



NEPC, LLC

YOU DEMAND MORE. So do we.SM



City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Investment Performance Analysis For the period ending March 31, 2016

June 28, 2016

Dan LeBeau, Consultant
Allan Martin, Partner
Mike Malchenko, Senior Analyst

255 State Street, Boston, MA 02109 | TEL: 617.374.1300 | FAX: 617.374.1313 | www.nepc.com

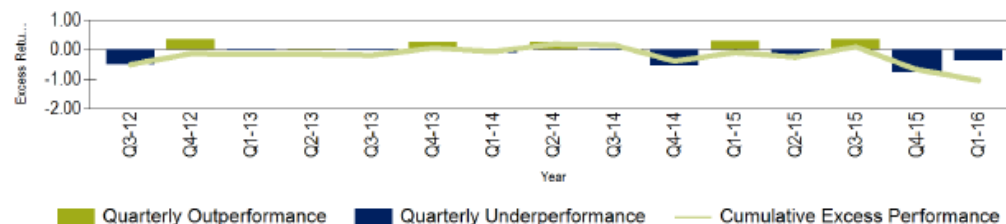
BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Total Fund Performance Summary (Gross of Fees)

			Ending March 31, 2016														Inception	
	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Health Care Trust	73,225,247	100.0	1.6	59	-2.1	88	-3.1	95	0.2	93	2.7	62	--	--	--	--	4.1	Jul-12
Policy Benchmark			1.9	32	-1.4	82	-2.2	88	0.7	89	3.0	54	--	--	--	--	4.4	Jul-12
Allocation Index			1.6	57	-0.1	68	-0.7	71	2.0	66	4.0	38	--	--	--	--	5.2	Jul-12
InvestorForce Health & Welfare - Gross Median			1.7		0.8		0.6		2.5		3.2		4.2		4.6		4.2	Jul-12

Quarterly and Cumulative Excess Performance



For the three-year period ending March 31, 2016 the Health Care Trust returned 2.7%, trailing the policy benchmark by 0.3% and ranking in the 62nd percentile of the InvestorForce Health & Welfare Funds Universe.

For the one-year period ending March 31, 2016, the Health Care Trust produced a net investment loss of \$2.0 million, which includes a net investment gain of \$1.1 million in the first calendar quarter. Assets increased from \$56.2 million one year ago to \$73.2 million on March 31, 2016 with \$19.1 million in net contributions during the year.

For the one-year period ending March 31, 2016, the Fund returned -3.1%, trailing the policy benchmark by 0.9% and ranking in the 95th percentile of its peers. The Fund's volatility ranks in the bottom quartile of its peers, resulting in a Sharpe Ratio that also ranks in the bottom quartile of its peers.

Please see the appendix for additional performance disclosures.

Note: The InvestorForce Health & Welfare Funds Universe had 179 observations totaling \$14.1 billion in assets as of 3/31/2016.

Since Inception Ending Mar 31, 2016

	Anlzd Return	Rank	Anlzd Standard Deviation	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Health Care Trust	4.1%	54	6.5%	81	0.6	93	1.1	90
Policy Benchmark	4.4%	46	7.1%	92	0.6	93	1.1	92
Allocation Index	5.2%	35	5.8%	75	0.9	83	1.6	78
InvestorForce Health & Welfare - Gross Median	4.2%	--	3.2%	--	1.2	--	2.2	--

1 Year Ending March 31, 2016

	Anlzd Return	Rank	Anlzd Standard Deviation	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Health Care Trust	-3.1%	95	8.6%	85	-0.4	91	-0.7	90
Policy Benchmark	-2.2%	88	10.5%	99	-0.2	79	-0.4	83
Allocation Index	-0.7%	71	7.4%	76	-0.1	68	-0.2	69
InvestorForce Health & Welfare - Gross Median	0.6%	--	3.9%	--	0.1	--	0.3	--

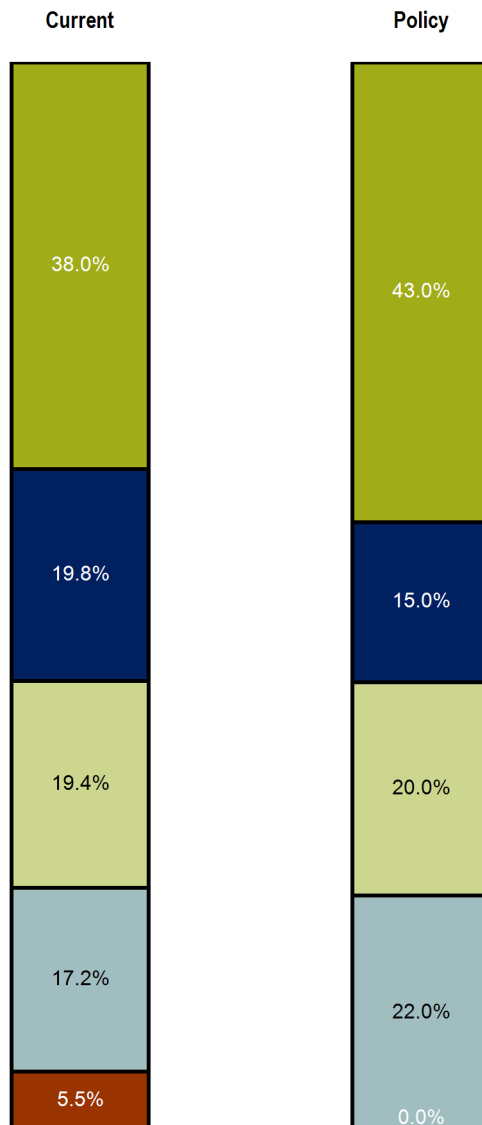


NEPC, LLC

March 31, 2016

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Total Fund Asset Allocation vs Policy Targets



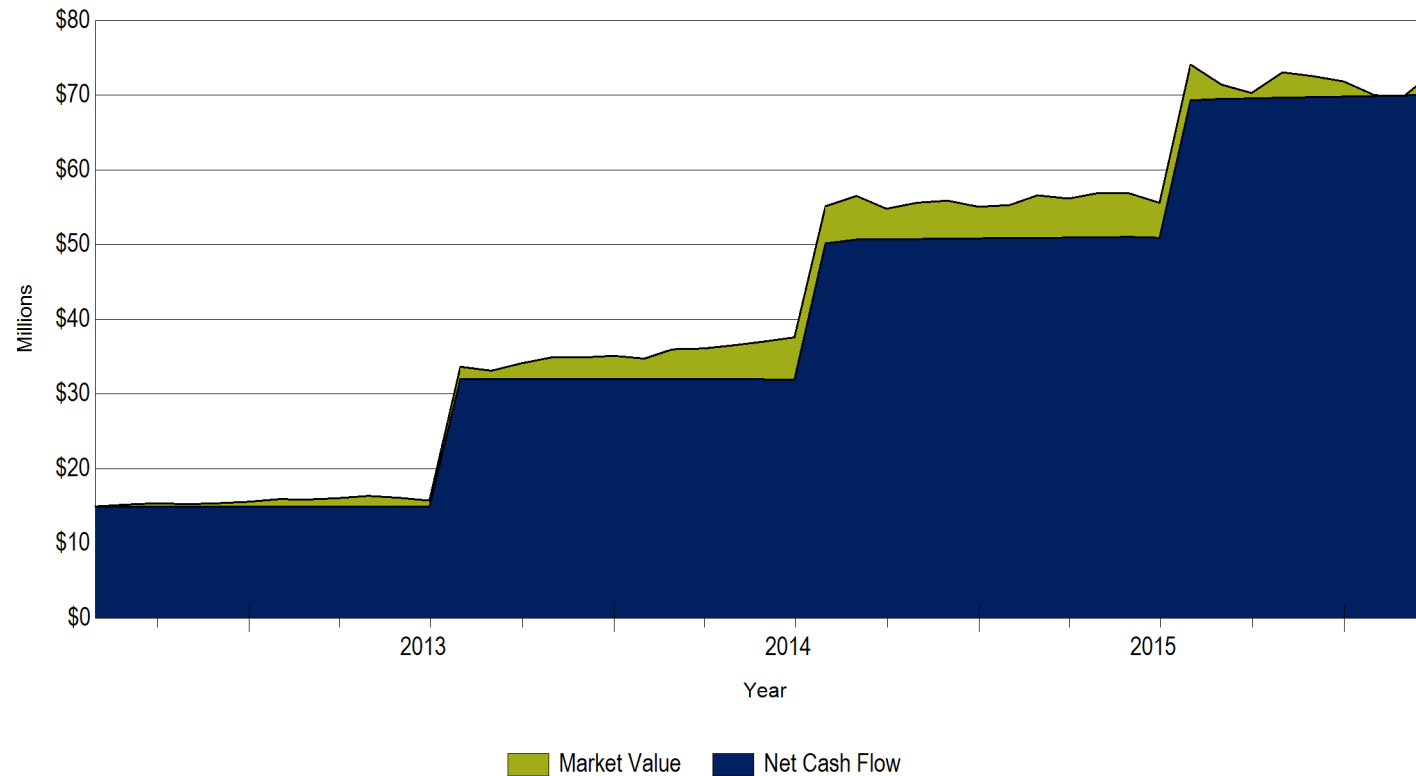
Asset Allocation vs. Target							
	Current Balance	Current Allocation	Policy	Difference *	Policy Range	Within IPS Range?	
Equities	\$27,861,880	38.0%	43.0%	-5.0%	25.0% - 50.0%	Yes	
Fixed Income	\$14,528,251	19.8%	15.0%	4.8%	5.0% - 25.0%	Yes	
Global Asset Allocation	\$14,192,333	19.4%	20.0%	-0.6%	0.0% - 25.0%	Yes	
Inflation-Linked	\$12,626,469	17.2%	22.0%	-4.8%	12.0% - 25.0%	Yes	
Cash	\$4,016,315	5.5%	0.0%	5.5%	0.0% - 5.0%	No	
Total	\$73,225,247	100.0%	100.0%				

*Difference between Policy and Current Allocation

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Asset Growth Summary

Since Inception Ending Mar 31, 2016



Sources of Portfolio Growth	Last Three Months	Fiscal Year-To-Date	One Year	Inception 7/1/12
Beginning Market Value	\$71,858,339	\$55,595,234	\$56,162,752	\$0
Net Additions/Withdrawals	\$227,701	\$19,135,060	\$19,112,219	\$70,048,406
Investment Earnings	\$1,139,208	-\$1,505,047	-\$2,049,724	\$3,176,841
Ending Market Value	\$73,225,247	\$73,225,247	\$73,225,247	\$73,225,247



NEPC, LLC

March 31, 2016

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Asset Growth Summary Detail

Cash Flow Summary

3 Months Ending Mar 31, 2016

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$5,250,807	-\$1,518,160	\$283,668	-\$1,234,492	\$0	\$4,016,315
Credit Suisse	\$3,316,168	-\$3,732	\$1,500,000	\$1,496,268	\$30,743	\$4,843,179
GMO	\$3,085,422	-\$6,397	\$0	-\$6,397	\$11,451	\$3,090,476
PIMCO	\$4,733,491	-\$11,243	\$0	-\$11,243	\$274,380	\$4,996,628
Standard Life	\$6,306,266	\$0	\$0	\$0	-\$201,037	\$6,105,229
Vanguard REIT Index Fund	\$6,272,388	-\$1,059	\$0	-\$1,059	\$394,628	\$6,665,958
Vanguard Total Bond Market Index Fund	\$14,092,728	-\$2,192	\$0	-\$2,192	\$437,716	\$14,528,251
Vanguard Total World Stock Index Fund	\$27,736,630	-\$10,658	\$0	-\$10,658	\$135,909	\$27,861,880
Wellington	\$1,064,439	-\$2,526	\$0	-\$2,526	\$55,419	\$1,117,332
Total	\$71,858,339	-\$1,555,967	\$1,783,668	\$227,701	\$1,139,208	\$73,225,247

Cash Flow Summary

FYTD Ending Mar 31, 2016

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$1,563,765	-\$16,944,024	\$19,396,573	\$2,452,549	\$0	\$4,016,315
Credit Suisse	\$4,083,597	-\$10,975	\$1,500,000	\$1,489,025	-\$729,442	\$4,843,179
GMO	\$2,957,438	-\$19,669	\$300,000	\$280,331	-\$147,294	\$3,090,476
PIMCO	\$3,331,646	-\$34,343	\$2,000,000	\$1,965,657	-\$300,674	\$4,996,628
Standard Life	\$4,304,644	\$0	\$2,000,000	\$2,000,000	-\$199,415	\$6,105,229
Vanguard REIT Index Fund	\$5,744,217	-\$4,079	\$0	-\$4,079	\$925,820	\$6,665,958
Vanguard Total Bond Market Index Fund	\$7,990,445	-\$7,138	\$6,000,000	\$5,992,862	\$544,944	\$14,528,251
Vanguard Total World Stock Index Fund	\$24,298,991	-\$33,043	\$5,000,000	\$4,966,957	-\$1,404,069	\$27,861,880
Wellington	\$1,320,490	-\$8,242	\$0	-\$8,242	-\$194,917	\$1,117,332
Total	\$55,595,234	-\$17,061,513	\$36,196,573	\$19,135,060	-\$1,505,047	\$73,225,247



City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Asset Growth Summary Detail

Cash Flow Summary

1 Year Ending Mar 31, 2016

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$1,552,459	-\$17,761,450	\$20,225,306	\$2,463,856	\$0	\$4,016,315
Credit Suisse	\$3,966,909	-\$15,035	\$1,500,000	\$1,484,965	-\$608,695	\$4,843,179
GMO	\$3,600,060	-\$676,035	\$300,000	-\$376,035	-\$133,550	\$3,090,476
PIMCO	\$3,338,881	-\$42,311	\$2,000,000	\$1,957,689	-\$299,942	\$4,996,628
Standard Life	\$3,708,727	\$0	\$2,650,000	\$2,650,000	-\$253,498	\$6,105,229
Vanguard REIT Index Fund	\$6,415,398	-\$5,563	\$0	-\$5,563	\$256,123	\$6,665,958
Vanguard Total Bond Market Index Fund	\$8,135,479	-\$8,548	\$6,000,000	\$5,991,452	\$401,321	\$14,528,251
Vanguard Total World Stock Index Fund	\$24,132,512	-\$42,902	\$5,000,000	\$4,957,098	-\$1,227,730	\$27,861,880
Wellington	\$1,312,327	-\$11,243	\$0	-\$11,243	-\$183,752	\$1,117,332
Total	\$56,162,752	-\$18,563,087	\$37,675,306	\$19,112,219	-\$2,049,724	\$73,225,247

Cash Flow Summary

Since Inception Ending Mar 31, 2016

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$0	-\$72,609,662	\$76,625,537	\$4,015,875	\$440	\$4,016,315
Credit Suisse	--	-\$543,182	\$6,800,000	\$6,256,818	-\$1,413,639	\$4,843,179
First Quadrant	--	-\$742,610	\$890,000	\$147,390	-\$147,390	--
GMO	--	-\$697,617	\$3,950,000	\$3,252,383	-\$161,908	\$3,090,476
PIMCO	--	-\$61,092	\$5,650,000	\$5,588,908	-\$592,279	\$4,996,628
Standard Life	--	\$0	\$6,300,000	\$6,300,000	-\$194,771	\$6,105,229
Vanguard REIT Index Fund	--	-\$14,863	\$4,988,695	\$4,973,832	\$1,692,127	\$6,665,958
Vanguard Total Bond Market Index Fund	--	-\$4,225,262	\$17,610,434	\$13,385,172	\$1,143,079	\$14,528,251
Vanguard Total World Stock Index Fund	--	-\$110,664	\$24,671,390	\$24,560,726	\$3,301,154	\$27,861,880
Wellington	--	-\$22,696	\$1,590,000	\$1,567,304	-\$449,972	\$1,117,332
Total	\$0	-\$79,027,650	\$149,076,056	\$70,048,406	\$3,176,841	\$73,225,247



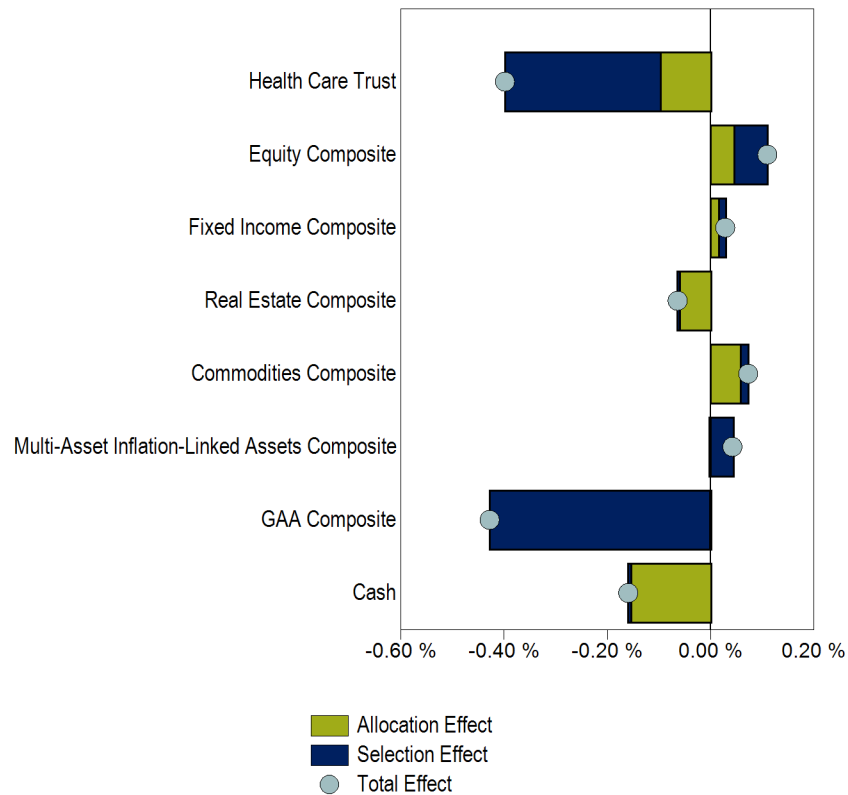
NEPC, LLC

March 31, 2016

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Attribution Analysis - Net of Fees

Attribution Effects
3 Months Ending March 31, 2016



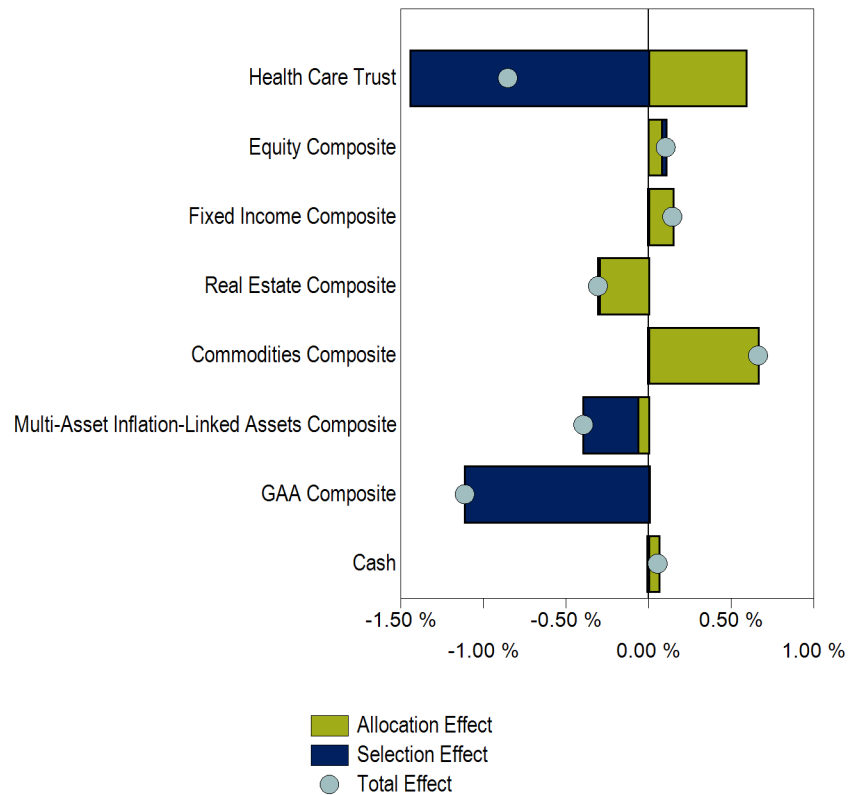
Attribution Summary
3 Months Ending March 31, 2016

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Equity Composite	0.5%	0.3%	0.2%	0.1%	0.0%	0.1%
Fixed Income Composite	3.1%	3.0%	0.1%	0.0%	0.0%	0.0%
Real Estate Composite	6.3%	6.3%	0.0%	0.0%	-0.1%	-0.1%
Commodities Composite	0.8%	0.5%	0.3%	0.0%	0.1%	0.1%
Multi-Asset Inflation-Linked Assets Composite	5.0%	1.9%	3.1%	0.0%	0.0%	0.0%
GAA Composite	0.5%	2.7%	-2.2%	-0.4%	0.0%	-0.4%
Cash	0.0%	0.1%	-0.1%	0.0%	-0.2%	-0.2%
Total	1.5%	1.9%	-0.4%	-0.3%	-0.1%	-0.4%

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Attribution Analysis - Net of Fees

Attribution Effects
FYTD Ending Mar 31, 2016



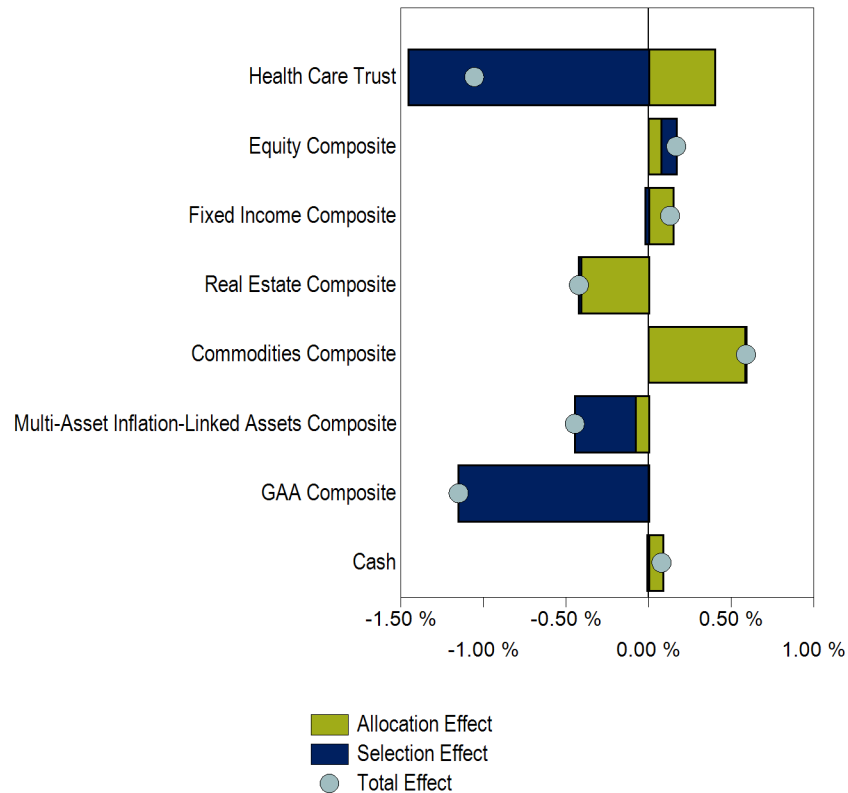
Attribution Summary
FYTD Ending Mar 31, 2016

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Equity Composite	-4.8%	-4.9%	0.1%	0.0%	0.1%	0.1%
Fixed Income Composite	3.7%	3.7%	0.0%	0.0%	0.1%	0.1%
Real Estate Composite	16.0%	16.2%	-0.1%	0.0%	-0.3%	-0.3%
Commodities Composite	-18.1%	-18.1%	0.0%	0.0%	0.7%	0.7%
Multi-Asset Inflation-Linked Assets Composite	-15.4%	3.5%	-18.9%	-0.3%	-0.1%	-0.4%
GAA Composite	-4.7%	0.9%	-5.6%	-1.1%	0.0%	-1.1%
Cash	0.0%	0.1%	-0.1%	0.0%	0.1%	0.1%
Total	-2.2%	-1.4%	-0.9%	-1.4%	0.6%	-0.8%

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Attribution Analysis - Net of Fees

Attribution Effects
1 Year Ending March 31, 2016



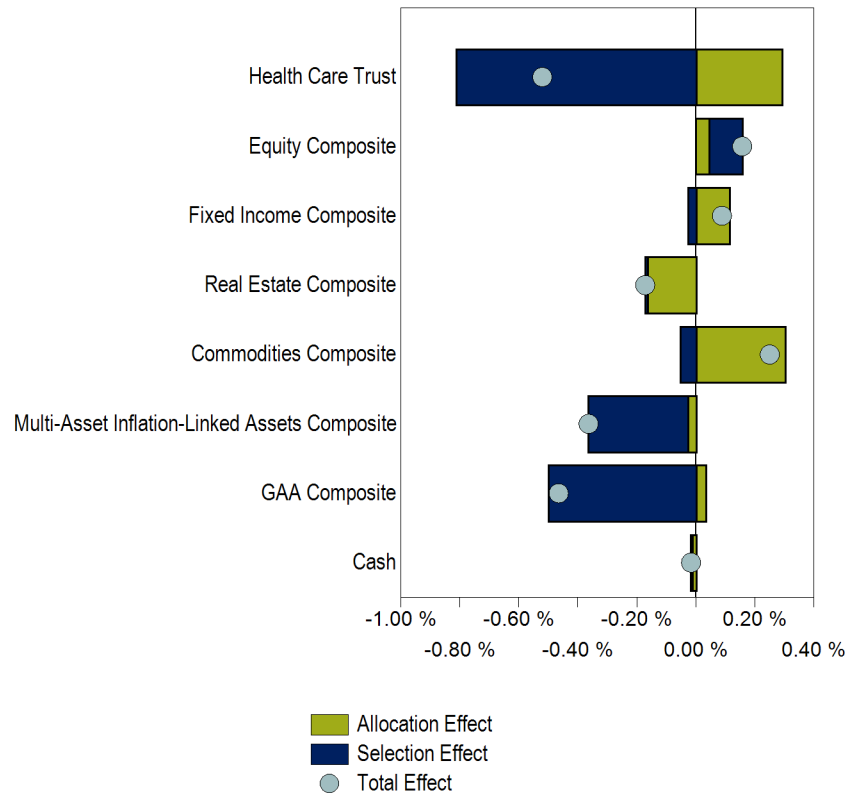
Attribution Summary
1 Year Ending March 31, 2016

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Equity Composite	-4.2%	-4.4%	0.2%	0.1%	0.1%	0.2%
Fixed Income Composite	1.8%	2.0%	-0.1%	0.0%	0.1%	0.1%
Real Estate Composite	3.9%	4.1%	-0.1%	0.0%	-0.4%	-0.4%
Commodities Composite	-15.7%	-15.8%	0.1%	0.0%	0.6%	0.6%
Multi-Asset Inflation- Linked Assets Composite	-14.9%	5.9%	-20.8%	-0.4%	-0.1%	-0.4%
GAA Composite	-5.3%	0.5%	-5.8%	-1.1%	0.0%	-1.1%
Cash	0.0%	0.1%	-0.1%	0.0%	0.1%	0.1%
Total	-3.3%	-2.2%	-1.1%	-1.5%	0.4%	-1.1%

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Attribution Analysis - Net of Fees

Attribution Effects
3 Years Ending March 31, 2016



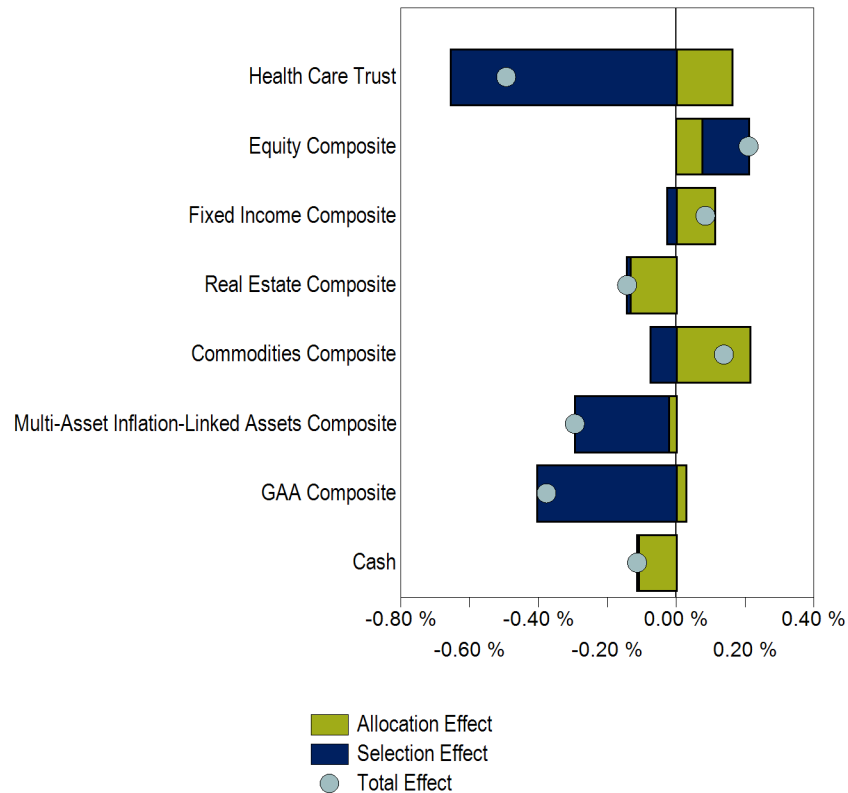
Attribution Summary
3 Years Ending March 31, 2016

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Equity Composite	5.8%	5.6%	0.2%	0.1%	0.0%	0.2%
Fixed Income Composite	2.4%	2.5%	-0.1%	0.0%	0.1%	0.1%
Real Estate Composite	10.4%	10.4%	-0.1%	0.0%	-0.2%	-0.2%
Commodities Composite	-12.0%	-11.5%	-0.5%	-0.1%	0.3%	0.3%
Multi-Asset Inflation- Linked Assets Composite	--	--	--	-0.3%	0.0%	-0.4%
GAA Composite	--	--	--	-0.5%	0.0%	-0.5%
Cash	0.0%	0.1%	-0.1%	0.0%	0.0%	0.0%
Total	2.5%	3.0%	-0.5%	-0.8%	0.3%	-0.5%

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Attribution Analysis - Net of Fees

Attribution Effects
Since Inception Ending Mar 31, 2016



Attribution Summary
Since Inception Ending Mar 31, 2016

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Equity Composite	--	8.7%	--	0.1%	0.1%	0.2%
Fixed Income Composite	--	2.1%	--	0.0%	0.1%	0.1%
Real Estate Composite	--	10.7%	--	0.0%	-0.1%	-0.1%
Commodities Composite	--	-10.6%	--	-0.1%	0.2%	0.1%
Multi-Asset Inflation-Linked Assets Composite	--	--	--	-0.3%	0.0%	-0.3%
GAA Composite	--	--	--	-0.4%	0.0%	-0.4%
Cash	0.0%	0.1%	-0.1%	0.0%	-0.1%	-0.1%
Total	3.9%	4.4%	-0.5%	-0.7%	0.2%	-0.5%

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Performance Summary – Net of Fees

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	Return (%)	Since
Health Care Trust	73,225,247	100.0	1.5	--	-2.2	--	-3.3	--	2.5	--	--	--	3.9	Jul-12
Policy Benchmark			<u>1.9</u>	--	<u>-1.4</u>	--	<u>-2.2</u>	--	<u>3.0</u>	--	--	--	<u>4.4</u>	Jul-12
Over/Under			-0.4		-0.8		-1.1		-0.5				-0.5	
Allocation Index			1.6	--	-0.1	--	-0.7	--	4.0	--	--	--	5.2	Jul-12
Equity Composite	27,861,880	38.0	0.5	43	-4.8	53	-4.2	53	5.8	63	--	--	9.3	Aug-12
Vanguard Total World Stock Index Fund	27,861,880	38.0	0.5	43	-4.8	53	-4.2	53	5.8	63	--	--	9.3	Aug-12
MSCI ACWI IMI (Net)			<u>0.3</u>	46	<u>-4.9</u>	53	<u>-4.4</u>	55	<u>5.6</u>	67	<u>5.2</u>	72	<u>8.9</u>	Aug-12
Over/Under			0.2		0.1		0.2		0.2				0.4	
eA All Global Equity Net Median			-0.2		-4.5		-3.7		6.7		6.7		9.8	Aug-12
Fixed Income Composite	14,528,251	19.8	3.1	24	3.7	22	1.8	27	2.4	41	--	--	2.0	Aug-12
Vanguard Total Bond Market Index Fund	14,528,251	19.8	3.1	24	3.7	22	1.8	27	2.4	41	--	--	2.0	Aug-12
Barclays Aggregate			<u>3.0</u>	26	<u>3.7</u>	21	<u>2.0</u>	23	<u>2.5</u>	37	<u>3.8</u>	49	<u>2.1</u>	Aug-12
Over/Under			0.1		0.0		-0.2		-0.1				-0.1	
eA All US Fixed Inc Net Median			2.2		2.2		1.1		2.1		3.7		2.4	Aug-12
Real Estate Composite	6,665,958	9.1	6.3	9	16.0	41	3.9	58	10.4	73	--	--	10.9	Aug-12
Vanguard REIT Index Fund	6,665,958	9.1	6.3	9	16.0	41	3.9	58	10.4	73	--	--	10.9	Aug-12
MSCI US REIT			<u>5.9</u>	19	<u>14.9</u>	64	<u>2.6</u>	83	<u>9.1</u>	84	<u>10.5</u>	85	<u>9.6</u>	Aug-12
Over/Under			0.4		1.1		1.3		1.3				1.3	
eA US REIT Net Median			4.9		15.7		4.3		11.1		11.9		11.1	Aug-12
Inflation-Linked Composite	5,960,511	8.1	1.7	--	-17.6	--	-15.7	--	-12.1	--	--	--	-12.6	Oct-12
Commodities Composite	4,843,179	6.6	0.8	--	-18.1	--	-15.7	--	-12.0	--	--	--	-12.6	Oct-12
Custom Commodity Risk Parity Index			<u>0.5</u>	--	<u>-18.1</u>	--	<u>-15.8</u>	--	<u>-11.5</u>	--	<u>-10.0</u>	--	<u>-11.9</u>	Oct-12
Over/Under			0.3		0.0		0.1		-0.5				-0.7	
Credit Suisse	4,843,179	6.6	0.8	--	-18.1	--	-15.7	--	-11.5	--	--	--	-11.3	Nov-12
Custom Commodity Risk Parity Index			<u>0.5</u>	--	<u>-18.1</u>	--	<u>-15.8</u>	--	<u>-11.5</u>	--	<u>-10.0</u>	--	<u>-11.3</u>	Nov-12
Over/Under			0.3		0.0		0.1		0.0				0.0	
Multi-Asset Inflation-Linked Assets Composite	1,117,332	1.5	5.0	--	-15.4	--	-14.9	--	--	--	--	--	-13.4	Jan-14
Wellington	1,117,332	1.5	5.0	--	-15.4	--	-14.9	--	--	--	--	--	-13.4	Jan-14
CPI + 5% (Unadjusted)			<u>1.9</u>	--	<u>3.5</u>	--	<u>5.9</u>	--	<u>5.8</u>	--	<u>6.3</u>	--	<u>6.0</u>	Jan-14
Over/Under			3.1		-18.9		-20.8						-19.4	

Fiscal year ends June 30.

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Performance Summary – Net of Fees

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	Return (%)	Since
GAA Composite	14,192,333	19.4	0.5	--	-4.7	--	-5.3	--	--	--	--	--	-6.0	Sep-14
60% MSCI World (Net) / 40% CITI WGBI			<u>2.7</u>	--	<u>0.9</u>	--	<u>0.5</u>	--	<u>4.4</u>	--	<u>4.6</u>	--	<u>-1.3</u>	Sep-14
Over/Under			-2.2		-5.6		-5.8						-4.7	
GMO	3,090,476	4.2	0.2	--	-5.1	--	-5.4	--	--	--	--	--	-4.2	Sep-14
CPI + 5% (Seasonally Adjusted)			<u>1.2</u>	--	<u>3.7</u>	--	<u>5.9</u>	--	<u>5.8</u>	--	<u>6.3</u>	--	<u>5.1</u>	Sep-14
Over/Under			-1.0		-8.8		-11.3						-9.3	
60% MSCI World (Net) / 40% CITI WGBI			<u>2.7</u>	--	<u>0.9</u>	--	<u>0.5</u>	--	<u>4.4</u>	--	<u>4.6</u>	--	<u>-1.3</u>	Sep-14
PIMCO	4,996,628	6.8	5.6	--	-6.3	--	-6.5	--	--	--	--	--	-9.4	Sep-14
CPI + 6.5% (Seasonally Adjusted)			<u>1.5</u>	--	<u>4.8</u>	--	<u>7.4</u>	--	<u>7.3</u>	--	<u>7.9</u>	--	<u>6.6</u>	Sep-14
Over/Under			4.1		-11.1		-13.9						-16.0	
60% MSCI World (Net) / 40% CITI WGBI			<u>2.7</u>	--	<u>0.9</u>	--	<u>0.5</u>	--	<u>4.4</u>	--	<u>4.6</u>	--	<u>-1.3</u>	Sep-14
Standard Life	6,105,229	8.3	-3.2	--	-3.2	--	-4.5	--	--	--	--	--	-2.3	Feb-15
91 Day T-Bill + 5%			<u>1.3</u>	--	<u>3.8</u>	--	<u>5.1</u>	--	<u>5.1</u>	--	<u>5.1</u>	--	<u>5.1</u>	Feb-15
Over/Under			-4.5		-7.0		-9.6						-7.4	
60% MSCI World (Net) / 40% CITI WGBI			<u>2.7</u>	--	<u>0.9</u>	--	<u>0.5</u>	--	<u>4.4</u>	--	<u>4.6</u>	--	<u>1.8</u>	Feb-15
Cash	4,016,315	5.5	0.0	--	0.0	--	0.0	--	0.0	--	--	--	0.0	Jul-12
Cash	4,016,315	5.5	0.0	--	0.0	--	0.0	--	0.0	--	--	--	0.0	Jul-12
91 Day T-Bills			<u>0.1</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.1</u>	Jul-12
Over/Under			-0.1		-0.1		-0.1		-0.1				-0.1	

Fiscal year ends June 30.

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Due Diligence Monitor

The items below summarize the recent quarter's performance and any changes or announcements from the Plan's managers/products. A "-" indicates there were no material announcements. A "Yes" indicates there was an announcement and a brief summary is provided on the following pages. NEPC's Due Diligence Committee meets every two weeks to review events as they relate to investment managers and determine if any action should be taken (by NEPC and/or by our clients). Events are rated: No Action, Watch, Hold, Client Review or Terminate. NEPC's recommendation in view of the recent quarter's developments (performance, manager events, and any of the longer-term trending data) is refreshed quarterly.

Investment Options	Performance (Recent Quarter)	Changes/Announcements (Recent Quarter)	NEPC Due Diligence Committee Recommendations	Plan Recommendation	Comments
Vanguard Total World Stock Index	-	Yes	No Action	No Action	
Vanguard Total Bond Market Index	Top Quartile	-	-	-	
Vanguard REIT Index	Top Decile	-	-	-	
Credit Suisse Risk Parity Commodity Fund	N/A	-	Hold	No Action	Hold Status from Q2 2014
Wellington Diversified Inflation Hedges	N/A	Yes	Watch	No Action	
GMO Benchmark-Free Allocation Fund	N/A	Yes	Hold	No Action	
PIMCO All Asset All Authority Fund	N/A	-	Watch	No Action	Watch Status from Q1 2015
Standard Life	N/A	-	-	-	

NEPC Due Diligence Committee Recommendation Key

No Action	Informational items have surfaced; no action is recommended.
Watch	Issues have surfaced to be concerned over; manager can participate in future searches, but current and prospective clients must be made aware of the issues.
Hold	Serious issues have surfaced to be concerned over; manager cannot participate in future searches unless a client specifically requests, but current and prospective clients must be made aware of the issues.
Client Review	Very serious issues have surfaced with an Investment Manager; manager cannot participate in future searches unless a client specifically requests. Current clients must be advised to review the manager.
Terminate	We have lost all confidence in the product; manager would not be recommended for searches and clients would be discouraged from using. The manager cannot participate in future searches unless a client specifically requests. Current clients must be advised to replace the manager.



NEPC, LLC

March 31, 2016

Due Diligence Commentary

Vanguard Total Stock Market Index Fund

In April 2016, Vanguard announced changes to the named portfolio managers on 14 of the firm's index strategies, including the Vanguard Total Stock Market Index Fund. As the index funds are passively managed, we do not have any concerns regarding the announced changes.

*NEPC recommends a due diligence status of **No Action**. We do not recommend any action at this time.*

Wellington Diversified Inflation Hedges (DIH)

In January 2016, Karl Bantal, portfolio manager for Wellington's Core Energy approaches, announced his withdrawal from the partnership, elevating Greg Leblanc to PM of the strategies previously managed by Mr. Bantal. With Mr. Bantal's announcement, Mr. Leblanc relinquished his PM responsibilities on the Commodities strategy he co-managed with David Chang to assume most of Mr. Bantal's energy equity related responsibilities. Mr. Chang has 12 years of investing experience within the commodities markets and has been an active participant with Wellington's commodity approaches since their inception.

In addition, the Precious Metals portfolio managed by Kevin White was eliminated and shifted to a basket of equity securities. The sleeve of the portfolio had been underperforming and the decision was made to get this exposure passively going forward.

In March 2016, it was announced that Emerging Market Inflation-Linked Bonds would no longer receive a dedicated allocation in the strategy. Future allocations will be made on a tactical basis.

On May 8, 2016, NEPC was notified that Julius Moschitz, PhD. will be transitioning off of the Diversified Inflation Hedges investment team at the end of May. Dr. Moschitz joined the Global Macro team in 2004 and he then transitioned to the Asset Allocation group in 2009, focusing on DIH as a dedicated macroeconomic analyst. The decision to remove Dr. Moschitz from the DIH team stems from his macro research tending to be less actionable, causing the team to have difficulty implementing investment ideas too are often too granular. Dr. Moschitz will remain with Wellington in the Global Macro research group focusing on the broad economic growth picture. Additionally, Nick Petrucelli has been elevated to a more senior role within the Global Multi-Asset Strategies ("GMAS") team and will be tasked with aiding to provide a clearer macro picture for the DIH team. Mr. Petrucelli's two main sources of research have revolved around inflation sensitive assets and asset allocation for long-term investors. His inflation models are currently being utilized by the GMAS team and by the firm broadly, and he has been moderating team weekly meetings for the last year. From a portfolio management perspective, Scott Elliot and Brian Garvey remain in place as the lead risk-takers of DIH, and there are no indications of further changes to the investment team.

*NEPC recommends a due diligence status of **Watch**. We do not recommend any action at this time.*

The WATCH recommendation is the culmination of a number a minor announcements over the past 12 months that triggered an NEPC due diligence response. When isolated, the events do not represent a significant change to the team or departure from the investment process; Wellington utilizes a broad pool of analyst/PMs to identify long-term trends to build an uncorrelated portfolio of inflation sensitive assets. When taken in aggregate, however, we believe these events warrant a WATCH rating.

Due Diligence Commentary

GMO Benchmark-Free Allocation Strategy

On April 24, 2016, NEPC was notified that CEO Brad Hilsabeck will be stepping down effective July 1. Mr. Hilsabeck, who had been CEO for the past 5 years, will remain as a member of GMO's Board of Directors. GMO emphasized that this was entirely Mr. Hilsabeck's decision and the reasons for his stepping down were personal in nature. Peg McGetrick has been named acting CEO. Ms. McGetrick is currently a member of GMO's Board of Directors. Over the course of the next year, GMO will be conducting a search for CEO candidates as Peg McGetrick's role is intended to be temporary.

On June 2, 2016, GMO announced several organizational and investment process changes that directly impact the firm's multi-asset strategies, global equity strategies, and fixed income strategies with the exception of emerging markets debt. Notably, GMO will be reducing approximately 10% of the firm's workforce. The total headcount reduction will be approximately 50 individuals, the majority of which are not on the investment team.

Sam Wilderman, co-Head of Asset Allocation, will be leaving GMO at the end of 2016 and will remain through the end of the year to aid in the transition. Effective Jan 1, 2016, Ben Inker will be the sole Head of Asset Allocation. Outside of Mr. Wilderman's departure, the multi-asset investment team remains unchanged.

The strategy is also impacted by investment process changes to the firm's global equity and developed fixed income strategies. The global equity and developed fixed income investment process changes impact approximately 10% of the exposure of GMO's multi-asset portfolios. What remains for the multi-asset portfolios is the discipline provided by the asset allocation team's seven-year asset class forecasts and their belief that asset classes mean revert to fair value over time. Based on our recent conversations with GMO and our understanding of the investment process, we do not believe these represent material changes.

*NEPC recommends a due diligence status of **Hold**. We do not recommend any action at this time. Please see our separate memo for additional details on the announced changes.*

Policy Benchmark History

- **7/1/12 – 7/31/12:** 90 day T-Bills
- **8/1/12 – 12/31/13:** 43% MSCI ACWI IMI (Net)/35% Barclays Capital U.S. Aggregate/10% MSCI U.S. REIT/12% Custom Commodity Risk Parity Index
- **1/1/14 – 8/31/2014:** 43% MSCI ACWI IMI (Net)/35% Barclays Capital U.S. Aggregate/10% MSCI U.S. REIT/9% Custom Commodity Risk Parity Index/3% CPI + 5% (Unadjusted)
- **9/1/14 - present:** 43% MSCI ACWI IMI (Net)/15% Barclays Capital U.S. Aggregate/10% MSCI U.S. REIT/9% Custom Commodity Risk Parity Index/3% CPI + 5% (Unadjusted)/20% 60/40 MSCI World (Net)/Citi World Government Bond Index

Information Disclaimer and Reporting Methodology

Information Disclaimer

- Past performance is no guarantee of future results.
- All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.
- NEPC's sources for portfolio pricing, calculation of accruals, and transaction information are the Plan's custodian bank and investment managers. Information on market indices and security characteristics is received from other sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- Some index returns displayed in this report or used in calculation of a policy, allocation or custom benchmark may be preliminary and subject to change.
- This report is provided as a management aid for the client's internal use only. Information contained in this report does not constitute a recommendation by NEPC.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

Reporting Methodology

- The client's custodian bank is NEPC's preferred data source unless otherwise directed. NEPC generally reconciles custodian data to manager data. If the custodian cannot provide accurate data, manager data may be used.
- Trailing time period returns are determined by geometrically linking the holding period returns, from the first full month after inception to the report date. Rates of return are annualized when the time period is longer than a year. Performance is presented gross and/or net of manager fees as indicated.
- For managers funded in the middle of a month, the "since inception" return will start with the first full month of performance, although actual inception dates and cash flows are taken into account in all Composite calculations.
- This report may contain forward-looking statements that are based on NEPC's estimates, opinions and beliefs, but NEPC cannot guarantee that any plan will achieve its targeted return or meet other goals.

