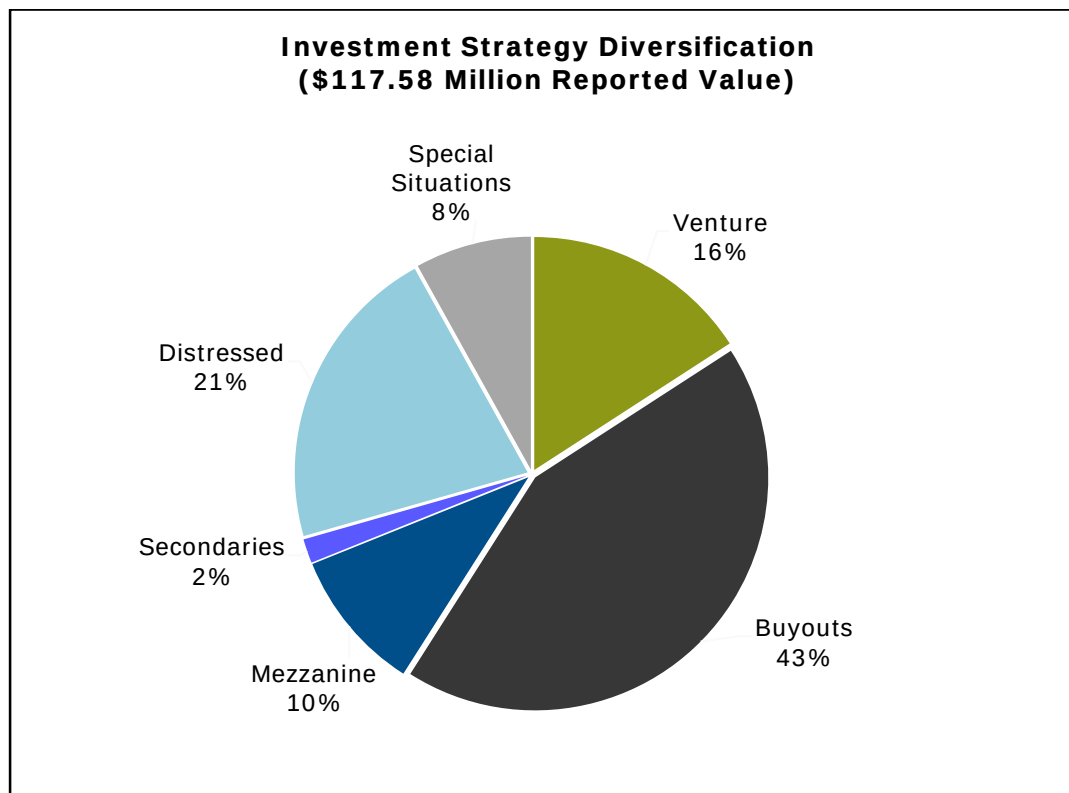
Fund of Fund breakdown: 57% Buyout; 28% Venture; 11% Special Situations and 4% Secondaries



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

Investment Strategy	Target	Min.	Max.	Reported Value	Unfunded Commitment	Total Exposure
Venture	20 %	0%	40%	12.0%	3.9%	15.9 %
Growth Equity	10 %	0%	20%	-	-	-
Buyouts	20 %	0%	40%	32.7%	8.9%	41.5 %
Mezzanine	15 %	10%	30%	7.5%	4.5%	12.0 %
Secondaries	15 %	10%	30%	1.3%	0.5%	1.7 %
Distressed	15 %	0%	30%	16.2%	5.0%	21.2 %
Energy	5 %	0%	10%	-	-	-
Opportunistic	0 %	0%	10%	-	-	-
Special Situations	0 %	0%	10%	6.1%	1.6%	7.7 %
Totals	100 %			75.7 %	24.3 %	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, 2011 the 9 private equity funds in the Plan's portfolio were invested by market value in the following strategies:



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



Private Equity Allocations – Status of Target Allocations by Vintage Year

2011 – Recommended Commitments of \$35 million:

- \$15 million commitment to Secondaries
- \$20 million commitment to Growth Equity

SJP&F should maintain an active commitment pace in each vintage year going forward.

Annual Meetings Scheduled by the Private Equity Managers

- There are no upcoming meetings scheduled

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

Best regards,

Daniel LeBeau
Consultant

Allan Martin
Partner

Kevin Tatlow, CAIA
Senior Consultant – Private Markets

San Jose Police and Fire
Executive Summary IRR Performance Report

9/30/2011

Investment	Vintage Year	Commitment	Qtr TD	YTD	1 Year	3 Year	5 Year	Inception
HarbourVest Partners VII Buyout	2005	15,000,000	-4.46	5.23	9.93	2.92	0.81	0.37
HarbourVest Partners VIII Buyout Fund	2006	15,000,000	-3.47	4.08	11.31	7.16	N/A	4.69
HarbourVest Partners VIII Venture	2006	10,000,000	1.12	13.75	23.70	9.44	N/A	7.46
Pantheon USA Fund VI, L.P.	2005	40,000,000	-4.26	4.20	12.68	5.97	5.04	4.92
Portfolio Advisors Fund III, L.P. A - Buyout	2005	12,500,000	5.04	16.27	23.98	3.21	5.90	5.72
Portfolio Advisors Fund III, L.P. B - Venture	2005	6,250,000	4.92	15.25	19.35	3.66	4.83	4.45
Portfolio Advisors Fund III, L.P. C - Special Situ	2005	6,250,000	3.68	12.83	16.47	3.76	6.20	7.77
Siguler Guff DOF III	2008	30,000,000	-6.11	0.03	3.51	N/A	N/A	11.59
TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	0.29	5.96	9.12	N/A	N/A	8.43
Total: San Jose Police and Fire		155,000,000	-2.52	5.74	11.69	6.56	5.82	5.74

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

**San Jose Police and Fire
Performance Analysis**

9/30/2011

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	12,975,000	2,025,000	2,840	371,250	12,787,112	13,158,362	180,522	87 %	0.03	1.01	0.37 %
2 HarbourVest Partners VIII Buyout Func	2006	15,000,000	8,737,500	6,262,500	0	503,484	9,396,887	9,900,371	1,162,871	58 %	0.06	1.13	4.69 %
3 HarbourVest Partners VIII Venture	2006	10,000,000	7,050,000	2,950,000	0	388,149	8,023,015	8,421,164	1,371,164	71 %	0.06	1.19	7.46 %
4 Pantheon USA Fund VI, L.P.	2005	40,000,000	31,200,000	8,800,000	136,032	5,800,000	31,937,310	37,737,310	6,401,278	78 %	0.19	1.20	4.92 %
5 Portfolio Advisors Fund III, L.P. A - Bu	2005	12,500,000	11,000,000	1,500,000	0	3,698,521	9,827,856	13,526,377	2,526,377	88 %	0.34	1.23	5.72 %
6 Portfolio Advisors Fund III, L.P. B - Ve	2005	6,250,000	5,187,500	1,062,500	0	1,294,677	4,828,360	6,123,037	935,537	83 %	0.25	1.18	4.45 %
7 Portfolio Advisors Fund III, L.P. C - Sp	2005	6,250,000	5,812,500	437,500	0	3,457,248	4,051,719	7,508,967	1,696,467	93 %	0.59	1.29	7.77 %
8 Siguler Guff DOF III	2008	30,000,000	22,200,000	7,800,000	158,692	3,597,597	25,104,328	28,701,925	6,343,233	74 %	0.16	1.28	11.59 %
9 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	13,024,843	6,975,157	115,157	3,076,326	11,628,044	14,704,370	1,564,370	65 %	0.24	1.12	8.43 %
9 Total Partnerships		155,000,000	117,187,343	37,812,657	412,721	22,197,252	117,584,631	139,781,883	22,181,819	76 %	0.19	1.19	5.74 %

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

9/30/2011

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
3 Harvesting													
1 HarbourVest Partners VII Buyout	2005	15,000,000	12,975,000	2,025,000	2,840	371,250	12,787,112	13,158,362	180,522	87 %	0.03	1.01	0.37 %
2 HarbourVest Partners VIII Buyout Func	2006	15,000,000	8,737,500	6,262,500	0	503,484	9,396,887	9,900,371	1,162,871	58 %	0.06	1.13	4.69 %
3 HarbourVest Partners VIII Venture	2006	10,000,000	7,050,000	2,950,000	0	398,149	8,023,015	8,421,164	1,371,164	71 %	0.06	1.19	7.46 %
4 Pantheon USA Fund VI, L.P.	2005	40,000,000	31,200,000	8,800,000	136,032	5,800,000	31,937,310	37,737,310	6,401,278	78 %	0.19	1.20	4.92 %
5 Portfolio Advisors Fund III, L.P. A - Bu	2005	12,500,000	11,000,000	1,500,000	0	3,698,521	9,827,856	13,526,377	2,526,377	88 %	0.34	1.23	5.72 %
6 Portfolio Advisors Fund III, L.P. B - Ve	2005	6,250,000	5,187,500	1,062,500	0	1,294,677	4,828,360	6,123,037	935,537	83 %	0.25	1.18	4.45 %
7 Portfolio Advisors Fund III, L.P. C - Sp	2005	6,250,000	5,812,500	437,500	0	3,457,248	4,051,719	7,508,967	1,696,467	93 %	0.59	1.29	7.77 %
8 Siguler Guff DOF III	2008	30,000,000	22,200,000	7,800,000	158,692	3,597,597	25,104,328	28,701,925	6,343,233	74 %	0.16	1.28	11.59 %
9 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	13,024,843	6,975,157	115,157	3,076,326	11,628,044	14,704,370	1,564,370	65 %	0.24	1.12	8.43 %
3 Harvesting Subtotal		155,000,000	117,187,343	37,812,657	412,721	22,197,252	117,584,631	139,781,883	22,181,819	76 %	0.19	1.19	5.74 %
9 Total Partnerships													
		155,000,000	117,187,343	37,812,657	412,721	22,197,252	117,584,631	139,781,883	22,181,819	76 %	0.19	1.19	5.74 %

San Jose Police and Fire
Vintage Year Performance Analysis

9/30/2011

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	12,975,000	2,025,000	2,840	371,250	12,787,112	13,158,362	180,522	87 %	0.03	1.01	0.37 %
2 Pantheon USA Fund VI, L.P.	2005	40,000,000	31,200,000	8,800,000	136,032	5,800,000	31,937,310	37,737,310	6,401,278	78 %	0.19	1.20	4.92 %
3 Portfolio Advisors Fund III, L.P. A - Bu	2005	12,500,000	11,000,000	1,500,000	0	3,698,521	9,827,856	13,526,377	2,526,377	88 %	0.34	1.23	5.72 %
4 Portfolio Advisors Fund III, L.P. B - Ve	2005	6,250,000	5,187,500	1,062,500	0	1,294,677	4,828,360	6,123,037	935,537	83 %	0.25	1.18	4.45 %
5 Portfolio Advisors Fund III, L.P. C - Sp	2005	6,250,000	5,812,500	437,500	0	3,457,248	4,051,719	7,508,967	1,696,467	93 %	0.59	1.29	7.77 %
2005 Subtotal		80,000,000	66,175,000	13,825,000	138,872	14,621,696	63,432,357	78,054,053	11,740,181	83 %	0.22	1.18	4.41 %
2006													
6 HarbourVest Partners VIII Buyout Func	2006	15,000,000	8,737,500	6,262,500	0	503,484	9,396,887	9,900,371	1,162,871	58 %	0.06	1.13	4.69 %
7 HarbourVest Partners VIII Venture	2006	10,000,000	7,050,000	2,950,000	0	398,149	8,023,015	8,421,164	1,371,164	71 %	0.06	1.19	7.46 %
2006 Subtotal		25,000,000	15,787,500	9,212,500	0	901,633	17,419,902	18,321,535	2,534,035	63 %	0.06	1.16	5.86 %
2008													
8 Siguler Guff DOF III	2008	30,000,000	22,200,000	7,800,000	158,692	3,597,597	25,104,328	28,701,925	6,343,233	74 %	0.16	1.28	11.59 %
9 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	13,024,843	6,975,157	115,157	3,076,326	11,628,044	14,704,370	1,564,370	65 %	0.24	1.12	8.43 %
2008 Subtotal		50,000,000	35,224,843	14,775,157	273,849	6,673,923	36,732,372	43,406,295	7,907,603	70 %	0.19	1.22	10.80 %
9 Total Partnerships													
		155,000,000	117,187,343	37,812,657	412,721	22,197,252	117,584,631	139,781,883	22,181,819	76 %	0.19	1.19	5.74 %

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

9/30/2011

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 Fund III, L.P. B - Ve	2005	6,250,000	5,187,500	1,062,500	0	1,294,677	4,828,360	6,123,037	935,537	83 %	0.25	1.18	4.45 %
100 Venture Subtotal		6,250,000	5,187,500	1,062,500	0	1,294,677	4,828,360	6,123,037	935,537	83 %	0.25	1.18	4.45 %
120 Buyouts													
1 HarbourVest Partners VII Buyout	2005	15,000,000	12,975,000	2,025,000	2,840	371,250	12,787,112	13,158,362	180,522	87 %	0.03	1.01	0.37 %
2 Portfolio Advisors Fund III, L.P. A - Bu	2005	12,500,000	11,000,000	1,500,000	0	3,698,521	9,827,856	13,526,377	2,526,377	88 %	0.34	1.23	5.72 %
120 Buyouts Subtotal		27,500,000	23,975,000	3,525,000	2,840	4,069,771	22,614,968	26,684,739	2,706,899	87 %	0.17	1.11	2.90 %
130 Mezzanine													
1 TCW/Crescent Mezzanine V, L.P.	2008	20,000,000	13,024,843	6,975,157	115,157	3,076,326	11,628,044	14,704,370	1,564,370	65 %	0.24	1.12	8.43 %
130 Mezzanine Subtotal		20,000,000	13,024,843	6,975,157	115,157	3,076,326	11,628,044	14,704,370	1,564,370	65 %	0.24	1.12	8.43 %
150 Distressed													
1 Siguler Guff DOF III	2008	30,000,000	22,200,000	7,800,000	158,692	3,597,597	25,104,328	28,701,925	6,343,233	74 %	0.16	1.28	11.59 %
150 Distressed Subtotal		30,000,000	22,200,000	7,800,000	158,692	3,597,597	25,104,328	28,701,925	6,343,233	74 %	0.16	1.28	11.59 %
160 Special Situations													
1 Portfolio Advisors Fund III, L.P. C - Sp	2005	6,250,000	5,812,500	437,500	0	3,457,248	4,051,719	7,508,967	1,696,467	93 %	0.59	1.29	7.77 %
160 Special Situations Subtotal		6,250,000	5,812,500	437,500	0	3,457,248	4,051,719	7,508,967	1,696,467	93 %	0.59	1.29	7.77 %
170 Fund of Funds													
1 HarbourVest Partners VIII Buyout Func	2006	15,000,000	8,737,500	6,262,500	0	503,484	9,396,887	9,900,371	1,162,871	58 %	0.06	1.13	4.69 %
2 HarbourVest Partners VIII Venture	2006	10,000,000	7,050,000	2,950,000	0	398,149	8,023,015	8,421,164	1,371,164	71 %	0.06	1.19	7.46 %
3 Pantheon USA Fund VI, L.P.	2005	40,000,000	31,200,000	8,800,000	136,032	5,800,000	31,937,310	37,737,310	6,401,278	78 %	0.19	1.20	4.92 %
170 Fund of Funds Subtotal		65,000,000	46,987,500	18,012,500	136,032	6,701,633	49,357,212	56,058,845	8,935,313	72 %	0.14	1.19	5.15 %
9 Total Partnerships													
9 Total Partnerships		155,000,000	117,187,343	37,812,657	412,721	22,197,252	117,584,631	139,781,883	22,181,819	76 %	0.19	1.19	5.74 %

**San Jose Police and Fire
Transaction Summary**

7/1/2011 - 9/30/2011

Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
HarbourVest Partners VII Buyout					
9/28/2011			185,625.00		-185,625.00
Total: HarbourVest Partners VII Buyout			185,625.00		-185,625.00
HarbourVest Partners VIII Buyout Fund					
8/26/2011	300,000.00				300,000.00
Total: HarbourVest Partners VIII Buyout Fund			300,000.00		300,000.00
HarbourVest Partners VIII Venture					
9/20/2011	300,000.00				300,000.00
Total: HarbourVest Partners VIII Venture			300,000.00		300,000.00
Pantheon USA Fund VI, L.P.					
7/18/2011	200,000.00				200,000.00
8/19/2011			800,000.00		-600,000.00
Total: Pantheon USA Fund VI, L.P.			800,000.00		-600,000.00
Portfolio Advisors Fund III, L.P. A - Buyout					
9/28/2011			451,472.00		-451,472.00
Total: Portfolio Advisors Fund III, L.P. A - Buyout			451,472.00		-451,472.00
Portfolio Advisors Fund III, L.P. B - Venture					
9/28/2011			76,770.00		-76,770.00
Total: Portfolio Advisors Fund III, L.P. B - Venture			76,770.00		-76,770.00
Portfolio Advisors Fund III, L.P. C - Special Situ					
9/28/2011			248,257.00		-248,257.00

Activity is cumulative for the period

**San Jose Police and Fire
Transaction Summary**

7/1/2011 - 9/30/2011

Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
Portfolio Advisors Fund III, L.P. C - Special Situ					
Total: Portfolio Advisors Fund III, L.P. C - Special Situ					
			248,257.00		-248,257.00
Siguler Guff DOF III					
8/30/2011			1,139,381.86		-1,139,381.86
9/29/2011			7,500.00		-1,146,881.86
Total: Siguler Guff DOF III					
			1,146,881.86		-1,146,881.86
TCW/Crescent Mezzanine V, L.P.					
8/18/2011	701,758.00				701,758.00
9/27/2011	280,703.00				982,461.00
Total: TCW/Crescent Mezzanine V, L.P.					
			982,461.00		982,461.00
Total: San Jose Police and Fire					
			1,782,461.00	2,909,005.86	-1,126,544.86
Total:					
			1,782,461.00	2,909,005.86	-1,126,544.86

Activity is cumulative for the period