



NEPC, LLC

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## **City of San Jose Police & Fire Department Retirement Plan**

### **Third Quarter Executive Summary**

November 18, 2010

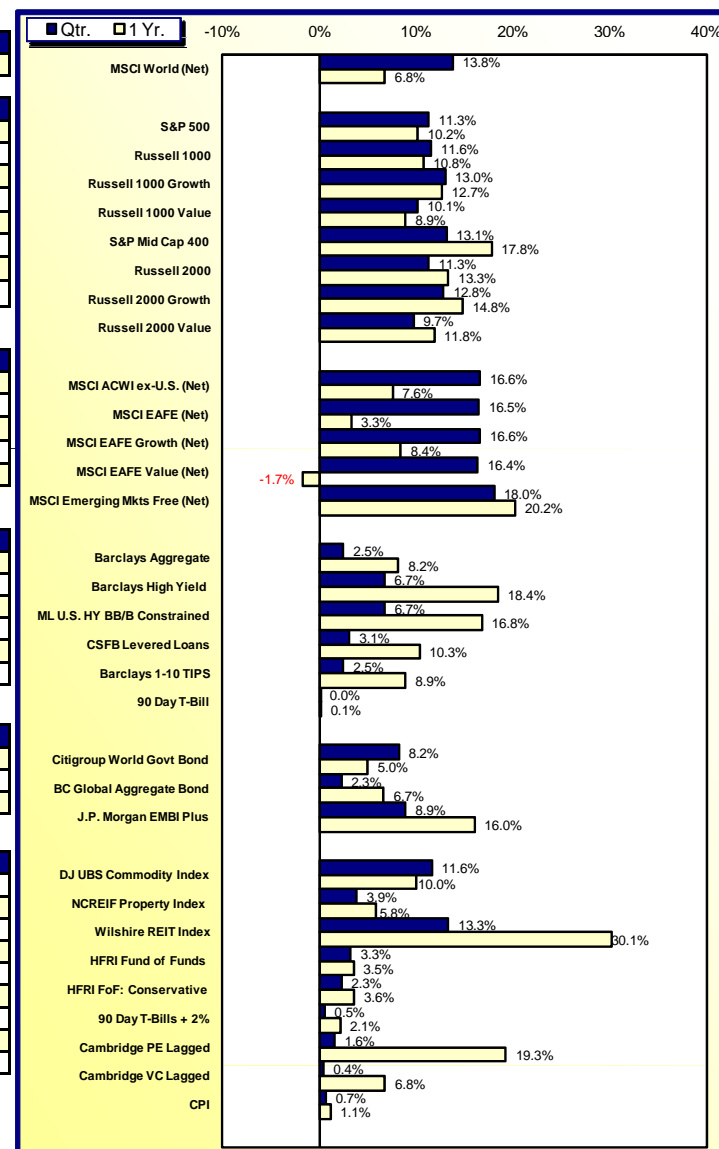
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**CAMBRIDGE | ATLANTA | CHARLOTTE | DETROIT | LAS VEGAS | SAN FRANCISCO**

# Market Environment Overview

|   |                  | Qtr.  | YTD   | 1 Yr. | 3 Yr.  | 5 Yr. | 10 Yr. |
|---|------------------|-------|-------|-------|--------|-------|--------|
| <b>Global Equity Benchmarks</b>         |                  |       |       |       |        |       |        |
| MSCI World (Net)                        | World            | 13.8% | 2.6%  | 6.8%  | -8.3%  | 1.3%  | 0.8%   |
| <b>Domestic Equity Benchmarks</b>       |                  |       |       |       |        |       |        |
| S&P 500                                 | Large Core       | 11.3% | 3.9%  | 10.2% | -7.2%  | 0.6%  | -0.4%  |
| Russell 1000                            | Large Core       | 11.6% | 4.4%  | 10.8% | -6.8%  | 0.9%  | -0.2%  |
| Russell 1000 Growth                     | Large Growth     | 13.0% | 4.4%  | 12.7% | -4.4%  | 2.1%  | -3.4%  |
| Russell 1000 Value                      | Large Value      | 10.1% | 4.5%  | 8.9%  | -9.4%  | -0.5% | 2.6%   |
| S&P Mid Cap 400                         | Mid Core         | 13.1% | 11.6% | 17.8% | -1.7%  | 3.8%  | 5.4%   |
| Russell 2000                            | Small Core       | 11.3% | 9.1%  | 13.3% | -4.3%  | 1.6%  | 4.0%   |
| Russell 2000 Growth                     | Small Growth     | 12.8% | 10.2% | 14.8% | -3.8%  | 2.4%  | -0.1%  |
| Russell 2000 Value                      | Small Value      | 9.7%  | 7.9%  | 11.8% | -5.0%  | 0.7%  | 7.7%   |
| <b>International Equity Benchmarks</b>  |                  |       |       |       |        |       |        |
| MSCI ACWI ex-U.S. (Net)                 | International    | 16.6% | 3.7%  | 7.6%  | -7.4%  | 4.3%  | 4.3%   |
| MSCI EAFE (Net)                         | Int'l Developed  | 16.5% | 1.1%  | 3.3%  | -9.5%  | 2.0%  | 2.6%   |
| MSCI EAFE Growth (Net)                  | Int'l Developed  | 16.6% | 4.1%  | 8.4%  | -8.4%  | 2.8%  | 1.1%   |
| MSCI EAFE Value (Net)                   | Int'l Developed  | 16.4% | -1.9% | -1.7% | -10.7% | 1.1%  | 3.9%   |
| MSCI Emerging Mkts Free (Net)           | Int'l Emerging   | 18.0% | 10.8% | 20.2% | -1.5%  | 12.7% | 13.4%  |
| <b>Domestic Fixed Income Benchmarks</b> |                  |       |       |       |        |       |        |
| Barclays Aggregate                      | Core Bonds       | 2.5%  | 7.9%  | 8.2%  | 7.4%   | 6.2%  | 6.4%   |
| Barclays High Yield                     | High Yield       | 6.7%  | 11.5% | 18.4% | 8.8%   | 8.4%  | 8.0%   |
| ML U.S. HY BB/B Constrained             | High Yield       | 6.7%  | 11.6% | 16.8% | 7.6%   | 7.3%  | 7.3%   |
| CSFB Levered Loans                      | Bank Loans       | 3.1%  | 6.5%  | 10.3% | 3.2%   | 4.0%  | n/a    |
| Barclays 1-10 TIPS                      | Inflation-Linked | 2.5%  | 7.0%  | 8.9%  | 6.9%   | 5.5%  | 7.5%   |
| 90 Day T-Bill                           | Cash             | 0.0%  | 0.1%  | 0.1%  | 1.1%   | 2.6%  | 2.6%   |
| <b>Global Fixed Income Benchmarks</b>   |                  |       |       |       |        |       |        |
| Citigroup World Govt Bond               | Global Bonds     | 8.2%  | 7.1%  | 5.0%  | 8.2%   | 7.1%  | 7.6%   |
| BC Global Aggregate Bond                | Global Bonds     | 2.3%  | 6.3%  | 6.7%  | 6.4%   | 5.3%  | 5.8%   |
| J.P. Morgan EMBI Plus                   | Em. Mkt. Bonds   | 8.9%  | 14.5% | 16.0% | 10.2%  | 9.4%  | 11.0%  |
| <b>Alternative Benchmarks</b>           |                  |       |       |       |        |       |        |
| DJ UBS Commodity Index                  | Commodities      | 11.6% | 0.9%  | 10.0% | -6.8%  | -2.3% | 5.2%   |
| NCREIF Property Index                   | Real Estate      | 3.9%  | 8.1%  | 5.8%  | -4.6%  | 3.7%  | 7.2%   |
| Wilshire REIT Index                     | REIT             | 13.3% | 19.2% | 30.1% | -6.9%  | 1.4%  | 10.1%  |
| HFRI Fund of Funds                      | Hedge Funds      | 3.3%  | 2.0%  | 3.5%  | -3.0%  | 2.2%  | 3.7%   |
| HFRI FoF: Conservative                  | Hedge Funds      | 2.3%  | 2.5%  | 3.6%  | -3.0%  | 1.4%  | 3.3%   |
| 90 Day T-Bills + 2%                     | Hedge Funds      | 0.5%  | 1.6%  | 2.1%  | 3.1%   | 4.6%  | 4.6%   |
| Cambridge PE Lagged                     | Private Equity   | 1.6%  | 12.3% | 19.3% | -0.9%  | 10.4% | 7.8%   |
| Cambridge VC Lagged                     | Venture Capital  | 0.4%  | 4.4%  | 6.8%  | -2.5%  | 5.1%  | -5.9%  |
| CPI                                     | Inflation        | 0.7%  | 0.5%  | 1.1%  | 1.6%   | 1.9%  | 2.3%   |



Note: Cambridge Associates Private Equity and Venture Capital Indexes are lagged by one quarter. Performance shown as of June 30, 2010.

as of September 30, 2010

## 3<sup>rd</sup> Quarter 2010 NEPC Observations and Opportunities

- Markets experienced roller-coaster of a quarter – July up, August down, September up – as global themes continued to dominate
  - Overall, strongly positive period for risky assets
- Forward looking return expectations are declining, as possibilities of extreme environments remain elevated
  - Maintain risk balanced portfolios to protect against continued deleveraging and/or future inflation
  - Seek opportunities for excess return where available
  - Consider role of alpha-oriented strategies in low expected return environment, particularly flexible approaches such as global macro and global asset allocation
- Emerging markets are attractive as structural debt issues stifle developed world growth
  - Opportunities to benefit from consumer-led growth in smaller company stocks
  - Emerging currencies are attractive and remain poised for long term appreciation relative to US dollar and other developed currencies
- Illiquid credit opportunities remain attractive even as liquid credit markets continued to perform in the 3<sup>rd</sup> quarter
  - Liquidity-provision strategies are uniquely positioned to do well in current environment
  - Distressed debt and real estate represent a longer term opportunity given structural issues

## Summary of Investment Results

- Over the last 12 months, the Fund experienced a gross investment gain of \$251.1 million, which includes a gross investment gain of \$189.0 million during the quarter. Total assets increased from \$2.3 billion 12 months ago to \$2.5 billion on September 30, 2010, with \$56.7 million in net distributions during the period.
- Over the past five years, the Fund returned 4.0% per annum, matching the performance of the interim total fund benchmark, and ranking in the 36<sup>th</sup> percentile of the Independent Consultant Cooperative's Public Funds > \$1 Billion Universe.
  - For the five-year period, active management detracted 60 basis points of value while increasing volatility for the period by 10 basis points.
- For the one year period ending September 30, 2010, the Fund returned 10.2%, trailing the interim total fund benchmark by 0.1%, and ranking in the 65<sup>th</sup> percentile of its peers.
  - For the one-year period, active management detracted 80 bps of value while lowering volatility for the period by 40 basis points.
- For the quarter, the Fund posted a 7.9% return, trailing the interim total fund benchmark by 0.6% and ranking in the 67<sup>th</sup> percentile of its peers.
  - For the quarter, active management detracted 30 basis points of value.
- All asset classes were within policy ranges on September 30, 2010.

Note: All performance, ranks, asset allocation and asset growth detailed above and throughout this report are as of September 30, 2010, unless otherwise noted, and take into account an unrealized loss of \$4,087,042 in the Fund's securities lending cash collateral reinvestment pool. The unrealized loss was accounted for in June 2009 performance calculations, which negatively impacted performance by 51 basis points at the Total Fund level for the month. This impact will be negated over time as market conditions improve and pricing of fixed income assets becomes more normalized, assuming there are no impairments or defaults in the pool. To date, State Street (who manages the Fund's securities lending program), has not experienced any impairments or defaults in the Fund's securities lending cash collateral reinvestment pool.



as of September 30, 2010

## Plan Update

- The Fund received the City's annual contribution, \$86 Million, in July 2010
- Effective August 2, 2010, RS Investments took over management of the interim small cap equity portfolio that Russell had been overseeing since May 2010.
  - \$60 Million U.S. Small Cap Value mandate
- In aggregate, Seix and Mackay Shields have returned \$21.5 million of the \$100 million they invested in September 2009
  - Seix has returned \$13.5 million as of September 30, 2010.
  - Mackay Shields has returned \$8.0 million as of September 30, 2010.
- American Realty Advisors took over management of the separately managed real estate portfolios previously managed by Kennedy Associates and MIG in September 2010.
  - Additionally, the Plan has terminated its investment in the Multi-Employer Property Trust – MEPT, effective September 30, 2010. The \$42.5 M received as a result of this termination will be reinvested in the American Realty Advisors Core Real Estate Fund.
- Current Search Activity
  - U.S. Small Cap Growth Equities
  - Non-U.S. Emerging Markets Equities

# Fund Allocation

|  | Market Value           | Percent of Total Assets | Interim TF Benchmark | Difference    | Total Fund Benchmark <sup>1</sup> | Difference    | Range         |
|--|------------------------|-------------------------|----------------------|---------------|-----------------------------------|---------------|---------------|
| <b>TOTAL FUND</b>                          | <b>\$2,531,800,712</b> | <b>100.0%</b>           |                      |               |                                   |               |               |
| <b>TOTAL EQUITY</b>                        | <b>\$1,027,933,686</b> | <b>40.6%</b>            | <b>40.0%</b>         | <b>0.6%</b>   | <b>40.0%</b>                      | <b>0.6%</b>   | <b>30-50%</b> |
| <b>TOTAL U.S. EQUITY</b>                   | <b>\$510,712,842</b>   | <b>20.2%</b>            | <b>23.0%</b>         | <b>(2.8%)</b> | <b>23.0%</b>                      | <b>(2.8%)</b> |               |
| <i>U.S. Large Cap Equity</i>               | <i>\$368,458,550</i>   | <i>14.6%</i>            | <i>18.0%</i>         | <i>(3.4%)</i> | <i>18.0%</i>                      | <i>(3.4%)</i> |               |
| <i>U.S. Small Cap Equity</i>               | <i>\$142,254,292</i>   | <i>5.6%</i>             | <i>5.0%</i>          | <i>0.6%</i>   | <i>5.0%</i>                       | <i>0.6%</i>   |               |
| <b>TOTAL NON-U.S. EQUITY</b>               | <b>\$461,526,410</b>   | <b>18.2%</b>            | <b>17.0%</b>         | <b>1.2%</b>   | <b>17.0%</b>                      | <b>1.2%</b>   |               |
| <i>Non-U.S. Developed Markets</i>          | <i>\$299,902,668</i>   | <i>11.8%</i>            | <i>12.0%</i>         | <i>(0.2%)</i> | <i>12.0%</i>                      | <i>(0.2%)</i> |               |
| <i>Non-U.S. Emerging Markets</i>           | <i>\$161,623,742</i>   | <i>6.4%</i>             | <i>5.0%</i>          | <i>1.4%</i>   | <i>5.0%</i>                       | <i>1.4%</i>   |               |
| <b>CONVERTIBLE BONDS<sup>2</sup></b>       | <b>\$55,694,434</b>    | <b>2.2%</b>             | <b>0.0%</b>          | <b>2.2%</b>   | <b>0.0%</b>                       | <b>2.2%</b>   |               |
| <b>TOTAL FIXED INCOME</b>                  | <b>\$900,895,898</b>   | <b>35.6%</b>            | <b>36.0%</b>         | <b>(0.4%)</b> | <b>25.0%</b>                      | <b>10.6%</b>  | <b>15-35%</b> |
| <i>Core Bonds</i>                          | <i>\$226,910,493</i>   | <i>9.0%</i>             | <i>11.0%</i>         | <i>(2.0%)</i> | <i>5.0%</i>                       | <i>4.0%</i>   |               |
| <i>TIPS</i>                                | <i>\$346,128,379</i>   | <i>13.7%</i>            | <i>15.0%</i>         | <i>(1.3%)</i> | <i>10.0%</i>                      | <i>3.7%</i>   |               |
| <i>Long Bonds</i>                          | <i>\$138,844,939</i>   | <i>5.5%</i>             | <i>5.0%</i>          | <i>0.5%</i>   | <i>5.0%</i>                       | <i>0.5%</i>   |               |
| <i>Opportunistic Credit</i>                | <i>\$189,012,087</i>   | <i>7.5%</i>             | <i>5.0%</i>          | <i>2.5%</i>   | <i>5.0%</i>                       | <i>2.5%</i>   |               |
| <b>PRIVATE EQUITY</b>                      | <b>\$109,888,915</b>   | <b>4.3%</b>             | <b>4.0%</b>          | <b>0.3%</b>   | <b>5.0%</b>                       | <b>(0.7%)</b> | <b>0-10%</b>  |
| <b>REAL ESTATE</b>                         | <b>\$162,691,757</b>   | <b>6.4%</b>             | <b>10.0%</b>         | <b>(3.6%)</b> | <b>10.0%</b>                      | <b>(3.6%)</b> | <b>5-15%</b>  |
| <b>INFLATION-LINKED ASSETS<sup>3</sup></b> | <b>\$264,135,139</b>   | <b>10.4%</b>            | <b>10.0%</b>         | <b>0.4%</b>   | <b>10.0%</b>                      | <b>0.4%</b>   | <b>5-15%</b>  |
| <b>ABSOLUTE RETURN</b>                     | <b>\$0</b>             | <b>0.0%</b>             | <b>0.0%</b>          | <b>0.0%</b>   | <b>5.0%</b>                       | <b>(5.0%)</b> | <b>0-10%</b>  |
| <b>OPPORTUNISTIC INVESTMENTS</b>           | <b>\$0</b>             | <b>0.0%</b>             | <b>0.0%</b>          | <b>0.0%</b>   | <b>5.0%</b>                       | <b>(5.0%)</b> | <b>0-10%</b>  |
| <b>CASH</b>                                | <b>\$70,342,359</b>    | <b>2.8%</b>             | <b>0.0%</b>          | <b>2.8%</b>   | <b>0.0%</b>                       | <b>2.8%</b>   |               |
| <b>SECURITIES LENDING<sup>4</sup></b>      | <b>(\$4,087,042)</b>   | <b>-0.2%</b>            | <b>--</b>            | <b>--</b>     | <b>--</b>                         | <b>--</b>     |               |

<sup>1</sup>New asset allocation targets adopted by the Board of Administration at the October 1, 2009 meeting.

<sup>2</sup>The Plan's allocation to convertible bonds is a global mandate and included within the Plan's equity allocation for asset allocation purposes. However, the performance of the convertible bonds mandate is not reflected in any of the asset class composites reported herein.

<sup>3</sup>Inflation-Linked Assets currently includes passive exposure to the Dow Jones UBS Commodity Index.

<sup>4</sup>Unrealized losses in the Fund's securities lending cash collateral reinvestment pool.

Note: Market values shown above include cash held in separately managed portfolios.

Totals may not add to 100% due to rounding.



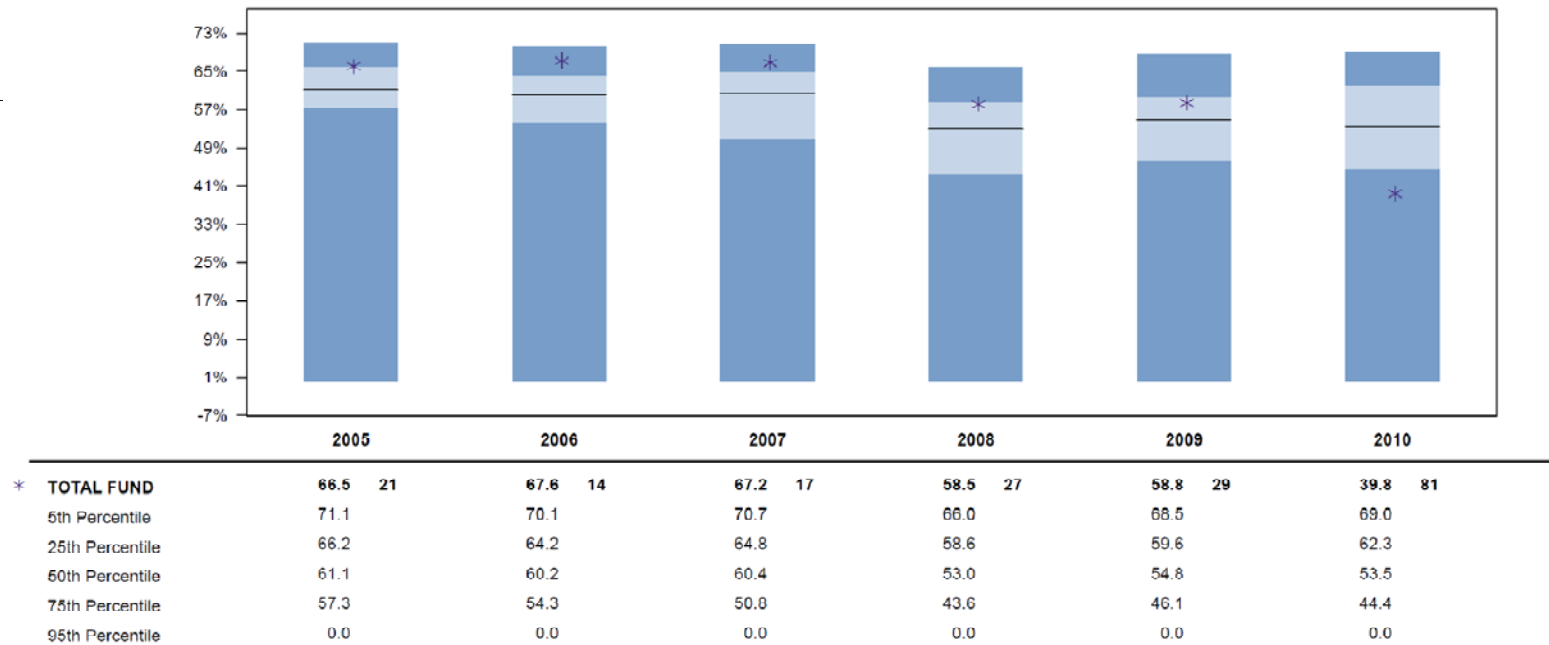
as of September 30, 2010

# Public Funds > \$1 Billion – Public Equity Commitment

## San Jose Police & Fire

Total Fund Allocation - Universe: Public Funds (DB) > \$1 Billion  
Period Ending September 30, 2010

### Commitment to Equity (%)



Note: Includes allocation to convertible bonds.

Excludes cash held in separately managed portfolios.



as of September 30, 2010

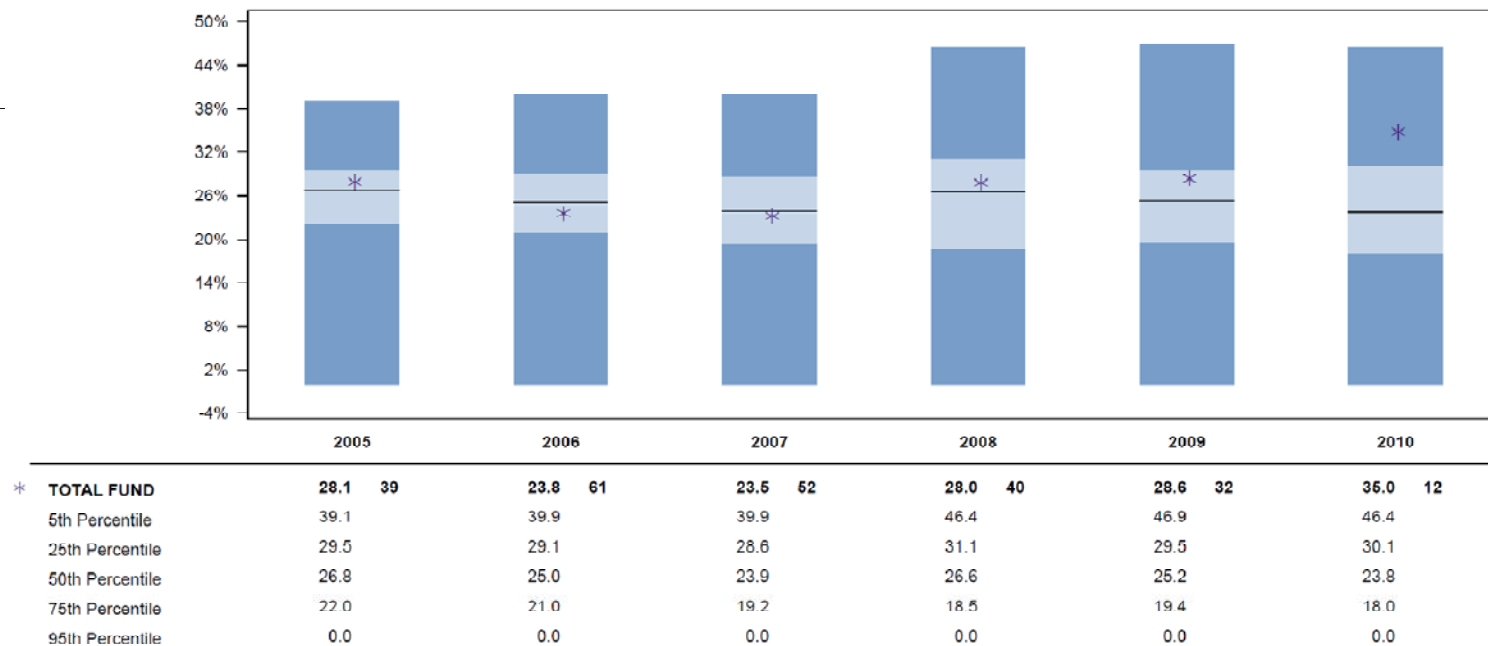
# Public Funds > \$1 Billion – Public Fixed Income Commitment

## San Jose Police & Fire

Total Fund Allocation - Universe: Public Funds (DB) > \$1 Billion

Period Ending September 30, 2010

### Commitment to Fixed Income (%)

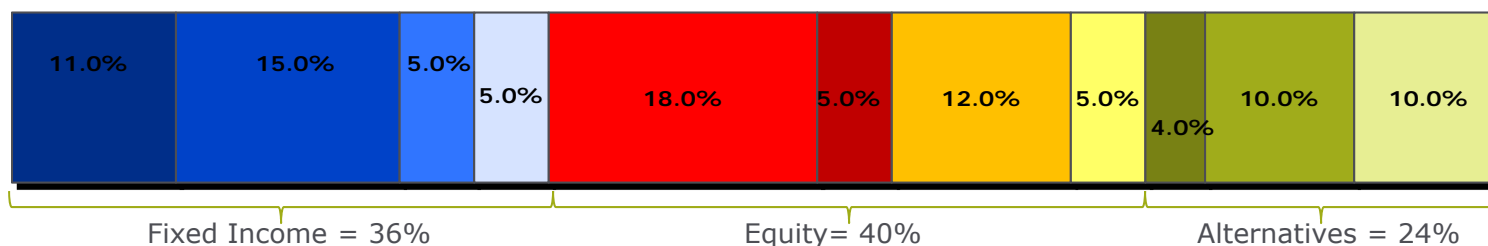


Note: Excludes cash held in separately managed portfolios.

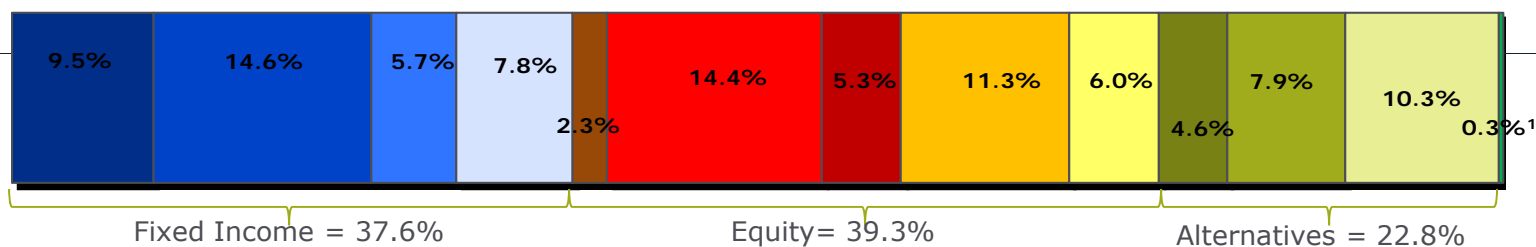


# Asset Allocation – Beginning of the Quarter

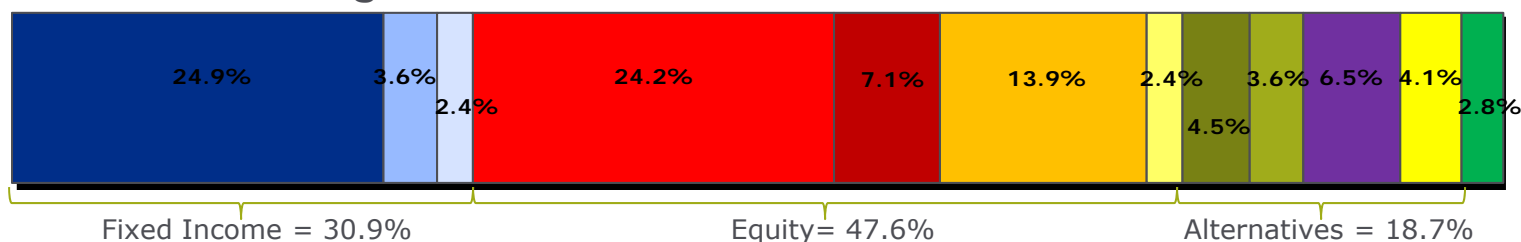
## Interim Total Fund Benchmark



## Actual Asset Allocation



## Average Asset Allocation of Public Funds > \$1 Billion



|                      |              |            |                  |
|----------------------|--------------|------------|------------------|
| Core                 | TIPS         | Long Bonds | Global Fixed/EMD |
| Opportunistic Credit | Convertibles | Large Cap  | Small Cap        |
| Non-U.S. Dev         | Non-U.S. Emg | Priv Eq.   | Real Est.        |
| Inflation-Linked     | Abs. Return  | Misc.      | Cash             |

<sup>1</sup>Unrealized loss in the Fund's securities lending cash collateral reinvestment pool is netted with cash allocation to reach 100% allocation.

Note: Market values shown above include cash held in separately managed portfolios.

Totals may not add to 100% due to rounding.

# Total Fund Performance and Asset Growth

|   | Ending<br>Market Value | Last<br>3 Months | Rank | Calendar<br>YTD | Rank | Last<br>Year | Rank | Annualized Returns |      |                |      |               |      |                |      |              |      |                                  |
|---|------------------------|------------------|------|-----------------|------|--------------|------|--------------------|------|----------------|------|---------------|------|----------------|------|--------------|------|----------------------------------|
|   |                        |                  |      |                 |      |              |      | Two<br>Years       | Rank | Three<br>Years | Rank | Five<br>Years | Rank | Seven<br>Years | Rank | Ten<br>Years | Rank | Since<br>Inception<br>(Feb-1971) |
| San Jose Police & Fire                    | \$2,531,800,712        | 7.9%             | 67   | 7.2%            | 28   | 10.2%        | 65   | 5.6%               | 40   | -2.4%          | 50   | 4.0%          | 36   | 6.8%           | 19   | 5.4%         | 8    | 9.0%                             |
| San Jose Police & Fire (Net) <sup>1</sup> |                        | 7.8%             |      | 7.0%            |      | 9.9%         |      | 5.2%               |      | -2.7%          |      | 3.7%          |      | 6.5%           |      | 5.1%         |      | 8.7%                             |
| Allocation Index                          |                        | 8.2%             | 60   | 8.0%            | 19   | 11.0%        | 42   | 5.7%               | 36   | -1.8%          | 34   | 4.6%          | 16   | 7.3%           | 11   | 4.8%         | 19   | --                               |
| Interim Total Fund Benchmark <sup>3</sup> |                        | 8.5%             | 49   | 7.2%            | 27   | 10.3%        | 64   | 4.2%               | 59   | -2.5%          | 56   | 4.0%          | 40   | 6.6%           | 34   | 4.8%         | 17   | --                               |
| Total Fund Benchmark <sup>3</sup>         |                        | 8.4%             | 52   | 6.7%            | 55   | 10.3%        | 61   | 3.8%               | 69   | -2.8%          | 65   | 3.8%          | 46   | 6.5%           | 44   | 4.8%         | 20   | --                               |
| 60% S&P 500 / 40% BC Aggregate            |                        | 7.9%             |      | 5.9%            |      | 9.9%         |      | 5.1%               |      | -1.0%          |      | 3.2%          |      | 4.9%           |      |              |      | 2.6%                             |
| CPI                                       |                        | 0.7%             |      | 0.5%            |      | 1.1%         |      | -0.1%              |      | 1.6%           |      | 1.9%          |      | 2.4%           |      |              |      | 2.3%                             |
| ICC Public Funds > \$ 1 Billion Median    |                        | 8.5%             |      | 6.7%            |      | 10.7%        |      | 4.8%               |      | -2.4%          |      | 3.7%          |      | 6.4%           |      |              |      | 3.9%                             |
| Estimated PBO <sup>2</sup>                |                        |                  |      |                 |      |              |      |                    |      |                |      |               |      |                |      |              |      |                                  |
| \$3,380,183,897                           |                        | 6.4%             |      | 19.1%           |      | 12.8%        |      | 27.0%              |      | 13.1%          |      | 7.6%          |      | 8.0%           |      | 10.9%        |      |                                  |
| (\$848,383,185)                           |                        |                  |      |                 |      |              |      |                    |      |                |      |               |      |                |      |              |      |                                  |
| 74.9%                                     |                        |                  |      |                 |      |              |      |                    |      |                |      |               |      |                |      |              |      |                                  |

## Total Fund Asset Growth Summary (\$000)

|                        | One Quarter | Year to Date | One Year  |
|------------------------|-------------|--------------|-----------|
| <b>TOTAL FUND</b>      |             |              |           |
| Beginning Market Value | 2,306,194   | 2,389,853    | 2,337,460 |
| Net External Growth    | 36,591      | -27,870      | -56,734   |
| Return on Investment   | 189,016     | 169,817      | 251,074   |
| Income Received        | 13,499      | 30,149       | 44,992    |
| Gain/Loss              | 175,517     | 139,669      | 206,082   |
| Ending Market Value    | 2,531,801   | 2,531,801    | 2,531,801 |

<sup>1</sup>Net of fee returns longer than two years are estimates based on an estimated annual investment management expense ratio of 30 basis points.

<sup>2</sup>Estimated Pension Benefit Obligation (PBO) calculated assuming a duration of liabilities of 13 years.

<sup>3</sup>Interim Total Fund Benchmark and Total Fund Benchmark history can be found in the appendix.

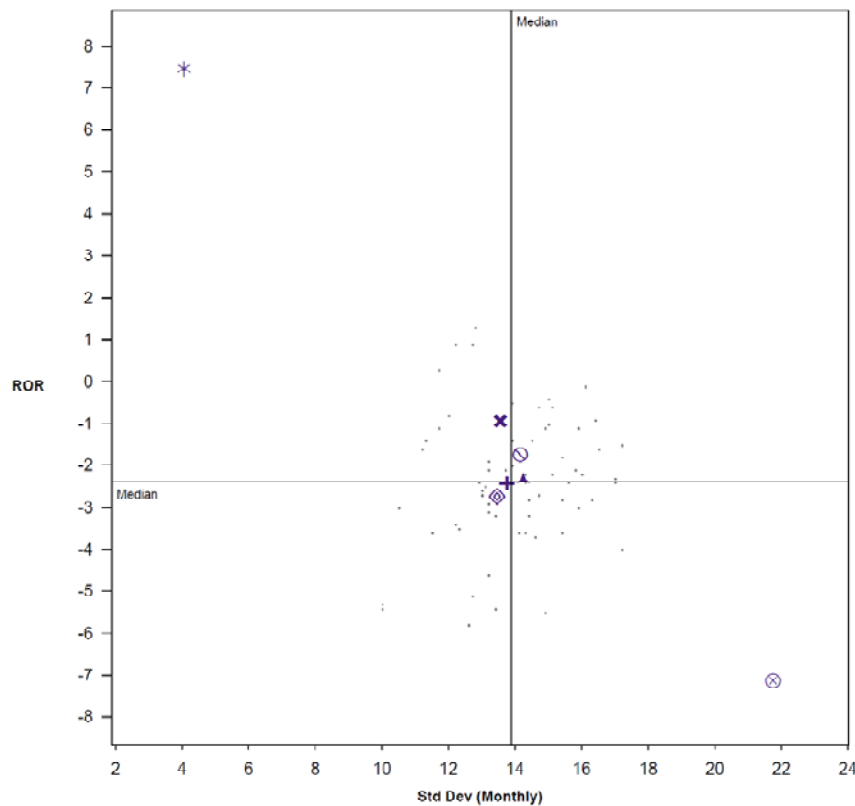
# Public Funds > \$1 Billion – 3 Year Return/Volatility

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Period Ending September 30, 2010

### Risk vs. Return - 3 Year



| NAME                           | Return   | Standard Deviation | Sharpe Ratio |
|--------------------------------|----------|--------------------|--------------|
| ▲ TOTAL FUND                   | -2.4 50  | 14.3 57            | -0.2 55      |
| ○ Allocation Index             | -1.8 34  | 14.2 53            | -0.2 43      |
| + Interim TF Benchmark         | -2.5 56  | 13.8 47            | -0.3 62      |
| ◇ TF Benchmark                 | -2.8 65  | 13.5 45            | -0.3 67      |
| ⊙ S&P 500                      | -7.2 100 | 21.8 99            | -0.4 86      |
| * BC AGGREGATE                 | 7.4 2    | 4.1 1              | 1.5 2        |
| ✱ 60% S&P 500/40% BARCLAYS AGG | -1.0 19  | 13.0 40            | -0.2 33      |
| Median                         | -2.4     | 13.9               | -0.2         |



Note: Returns are gross of fees.

as of September 30, 2010

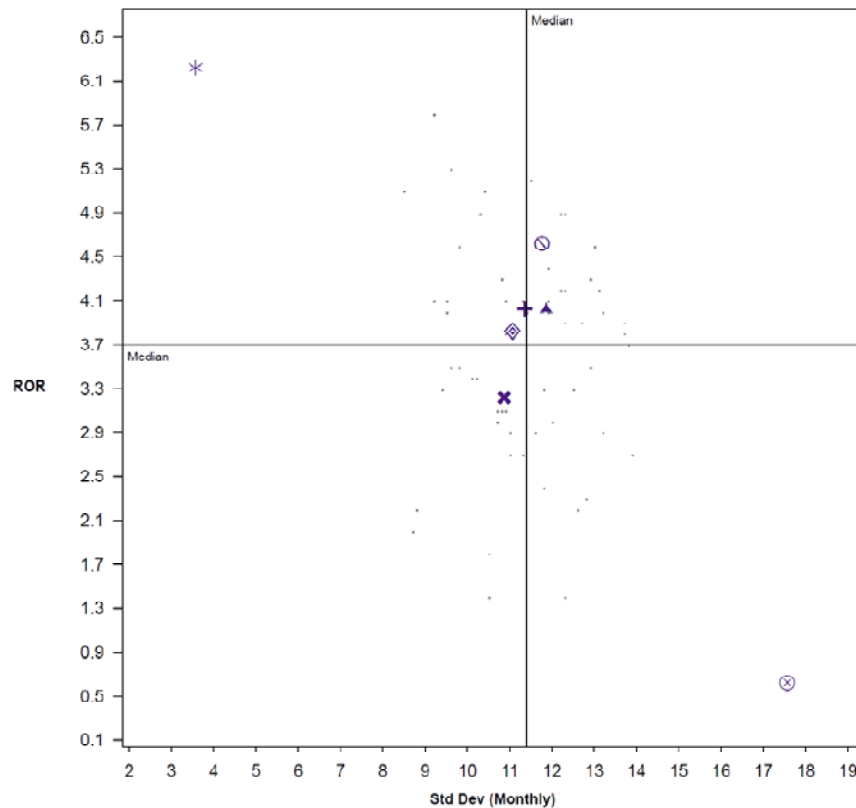
# Public Funds > \$1 Billion – 5 Year Return/Volatility

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Period Ending September 30, 2010

### Risk vs. Return - 5 Year



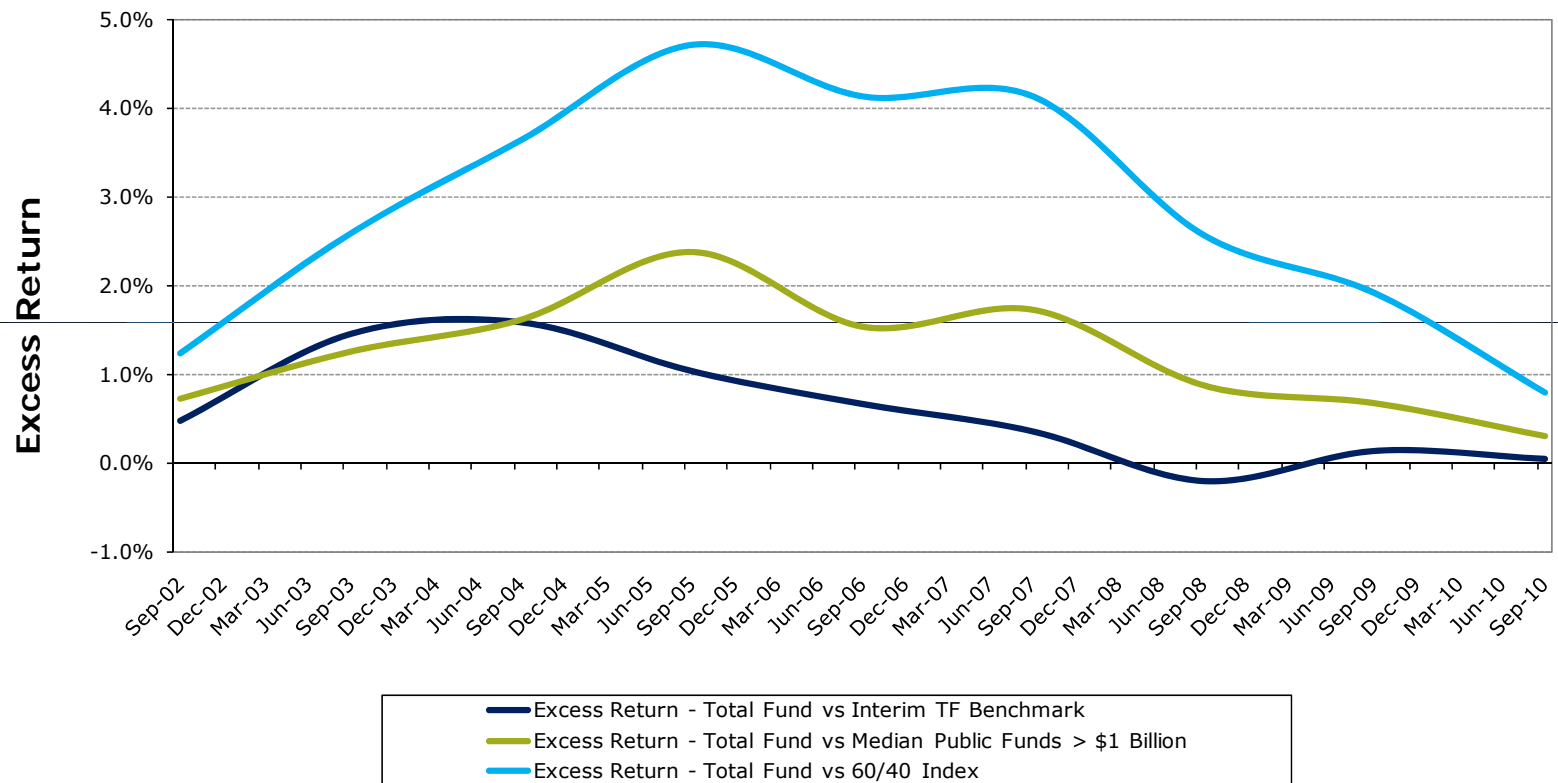
| NAME                           | Return  | Standard Deviation | Sharpe Ratio |
|--------------------------------|---------|--------------------|--------------|
| ▲ TOTAL FUND                   | 4.0 36  | 11.9 61            | 0.1 48       |
| ⊙ Allocation Index             | 4.6 16  | 11.8 55            | 0.2 20       |
| + Interim TF Benchmark         | 4.0 40  | 11.4 50            | 0.1 48       |
| ⊙ TF Benchmark                 | 3.8 46  | 11.1 47            | 0.1 50       |
| ⊙ S&P 500                      | 0.6 100 | 17.0 99            | -0.1 100     |
| * BC AGGREGATE                 | 6.2 2   | 3.6 1              | 1.0 2        |
| * 60% S&P 500/40% BARCLAYS AGG | 3.2 67  | 10.9 44            | 0.1 67       |
| Median                         | 3.7     | 11.4               | 0.1          |

Note: Returns are gross of fees.



as of September 30, 2010

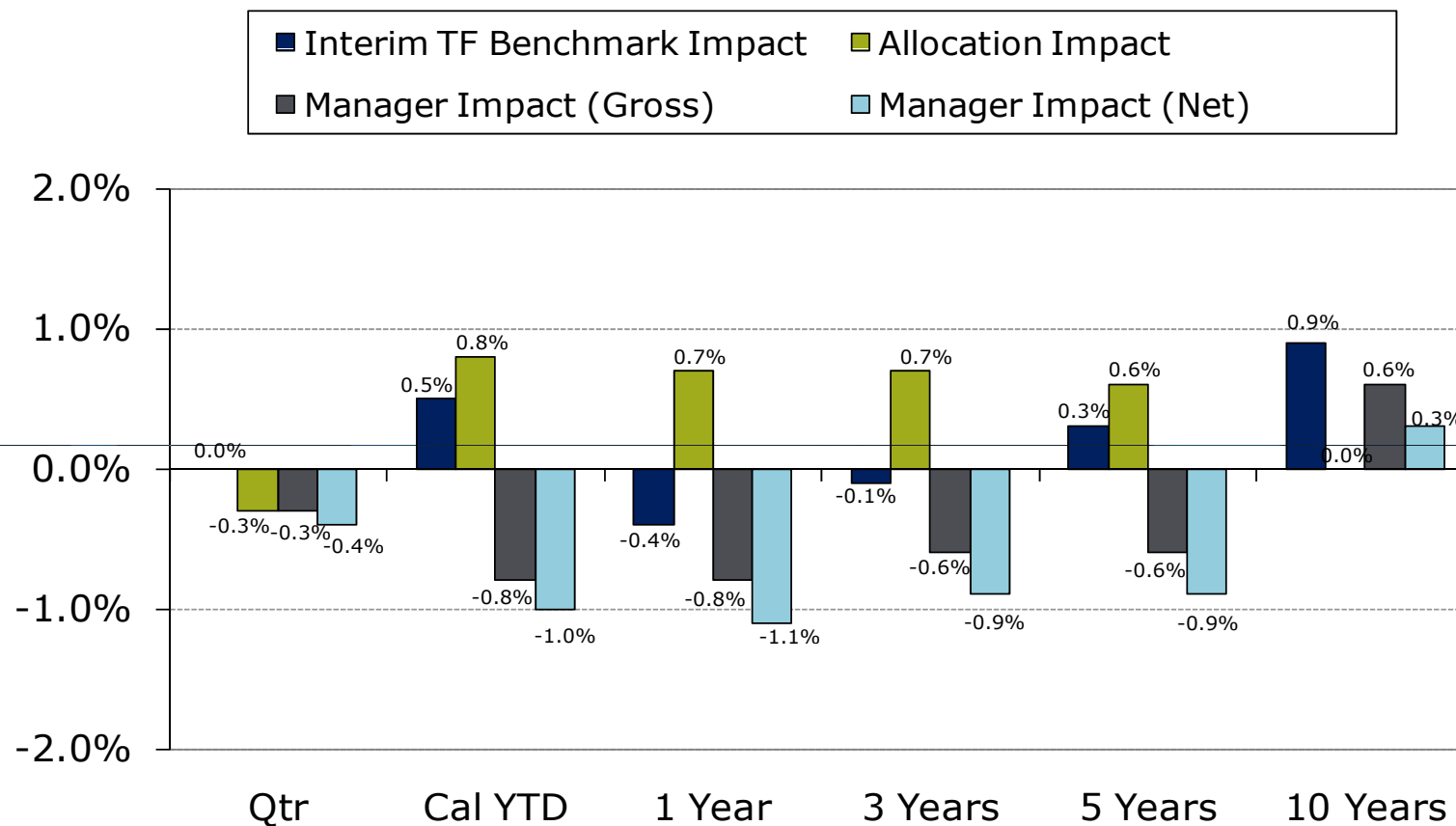
# Rolling 5-Year Excess Returns



Note: Returns are gross of fees.

as of September 30, 2010

# Performance Attribution



**Interim TF Benchmark Impact:** The policy index is calculated by multiplying the target asset class weights times the return of the respective passive benchmark (re-balanced monthly). The policy impact, which is the difference between the policy index and the median fund's performance, measures the effectiveness of Plan Structure.

**Allocation Impact:** The allocation index is calculated by multiplying the actual asset class weights times the return of the respective passive benchmark. When the policy index is subtracted from the allocation index, the result measures the impact of deviating from the target weights.

**Manager Impact:** The Composite is calculated by multiplying the actual asset class weights times the actual manager return. The allocation index is then subtracted from the Composite. The result, manager impact, measures the contribution of active management.

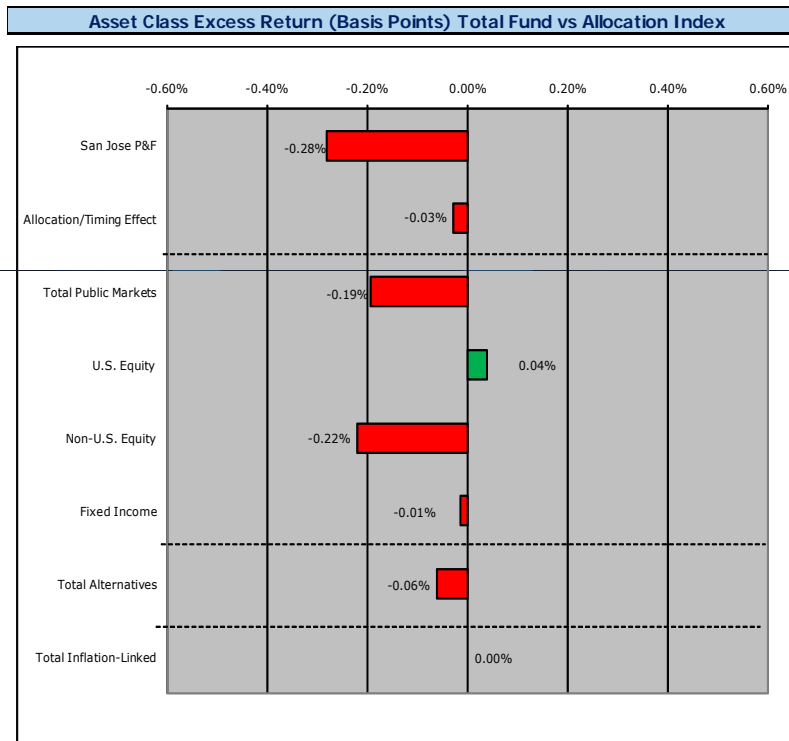
Note: Returns are gross of fees.



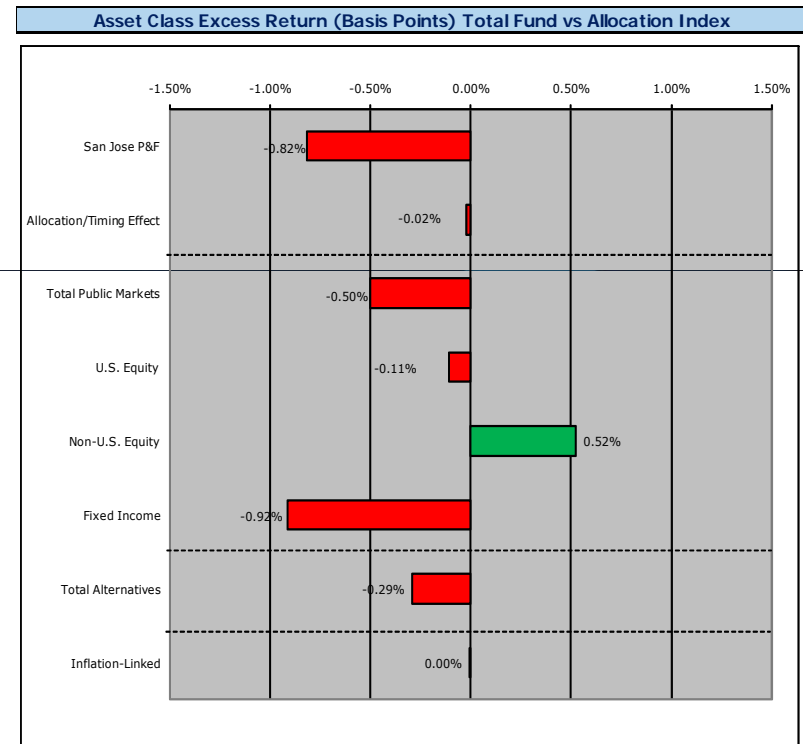
as of September 30, 2010

# Performance Attribution

## 3Q 2010



## 2010 Calendar YTD



Note: Attribution based on gross of fee performance.

Attribution of U.S. Equity includes attribution of convertible bonds mandate.

as of September 30, 2010

# Performance Summary by Asset Class

|                   |  |                        |                  |      |                 |      |              |      |              | Annualized Returns |                |      |               |      |                |      |              |      |  |
|-------------------|--|------------------------|------------------|------|-----------------|------|--------------|------|--------------|--------------------|----------------|------|---------------|------|----------------|------|--------------|------|--|
| Weight<br>in Fund |  | Ending<br>Market Value | Last<br>3 Months | Rank | Calendar<br>YTD | Rank | Last<br>Year | Rank | Two<br>Years | Rank               | Three<br>Years | Rank | Five<br>Years | Rank | Seven<br>Years | Rank | Ten<br>Years | Rank |  |
| 20.2%             | Total U.S. Equity Composite                          | \$510,712,842          | 11.5%            | 45   | 5.6%            | 57   | 10.0%        | 70   | 1.2%         | 76                 | -6.9%          | 71   | 0.4%          | 79   | 4.7%           | 82   | 1.1%         | 75   |  |
|                   | Total U.S. Equity Composite (Net)                    |                        | 11.5%            |      | 5.4%            |      | 9.8%         |      | 1.0%         |                    | -7.1%          |      | 0.2%          |      | 4.4%           |      | 0.8%         |      |  |
|                   | Russell 3000   |                        | 11.5%            | 45   | 4.8%            | 63   | 11.0%        | 61   | 1.9%         | 66                 | -6.6%          | 69   | 0.9%          | 71   | 4.6%           | 83   | 0.1%         | 82   |  |
|                   | S&P 500  |                        | 11.3%            | 52   | 3.9%            | 74   | 10.2%        | 68   | 1.3%         | 75                 | -7.2%          | 75   | 0.6%          | 76   | 4.0%           | 91   | -0.4%        | 86   |  |
|                   | Performance Variance (vs. Russell 3000)              |                        | 0.0%             |      | 0.7%            |      | -1.1%        |      | -0.9%        |                    | -0.5%          |      | -0.7%         |      | -0.2%          |      | 0.7%         |      |  |
|                   | ICC U.S. Equity Funds Median                         |                        | 11.3%            |      | 6.3%            |      | 12.4%        |      | 3.5%         |                    | -4.7%          |      | 2.3%          |      | 6.5%           |      | 4.0%         |      |  |
| 2.2%              | Total Convertible Bonds Composite <sup>1</sup>       | \$55,694,434           | 6.4%             |      | 4.2%            |      | 8.5%         |      | n/a          |                    | n/a            |      | n/a           |      | n/a            |      | n/a          |      |  |
|                   | Total Convertible Bonds Composite (Net)              |                        | 6.2%             |      | 3.8%            |      | 8.1%         |      | n/a          |                    | n/a            |      | n/a           |      | n/a            |      | n/a          |      |  |
|                   | ML Global 300 Convertible Index                      |                        | 7.2%             |      | 6.0%            |      | 10.5%        |      | 13.3%        |                    | -0.2%          |      | 4.7%          |      | 5.3%           |      | 2.9%         |      |  |
|                   | Performance Variance                                 |                        | -0.9%            |      | -2.2%           |      | -2.4%        |      | n/a          |                    | n/a            |      | n/a           |      | n/a            |      | n/a          |      |  |
| 18.2%             | Total International Equity Composite                 | \$461,526,410          | 15.8%            | 65   | 8.1%            | 32   | 11.7%        | 30   | 9.9%         | 31                 | -6.0%          | 44   | 5.7%          | 34   | 11.5%          | 33   | 7.8%         | 27   |  |
|                   | Total International Equity Composite (Net)           |                        | 15.6%            |      | 7.6%            |      | 10.9%        |      | 9.1%         |                    | -6.7%          |      | 5.0%          |      | 10.7%          |      | 7.1%         |      |  |
|                   | MSCI ACWI ex-U.S. (Net)                              |                        | 16.6%            | 48   | 3.7%            | 56   | 7.6%         | 53   | 6.7%         | 49                 | -7.4%          | 59   | 4.3%          | 52   | 10.0%          | 50   | 4.3%         | 79   |  |
|                   | Performance Variance                                 |                        | -0.9%            |      | 3.9%            |      | 3.4%         |      | 2.4%         |                    | 0.8%           |      | 0.7%          |      | 0.7%           |      | 2.7%         |      |  |
|                   | ICC Int'l Equity Funds Median                        |                        | 16.5%            |      | 4.2%            |      | 7.9%         |      | 6.5%         |                    | -6.6%          |      | 4.3%          |      | 9.9%           |      | 6.4%         |      |  |
| 35.6%             | Total Fixed Income Composite                         | \$900,895,898          | 3.8%             | 41   | 9.7%            | 44   | 10.9%        | 48   | 13.6%        | 37                 | n/a            |      | n/a           |      | n/a            |      | n/a          |      |  |
|                   | Total Fixed Income Composite (Net)                   |                        | 3.8%             |      | 9.5%            |      | 10.7%        |      | 13.3%        |                    | n/a            |      | n/a           |      | n/a            |      | n/a          |      |  |
|                   | BC Aggregate   |                        | 2.5%             | 73   | 7.9%            | 65   | 8.2%         | 73   | 9.4%         | 71                 | 7.4%           | 60   | 6.2%          | 68   | 5.3%           | 72   | 6.4%         | 71   |  |
|                   | Performance Variance                                 |                        | 1.3%             |      | 1.6%            |      | 2.6%         |      | 4.0%         |                    | n/a            |      | n/a           |      | n/a            |      | n/a          |      |  |
|                   | ICC U.S. Fixed Income Median                         |                        | 3.3%             |      | 9.2%            |      | 10.8%        |      | 12.0%        |                    | 7.8%           |      | 6.8%          |      | 6.0%           |      | 6.9%         |      |  |
| 6.4%              | Total Real Estate Composite                          | \$162,691,757          | 1.8%             |      | 4.7%            |      | 5.1%         |      | -5.4%        |                    | -2.6%          |      | 4.2%          |      | 6.2%           |      | 5.8%         |      |  |
|                   | Total Real Estate Composite (Net)                    |                        | 1.8%             |      | 4.5%            |      | 4.8%         |      | -5.7%        |                    | -2.9%          |      | 3.9%          |      | 5.9%           |      | 5.5%         |      |  |
|                   | NCREIF Property Index                                |                        | 3.9%             |      | 8.1%            |      | 5.8%         |      | -9.2%        |                    | -4.6%          |      | 3.7%          |      | 7.0%           |      | 7.2%         |      |  |
|                   | Performance Variance                                 |                        | -2.1%            |      | -3.6%           |      | -1.1%        |      | 3.5%         |                    | 1.8%           |      | 0.2%          |      | -1.0%          |      | -1.7%        |      |  |
| 4.3%              | Total Private Equity Composite (Net)                 | \$109,888,915          | 3.7%             |      | 11.4%           |      | 18.1%        |      | 1.4%         |                    | 5.8%           |      | 7.6%          |      | n/a            |      | n/a          |      |  |
|                   | Cambridge Associates Priv Equity Index (1 Qtr Lag)   |                        | 1.6%             |      | 12.3%           |      | 19.3%        |      | -3.5%        |                    | -0.9%          |      | 10.4%         |      | 14.7%          |      | 7.8%         |      |  |
|                   | Russell 2000   |                        | 11.3%            |      | 9.1%            |      | 13.3%        |      | 1.3%         |                    | -4.3%          |      | 1.6%          |      | 6.1%           |      | 4.0%         |      |  |
|                   | Performance Variance (vs. Cambridge PE)              |                        | 2.2%             |      | -0.9%           |      | -1.2%        |      | 4.9%         |                    | 6.7%           |      | -2.9%         |      | n/a            |      | n/a          |      |  |
| 10.4%             | Total Inflation-Linked Assets Composite <sup>2</sup> | \$264,135,139          | 11.6%            |      | 0.9%            |      | n/a          |      | n/a          |                    | n/a            |      | n/a           |      | n/a            |      | n/a          |      |  |
|                   | Dow Jones/UBS Commodities Index                      |                        | 11.6%            |      | 0.9%            |      | 10.0%        |      | -8.4%        |                    | -6.8%          |      | -2.3%         |      | 4.5%           |      | 5.2%         |      |  |
|                   | Performance Variance                                 |                        | 0.0%             |      | 0.0%            |      | n/a          |      | n/a          |                    | n/a            |      | n/a           |      | n/a            |      | n/a          |      |  |

<sup>1</sup>The Plan's allocation to convertible bonds is a global mandate and included within the Plan's equity allocation for asset allocation purposes. However, the performance of the convertible bonds mandate is not reflected in any of the asset class composites reported herein.

<sup>2</sup>Inflation-Linked Assets Composite currently consists of passive exposure to the Dow Jones/UBS Commodities Index through swap agreements. Russell is currently providing oversight of these assets.

Note: "(Net)" next to investment manager or composite refers to net of investment management fees.

"(Net)" next to index refers to net of dividend withholding tax that U.S. investors are subject to when investing outside of the U.S. Investment manager and composite performance is net of dividend withholding tax as well. v



as of September 30, 2010



# Performance Summary – Domestic Equity

| Weight<br>in Fund |  | Ending<br>Market Value | Last<br>3 Months | Rank      | Calendar<br>YTD | Rank      | Last<br>Year | Rank      | Annualized Returns |           |                |           |               |           |                |          |              |           | Since<br>Inception | Inception<br>Date |
|-------------------|--|------------------------|------------------|-----------|-----------------|-----------|--------------|-----------|--------------------|-----------|----------------|-----------|---------------|-----------|----------------|----------|--------------|-----------|--------------------|-------------------|
|                   |  |                        |                  |           |                 |           |              |           | Two<br>Years       | Rank      | Three<br>Years | Rank      | Five<br>Years | Rank      | Seven<br>Years | Rank     | Ten<br>Years | Rank      |                    |                   |
| 14.6%             | <b>U.S. Large Cap Equity Composite<sup>1</sup></b> | <b>\$368,458,550</b>   | <b>11.1%</b>     | <b>56</b> | <b>3.8%</b>     | <b>54</b> | <b>9.1%</b>  | <b>61</b> | <b>1.4%</b>        | <b>62</b> | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |          | <b>n/a</b>   |           |                    |                   |
|                   | U.S. Large Cap Equity Composite (Net)              |                        | 11.1%            |           | 3.7%            |           | 8.9%         |           | 1.2%               |           | n/a            |           | n/a           |           | n/a            |          | n/a          |           |                    |                   |
|                   | Russell 1000                                       |                        | 11.6%            | 43        | 4.4%            | 44        | 10.8%        | 40        | 2.0%               | 52        | -6.8%          | 54        | 0.9%          | 55        | 4.5%           | 74       | -0.2%        | 77        |                    |                   |
|                   | <b>Performance Variance</b>                        |                        | <b>-0.4%</b>     |           | <b>-0.7%</b>    |           | <b>-1.8%</b> |           | <b>-0.7%</b>       |           | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |          | <b>n/a</b>   |           |                    |                   |
|                   | ICC Large Cap Equity Funds Median                  |                        | 11.3%            |           | 4.0%            |           | 10.0%        |           | 2.0%               |           | -6.6%          |           | 1.1%          |           | 5.3%           |          | 2.6%         |           |                    |                   |
|                   | <b>Large Cap Value Equity</b>                      |                        |                  |           |                 |           |              |           |                    |           |                |           |               |           |                |          |              |           |                    |                   |
| 4.9%              | <b>ROBECO/Boston Partners</b>                      | <b>\$124,078,468</b>   | <b>9.1%</b>      | <b>91</b> | <b>2.9%</b>     | <b>74</b> | <b>7.3%</b>  | <b>82</b> | <b>1.7%</b>        | <b>34</b> | <b>-5.5%</b>   | <b>6</b>  | <b>2.4%</b>   | <b>9</b>  | <b>7.4%</b>    | <b>6</b> | <b>5.2%</b>  | <b>35</b> | <b>8.0%</b>        | <b>Jul-96</b>     |
|                   | ROBECO/Boston Partners (Net)                       |                        | 9.0%             |           | 2.7%            |           | 7.0%         |           | 1.4%               |           | -5.8%          |           | 2.2%          |           | 7.0%           |          | 4.9%         |           | 7.7%               |                   |
|                   | Russell 1000 Value                                 |                        | 10.1%            | 68        | 4.5%            | 51        | 8.9%         | 54        | -1.3%              | 89        | -9.4%          | 73        | -0.5%         | 71        | 4.6%           | 71       | 2.6%         | 86        | 6.7%               |                   |
|                   | Russell 1000 Value + 1.0%                          |                        | 10.4%            |           | 5.2%            |           | 9.9%         |           | -0.3%              |           | -8.4%          |           | 0.5%          |           | 5.6%           |          | 3.6%         |           | 7.7%               |                   |
|                   | <b>Performance Variance</b>                        |                        | <b>-1.4%</b>     |           | <b>-2.6%</b>    |           | <b>-2.9%</b> |           | <b>1.8%</b>        |           | <b>2.6%</b>    |           | <b>1.7%</b>   |           | <b>1.4%</b>    |          | <b>1.3%</b>  |           | <b>-0.1%</b>       |                   |
|                   | ICC Large Cap Value Median                         |                        | 10.6%            |           | 4.5%            |           | 9.2%         |           | 0.9%               |           | -8.4%          |           | 0.0%          |           | 5.6%           |          | 4.0%         |           | --                 |                   |
|                   | <b>Large Cap Growth Equity</b>                     |                        |                  |           |                 |           |              |           |                    |           |                |           |               |           |                |          |              |           |                    |                   |
| 4.7%              | <b>Rhumbline Russell 1000 Growth<sup>2</sup></b>   | <b>\$118,461,793</b>   | <b>13.0%</b>     | <b>52</b> | <b>4.5%</b>     | <b>50</b> | <b>n/a</b>   |           | <b>n/a</b>         |           | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |          | <b>n/a</b>   |           | <b>4.5%</b>        | <b>Dec-09</b>     |
|                   | Rhumbline Russell 1000 Growth (Net)                |                        | 12.9%            |           | 4.5%            |           | n/a          |           | n/a                |           | n/a            |           | n/a           |           | n/a            |          | n/a          |           | 4.5%               |                   |
|                   | Russell 1000 Growth                                |                        | 13.0%            | 51        | 4.4%            | 51        | 12.7%        | 42        | 5.2%               | 31        | -4.4%          | 46        | 2.1%          | 55        | 4.1%           | 76       | -3.4%        | 92        | 4.4%               |                   |
|                   | <b>Performance Variance</b>                        |                        | <b>-0.1%</b>     |           | <b>0.1%</b>     |           | <b>n/a</b>   |           | <b>n/a</b>         |           | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |          | <b>n/a</b>   |           | <b>0.1%</b>        |                   |
|                   | ICC Large Cap Growth Median                        |                        | 13.0%            |           | 4.5%            |           | 12.0%        |           | 3.8%               |           | -4.5%          |           | 2.2%          |           | 5.3%           |          | -0.1%        |           | --                 |                   |
|                   | <b>Large Cap Core Equity</b>                       |                        |                  |           |                 |           |              |           |                    |           |                |           |               |           |                |          |              |           |                    |                   |
| 5.0%              | <b>Rhumbline Russell 1000<sup>2</sup></b>          | <b>\$125,918,284</b>   | <b>11.5%</b>     | <b>29</b> | <b>4.4%</b>     | <b>33</b> | <b>n/a</b>   |           | <b>n/a</b>         |           | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |          | <b>n/a</b>   |           | <b>4.4%</b>        | <b>Dec-09</b>     |
|                   | Rhumbline Russell 1000 (Net)                       |                        | 11.5%            |           | 4.4%            |           | n/a          |           | n/a                |           | n/a            |           | n/a           |           | n/a            |          | n/a          |           | 4.4%               |                   |
|                   | Russell 1000                                       |                        | 11.6%            | 28        | 4.4%            | 33        | 10.8%        | 29        | 2.0%               | 43        | -6.8%          | 49        | 0.9%          | 57        | 4.5%           | 76       | -0.2%        | 90        | 4.4%               |                   |
|                   | <b>Performance Variance</b>                        |                        | <b>0.0%</b>      |           | <b>0.0%</b>     |           | <b>n/a</b>   |           | <b>n/a</b>         |           | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |          | <b>n/a</b>   |           | <b>0.0%</b>        |                   |
|                   | ICC Large Cap Core Median                          |                        | 11.0%            |           | 3.4%            |           | 9.3%         |           | 1.7%               |           | -6.9%          |           | 1.1%          |           | 5.2%           |          | 3.8%         |           | --                 |                   |
| 5.6%              | <b>U.S. Small Cap Equity Composite<sup>1</sup></b> | <b>\$142,254,292</b>   | <b>12.4%</b>     | <b>25</b> | <b>10.5%</b>    | <b>36</b> | <b>14.1%</b> | <b>58</b> | <b>0.4%</b>        | <b>84</b> | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |          | <b>n/a</b>   |           |                    |                   |
|                   | U.S. Small Cap Equity Composite (Net)              |                        | 12.4%            |           | 10.5%           |           | 14.0%        |           | 0.3%               |           | n/a            |           | n/a           |           | n/a            |          | n/a          |           |                    |                   |
|                   | Russell 2000                                       |                        | 11.3%            | 39        | 9.1%            | 53        | 13.3%        | 63        | 1.3%               | 77        | -4.3%          | 69        | 1.6%          | 80        | 6.1%           | 87       | 4.0%         | 78        |                    |                   |
|                   | <b>Performance Variance</b>                        |                        | <b>1.1%</b>      |           | <b>1.4%</b>     |           | <b>0.7%</b>  |           | <b>-0.9%</b>       |           | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |          | <b>n/a</b>   |           |                    |                   |
|                   | ICC Small Cap Equity Funds Median                  |                        | 10.8%            |           | 9.2%            |           | 14.8%        |           | 5.1%               |           | -3.0%          |           | 3.7%          |           | 8.3%           |          | 8.3%         |           |                    |                   |
|                   | <b>Small Cap Core Equity</b>                       |                        |                  |           |                 |           |              |           |                    |           |                |           |               |           |                |          |              |           |                    |                   |
| 3.2%              | <b>Rhumbline Russell 2000</b>                      | <b>\$80,578,611</b>    | <b>11.2%</b>     | <b>34</b> | <b>9.0%</b>     | <b>54</b> | <b>13.2%</b> | <b>60</b> | <b>1.4%</b>        | <b>73</b> | <b>-4.2%</b>   | <b>74</b> | <b>1.7%</b>   | <b>73</b> | <b>n/a</b>     |          | <b>n/a</b>   |           | <b>2.6%</b>        | <b>Dec-04</b>     |
|                   | Rhumbline Russell 2000 (Net)                       |                        | 11.2%            |           | 9.0%            |           | 13.1%        |           | 1.3%               |           | -4.3%          |           | 1.6%          |           | n/a            |          | n/a          |           | 2.6%               |                   |
|                   | Russell 2000                                       |                        | 11.3%            | 32        | 9.1%            | 51        | 13.3%        | 58        | 1.3%               | 76        | -4.3%          | 75        | 1.6%          | 75        | 6.1%           | 88       | 4.0%         | 97        | 2.5%               |                   |
|                   | <b>Performance Variance</b>                        |                        | <b>-0.1%</b>     |           | <b>-0.2%</b>    |           | <b>-0.2%</b> |           | <b>0.1%</b>        |           | <b>0.0%</b>    |           | <b>0.0%</b>   |           | <b>n/a</b>     |          | <b>n/a</b>   |           | <b>0.1%</b>        |                   |
|                   | ICC Small Cap Core Median                          |                        | 10.5%            |           | 9.1%            |           | 14.1%        |           | 4.0%               |           | -3.0%          |           | 3.7%          |           | 8.7%           |          | 9.5%         |           | --                 |                   |
|                   | <b>Small Cap Value Equity</b>                      |                        |                  |           |                 |           |              |           |                    |           |                |           |               |           |                |          |              |           |                    |                   |
| 2.4%              | <b>RS Small Cap Value<sup>3</sup></b>              | <b>\$61,674,881</b>    | <b>n/a</b>       |           | <b>n/a</b>      |           | <b>n/a</b>   |           | <b>n/a</b>         |           | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |          | <b>n/a</b>   |           | <b>3.1%</b>        | <b>Aug-10</b>     |
|                   | RS Small Cap Value (Net)                           |                        | n/a              |           | n/a             |           | n/a          |           | n/a                |           | n/a            |           | n/a           |           | n/a            |          | n/a          |           | 3.1%               |                   |
|                   | Russell 2000 Value                                 |                        | 9.7%             | 61        | 7.9%            | 69        | 11.8%        | 85        | -1.1%              | 88        | -5.0%          | 84        | 0.7%          | 72        | 6.3%           | 81       | 7.7%         | 86        | 2.4%               |                   |
|                   | Russell 2000 Value + 2.0%                          |                        | 10.2%            |           | 9.4%            |           | 13.8%        |           | 0.9%               |           | -3.0%          |           | 2.7%          |           | 8.3%           |          | 9.7%         |           | 2.7%               |                   |
|                   | <b>Performance Variance</b>                        |                        | <b>n/a</b>       |           | <b>n/a</b>      |           | <b>n/a</b>   |           | <b>n/a</b>         |           | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |          | <b>n/a</b>   |           | <b>0.3%</b>        |                   |
|                   | ICC Small Cap Value Median                         |                        | 10.4%            |           | 9.6%            |           | 14.6%        |           | 5.9%               |           | -1.5%          |           | 2.5%          |           | 8.8%           |          | 9.6%         |           | --                 |                   |

<sup>1</sup>Domestic Large and Small Cap Equity Composites include \$5 and \$800 of residual cash, respectively, remaining as a result of the asset allocation transition that occurred in December 2009.

<sup>2</sup>Rhumbline Russell 1000 Growth and Russell 1000 Index portfolios were funded in December 2009 as part of the restructuring of the Plan's U.S. equity allocation.

<sup>3</sup>RS Investments took over management of the portfolio that had been managed on an interim basis by Russell since May 2010 on August 2, 2010.



as of September 30, 2010

# Performance Summary – International Equity

| Weight<br>in Fund |   | Ending<br>Market Value | Last<br>3 Months | Rank | Calendar<br>YTD | Rank | Last<br>Year | Rank | Annualized Returns |      |                |      |               |      |                |      |              |       | Since<br>Inception | Inception<br>Date |
|-------------------|---|------------------------|------------------|------|-----------------|------|--------------|------|--------------------|------|----------------|------|---------------|------|----------------|------|--------------|-------|--------------------|-------------------|
|                   |   |                        |                  |      |                 |      |              |      | Two<br>Years       | Rank | Three<br>Years | Rank | Five<br>Years | Rank | Seven<br>Years | Rank | Ten<br>Years | Rank  |                    |                   |
| 18.2%             | Total International Equity Composite <sup>1</sup>     | \$461,526,410          | 15.8%            | 65   | 8.1%            | 32   | 11.7%        | 30   | 9.9%               | 31   | -6.0%          | 44   | 5.7%          | 34   | 11.5%          | 33   | 7.8%         | 27    |                    |                   |
|                   | Total Internation Equity Composite (Net)              |                        | 15.6%            |      | 7.6%            |      | 10.9%        |      | 9.1%               |      | -6.7%          |      | 5.0%          |      | 10.7%          |      | 7.1%         |       |                    |                   |
|                   | MSCI ACWI ex-U.S. (Net)                               |                        | 16.6%            | 48   | 3.7%            | 56   | 7.6%         | 53   | 6.7%               | 49   | -7.4%          | 59   | 4.3%          | 52   | 10.0%          | 50   | 4.3%         | 79    |                    |                   |
|                   | Performance Variance                                  |                        | -0.9%            |      | 3.9%            |      | 3.4%         |      | 2.4%               |      | 0.8%           |      | 0.7%          |      | 0.7%           |      | 2.7%         |       |                    |                   |
|                   | ICC Int'l Equity Funds Median                         |                        | 16.5%            |      | 4.2%            |      | 7.9%         |      | 6.5%               |      | -6.6%          |      | 4.3%          |      | 9.9%           |      | 6.4%         |       |                    |                   |
| 11.8%             | Developed International Equity Composite <sup>1</sup> | \$299,902,668          | 15.0%            | 77   | 7.6%            | 22   | 9.2%         | 31   | 6.8%               | 39   | -7.9%          | 61   | 3.8%          | 51   | 9.4%           | 55   | 5.0%         | 70    |                    |                   |
|                   | Developed International Equity Composite (Net)        |                        | 14.8%            |      | 7.1%            |      | 8.6%         |      | 6.2%               |      | -8.4%          |      | 3.2%          |      | 8.8%           |      | 4.4%         |       |                    |                   |
|                   | MSCI EAFE (Net)                                       |                        | 16.5%            | 41   | 1.1%            | 79   | 3.3%         | 80   | 3.3%               | 67   | -9.5%          | 81   | 2.0%          | 88   | 7.8%           | 91   | 2.6%         | 94    |                    |                   |
|                   | Performance Variance                                  |                        | -1.7%            |      | 6.1%            |      | 5.3%         |      | 3.0%               |      | 1.1%           |      | 1.2%          |      | 1.0%           |      | 1.8%         |       |                    |                   |
| 5.6%              | Brandes   | \$142,292,957          | 13.4%            | 89   | 2.5%            | 58   | 3.0%         | 81   | 2.9%               | 70   | -7.6%          | 55   | 3.1%          | 62   | 9.5%           | 50   | 6.1%         | 56    | 10.3%              | Jan-97            |
|                   | Brandes (Net)   |                        | 13.2%            |      | 2.1%            |      | 2.5%         |      | 2.3%               |      | -8.1%          |      | 2.6%          |      | 9.0%           |      | 5.5%         |       | 9.7%               |                   |
|                   | MSCI EAFE (Net)                                       |                        | 16.5%            | 41   | 1.1%            | 79   | 3.3%         | 80   | 3.3%               | 67   | -9.5%          | 81   | 2.0%          | 88   | 7.8%           | 91   | 2.6%         | 94    | 4.2%               |                   |
|                   | MSCI EAFE (Net) + 1.5%                                |                        | 16.9%            |      | 2.2%            |      | 4.8%         |      | 4.8%               |      | -8.0%          |      | 3.5%          |      | 9.3%           |      | 4.1%         |       | 5.7%               |                   |
|                   | Performance Variance                                  |                        | -3.6%            |      | -0.1%           |      | -2.3%        |      | -2.4%              |      | -0.1%          |      | -0.8%         |      | -0.3%          |      | 1.5%         |       | 4.0%               |                   |
| 6.2%              | William Blair   | \$157,608,324          | 16.5%            | 42   | 12.6%           | 5    | 18.3%        | 3    | 11.1%              | 15   | -7.2%          | 50   | 5.3%          | 29   | 10.8%          | 28   | n/a          | 9.7%  | Feb-02             |                   |
|                   | William Blair (Net)                                   |                        | 16.3%            |      | 12.1%           |      | 17.6%        |      | 10.4%              |      | -7.8%          |      | 4.6%          |      | 10.1%          |      | n/a          | 9.0%  |                    |                   |
|                   | MSCI ACWI ex-U.S. (Net)                               |                        | 16.6%            | 39   | 3.7%            | 47   | 7.6%         | 42   | 6.7%               | 40   | -7.4%          | 52   | 4.3%          | 44   | 10.0%          | 42   | 4.3%         | 77    | 8.8%               |                   |
|                   | MSCI ACWI ex-U.S. (Net) + 1.5%                        |                        | 17.0%            |      | 4.8%            |      | 9.1%         |      | 8.2%               |      | -5.9%          |      | 5.8%          |      | 11.5%          |      | 5.8%         |       | 10.3%              |                   |
|                   | Performance Variance                                  |                        | -0.7%            |      | 7.3%            |      | 8.6%         |      | 2.2%               |      | -1.9%          |      | -1.1%         |      | -1.4%          |      | n/a          |       | -1.3%              |                   |
|                   | ICC Int'l Developed Mkts Equity Median                |                        | 16.1%            |      | 3.3%            |      | 6.2%         |      | 5.4%               |      | -7.3%          |      | 3.8%          |      | 9.5%           |      | 6.2%         |       | --                 |                   |
| 6.4%              | Emerging Markets Equity Composite                     | \$161,623,742          | 17.3%            | 80   | 9.2%            | 77   | 19.2%        | 65   | 20.1%              | 42   | 0.1%           | 45   | 12.4%         | 57   | 18.7%          | 71   | n/a          |       |                    |                   |
|                   | Emerging Markets Equity Composite (Net)               |                        | 17.2%            |      | 8.4%            |      | 18.2%        |      | 18.9%              |      | -0.9%          |      | 11.2%         |      | 17.5%          |      | n/a          |       |                    |                   |
|                   | MSCI Emg Mkts Free (Net)                              |                        | 18.0%            | 70   | 10.8%           | 65   | 20.2%        | 54   | 19.6%              | 43   | -1.5%          | 53   | 12.7%         | 50   | 18.9%          | 69   | 13.4%        | 61    |                    |                   |
|                   | Performance Variance                                  |                        | -0.8%            |      | -2.4%           |      | -2.0%        |      | -0.7%              |      | 0.6%           |      | -1.5%         |      | -1.4%          |      | n/a          |       |                    |                   |
| 3.1%              | AllianceBernstein                                     | \$79,692,862           | 17.7%            | 76   | 8.9%            | 80   | 21.7%        | 44   | 17.2%              | 69   | -3.6%          | 76   | 10.9%         | 85   | 18.0%          | 92   | n/a          | 18.5% | Sep-01             |                   |
|                   | AllianceBernstein (Net)                               |                        | 17.7%            |      | 8.1%            |      | 20.6%        |      | 16.1%              |      | -4.4%          |      | 9.9%          |      | 16.9%          |      | n/a          | 17.4% |                    |                   |
|                   | MSCI Emg Mkts Free (Net)                              |                        | 18.0%            | 70   | 10.8%           | 65   | 20.2%        | 54   | 19.6%              | 43   | -1.5%          | 53   | 12.7%         | 50   | 18.9%          | 69   | 13.4%        | 61    | 17.9%              |                   |
|                   | MSCI Emg Mkts Free (Net) + 2.0%                       |                        | 18.5%            |      | 12.3%           |      | 22.2%        |      | 21.6%              |      | 0.5%           |      | 14.7%         |      | 20.9%          |      | 15.4%        |       | 19.9%              |                   |
|                   | Performance Variance                                  |                        | -0.8%            |      | -4.2%           |      | -1.7%        |      | -5.5%              |      | -4.9%          |      | -4.9%         |      | -4.1%          |      | n/a          |       | -2.5%              |                   |
| 3.2%              | The Boston Co.  | \$81,930,880           | 16.9%            | 82   | 9.5%            | 74   | 17.3%        | 80   | 22.9%              | 24   | 3.7%           | 16   | 13.7%         | 33   | 19.4%          | 61   | n/a          | 19.6% | Sep-01             |                   |
|                   | The Boston Co. (Net)                                  |                        | 16.7%            |      | 8.7%            |      | 16.2%        |      | 21.6%              |      | 2.6%           |      | 12.5%         |      | 18.2%          |      | n/a          | 18.3% |                    |                   |
|                   | MSCI Emg Mkts Free (Net)                              |                        | 18.0%            | 70   | 10.8%           | 65   | 20.2%        | 54   | 19.6%              | 43   | -1.5%          | 53   | 12.7%         | 50   | 18.9%          | 69   | 13.4%        | 61    | 17.9%              |                   |
|                   | MSCI Emg Mkts Free (Net) + 2.0%                       |                        | 18.5%            |      | 12.3%           |      | 22.2%        |      | 21.6%              |      | 0.5%           |      | 14.7%         |      | 20.9%          |      | 15.4%        |       | 19.9%              |                   |
|                   | Performance Variance                                  |                        | -1.8%            |      | -3.5%           |      | -6.0%        |      | -0.1%              |      | 2.1%           |      | -2.2%         |      | -2.8%          |      | n/a          |       | -1.6%              |                   |
|                   | ICC Int'l Emerging Mkts Equity Median                 |                        | 19.3%            |      | 11.6%           |      | 20.9%        |      | 18.7%              |      | -1.4%          |      | 12.7%         |      | 19.6%          |      | 15.9%        |       | --                 |                   |
|                   |   |                        |                  |      |                 |      |              |      |                    |      |                |      |               |      |                |      |              |       |                    |                   |

<sup>1</sup>Total International Equity and Developed International Equity Composites include \$1,387 of residual cash remaining as a result of the asset allocation transition that occurred in December 2009.

Note: "(Net)" next to investment manager or composite refers to net of investment management fees.

"(Net)" next to index refers to net of dividend withholding tax that U.S. investors are subject to when investing outside of the U.S. Investment manager and composite performance is net of dividend withholding tax as well.

# Performance Summary – Fixed Income

| Weight<br>in Fund |   | Ending<br>Market Value | Last<br>3 Months | Rank      | Calendar<br>YTD | Rank      | Last<br>Year | Rank      | Annualized Returns |           |                |           |               |           |                |           |              |           | Since<br>Inception | Inception<br>Date |
|-------------------|---|------------------------|------------------|-----------|-----------------|-----------|--------------|-----------|--------------------|-----------|----------------|-----------|---------------|-----------|----------------|-----------|--------------|-----------|--------------------|-------------------|
|                   |   |                        |                  |           |                 |           |              |           | Two<br>Years       | Rank      | Three<br>Years | Rank      | Five<br>Years | Rank      | Seven<br>Years | Rank      | Ten<br>Years | Rank      |                    |                   |
| 35.6%             | <b>Total Fixed Income Composite<sup>1</sup></b>         | <b>\$900,895,898</b>   | <b>3.8%</b>      | <b>41</b> | <b>9.7%</b>     | <b>44</b> | <b>10.9%</b> | <b>48</b> | <b>13.6%</b>       | <b>37</b> | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |           | <b>n/a</b>   |           |                    |                   |
|                   | Total Fixed Income Composite (Net)                      |                        | 3.8%             |           | 9.5%            |           | 10.7%        |           | 13.3%              |           | n/a            |           | n/a           |           | n/a            |           | n/a          |           |                    |                   |
|                   | BC Aggregate  |                        | 2.5%             | 73        | 7.9%            | 65        | 8.2%         | 73        | 9.4%               | 71        | 7.4%           | 60        | 6.2%          | 68        | 5.3%           | 72        | 6.4%         | 71        |                    |                   |
|                   | Performance Variance                                    |                        | 1.3%             |           | 1.6%            |           | 2.6%         |           | 4.0%               |           | n/a            |           | n/a           |           | n/a            |           | n/a          |           |                    |                   |
|                   | ICC U.S. Fixed Income Median                            |                        | 3.3%             |           | 9.2%            |           | 10.8%        |           | 12.0%              |           | 7.8%           |           | 6.8%          |           | 6.0%           |           | 6.9%         |           |                    |                   |
| 9.0%              | <b>Domestic Core Fixed Income Composite<sup>1</sup></b> | <b>\$226,910,493</b>   | <b>3.0%</b>      | <b>42</b> | <b>8.0%</b>     | <b>62</b> | <b>8.5%</b>  | <b>79</b> | <b>10.3%</b>       | <b>71</b> | <b>6.6%</b>    | <b>91</b> | <b>5.7%</b>   | <b>91</b> | <b>5.5%</b>    | <b>69</b> | <b>6.4%</b>  | <b>78</b> |                    |                   |
|                   | Domestic Core Fixed Income Composite (Net)              |                        | 3.0%             |           | 7.9%            |           | 8.4%         |           | 10.1%              |           | 6.4%           |           | 5.5%          |           | 5.3%           |           | 6.2%         |           |                    |                   |
|                   | BC Aggregate  |                        | 2.5%             | 82        | 7.9%            | 65        | 8.2%         | 83        | 9.4%               | 82        | 7.4%           | 70        | 6.2%          | 75        | 5.3%           | 81        | 6.4%         | 78        |                    |                   |
|                   | Performance Variance                                    |                        | 0.5%             |           | 0.0%            |           | 0.2%         |           | 0.8%               |           | -1.0%          |           | -0.7%         |           | 0.0%           |           | -0.2%        |           |                    |                   |
| 8.9%              | <b>SEIX</b>   | <b>\$226,158,594</b>   | <b>3.0%</b>      | <b>44</b> | <b>8.7%</b>     | <b>45</b> | <b>9.0%</b>  | <b>65</b> | <b>11.7%</b>       | <b>52</b> | <b>8.9%</b>    | <b>25</b> | <b>7.2%</b>   | <b>29</b> | <b>6.3%</b>    | <b>26</b> | <b>6.9%</b>  | <b>42</b> | <b>7.0%</b>        | <b>Sep-99</b>     |
|                   | SEIX (Net)  |                        | 3.0%             |           | 8.7%            |           | 8.9%         |           | 11.5%              |           | 8.8%           |           | 7.0%          |           | 6.1%           |           | 6.8%         |           | 6.8%               |                   |
|                   | BC Aggregate  |                        | 2.5%             | 82        | 7.9%            | 65        | 8.2%         | 83        | 9.4%               | 82        | 7.4%           | 70        | 6.2%          | 75        | 5.3%           | 81        | 6.4%         | 78        | 6.5%               |                   |
|                   | BC Aggregate + 0.5%                                     |                        | 2.6%             |           | 8.3%            |           | 8.7%         |           | 9.9%               |           | 7.9%           |           | 6.7%          |           | 5.8%           |           | 6.9%         |           | 7.0%               |                   |
|                   | Performance Variance                                    |                        | 0.4%             |           | 0.4%            |           | 0.2%         |           | 1.7%               |           | 0.9%           |           | 0.3%          |           | 0.2%           |           | -0.1%        |           | -0.2%              |                   |
|                   | ICC Core Fixed Income Median                            |                        | 2.9%             |           | 8.5%            |           | 9.6%         |           | 11.8%              |           | 8.0%           |           | 6.7%          |           | 5.8%           |           | 6.8%         |           | --                 |                   |
| 5.5%              | <b>Domestic Long Duration Fixed Income Composite</b>    | <b>\$138,844,939</b>   | <b>5.4%</b>      | <b>35</b> | <b>17.5%</b>    | <b>12</b> | <b>14.7%</b> | <b>24</b> | <b>20.7%</b>       | <b>13</b> | <b>12.4%</b>   | <b>8</b>  | <b>8.6%</b>   | <b>10</b> | <b>n/a</b>     |           | <b>n/a</b>   |           |                    |                   |
|                   | Domestic Long Duration Fixed Income Composite (Net)     |                        | 5.3%             |           | 17.3%           |           | 14.4%        |           | 20.4%              |           | 12.1%          |           | 8.3%          |           | n/a            |           | n/a          |           |                    |                   |
|                   | BC US Gov't/Credit Long                                 |                        | 5.9%             | 27        | 16.7%           | 17        | 13.6%        | 38        | 16.0%              | 32        | 10.2%          | 24        | 7.3%          | 38        | 7.0%           | 40        | 8.4%         | 24        |                    |                   |
|                   | Performance Variance                                    |                        | -0.5%            |           | 0.6%            |           | 0.8%         |           | 4.5%               |           | 1.9%           |           | 1.0%          |           | n/a            |           | n/a          |           |                    |                   |
| 5.5%              | <b>Income Research</b>                                  | <b>\$138,844,939</b>   | <b>5.4%</b>      | <b>35</b> | <b>17.5%</b>    | <b>12</b> | <b>14.7%</b> | <b>24</b> | <b>20.7%</b>       | <b>13</b> | <b>12.4%</b>   | <b>8</b>  | <b>8.6%</b>   | <b>10</b> | <b>n/a</b>     |           | <b>n/a</b>   |           | <b>8.1%</b>        | <b>Jan-05</b>     |
|                   | Income Research (Net)                                   |                        | 5.3%             |           | 17.3%           |           | 14.4%        |           | 20.4%              |           | 12.1%          |           | 8.3%          |           | n/a            |           | n/a          |           | 7.8%               |                   |
|                   | BC US Gov't/Credit Long                                 |                        | 5.9%             | 27        | 16.7%           | 17        | 13.6%        | 38        | 16.0%              | 32        | 10.2%          | 24        | 7.3%          | 38        | 7.0%           | 40        | 8.4%         | 24        | 7.2%               |                   |
|                   | BC US Gov't/Credit Long + 0.5%                          |                        | 6.0%             |           | 17.1%           |           | 14.1%        |           | 16.5%              |           | 10.7%          |           | 7.8%          |           | 7.5%           |           | 8.9%         |           | 7.7%               |                   |
|                   | Performance Variance                                    |                        | -0.7%            |           | 0.2%            |           | 0.3%         |           | 4.0%               |           | 1.4%           |           | 0.5%          |           | n/a            |           | n/a          |           | 0.2%               |                   |
|                   | ICC Long Duration Fixed Income Median                   |                        | 4.5%             |           | 11.6%           |           | 12.9%        |           | 13.3%              |           | 8.6%           |           | 7.0%          |           | 6.2%           |           | 7.3%         |           | --                 |                   |
| 13.7%             | <b>Treasury Inflation Protected Securities (TIPS)</b>   | <b>\$346,128,379</b>   | <b>2.9%</b>      |           | <b>7.9%</b>     |           | <b>n/a</b>   |           | <b>n/a</b>         |           | <b>n/a</b>     |           | <b>n/a</b>    |           | <b>n/a</b>     |           | <b>n/a</b>   |           | <b>7.9%</b>        | <b>Dec-09</b>     |

<sup>1</sup>The Total Fixed Income and Domestic Core Fixed Income Composites include \$751,899 of illiquid securities remaining as a result of the termination of Western Asset Management Company (WAMCO) during the asset allocation transition that occurred in December 2009.

# Performance Summary – Fixed Income (continued)

| Weight<br>in Fund |  | Ending<br>Market Value | Last<br>3 Months | Calendar<br>YTD | Last<br>Year | Annualized Returns |                |               |                |              | Since<br>Inception | Inception<br>Date |
|-------------------|--|------------------------|------------------|-----------------|--------------|--------------------|----------------|---------------|----------------|--------------|--------------------|-------------------|
|                   |  |                        |                  |                 |              | Two<br>Years       | Three<br>Years | Five<br>Years | Seven<br>Years | Ten<br>Years |                    |                   |
| 4.0%              | <b>Domestic Credit Composite</b>               | <b>\$102,244,319</b>   | <b>5.1%</b>      | <b>8.3%</b>     | <b>12.2%</b> | <b>n/a</b>         | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   |                    |                   |
|                   | Domestic Credit (Net)                          |                        | 5.0%             | 8.1%            | 12.0%        | n/a                | n/a            | n/a           | n/a            | n/a          |                    |                   |
|                   | ML US HY BB/B                                  |                        | 6.9%             | 11.8%           | 17.0%        | 17.3%              | 7.4%           | 7.4%          | 7.8%           | 7.1%         |                    |                   |
|                   | <b>Performance Variance</b>                    |                        | <b>-1.8%</b>     | <b>-3.7%</b>    | <b>-5.0%</b> | <b>n/a</b>         | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   |                    |                   |
| 1.7%              | <b>Seix Credit Dislocation</b>                 | <b>\$43,822,404</b>    | <b>3.4%</b>      | <b>5.4%</b>     | <b>7.0%</b>  | <b>n/a</b>         | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   | <b>10.7%</b>       | <b>Apr-09</b>     |
|                   | Seix Credit Dislocation (Net)                  |                        | 3.3%             | 5.2%            | 6.8%         | n/a                | n/a            | n/a           | n/a            | n/a          | 10.6%              |                   |
|                   | CSFB Leveraged Loan                            |                        | 3.1%             | 6.5%            | 10.3%        | 9.1%               | 3.2%           | 4.0%          | 4.6%           | n/a          | 22.5%              |                   |
|                   | CSFB Leveraged Loan + 1.0%                     |                        | 3.4%             | 7.2%            | 11.3%        | 10.1%              | 4.2%           | 5.0%          | 5.6%           | n/a          | 23.5%              |                   |
|                   | <b>Performance Variance</b>                    |                        | <b>0.0%</b>      | <b>-2.0%</b>    | <b>-4.5%</b> | <b>n/a</b>         | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   | <b>-12.9%</b>      |                   |
| 2.3%              | <b>Mackay Shields</b>                          | <b>\$58,421,915</b>    | <b>6.5%</b>      | <b>10.6%</b>    | <b>16.8%</b> | <b>n/a</b>         | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   | <b>23.1%</b>       | <b>Apr-09</b>     |
|                   | Mackay Shields (Net)                           |                        | 6.4%             | 10.4%           | 16.6%        | n/a                | n/a            | n/a           | n/a            | n/a          | 22.9%              |                   |
|                   | ML US HY BB/B                                  |                        | 6.9%             | 11.8%           | 17.0%        | 17.3%              | 7.4%           | 7.4%          | 7.8%           | 7.1%         | 27.3%              |                   |
|                   | ML US HY BB/B + 1.0%                           |                        | 7.1%             | 12.6%           | 18.0%        | 18.3%              | 8.4%           | 8.4%          | 8.8%           | 8.1%         | 28.3%              |                   |
|                   | <b>Performance Variance</b>                    |                        | <b>-0.8%</b>     | <b>-2.2%</b>    | <b>-1.5%</b> | <b>n/a</b>         | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   | <b>-5.3%</b>       |                   |
| 3.4%              | <b>Opportunistic Credit Composite</b>          | <b>\$86,767,768</b>    | <b>5.8%</b>      | <b>11.8%</b>    | <b>20.2%</b> | <b>19.7%</b>       | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   |                    |                   |
|                   | Opportunistic Credit (Net)                     |                        | 5.5%             | 11.0%           | 19.1%        | 18.7%              | n/a            | n/a           | n/a            | n/a          |                    |                   |
|                   | ML US HY BB/B Constrained                      |                        | 6.7%             | 11.6%           | 16.8%        | 17.1%              | 7.6%           | 7.3%          | 7.8%           | 7.3%         |                    |                   |
|                   | <b>Performance Variance</b>                    |                        | <b>-1.2%</b>     | <b>-0.6%</b>    | <b>2.3%</b>  | <b>1.5%</b>        | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   |                    |                   |
| 3.4%              | <b>PIMCO DISCO</b>                             | <b>\$86,767,768</b>    | <b>5.8%</b>      | <b>11.8%</b>    | <b>20.2%</b> | <b>19.7%</b>       | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   | <b>18.8%</b>       | <b>Jul-08</b>     |
|                   | PIMCO DISCO (Net)                              |                        | 5.5%             | 11.0%           | 19.1%        | 18.7%              | n/a            | n/a           | n/a            | n/a          | 17.8%              |                   |
|                   | ML US HY BB/B Constrained                      |                        | 6.7%             | 11.6%           | 16.8%        | 17.1%              | 7.6%           | 7.3%          | 7.8%           | 7.3%         | 10.7%              |                   |
|                   | <b>Performance Variance</b>                    |                        | <b>-1.2%</b>     | <b>-0.6%</b>    | <b>2.3%</b>  | <b>1.5%</b>        | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   | <b>7.1%</b>        |                   |
| 2.2%              | <b>Convertible Bonds Composite<sup>1</sup></b> | <b>\$55,694,434</b>    | <b>6.4%</b>      | <b>4.2%</b>     | <b>8.5%</b>  | <b>n/a</b>         | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   |                    |                   |
|                   | Convertible Bonds Composite (Net)              |                        | 6.2%             | 3.8%            | 8.1%         | n/a                | n/a            | n/a           | n/a            | n/a          |                    |                   |
|                   | ML Global 300 Convertible Index                |                        | 7.2%             | 6.0%            | 10.5%        | 13.3%              | -0.2%          | 4.7%          | 5.3%           | 2.9%         |                    |                   |
|                   | <b>Performance Variance</b>                    |                        | <b>-0.9%</b>     | <b>-2.2%</b>    | <b>-2.4%</b> | <b>n/a</b>         | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   |                    |                   |
| 2.2%              | <b>Calamos<sup>1</sup></b>                     | <b>\$55,694,434</b>    | <b>6.4%</b>      | <b>4.2%</b>     | <b>8.5%</b>  | <b>n/a</b>         | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   | <b>10.6%</b>       | <b>Sep-09</b>     |
|                   | Calamos (Net)                                  |                        | 6.2%             | 3.8%            | 8.1%         | n/a                | n/a            | n/a           | n/a            | n/a          | 10.2%              |                   |
|                   | ML Global 300 Convertible Index                |                        | 7.2%             | 6.0%            | 10.5%        | 13.3%              | -0.2%          | 4.7%          | 5.3%           | 2.9%         | 12.9%              |                   |
|                   | ML Global 300 Convertible Index + 1.0%         |                        | 7.4%             | 6.8%            | 11.5%        | 14.3%              | 0.8%           | 5.7%          | 6.3%           | 3.9%         | 13.9%              |                   |
|                   | <b>Performance Variance</b>                    |                        | <b>-1.2%</b>     | <b>-2.9%</b>    | <b>-3.4%</b> | <b>n/a</b>         | <b>n/a</b>     | <b>n/a</b>    | <b>n/a</b>     | <b>n/a</b>   | <b>-3.7%</b>       |                   |

<sup>1</sup>The Plan's allocation to convertible bonds is a global mandate and included within the Plan's equity allocation for asset allocation purposes. However, the performance of the convertible bonds mandate is not reflected in any of the asset class composites reported herein.

# Performance Summary - Alternatives

| Weight<br>in Fund |  | Ending<br>Market Value | Last<br>3 Months | Calendar<br>YTD | Last<br>Year | Annualized Returns |                |               |                |              | Since<br>Inception | Inception<br>Date |
|-------------------|--|------------------------|------------------|-----------------|--------------|--------------------|----------------|---------------|----------------|--------------|--------------------|-------------------|
|                   |  |                        |                  |                 |              | Two<br>Years       | Three<br>Years | Five<br>Years | Seven<br>Years | Ten<br>Years |                    |                   |
| 6.4%              | <b>Total Real Estate Composite<sup>1</sup></b>       | <b>\$162,691,757</b>   | 1.8%             | 4.7%            | 5.1%         | -5.4%              | -2.6%          | 4.2%          | 6.2%           | 5.8%         |                    |                   |
|                   | Total Real Estate Composite (Net)                    |                        | 1.8%             | 4.5%            | 4.8%         | -5.7%              | n/a            | n/a           | n/a            | n/a          |                    |                   |
|                   | NCREIF Property Index                                |                        | 3.9%             | 8.1%            | 5.8%         | -9.2%              | -4.6%          | 3.7%          | 7.0%           | 7.2%         |                    |                   |
|                   | Performance Variance                                 |                        | -2.1%            | -3.6%           | -1.1%        | 3.5%               | n/a            | n/a           | n/a            | n/a          |                    |                   |
| 4.7%              | <b>American Realty/Kennedy Combined<sup>2</sup></b>  | <b>\$120,145,689</b>   | 0.8%             | 3.3%            | 4.6%         | -0.7%              | 0.5%           | 7.7%          | 8.6%           | n/a          | 8.6%               | Oct-03            |
|                   | American Realty/Kennedy Combined (Net)               |                        | 0.8%             | 3.2%            | 4.6%         | -0.8%              | 0.1%           | 7.3%          | 8.0%           | n/a          | 8.0%               |                   |
|                   | NCREIF Property Index                                |                        | 3.9%             | 8.1%            | 5.8%         | -9.2%              | -4.6%          | 3.7%          | 7.0%           | 7.2%         | 7.0%               |                   |
|                   | NCREIF Property Index + 1.5%                         |                        | 4.2%             | 9.2%            | 7.3%         | -7.7%              | -3.1%          | 5.2%          | 8.5%           | 8.7%         | 8.5%               |                   |
|                   | Performance Variance                                 |                        | -3.4%            | -6.0%           | -2.8%        | 6.9%               | 3.2%           | 2.1%          | -0.4%          | n/a          | -0.4%              |                   |
| 1.7%              | <b>MEPT</b>  | <b>\$42,546,068</b>    | 6.0%             | 9.6%            | 5.3%         | -16.1%             | -10.3%         | n/a           | n/a            | n/a          | -3.0%              | Jul-06            |
|                   | MEPT (Net)   |                        | 5.8%             | 8.8%            | 4.5%         | -16.6%             | -10.9%         | n/a           | n/a            | n/a          | -3.7%              |                   |
|                   | NCREIF Property Index                                |                        | 3.9%             | 8.1%            | 5.8%         | -9.2%              | -4.6%          | 3.7%          | 7.0%           | 7.2%         | 2.1%               |                   |
|                   | NCREIF Property Index + 1.5%                         |                        | 4.2%             | 9.2%            | 7.3%         | -7.7%              | -3.1%          | 5.2%          | 8.5%           | 8.7%         | 3.6%               |                   |
|                   | Performance Variance                                 |                        | 1.5%             | -0.5%           | -2.8%        | -8.9%              | -7.8%          | n/a           | n/a            | n/a          | -7.4%              |                   |
| 4.3%              | <b>Total Private Equity Composite (Net)</b>          | <b>\$109,888,915</b>   | 3.7%             | 11.4%           | 18.1%        | 1.4%               | 5.8%           | 7.6%          | n/a            | n/a          | 7.6%               | Sep-05            |
|                   | Cambridge Associates Priv Equity Index (1 Qtr Lag)   |                        | 1.6%             | 12.3%           | 19.3%        | -3.5%              | -0.9%          | 10.4%         | 14.7%          | 7.8%         | 10.4%              |                   |
|                   | Russell 2000   |                        | 11.3%            | 9.1%            | 13.3%        | 1.3%               | -4.3%          | 1.6%          | 6.1%           | 4.0%         | 1.6%               |                   |
|                   | Performance Variance (vs. Cambridge Associates PE)   |                        | 2.2%             | -0.9%           | -1.2%        | 4.9%               | 6.7%           | -2.9%         | n/a            | n/a          | -2.9%              |                   |
| 10.4%             | <b>Inflation-Linked Assets Composite<sup>3</sup></b> | <b>\$264,135,139</b>   | 11.6%            | 0.9%            | n/a          | n/a                | n/a            | n/a           | n/a            | n/a          | 3.8%               | Dec-09            |
|                   | Dow Jones/UBS Commodities Index                      |                        | 11.6%            | 0.9%            | 10.0%        | -8.4%              | -6.8%          | -2.3%         | 4.5%           | 5.2%         | 3.9%               |                   |
|                   | Performance Variance                                 |                        | 0.0%             | 0.0%            | n/a          | n/a                | n/a            | n/a           | n/a            | n/a          | -0.1%              |                   |
| 2.8%              | <b>Cash<sup>4</sup></b>                              | <b>\$70,342,359</b>    | 0.2%             | 1.8%            | 2.6%         | 1.6%               | n/a            | n/a           | n/a            | n/a          |                    |                   |
|                   | 90 day t bills                                       |                        | 0.0%             | 0.1%            | 0.1%         | 0.3%               | 1.1%           | 2.6%          | 2.4%           | n/a          |                    |                   |

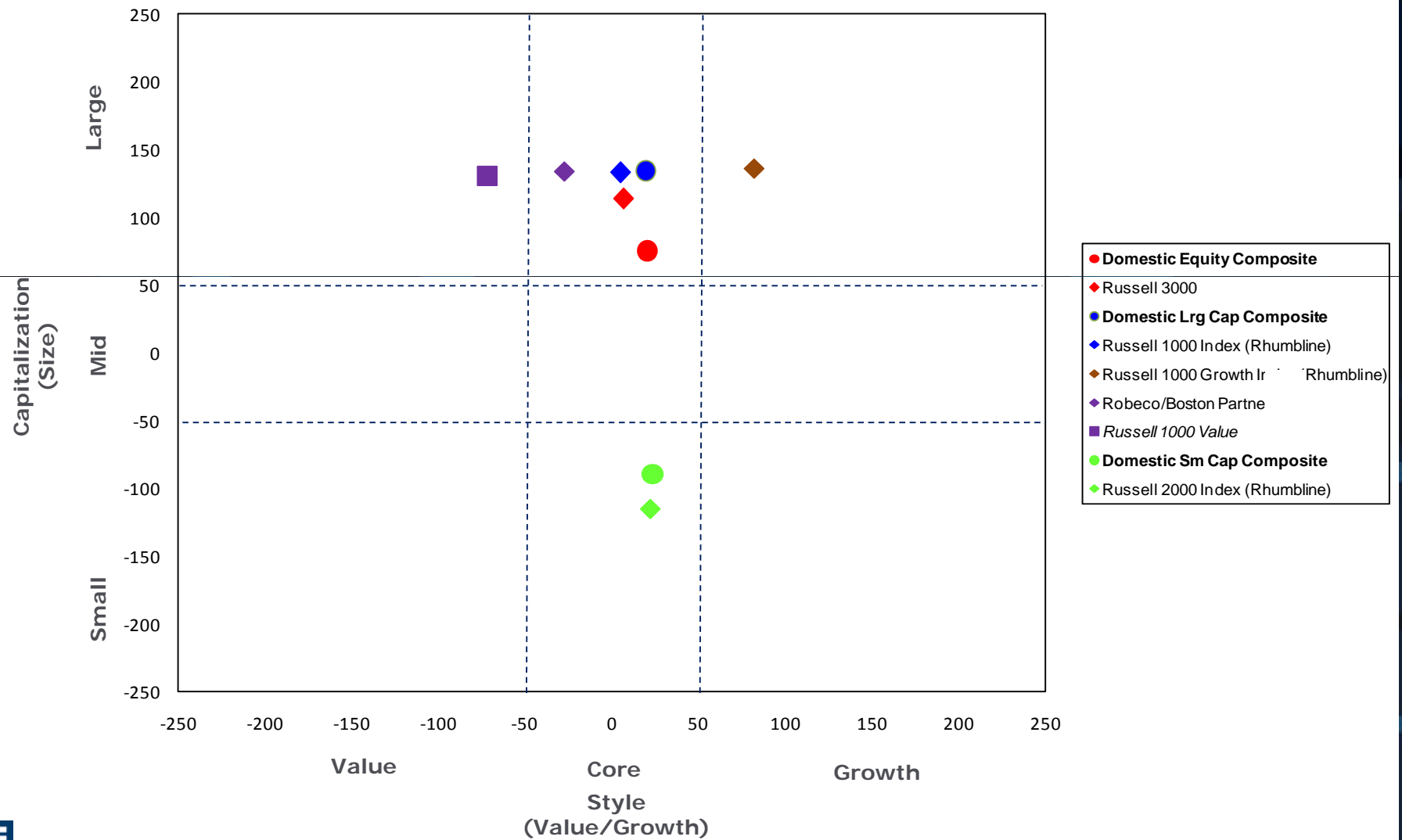
<sup>1</sup>Total Real Estate Composite includes \$282 of residual cash remaining as a result of the transfer of the management of the Fund's separately managed real estate portfolio from Kennedy Associates to American Realty Advisors in September 2010.

<sup>2</sup>Performance shown is a blend of the performance of the Fund's separately managed real estate portfolio under the advisement of Kennedy Associates prior to September 2010, and American Realty Advisors from September 2010 forward.

<sup>3</sup>Inflation-Linked Assets Composite currently consists of passive exposure to the Dow Jones/UBS Commodities Index through swap agreements. Russell is currently providing oversight of these assets.

<sup>4</sup>NEPC began calculating cash returns as of April 1, 2008 due to inconsistent historical data received from the prior consultant.

# Equity Style Analysis



as of September 30, 2010

# Manager Summary

| Investment Manager         | Asset Class                                     | Changes/<br>Announcements | Performance<br>Concerns | NEPC DD<br>Recommendation | Comments   |
|----------------------------|---|---------------------------|-------------------------|---------------------------|--|
| ROBECO/<br>Boston Partners | U.S. Large Cap Value                            | --                        | --                      | --                        |  |
| RS Investments             | U.S. Small Cap Value                            | --                        | --                      | --                        | Took over<br>management of<br>portfolio on August<br>2, 2010 |
| Brandes                    | Non-U.S. Developed Equity                       | --                        | --                      | --                        |  |
| William Blair              | Non-U.S. Developed Equity                       | --                        | --                      | --                        | NEPC FPL Strategy  |
| AllianceBernstein          | Non-U.S. Emerging Equity                        | Y                         | Y                       | Hold                      | Currently Conducting<br>Search                               |
| The Boston Co.             | Non-U.S. Emerging Equity                        | --                        | --                      | --                        | NEPC FPL Strategy  |
| Seix                       | Core Plus Fixed Income;<br>Bank Debt/High Yield | Y                         | --                      | Hold                      | No Action Advised  |
| IR&M                       | Long Duration Fixed Income                      | --                        | --                      | --                        |  |
| Mackay Shields             | High Yield/Bank Debt                            | --                        | --                      | --                        | NEPC FPL Strategy  |
| PIMCO                      | Distressed Senior Credit                        | --                        | --                      | --                        |  |
| Calamos                    | Convertible Bonds                               | --                        | --                      | --                        |  |

*Note: Rhumblin and Russell have been excluded from the list above as they currently manage passive mandates for the Fund.*



as of September 30, 2010

# Manager Summary

| 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 be 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 be 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 be in future searches unless a client specifically requests. Current clients must be advised to replace the manager. |



# Manager Summary

## Changes/Announcements

*Below is a summary of manager changes and announcements that have occurred over recent months.*

### Seix Investment Advisors

- As a result of the recent announcements of the departure of Bob Sherman, CEO, from Seix Investment Advisors (Seix), the departure of several client service and consultant relation professionals, and the recent news that the sale of Ridgeworth Capital Management Inc. has fallen through, NEPC believes an elevated due diligence status is warranted as Seix deals with several administrative and organizational concerns. No investment professionals have left the firm, however, Jim Keegan, CIO, will now assume CEO responsibilities as well, and his expanded role will pull him away from investments for some time until the group stabilizes.
- Mike McEachern, President and Head of the High Yield group, and George Goudelias, Head of the Bank Loan group, are the key investors in high yield and bank loans for the firm, and we don't see a direct impact in this area.
- It is becoming increasingly clear that some employees are unhappy with the firm's parent company, SunTrust, owning the firm. At some point in the next few years, Seix may be sold, however, there may be more departures before that time comes.
- **NEPC has placed a "Hold" status on all Seix products.**

## Performance Concerns

*Below we identify funds that we have flagged as having performance concerns. It is typical for funds to be flagged over multiple quarters.*

### AllianceBernstein, LP

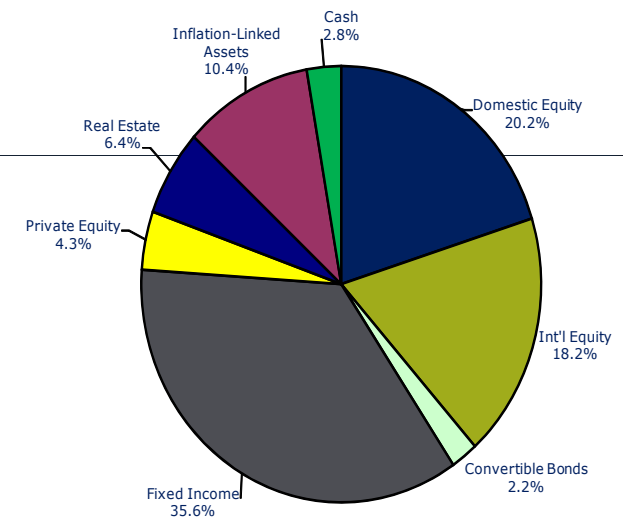
- AllianceBernstein's Emerging Markets Growth portfolio trails the MSCI Emerging Markets Index, net of fees, over all time periods reported with the exception of the one-year period when the portfolio has outperformed by 0.4%. The portfolio ranks in the bottom third of ICC Emerging Markets Equity managers for all but the one-year time period.
- The Fund placed AllianceBernstein on probation in 3Q 2007.
- There have been several significant changes in senior management at AllianceBernstein over the past several months, initiating what could be a significant change in the firm's research focused culture.
- NEPC is working with staff on a search to possibly replace AllianceBernstein.
- **NEPC has placed a "Hold" status on all AllianceBernstein products.**



# Appendix

# Total Fund Composite

| Asset Class                     | Market Value            | Current %   |
|---------------------------------|-------------------------|-------------|
| Domestic Equity                 | \$ 510,712,842          | 20.2%       |
| International Equity            | \$ 461,526,410          | 18.2%       |
| Convertible Bonds               | \$ 55,694,434           | 2.2%        |
| Fixed Income                    | \$ 900,895,898          | 35.6%       |
| Private Equity                  | \$ 109,888,915          | 4.3%        |
| Real Estate                     | \$ 162,691,757          | 6.4%        |
| Inflation-Linked Assets         | \$ 264,135,139          | 10.4%       |
| Cash                            | \$ 70,342,359           | 2.8%        |
| Securities Lending <sup>1</sup> | \$ (4,087,042)          | -0.2%       |
| <b>Total</b>                    | <b>\$ 2,531,800,712</b> | <b>100%</b> |



<sup>1</sup>Unrealized losses in the Fund's securities lending cash collateral reinvestment pool.

Note: Total allocation in pie chart adds to 100.1% due to the inability to reflect the negative allocation resulting from the recognition of the unrealized losses in the securities lending program.

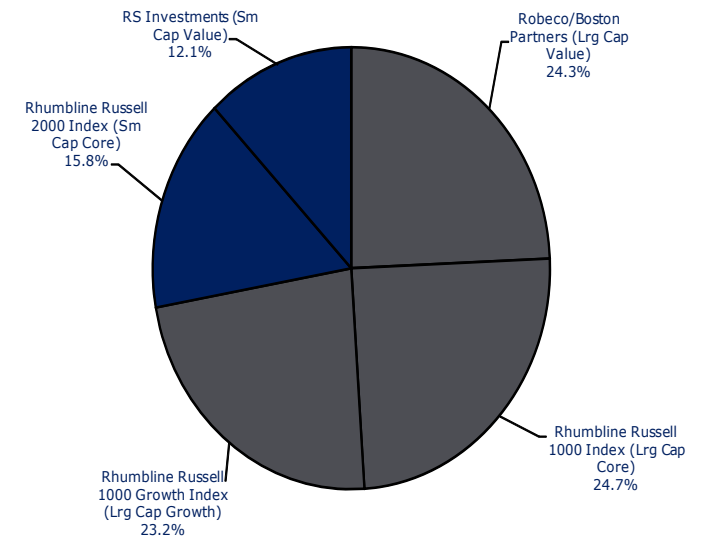
Total may not add to 100% due to rounding.



as of September 30, 2010

# Total Domestic Equity Composite

| Manager  | Market Value          | Current %   |
|--|-----------------------|-------------|
| <i>Robeco/Boston Partners (Lrg Cap Value)</i>              | \$ 124,078,468        | 24.3%       |
| <i>Rhumblin Russell 1000 Index (Lrg Cap Core)</i>          | \$ 125,918,284        | 24.7%       |
| <i>Rhumblin Russell 1000 Growth Index (Lrg Cap Growth)</i> | \$ 118,461,793        | 23.2%       |
| <i>Rhumblin Russell 2000 Index (Sm Cap Core)</i>           | \$ 80,578,611         | 15.8%       |
| <i>RS Investments (Sm Cap Value)</i>                       | \$ 61,674,881         | 12.1%       |
| <b>Total</b>   | <b>\$ 510,712,842</b> | <b>100%</b> |

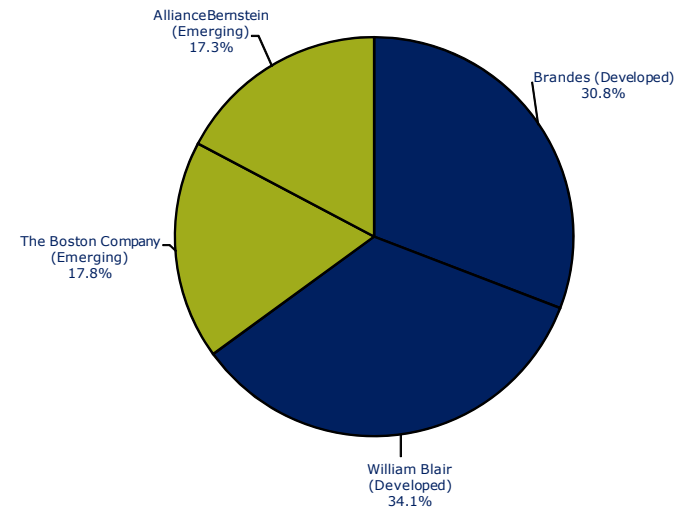


Note: Domestic Equity Composite includes \$805 of residual cash remaining as a result of the asset allocation transition that occurred in December 2009.  
Total may not add to 100% due to rounding.

as of September 30, 2010

# Total International Equity Composite

| Manager                              | Market Value          | Current %   |
|--------------------------------------|-----------------------|-------------|
| <i>Brandes (Developed)</i>           | \$ 142,292,957        | 30.8%       |
| <i>William Blair (Developed)</i>     | \$ 157,608,324        | 34.1%       |
| <i>The Boston Company (Emerging)</i> | \$ 81,930,880         | 17.8%       |
| <i>AllianceBernstein (Emerging)</i>  | \$ 79,692,862         | 17.3%       |
| <b>Total</b>                         | <b>\$ 461,526,410</b> | <b>100%</b> |

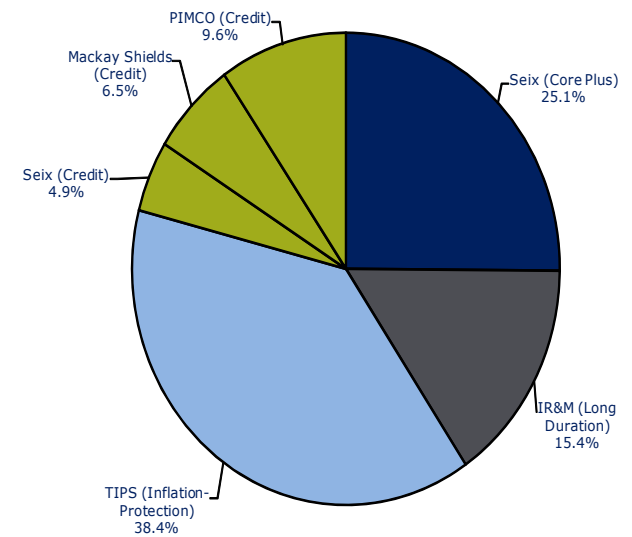


*Note: International Equity Composite includes \$1,387 of residual cash remaining as a result of the asset allocation transition that occurred in December 2009.  
Total may not add to 100% due to rounding.*

as of September 30, 2010

# Total Fixed Income Composite

| Manager                     | Market Value          | Current %   |
|-----------------------------|-----------------------|-------------|
| Seix (Core Plus)            | \$ 226,158,594        | 25.1%       |
| IR&M (Long Duration)        | \$ 138,844,939        | 15.4%       |
| TIPS (Inflation-Protection) | \$ 346,128,379        | 38.4%       |
| Seix (Credit)               | \$ 43,822,404         | 4.9%        |
| Mackay Shields (Credit)     | \$ 58,421,915         | 6.5%        |
| PIMCO (Credit)              | \$ 86,767,768         | 9.6%        |
| <b>Total</b>                | <b>\$ 900,895,898</b> | <b>100%</b> |



Note: Fixed Income Composite includes \$751,899 of illiquid securities remaining as a result of the termination of Western Asset Management Company (WAMCO) during the asset allocation transition that occurred in December 2009.

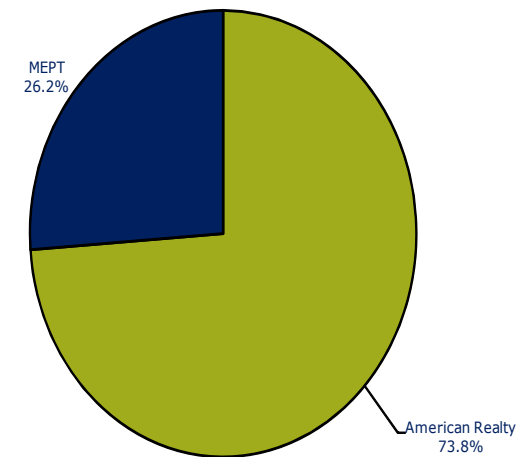
Total may not add to 100% due to rounding.



as of September 30, 2010

# Total Real Estate Composite

| Manager         | Market Value   | Current % |
|-----------------|----------------|-----------|
| American Realty | \$ 120,145,407 | 73.8%     |
| MEPT            | \$ 42,546,068  | 26.2%     |
| Total           | \$ 162,691,757 | 100%      |



*Note: Real Estate Composite includes \$282 of residual cash remaining as a result of the transfer of the management of the Fund's separately managed real estate portfolio from Kennedy Associates to American Realty Advisors in September 2010.*

*Total may not add to 100% due to rounding.*



as of September 30, 2010

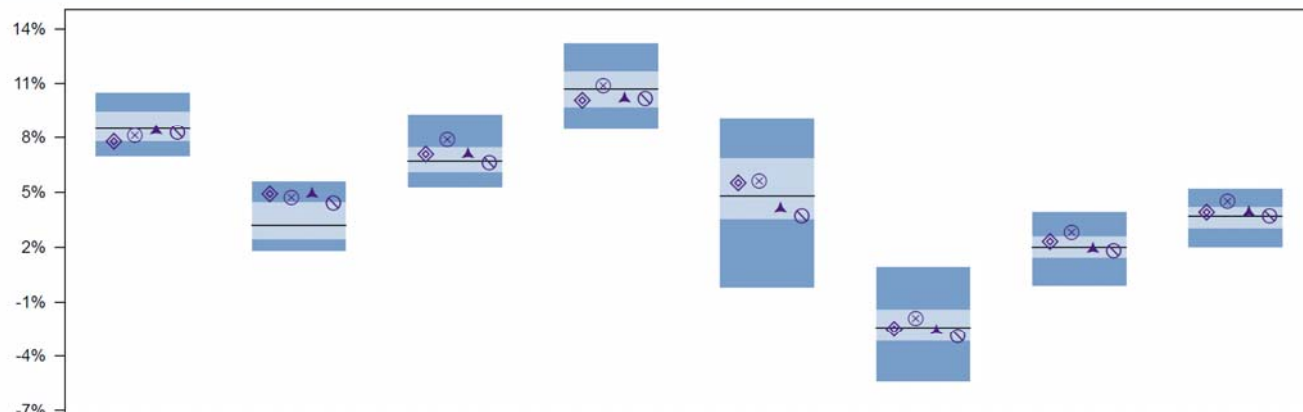
# Total Fund vs. Public Funds > \$1 Billion

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Periods Ending September 30, 2010

### Total Fund Performance - Trailing Periods



|                        | One Quarter |           | Two Quarters |           | Three Quarters |           | One Year    |           | Two Years  |           | Three Years |           | Four Years |           | Five Years |           |
|------------------------|-------------|-----------|--------------|-----------|----------------|-----------|-------------|-----------|------------|-----------|-------------|-----------|------------|-----------|------------|-----------|
| ◆ <b>TOTAL FUND</b>    | <b>7.9</b>  | <b>67</b> | <b>5.0</b>   | <b>12</b> | <b>7.2</b>     | <b>28</b> | <b>10.2</b> | <b>65</b> | <b>5.6</b> | <b>40</b> | <b>-2.4</b> | <b>50</b> | <b>2.4</b> | <b>34</b> | <b>4.0</b> | <b>36</b> |
| ⊙ Allocation Index     | 8.2         | 60        | 4.8          | 18        | 8.0            | 19        | 11.0        | 42        | 5.7        | 36        | -1.8        | 34        | 2.9        | 20        | 4.6        | 16        |
| ▲ Interim TF Benchmark | 8.5         | 49        | 5.0          | 12        | 7.2            | 27        | 10.3        | 64        | 4.2        | 59        | -2.5        | 56        | 2.0        | 51        | 4.0        | 40        |
| ⊖ TF Benchmark         | 8.4         | 52        | 4.5          | 26        | 6.7            | 55        | 10.3        | 61        | 3.8        | 69        | -2.8        | 65        | 1.9        | 55        | 3.8        | 46        |
| 5th Percentile         | 10.5        |           | 5.6          |           | 9.3            |           | 13.2        |           | 9.1        |           | 0.9         |           | 3.9        |           | 5.2        |           |
| 25th Percentile        | 9.5         |           | 4.5          |           | 7.5            |           | 11.7        |           | 6.9        |           | -1.4        |           | 2.6        |           | 4.2        |           |
| 50th Percentile        | 8.5         |           | 3.2          |           | 6.7            |           | 10.7        |           | 4.8        |           | -2.4        |           | 2.0        |           | 3.7        |           |
| 75th Percentile        | 7.8         |           | 2.4          |           | 6.1            |           | 9.7         |           | 3.5        |           | -3.2        |           | 1.4        |           | 3.0        |           |
| 95th Percentile        | 7.0         |           | 1.8          |           | 5.3            |           | 8.5         |           | -0.2       |           | -5.4        |           | -0.1       |           | 2.0        |           |

Note: Returns are gross of fees.



as of September 30, 2010



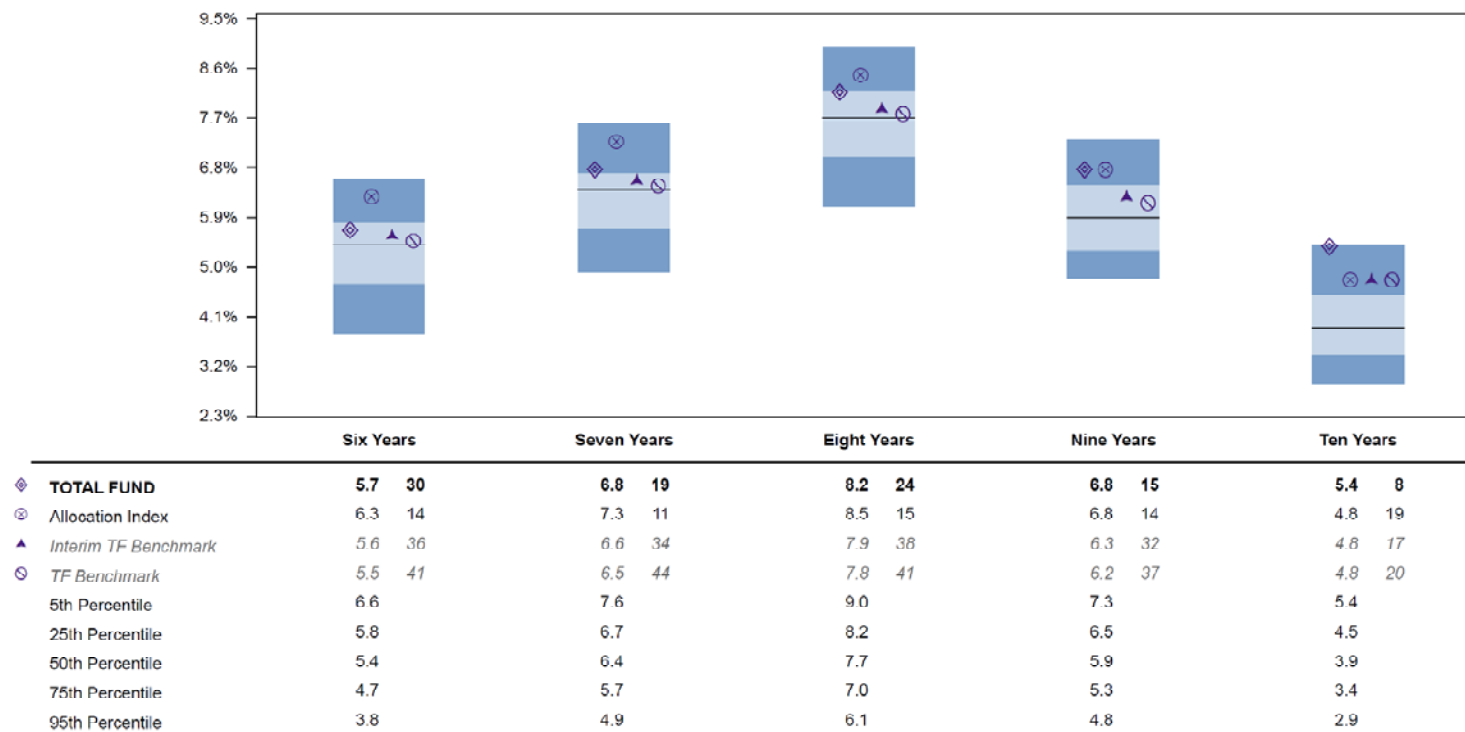
# Total Fund vs. Public Funds > \$1 Billion

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Periods Ending September 30, 2010

### Total Fund Performance - Trailing Periods



Note: Returns are gross of fees.



as of September 30, 2010

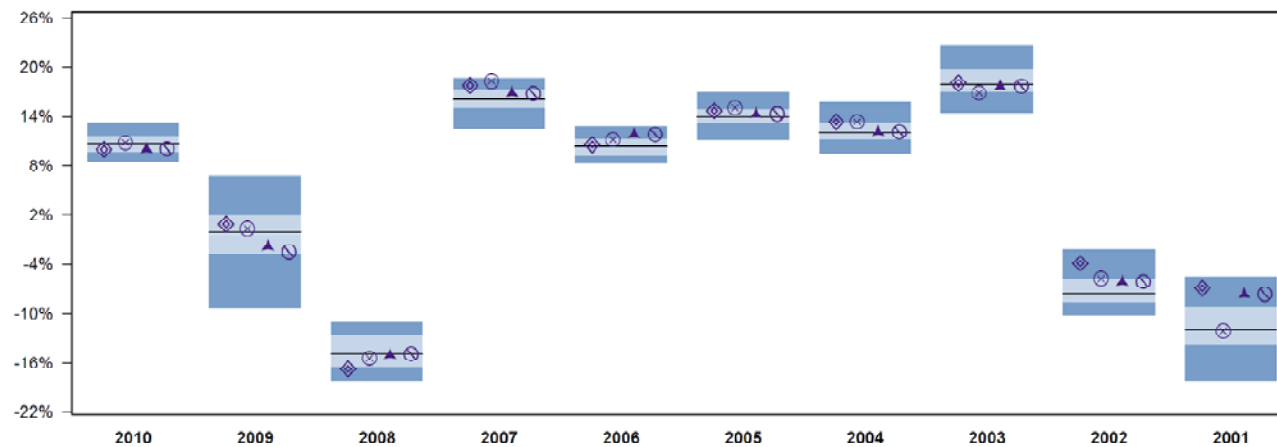
# Total Fund vs. Public Funds > \$1 Billion

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Period Ending September 30, 2010

### Total Fund Performance - One Year Time Periods



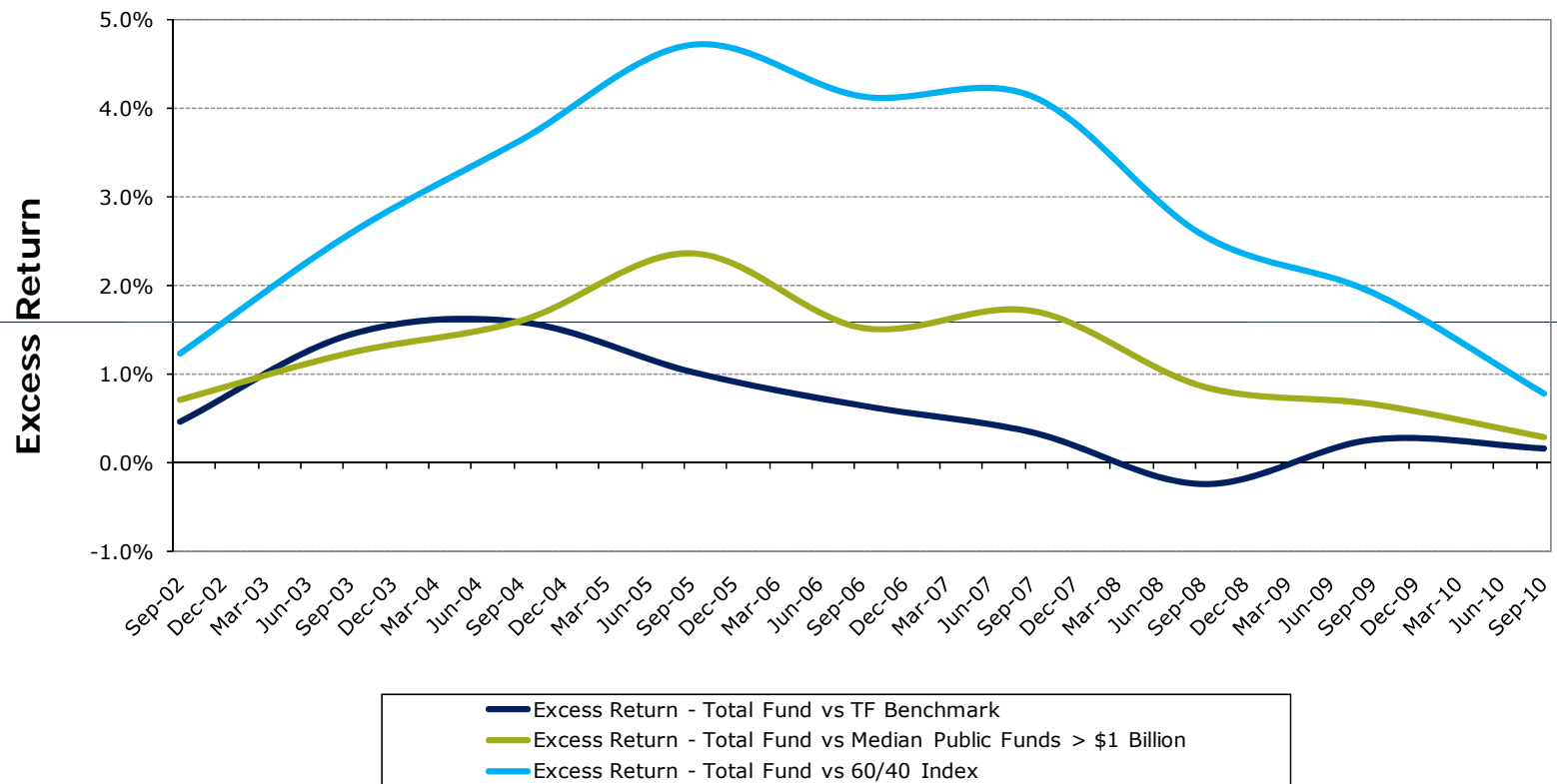
|                        | 2010        |           | 2009       |           | 2008         |           | 2007        |           | 2006        |           | 2005        |           | 2004        |           | 2003        |           | 2002        |          | 2001        |           |
|------------------------|-------------|-----------|------------|-----------|--------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|----------|-------------|-----------|
| ◆ <b>TOTAL FUND</b>    | <b>10.2</b> | <b>65</b> | <b>1.1</b> | <b>36</b> | <b>-16.5</b> | <b>78</b> | <b>18.0</b> | <b>10</b> | <b>10.8</b> | <b>37</b> | <b>14.9</b> | <b>23</b> | <b>13.6</b> | <b>20</b> | <b>18.3</b> | <b>46</b> | <b>-3.7</b> | <b>8</b> | <b>-6.7</b> | <b>11</b> |
| ○ Allocation Index     | 11.0        | 42        | 0.6        | 46        | -15.2        | 57        | 18.5        | 7         | 11.4        | 19        | 15.3        | 15        | 13.6        | 21        | 17.1        | 71        | -5.5        | 24       | -11.9       | 50        |
| ▲ Interim TF Benchmark | 10.3        | 64        | -1.6       | 57        | -14.8        | 46        | 17.1        | 32        | 12.0        | 10        | 14.5        | 34        | 12.3        | 45        | 17.9        | 51        | -5.9        | 26       | -7.4        | 14        |
| ◻ TF Benchmark         | 10.3        | 61        | -2.3       | 68        | -14.7        | 45        | 17.0        | 32        | 12.0        | 10        | 14.5        | 34        | 12.3        | 45        | 17.9        | 51        | -5.9        | 26       | -7.4        | 14        |
| 5th Percentile         | 13.2        |           | 6.8        |           | -11.1        |           | 10.7        |           | 12.8        |           | 17.0        |           | 15.7        |           | 22.7        |           | -2.2        |          | -5.4        |           |
| 25th Percentile        | 11.7        |           | 2.1        |           | -12.6        |           | 17.4        |           | 11.3        |           | 14.9        |           | 13.3        |           | 19.8        |           | -5.7        |          | -9.1        |           |
| 50th Percentile        | 10.7        |           | 0.0        |           | -14.9        |           | 16.1        |           | 10.3        |           | 14.0        |           | 12.0        |           | 17.9        |           | -7.5        |          | -11.9       |           |
| 75th Percentile        | 9.7         |           | -2.8       |           | -16.5        |           | 15.0        |           | 9.2         |           | 13.1        |           | 11.2        |           | 17.0        |           | -8.6        |          | -13.9       |           |
| 95th Percentile        | 8.5         |           | -9.3       |           | -18.2        |           | 12.5        |           | 8.3         |           | 11.2        |           | 9.5         |           | 14.5        |           | -10.2       |          | -18.2       |           |

Note: Returns are gross of fees.



as of September 30, 2010

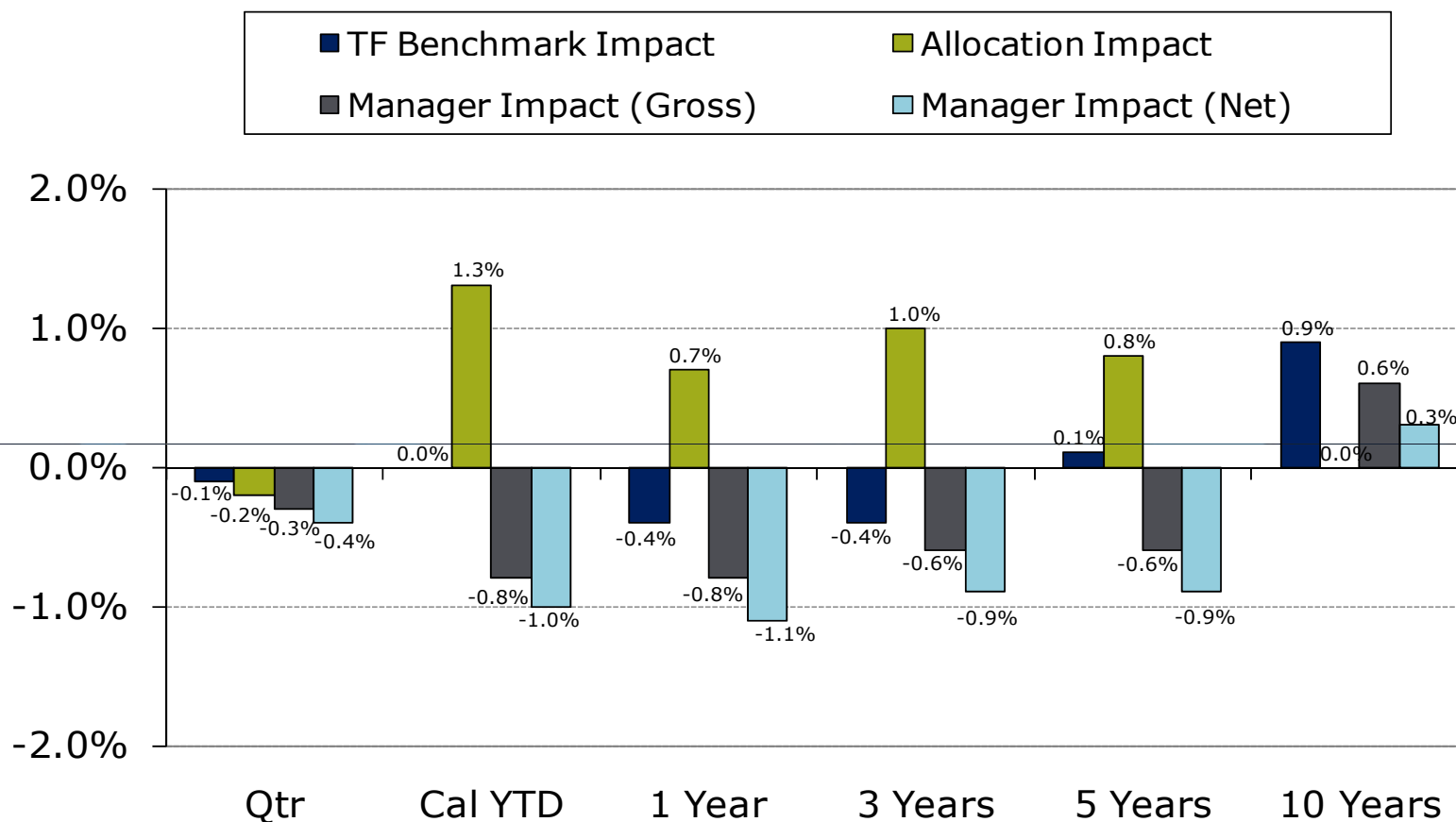
# Rolling 5-Year Excess Returns



Note: Returns are gross of fees.

as of September 30, 2010

# Performance Attribution



**TF Benchmark Impact:** The policy index is calculated by multiplying the target asset class weights times the return of the respective passive benchmark (re-balanced monthly). The policy impact, which is the difference between the policy index and the median fund's performance, measures the effectiveness of Plan Structure.

**Allocation Impact:** The allocation index is calculated by multiplying the actual asset class weights times the return of the respective passive benchmark. When the policy index is subtracted from the allocation index, the result measures the impact of deviating from the target weights.

**Manager Impact:** The Composite is calculated by multiplying the actual asset class weights times the actual manager return. The allocation index is then subtracted from the Composite. The result, manager impact, measures the contribution of active management.

Note: Returns are gross of fees.



as of September 30, 2010

# Total Fund Benchmark History

- **Total Fund Benchmark History:**
- **6/1/95 – 9/30/01** – 35% S&P 500/10% MSCI EAFE/35% BC Aggregate/10% Citigroup WGBI/10% NCREIF Property
- **10/1/01 – 12/31/04** – 35% S&P 500/15% MSCI EAFE/5% MSCI Emg Mkts/28% BC Aggregate/5% Citigroup WGBI/12% NCREIF Property
- **1/1/05 – 3/31/08** – 34% S&P 500/20% MSCI EAFE/5% MSCI Emg Mkts/20% BC Aggregate/4% BC Long Gov't/Credit/12% NCREIF Property/5% Russell 2000
- **4/1/08 – 5/31/08** – 29% S&P 500/5% Russell 2000/20% MSCI EAFE/5% MSCI Emg Mkts/20% BC Aggregate/4% BC Long Gov't/Credit/12% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)
- **6/1/08 – 12/31/09** – 22% S&P 500/5% Russell 2000/17% MSCI EAFE/5% MSCI Emg Mkts/18% BC Aggregate/5% ML US HY BB-B Constrained/10% NCREIF Property/8% Cambridge Private Equity (lagged 1 quarter)/5% DJ/UBS Commodities Index/5% HFRI FoF: Conservative
- **1/1/10 – present** – 18% Russell 1000/5% Russell 2000/12% MSCI EAFE/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained 2%/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% DJ/UBS Commodities Index/5% HFRI FoF: Conservative/5% 90 day t-bills + 3%
- **\*Interim Total Fund Benchmark (effective 1/1/2010):** 18% Russell 1000/5% Russell 2000/12% MSCI EAFE/5% MSCI Emg Mkts/11% BC Aggregate/15% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained 2%/10% NCREIF Property/4% Cambridge Private Equity (lagged 1 quarter)/10% DJ/UBS Commodities



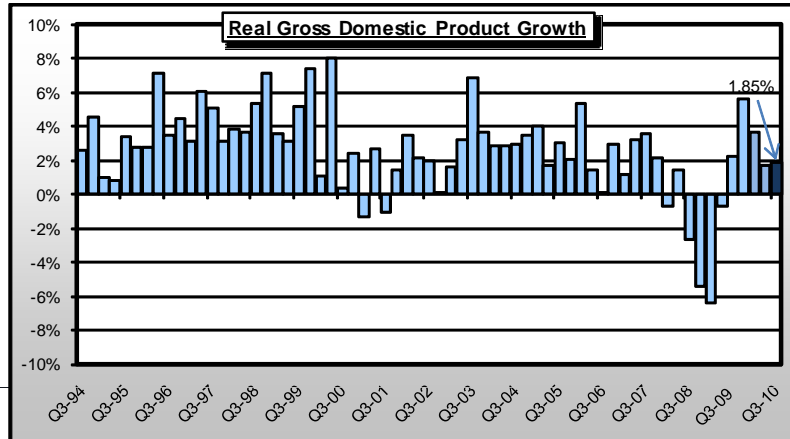
*Note: Interim Benchmark incorporates a proration of 1% private equity, 5% absolute return and 5% opportunistic. These allocations have been included within the TIPS and Core Fixed Income allocations.*

as of September 30, 2010



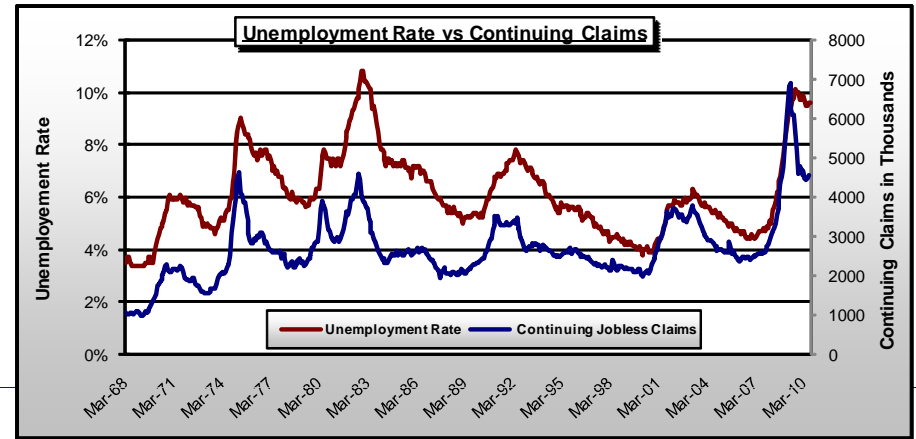
## Appendix: Market Environment

# Economic Environment



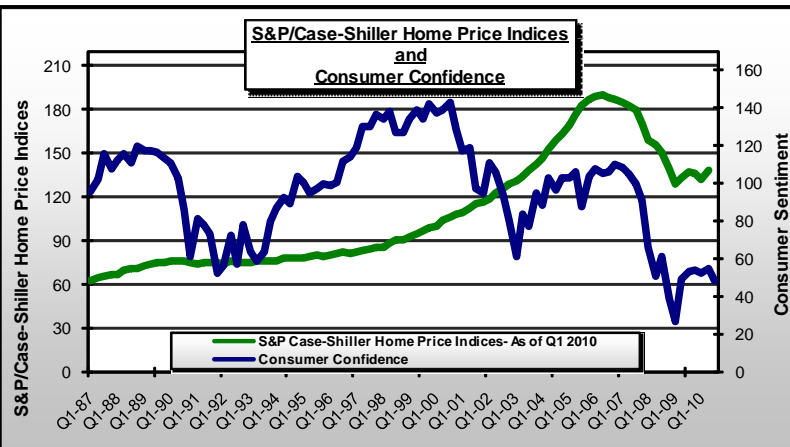
Consensus estimate for GDP growth in Q3 is 1.85%

Source: Bloomberg



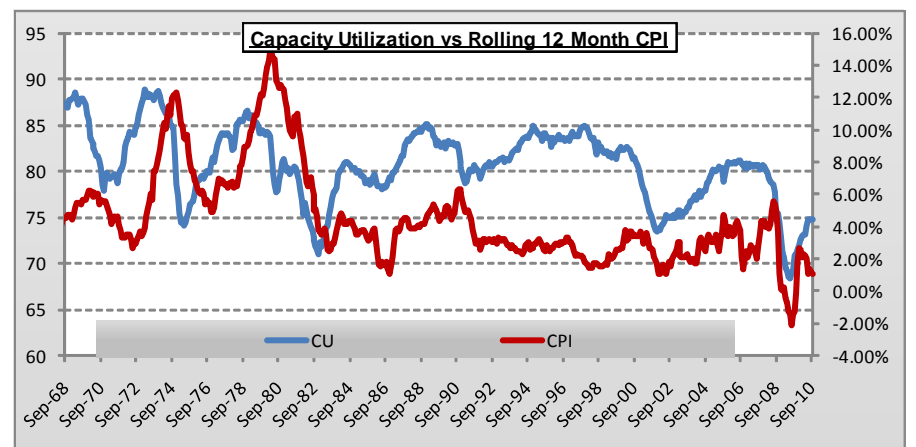
Unemployment has remained flat, in fact, increasing modestly to 9.6% in the third quarter, despite a significant drop in continuing claims.

Source: Department of Labor and St Louis Federal Reserve and Bloomberg



Housing prices rose modestly in Q3 while Consumer Confidence declined after moving sideways so far in 2010.

Source: Standard & Poors and Bloomberg

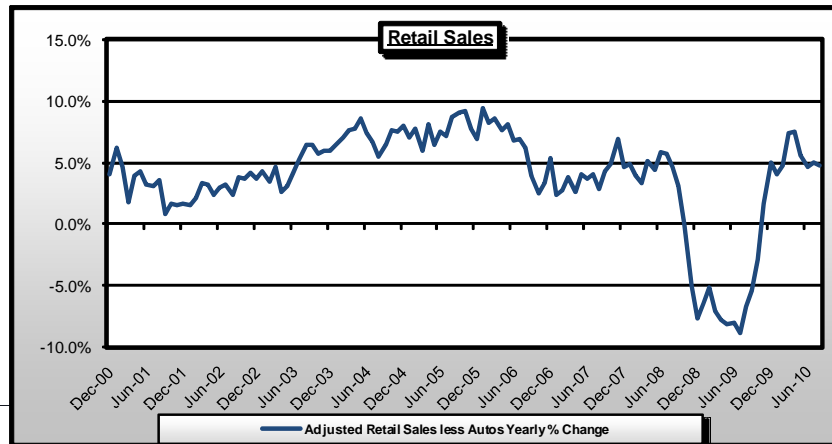


Capacity utilization has recovered sharply but still remains at depressed levels while CPI has settled at 1.1%.

Source: Bloomberg

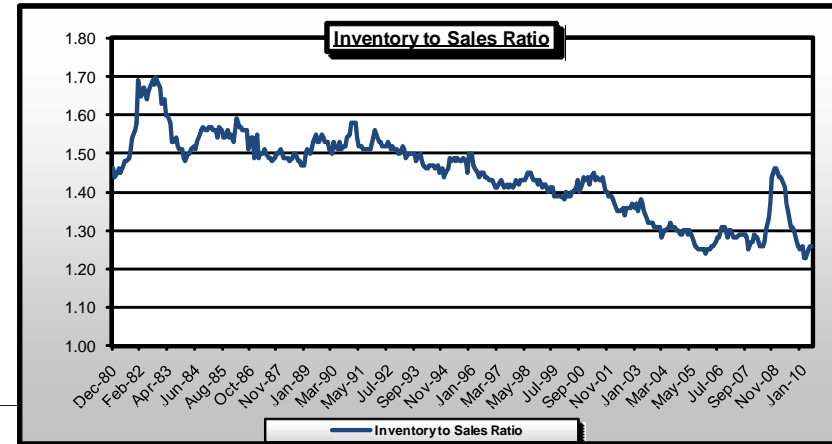
as of September 30, 2010

# Components of U.S. GDP



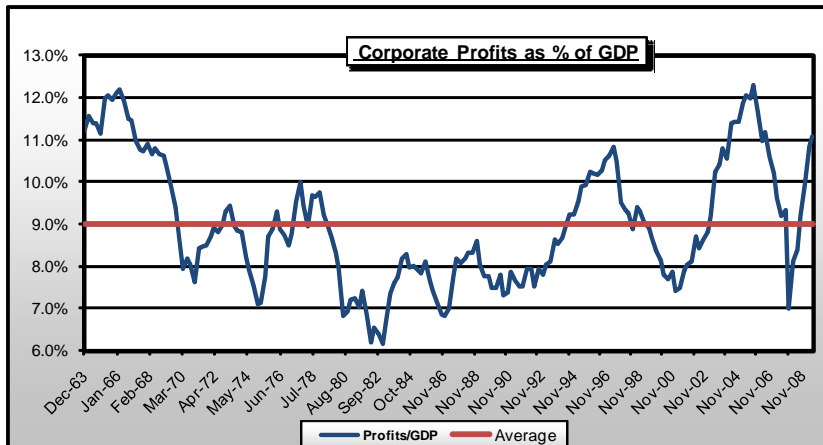
Retail Sales have recovered after hitting lows in 2008, but stayed flat in the third quarter.

Source: Bloomberg



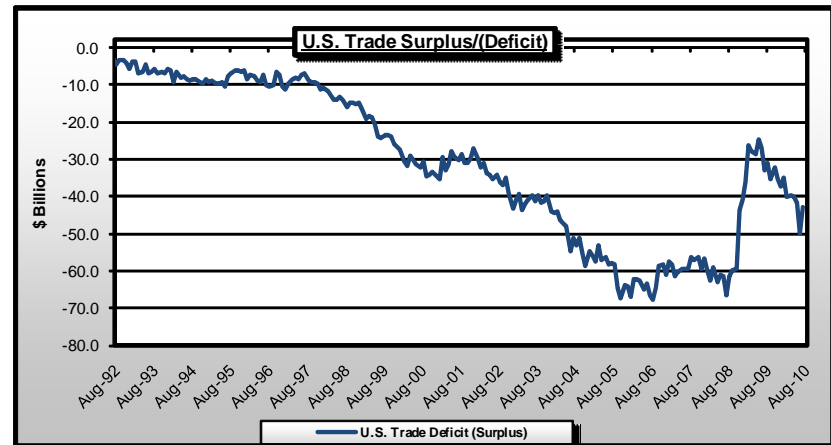
The inventory liquidation process that was a boost to 2009 growth results has worn off meaning demand must contribute to further growth.

Source: Bloomberg



Corporate Profits as a % of GDP continued to increase in Q3, rising above 11%.

Source: Bloomberg

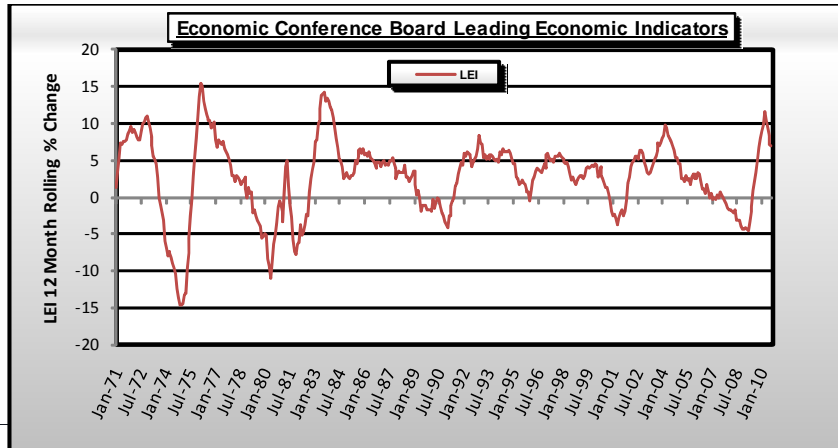


The U.S. trade deficit narrowed in Q3 has risen recently after widening throughout 2009 and 2010.

Source: Bloomberg

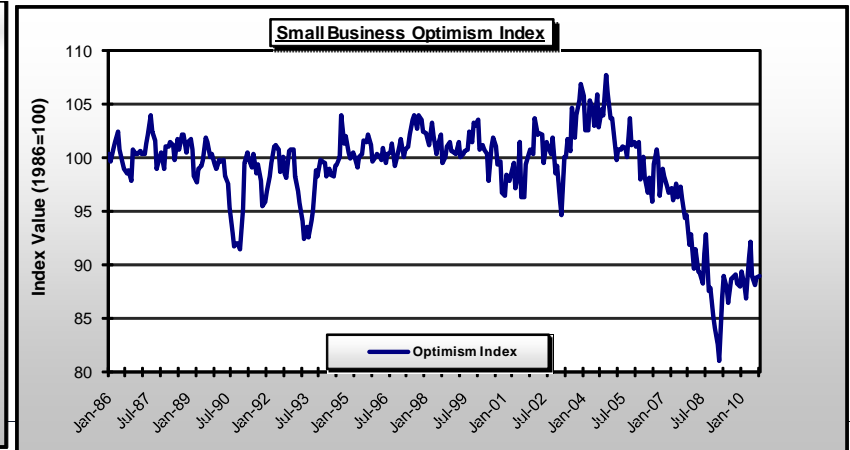


# Key Economic Indicators



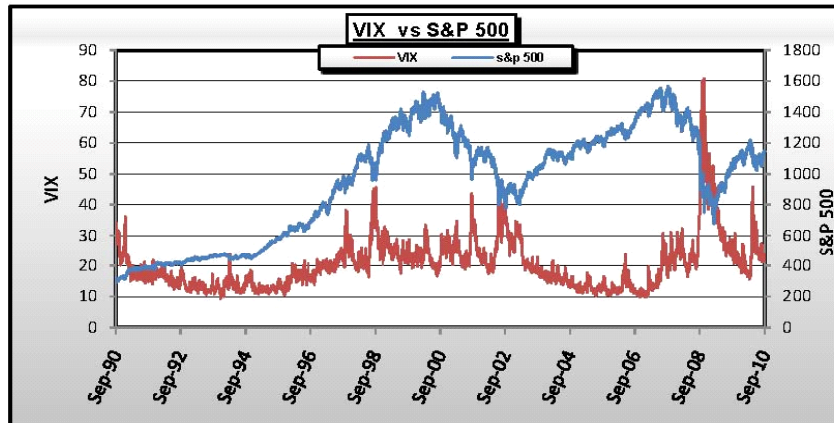
Rolling percentage change in the Leading Economic Indicators index, while still positive, has begun trending downward.

Source: Bloomberg



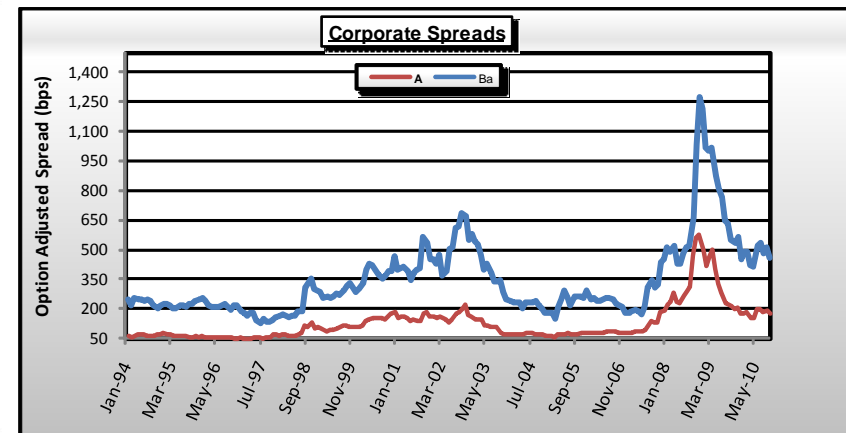
The small business optimism index was flat in Q3, remaining at depressed levels.

Source: Bloomberg



The VIX retreated and equity markets rallied in Q2, despite a "risk on, risk off" market in the third quarter.

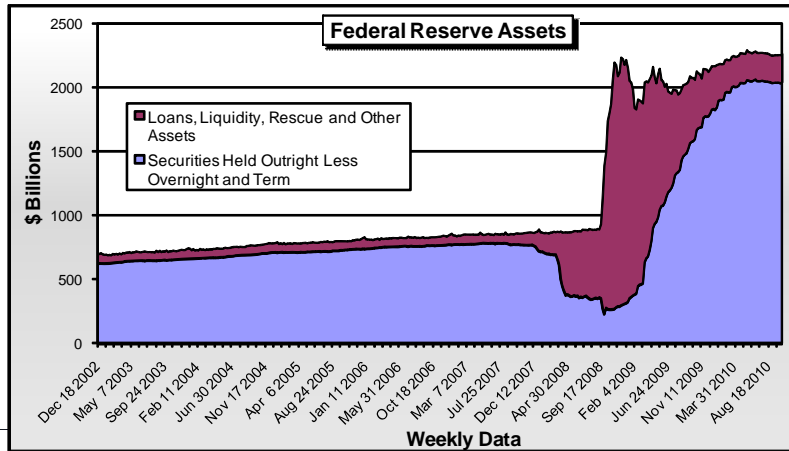
Source: Bloomberg



Credit spreads decreased in Q3.

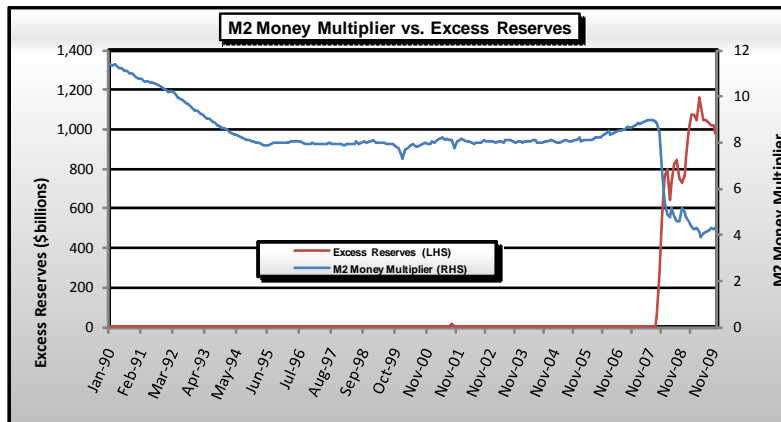
Source: Lehman Live

# Economic Environment



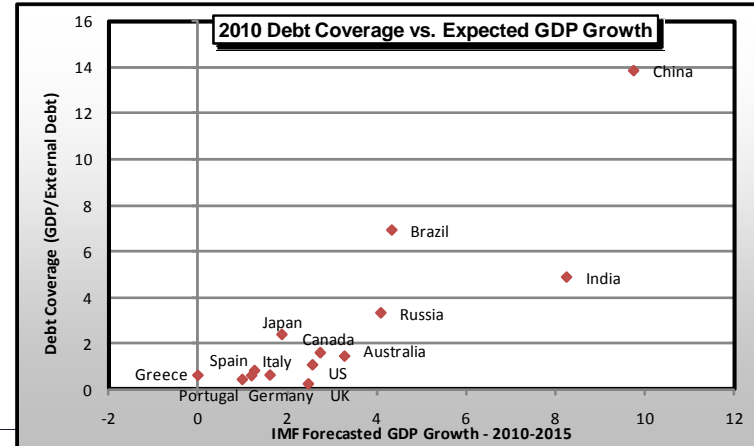
The Fed Balance Sheet continues to grow; however composition of underlying securities is changing from stimulus and liquidity provisions to purchased securities.

Source: United States Federal Reserve



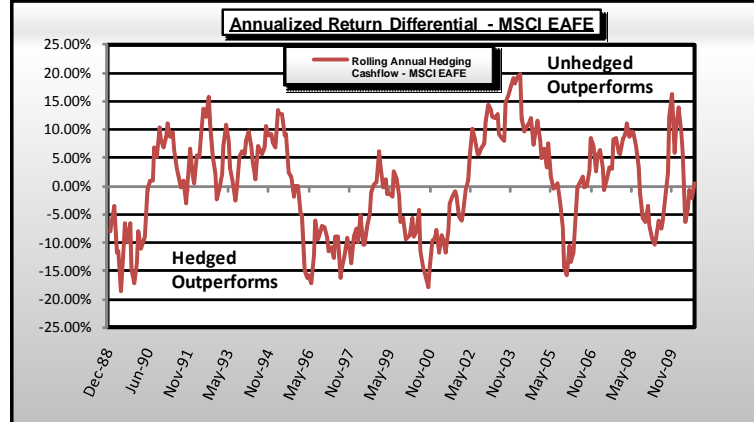
The impact of increased money supply has been muted (low money multiplier) as banks have kept unprecedented excess reserves.

Source: St. Louis Fed



Emerging Market countries have more robust growth expectations and more manageable debt burdens.

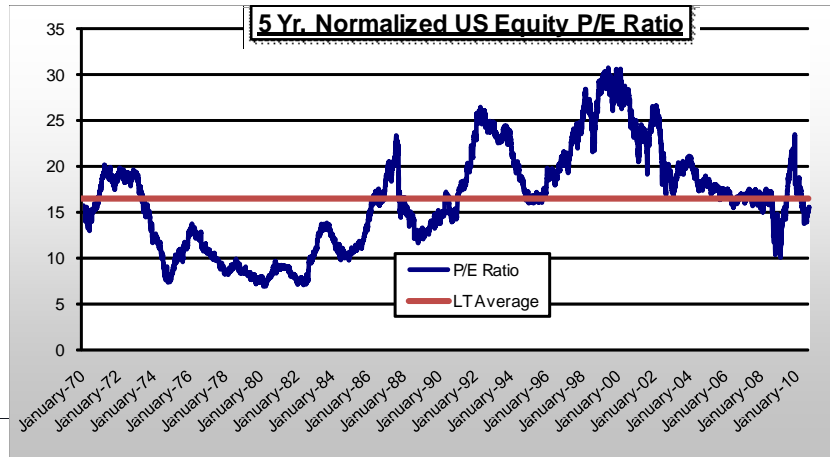
Source: IMF, CIA World Factbook



Unhedged EAFE outperformed by 0.44% in Q3 indicating dollar weakness during the period.

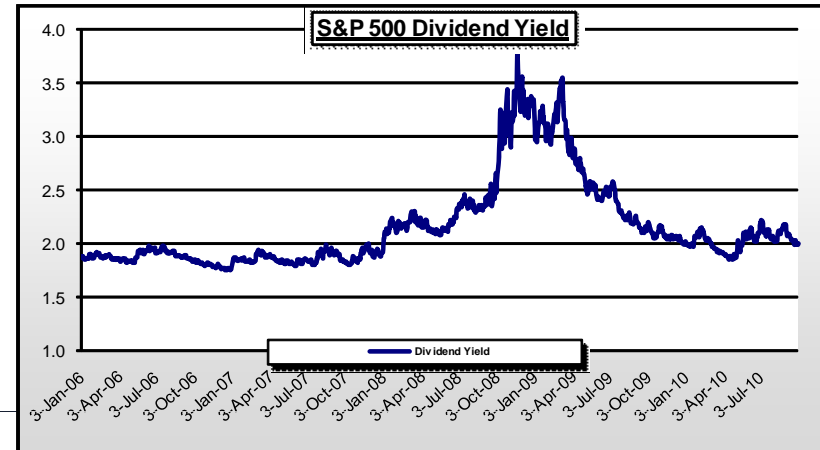
Source: Bloomberg

# Market Environment – U.S. Equity



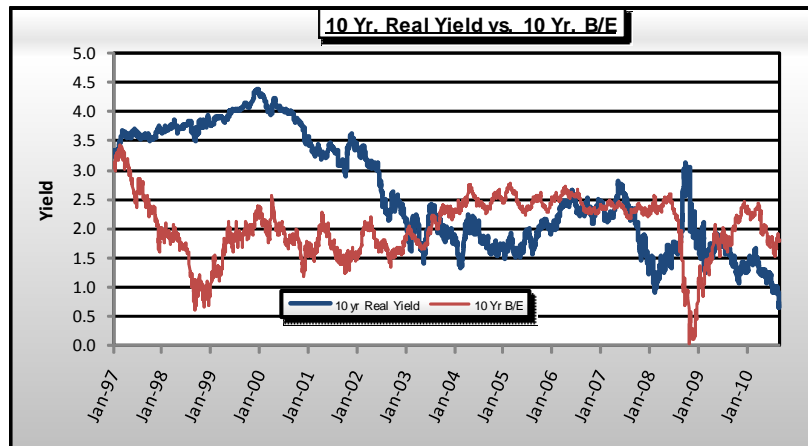
S&P appears close to fairly valued based on cyclically adjusted P-E ratio.

Source: Bloomberg



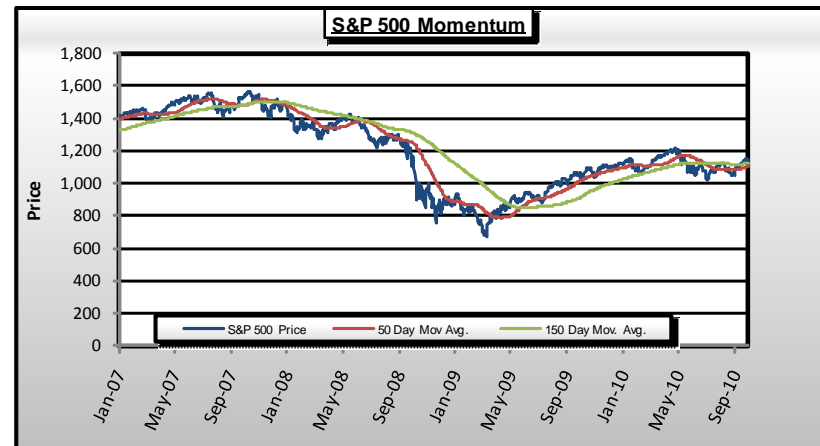
S&P 500 Dividend Yield is currently 2%.

Source: Bloomberg



U.S. Treasury and TIPS markets indicate a market expectation of 1.8% inflation over 10 years and a 0.7% real yield.

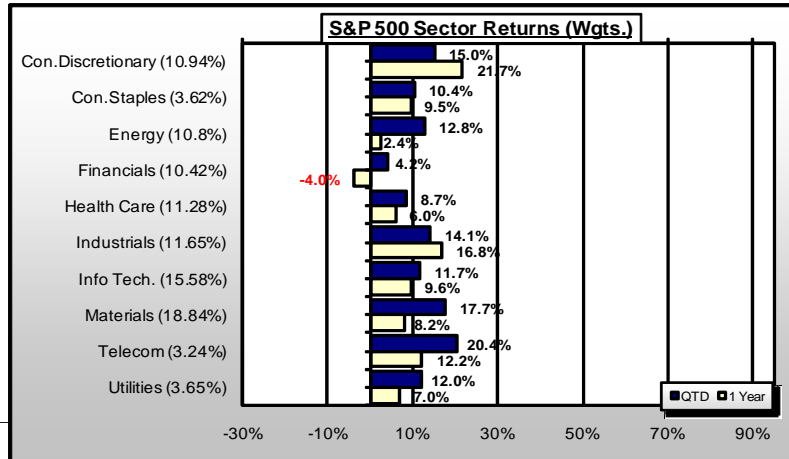
Source: Bloomberg



After turning negative early in the third quarter, S&P 500 momentum was poised to turn positive moving into October.

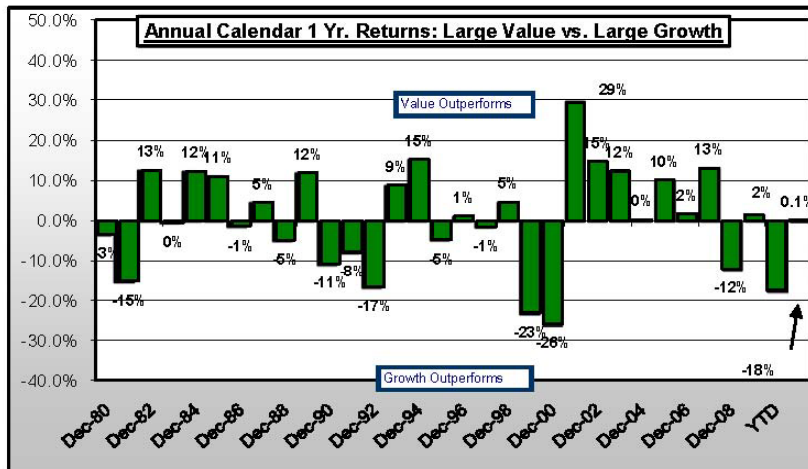
Source: Bloomberg

# U.S. Stock Market Performance



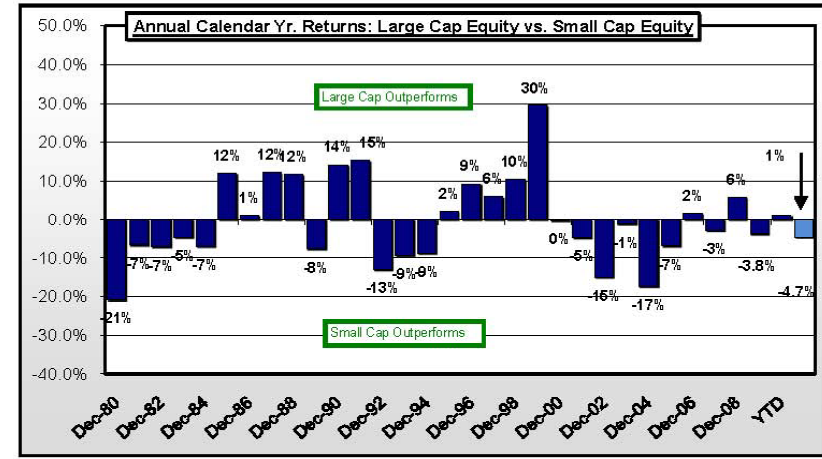
Telecom led the S&P 500 Sector Returns in Q3.

Source: Standard & Poor's



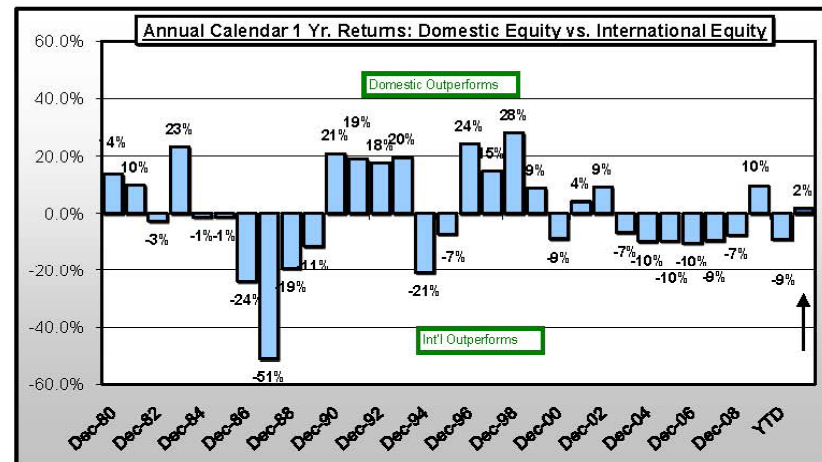
Value stocks outperformed growth stocks by 0.1% so far in 2010.

Source: Russell Investment Group



Small Cap outperformed Large Cap by 4.7% year to date.

Source: Russell Investment Group



Domestic equity outperformed International equity by 2% year to date.

Source: MSCI EAFE (1979-1989); Citi PMI EPAC (1990-present)

# Non – U.S. Stock Market Performance

## Developed Market Equity Returns (U.S. Dollars)

Source: MSCI Inc.

|                  | Qtr. (%) | 1 Yr. (%) | 3 Yr. (%) |
|------------------|----------|-----------|-----------|
| Europe ex UK     | 19.2%    | -0.6%     | -10.8%    |
| United Kingdom   | 19.8%    | 9.7%      | -9.5%     |
| Japan            | 5.8%     | 0.1%      | -10.0%    |
| Pacific Ex Japan | 22.1%    | 13.5%     | -3.2%     |
| Canada           | 13.2%    | 12.8%     | -3.0%     |
| USA              | 11.4%    | 9.6%      | -7.6%     |

## US Dollar Return vs. Major Foreign Currencies

(Negative = Dollar Depreciates, Positive = Dollar Appreciates)

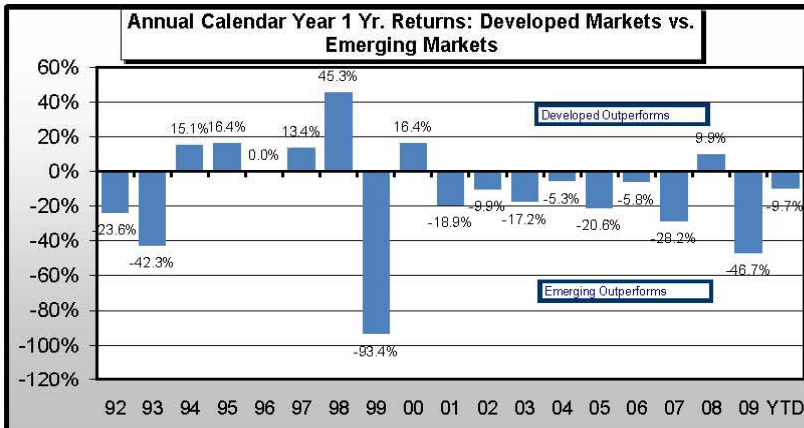
|               | Qtr.   | 1 Yr. | 5 Yr. |
|---------------|--------|-------|-------|
| Euro          | -10.3% | 7.1%  | -2.5% |
| Japanese Yen  | -5.6%  | -6.7% | -5.9% |
| British Pound | -5.1%  | 1.5%  | 2.3%  |
| Canada        | -3.5%  | -4.4% | -2.4% |
| Australia     | -12.8% | -8.9% | -4.6% |

Source: M

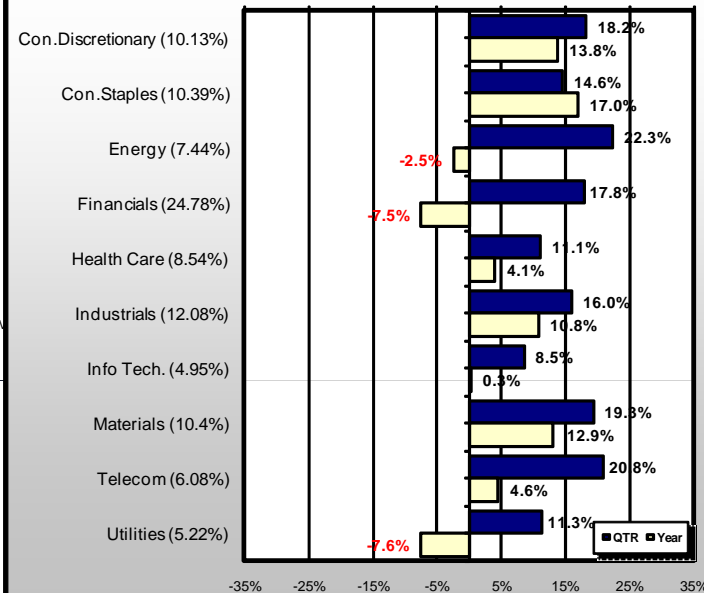
## Currency Impact on Developed Mkt. Returns

(Negative = Currency Hurt, Positive = Currency Helped)

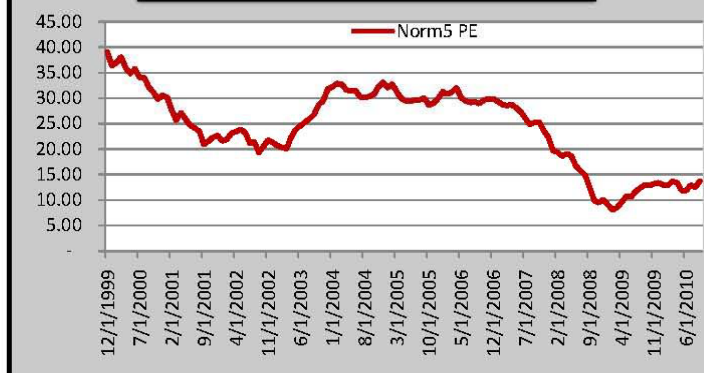
|                   | Qtr.  | 1 Yr. | 5 Yr. |
|-------------------|-------|-------|-------|
| MSCI EAFE (Local) | 7.1%  | 2.6%  | -0.9% |
| MSCI EAFE (USD)   | 16.5% | 3.3%  | 2.0%  |
| Currency Impact   | 9.4%  | 0.7%  | 2.9%  |



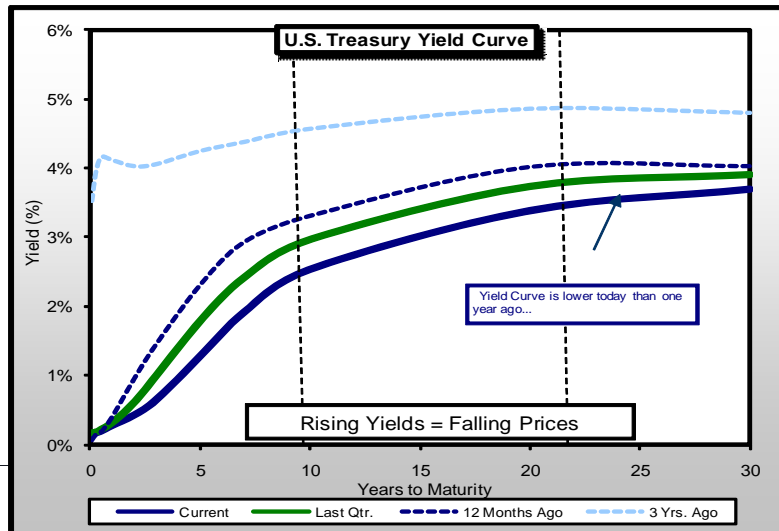
## MSCI EAFE Sector Returns (Wgts. %)



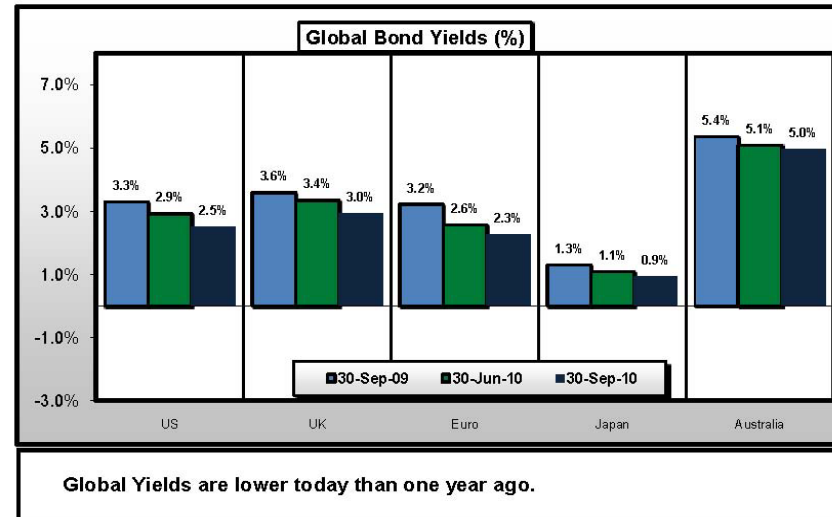
## 5 Yr. Normalized Non-US Equity P/E Ratio



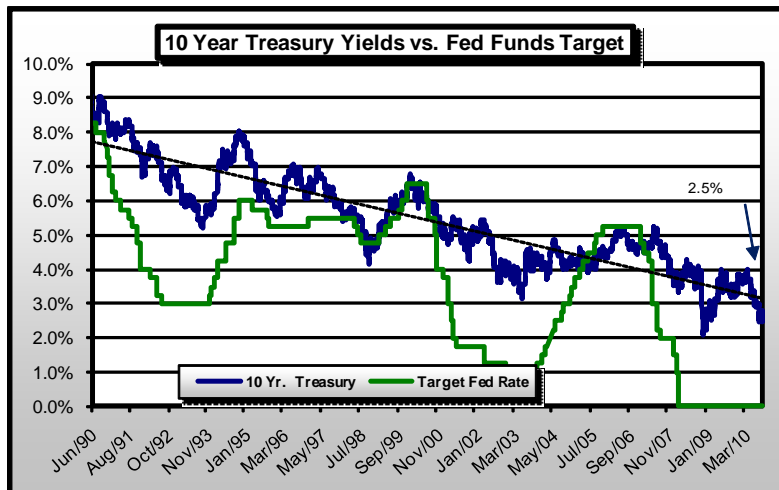
# Market Environment – Interest Rates



Source: Bloomberg

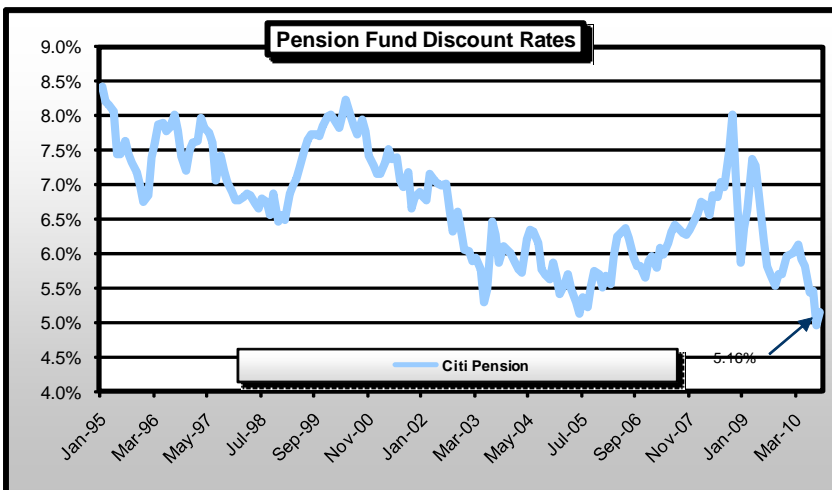


Source: Bloomberg



Fed Funds rate target is still between 0% and 0.25% while 10 Yr. Treas. Yield decreased to 2.5% in Q3.

Source: United States Federal Reserve

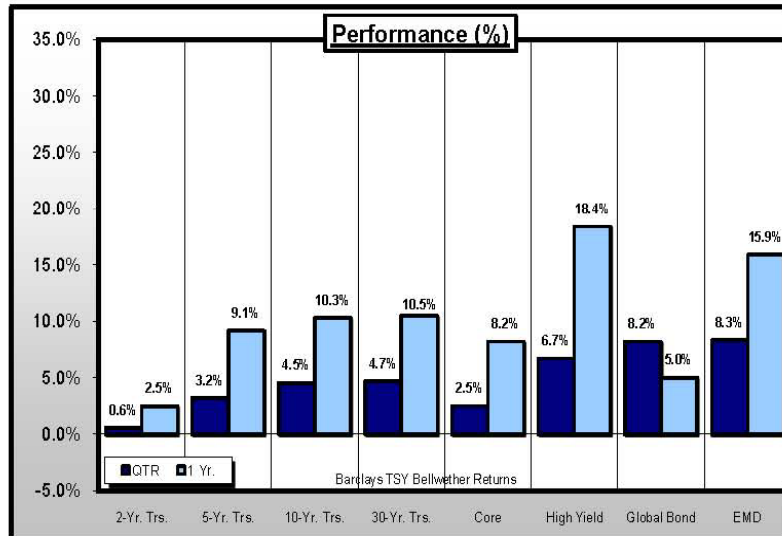


Citi Pension rate decreased to 5.16% in Q3 of 2010.

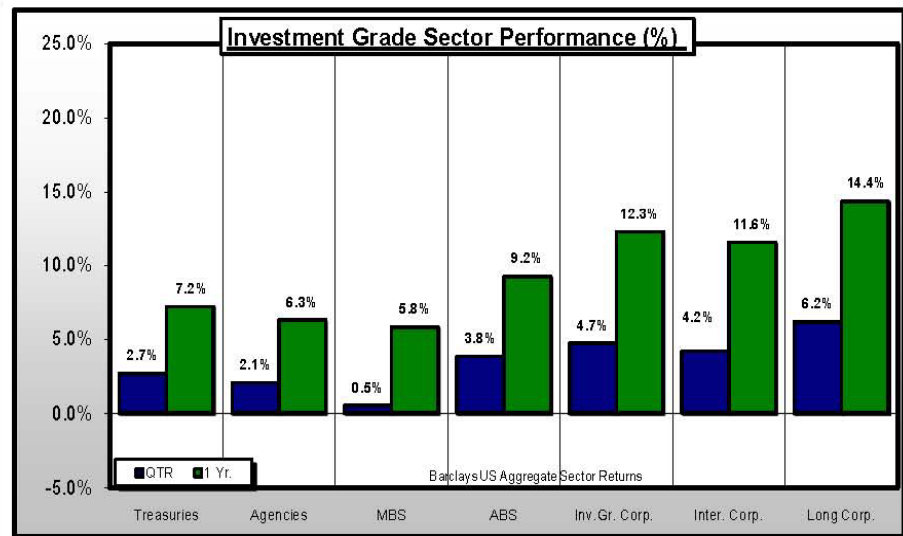
Source: Citigroup



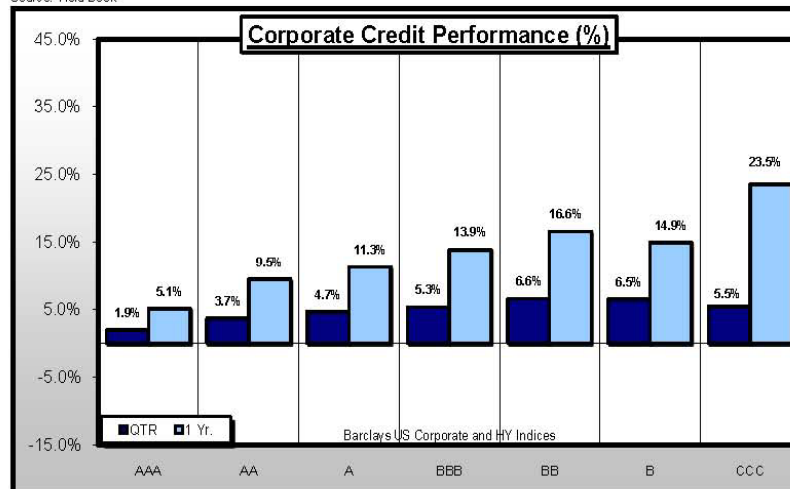
# Fixed Income Performance



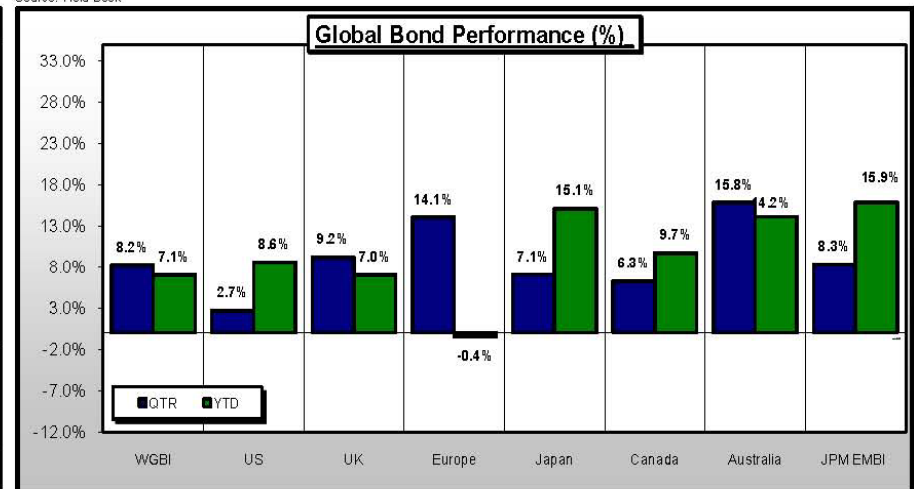
Source: Yield Book



Source: Yield Book

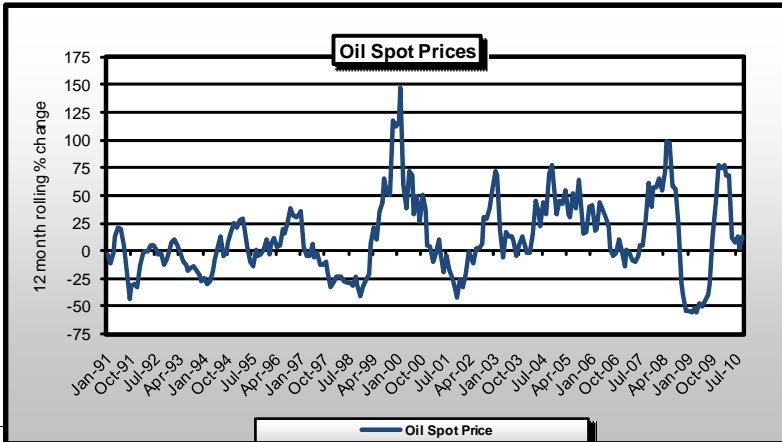


Source: Yield Book



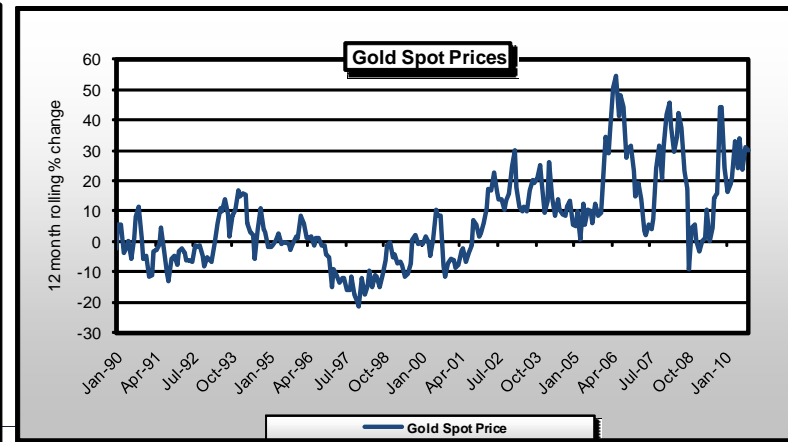
Source: Yield Book

# Market Environment – Commodities



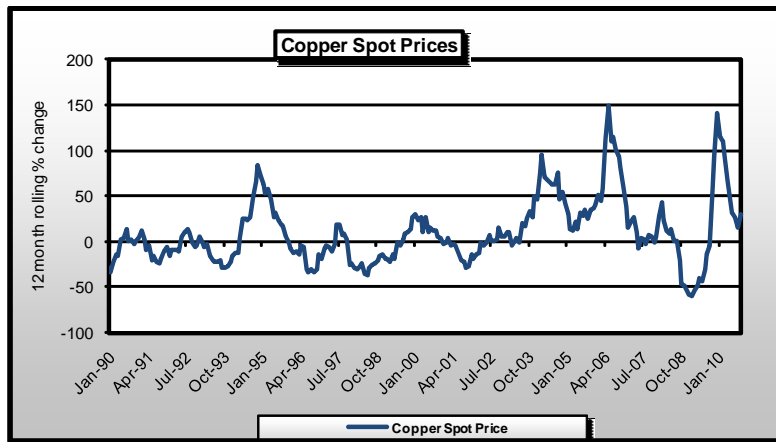
Oil prices rose to \$80 per barrel at the end of Q3.

Source: Bloomberg



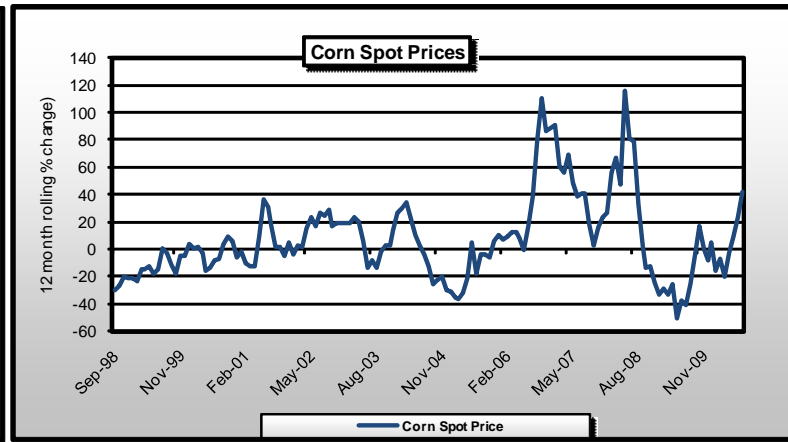
Gold prices finished at \$1,308 per ounce at the end of Q3 .

Source: Bloomberg



Copper prices decreased to \$8006 per metric ton in Q3.

Source: Bloomberg



Corn prices finished at \$4.63/bushel at the end of Q3.

Source: Bloomberg



# Information Disclosure

- NEPC uses, as its data source, the plan's custodian bank or fund service company, and NEPC relies on those sources for security pricing, calculation of accruals, and all transactions, including income payments, splits, and distributions. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
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