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City of San Jose Police & Fire Department Retirement Plan

Third Quarter 2010 Real Estate Review

January 21, 2011

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Information Disclosure

- NEPC, LLC uses, as its data source, the plan's fund manager and custodian bank or fund service company, and NEPC, LLC relies on those sources for all transactions, including capital calls, distributions, income/expense and reported values. While NEPC, LLC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- The Investment Performance Analysis is provided as a management aid for the client's internal use only. Portfolio performance reported in the Investment Performance Analysis does not constitute a recommendation by NEPC, LLC.
- Information in this report on market indices and security characteristics is received from sources external to NEPC, LLC. While efforts are made to ensure that this external data is accurate, NEPC, LLC cannot accept responsibility for errors that may occur.



January 21, 2011

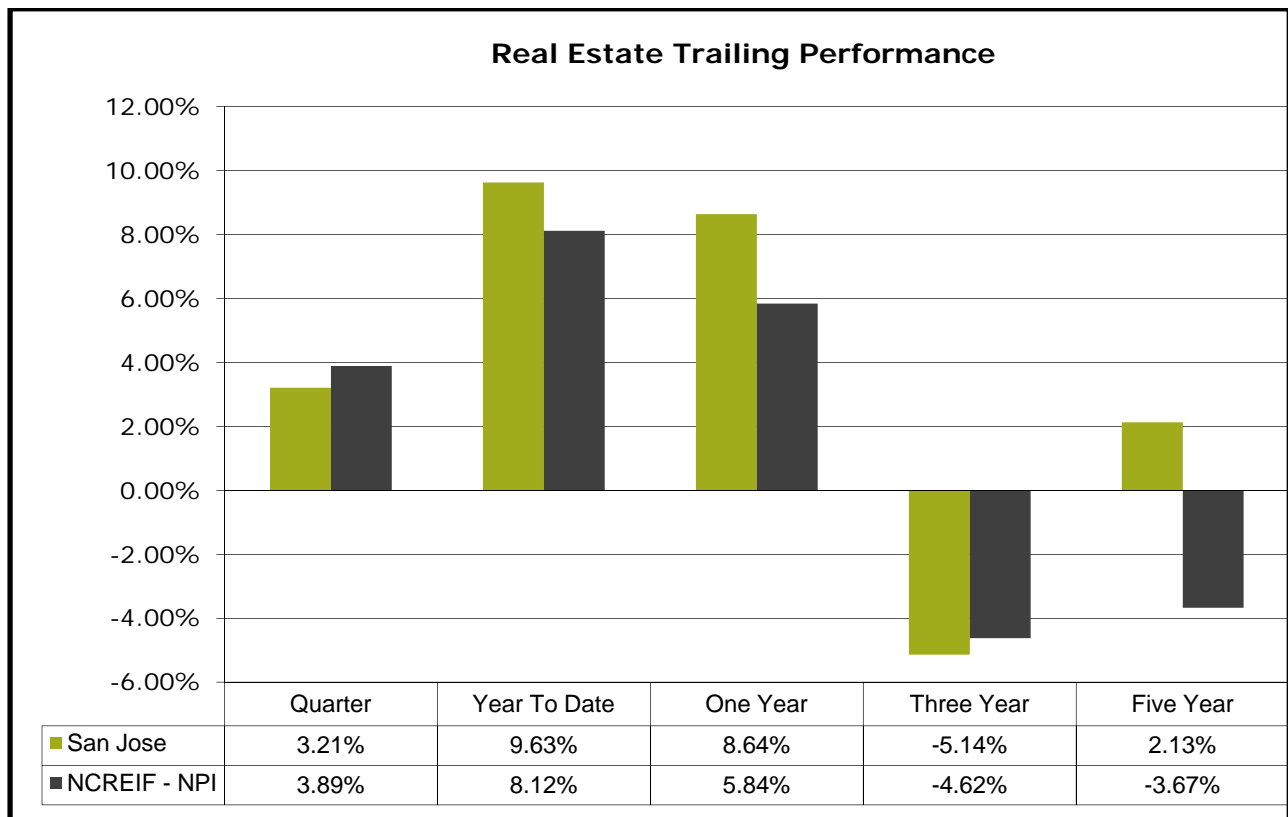
Board of Administration
 City of San Jose Police & Fire Department Retirement Plan
 1737 North First Street
 San Jose, CA 95112

RE: Private Markets Real Estate – 3rd Quarter 2010

Dear Board of Administration Members:

We are pleased to present the September 30, 2010 Private Markets Real Estate Report for the City of San Jose Police & Fire Department Retirement Plan (the "Plan"). The report provides a variety of performance analysis for the overall real estate portfolio, as well as trailing performance, performance by lifecycle, vintage year and strategy.

The Plan's real estate portfolio experienced a positive quarter, having a nominal IRR of 3.21% for the period, and 8.64% for the past year. The annualized IRR of the real estate portfolio since inception was 7.10%.





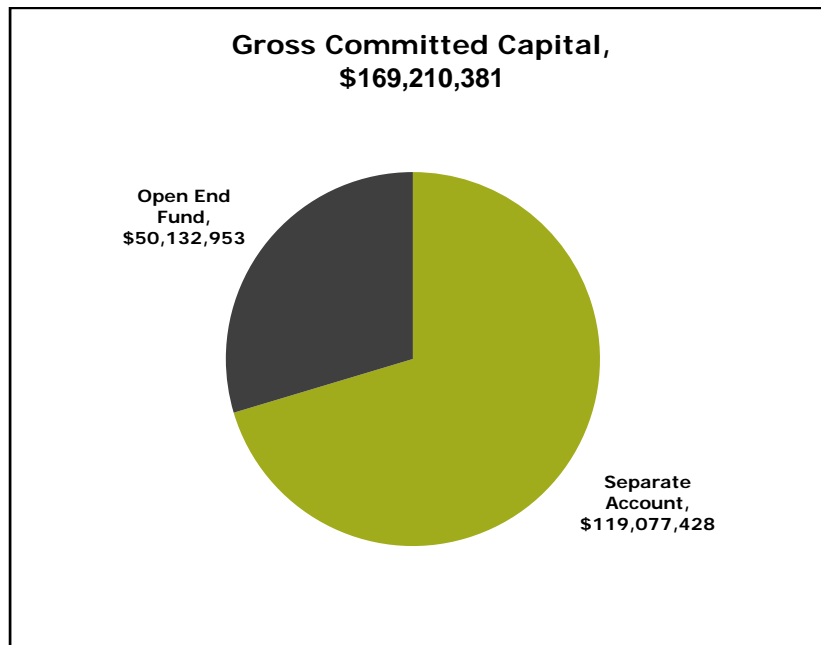
Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.32. The following table presents the status of the Plan's real estate portfolio as of September 30, 2010:

Commitments	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$169,210,381	\$0	\$184,128,001	\$183,660,837	\$162,689,107	108.82%	99.75%

Unfunded Commitments	Market Exposure (Reported Value + Unfunded Commitments)	Total Fund Composite as of 9/30/2010	Private Real Estate Target	Reported Value of Total Fund	Market Exposure as a % Total Fund
\$0	\$162,689,107	\$2,548,146,732	10%	6.38%	6.38%

Total Value (Reported Value + Distributions)	Total Value To Paid In Capital	Internal Rate of Return IRR, Since Inception (Mar 1986)
\$346,349,944	0.86	7.10%

As of September 30, 2010, the Plan had commitments totaling \$169.2 million to four real estate accounts. Of the four accounts in the portfolio, one is a direct separate account; one is an open ended core fund and two are terminated. The following charts illustrate the program's current allocation by vehicle:

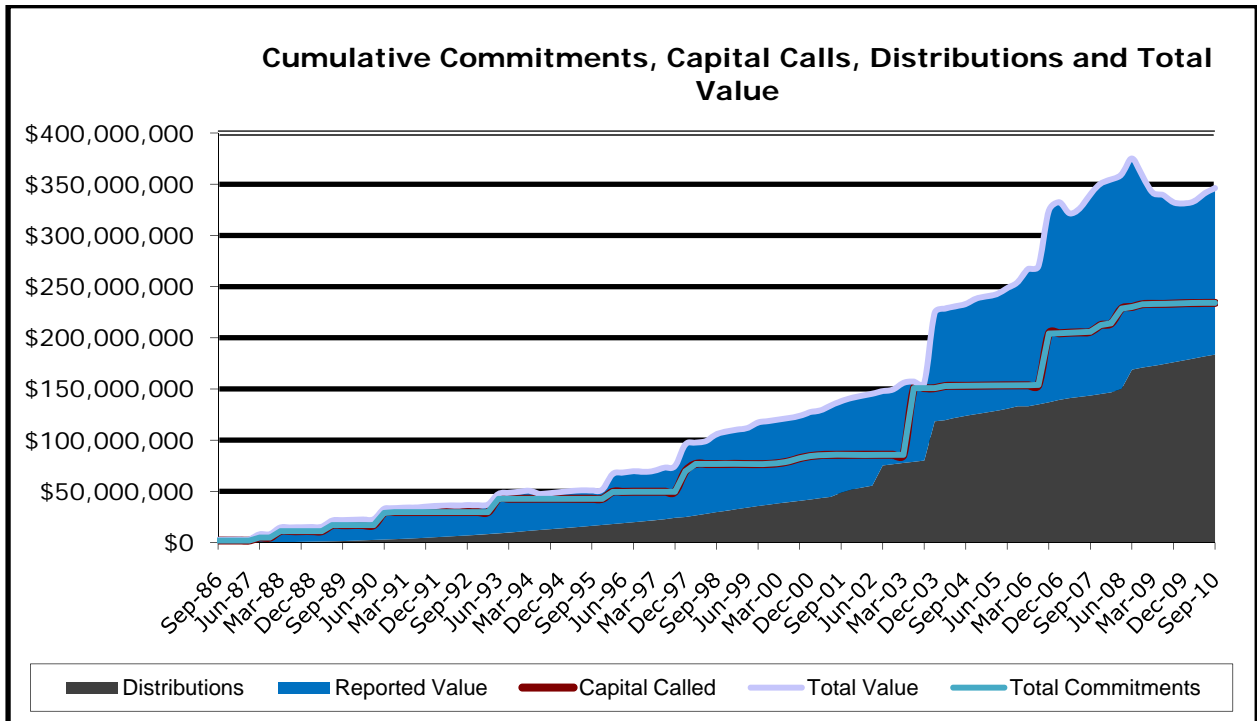




The following chart illustrates the commitment history of the Plan's real estate program through September 30, 2010:

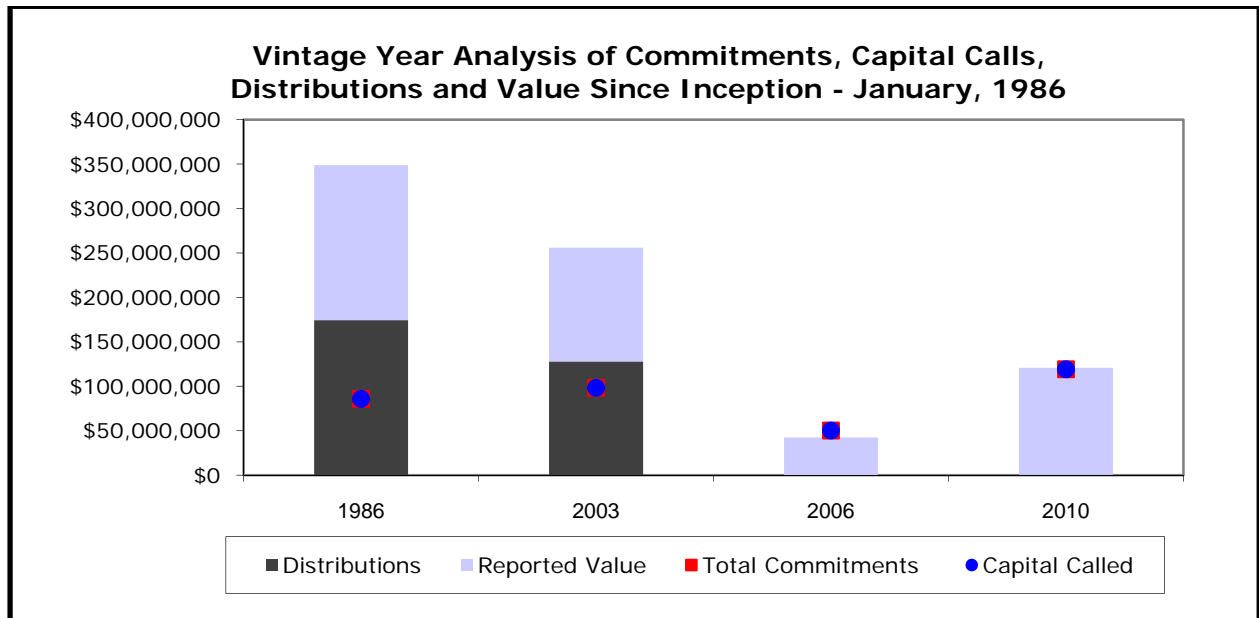


The following chart illustrates the Plan's cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through September 30, 2010:

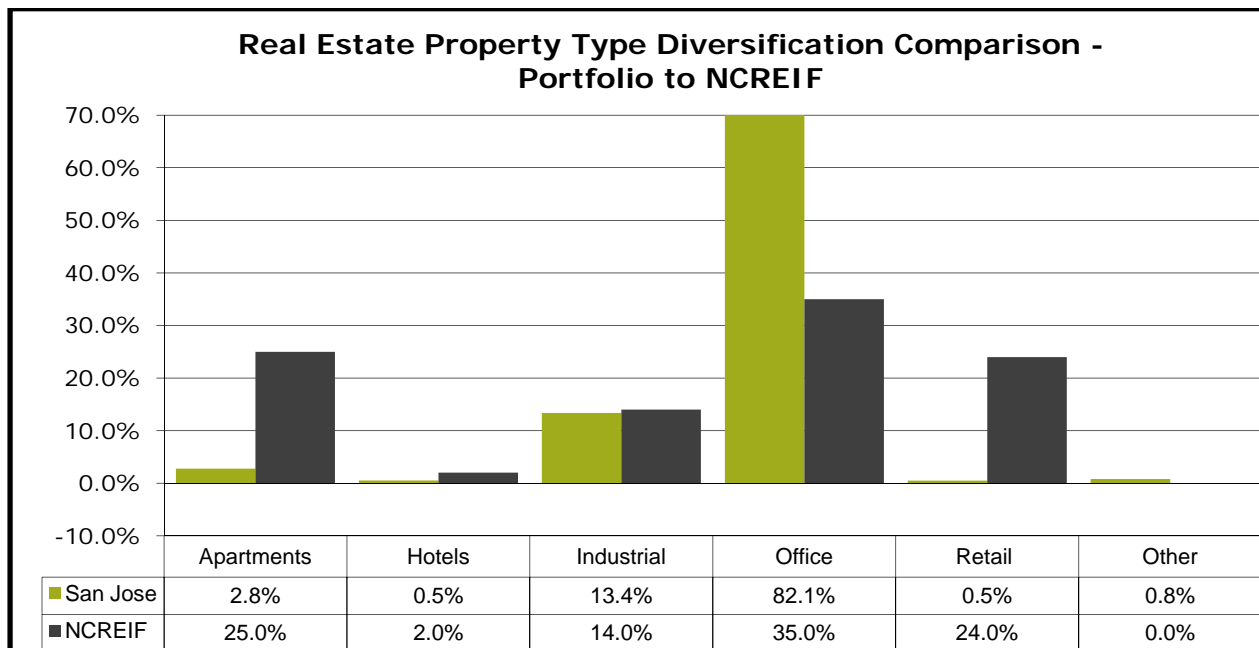




The following chart provides an analysis of the Plan's vintage year performance comparing the capital calls to the distributions and reported value through September 30, 2010:



The following chart provides an analysis of the Plan's real estate portfolio diversification by property type through September 30, 2010:

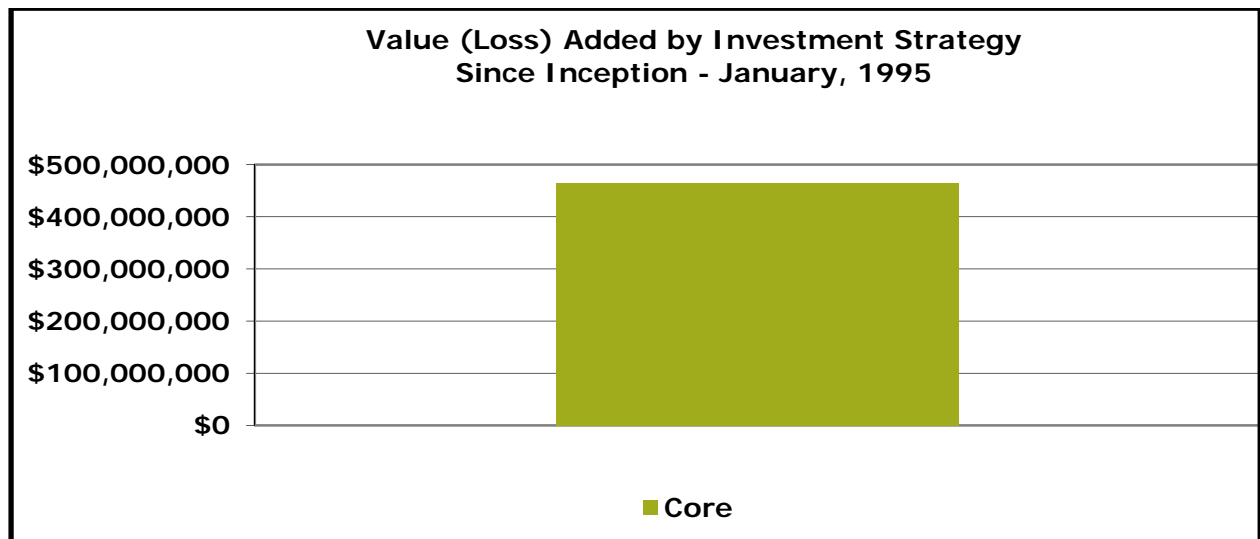




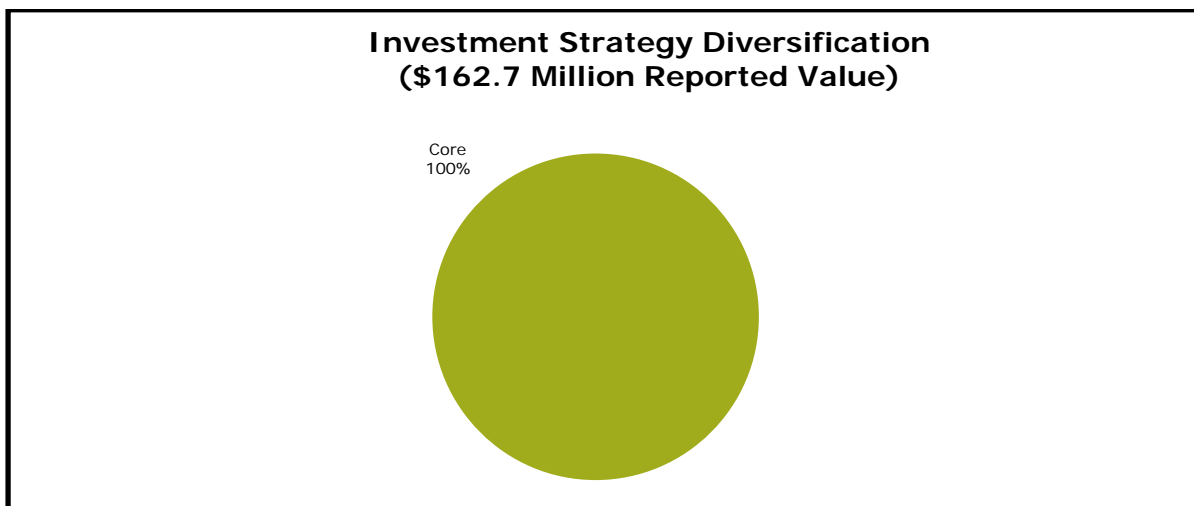
During the quarter-ended September 30, 2010, the Plan's real estate portfolio paid calls and expenses to one account and received distributions from two accounts. The summary of the cash flows is as follows:

Calls & Expenses Funded during the Quarter	Number of Funds Calling Capital	Distributions during the Quarter	Number of Funds Making Distributions	Net Cash/Stock Flows for the Quarter
\$119,263,173	2	\$120,723,227	3	\$1,460,054

Since inception, the Core Real Estate program has added \$465,427,076 in value for the Plan.



At quarter end, the real estate program had the following investment strategy diversification by the investment fund's reported value:





Private Markets Real Estate– Status of Target Allocations by Vintage Year and Redemption Requests.

2010 – Projected Activity

- The Plan's current Real Estate Strategy is to move from a portfolio of directly held properties to a portfolio of fund investments. The transition to bring the separate accounts under the management of American Realty Advisors has been completed, and will be followed by an exchange of many of the separate account assets for interests in American Realty's core fund. Future activity should include identification of potential specialty funds to further diversify the portfolio.

Annual Meetings

- No upcoming meetings

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

Best regards,

Allan Martin
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Kevin Tatlow, CAIA
Senior Consultant

Daniel LeBeau
Consultant



Portfolio Fund Strategies and Highlights

Kennedy Associates Real Estate Separate Account, Core

As of September 1, 2010, American Realty Advisors commenced management responsibility for Kennedy Associates.

MIG Real Estate Separate Account, Core

As of September 1, 2010, American Realty Advisors commenced management for MIG Real Estate Separate account.

American Realty Separate Account

American Realty commenced management responsibilities for the portfolio of nine properties effective September 1, 2010. Seven commercial properties were taken over from Kennedy Associates Real Estate Counsel and two multi-family properties were taken over from MIG II Realty Advisors. Since the takeover, American Realty has accomplished many of the initial goals established with the plan.

\$120.1 mil	9 Properties	Property Type Diversification						
		Apartment	Hotel	Industrial	Office	Retail	Other	
American Realty		31.6%	-	3.8%	64.6%	-		
NCREIF - NPI		25.0%	2.0%	14.0%	35.0%	24.0%	-	
<i>Overweight/(Underweight)</i>		7.0%	(2.0%)	(10.2%)	29.2%	(24.0%)	-	
		Geographic Diversification						
		East	Midwest	South	West	Europe	Asia	Other
American Realty		-	27.7%	13.5%	58.8%	-	-	-
NCREIF - NPI		35.0%	11.0%	22.0%	33.0%	-	-	-
<i>Overweight/(Underweight)</i>		(35.0%)	16.7%	(8.5%)	25.8%	-	-	-



Multi-Employer Property Trust, Core

MEPT is an open-end core fund that typically takes less leverage risk but more development risk than its peers. Fund management will make forward commitments based on substantial pre/post construction lease-up requirements.

As of September 30, 2010, MEPT posted a total return of 6.1%, net of fees. The fund's portfolio-level leverage was at 19.0%, slightly up from the second quarter, at 18.0%. The weighted average interest rate was 6.0%, and the fund does not have any loan maturities in 2010. Development stands at 4.4%, down from 6.3% at the end of the second quarter.

\$3.8 billion 140 Investments		Property Type Diversification						
		Apartment	Hotel	Industrial	Office	Retail	Other	
Multi-Employer Property Trust		13.0%	3.0%	23.0%	55.0%	3.0%	3.0%	
NCREIF - NPI		25.0%	2.0%	14.0%	35.0%	24.0%	-	
Overweight/(Underweight)		(12.0%)	1.0%	8.0%	20.0%	(21.0%)	3.0%	
<i>Note: Other includes Land</i>								
		Geographic Diversification						
		East	Midwest	South	West	Europe	Asia	Other
Multi-Employer Property Trust		39.0%	20.0%	2.0%	39.0%	-	-	-
NCREIF - NPI		35.0%	11.0%	22.0%	33.0%	-	-	-
Overweight/(Underweight)		6.0%	9.0%	(20.0%)	4.0%	-	-	-
Reinvestment Policy		Income is reinvested						
Management Fees		Fees are paid from the capital account						
Queue Status		As of September 30, 2010: Entry Queue was \$0. Redemption Queue was \$0.						

San Jose Police and Fire

Executive Summary IRR Performance Report

9/30/2010

Investment	Vintage	Commitment	Qtr TD	YTD	1 Year	3 Year	5 Year	Inception
American Realty Separate Account	2010	183,942,256						1.18
Kennedy Separately Managed Account	2003	98,259,057	2.27	13.00	11.83	-4.74	4.55	5.97
MIG Separately Managed Account	1986	85,868,944	0.65	4.05	5.85	-0.48	2.84	8.44
Multi-Employer Property Trust	2006	50,132,953	5.76	8.79	4.50	-10.88		-4.02
		418,203,210	3.21	9.63	8.64	-5.14	2.13	7.10

Composite IRRs include all flows of the selected investments regardless of the start date of the investment.

**San Jose Police and Fire
Performance Analysis**

9/30/2010

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
1 American Realty Separate Account	2010	119,077,428	119,077,428	0	0	335,164	120,145,407	120,480,571	1,403,143	100 %	0.00	1.01	1.18 %
2 Kennedy Separately Managed Account	2003	98,259,057	98,259,057	0	0	127,990,491	0	127,990,491	29,731,434	100 %	1.30	1.30	5.97 %
3 MIG Separately Managed Account	1986	85,868,944	85,868,944	0	0	174,412,315	0	174,412,315	88,543,371	100 %	2.03	2.03	8.44 %
4 Multi-Employer Property Trust	2006	50,132,953	50,132,953	0	0	0	42,543,700	42,543,700	-7,589,253	100 %	0.00	0.85	-4.02 %
4 Total Partnerships		353,338,382	353,338,382	0	0	302,737,969	162,689,107	465,427,076	112,088,694	100 %	0.86	1.32	7.10 %

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

9/30/2010

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
6 Terminated													
1 Kennedy Separately Managed Account	2003	98,259,057	98,259,057	0	0	127,990,491	0	127,990,491	29,731,434	100 %	1.30	1.30	5.97 %
2 MIG Separately Managed Account	1986	85,868,944	85,868,944	0	0	174,412,315	0	174,412,315	88,543,371	100 %	2.03	2.03	8.44 %
6 Terminated Subtotal		184,128,001	184,128,001	0	0	302,402,805	0	302,402,805	118,274,804	100 %	1.64	1.64	7.93 %
A Open End Real Estate													
3 Multi-Employer Property Trust	2006	50,132,953	50,132,953	0	0	0	42,543,700	42,543,700	-7,589,253	100 %	0.00	0.85	-4.02 %
A Open End Real Estate Subtotal		50,132,953	50,132,953	0	0	0	42,543,700	42,543,700	-7,589,253	100 %	0.00	0.85	-4.02 %
Separate Account													
4 American Realty Separate Account	2010	119,077,428	119,077,428	0	0	335,164	120,145,407	120,480,571	1,403,143	100 %	0.00	1.01	1.18 %
Separate Account Subtotal		119,077,428	119,077,428	0	0	335,164	120,145,407	120,480,571	1,403,143	100 %	0.00	1.01	1.18 %
4 Total Partnerships		353,338,382	353,338,382	0	0	302,737,969	162,689,107	465,427,076	112,088,694	100 %	0.86	1.32	7.10 %

**San Jose Police and Fire
Vintage Year Performance Analysis**

9/30/2010

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
1986													
1	MIG Separately Managed Account	85,868,944	85,868,944	0	0	174,412,315	0	174,412,315	88,543,371	100 %	2.03	2.03	8.44 %
1986 Subtotal		85,868,944	85,868,944	0	0	174,412,315	0	174,412,315	88,543,371	100 %	2.03	2.03	8.44 %
2003													
2	Kennedy Separately Managed Account	98,259,057	98,259,057	0	0	127,990,491	0	127,990,491	29,731,434	100 %	1.30	1.30	5.97 %
2003 Subtotal		98,259,057	98,259,057	0	0	127,990,491	0	127,990,491	29,731,434	100 %	1.30	1.30	5.97 %
2006													
3	Multi-Employer Property Trust	50,132,953	50,132,953	0	0	0	42,543,700	42,543,700	-7,589,253	100 %	0.00	0.85	-4.02 %
2006 Subtotal		50,132,953	50,132,953	0	0	0	42,543,700	42,543,700	-7,589,253	100 %	0.00	0.85	-4.02 %
2010													
4	American Realty Separate Account	119,077,428	119,077,428	0	0	335,164	120,145,407	120,480,571	1,403,143	100 %	0.00	1.01	1.18 %
2010 Subtotal		119,077,428	119,077,428	0	0	335,164	120,145,407	120,480,571	1,403,143	100 %	0.00	1.01	1.18 %
4 Total Partnerships		353,338,382	353,338,382	0	0	302,737,969	162,689,107	465,427,076	112,068,694	100 %	0.86	1.32	7.10 %

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

9/30/2010

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
610 RE Core													
1 American Realty Separate Account	2010	119,077,428	119,077,428	0	0	335,164	120,145,407	120,480,571	1,403,143	100 %	0.00	1.01	1.18 %
2 Kennedy Separately Managed Account	2003	98,259,057	98,259,057	0	0	127,990,491	0	127,990,491	29,731,434	100 %	1.30	1.30	5.97 %
3 MIG Separately Managed Account	1986	85,868,944	85,868,944	0	0	174,412,315	0	174,412,315	88,543,371	100 %	2.03	2.03	8.44 %
4 Multi-Employer Property Trust	2006	50,132,953	50,132,953	0	0	0	42,543,700	42,543,700	-7,589,253	100 %	0.00	0.85	-4.02 %
610 RE Core Subtotal		353,338,382	353,338,382	0	0	302,737,969	162,689,107	465,427,076	112,088,694	100 %	0.86	1.32	7.10 %
4 Total Partnerships													
		353,338,382	353,338,382	0	0	302,737,969	162,689,107	465,427,076	112,088,694	100 %	0.86	1.32	7.10 %

San Jose Police and Fire

Transaction Summary

7/1/2010 - 9/30/2010

	Date	Capital Calls	Additional Fees	Cash	Stock	Net Cash Flows
American Realty Separate Account						
	9/1/2010	119,077,428.00				119,077,428.00
	9/29/2010			335,163.98		118,742,264.02
Subtotal American Realty Separate Account		<u>119,077,428.00</u>	<u>0.00</u>	<u>335,163.98</u>	<u>0.00</u>	<u>118,742,264.02</u>
Kennedy Separately Managed Account						
	8/31/2010	185,745.00				185,745.00
	8/31/2010			916,244.50		-730,499.50
	9/1/2010			77,678,238.00		-78,408,737.50
Subtotal Kennedy Separately Managed Account		<u>185,745.00</u>	<u>0.00</u>	<u>78,594,482.50</u>	<u>0.00</u>	<u>-78,408,737.50</u>
MIG Separately Managed Account						
	8/31/2010			394,687.60		-394,687.60
	9/1/2010			41,398,893.00		-41,793,580.60
Subtotal MIG Separately Managed Account		<u>0.00</u>	<u>0.00</u>	<u>41,793,580.60</u>	<u>0.00</u>	<u>-41,793,580.60</u>
0	Grand Total	<u>119,263,173.00</u>	<u>0.00</u>	<u>120,723,227.08</u>	<u>0.00</u>	<u>-1,460,054.08</u>

Activity is cumulative for the period