



San Jose Police & Fire Department Retirement Plan

Third Quarter 2008 Executive Summary

Allan Martin, Partner

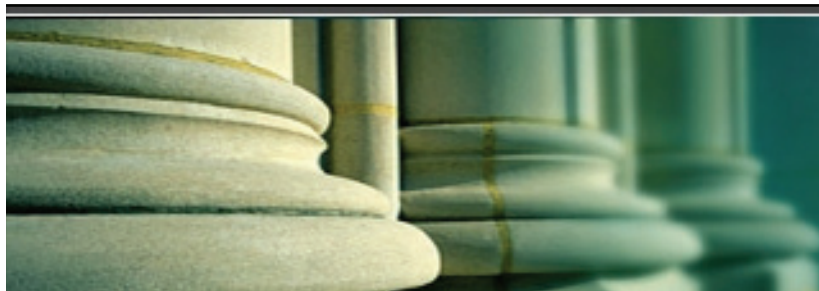
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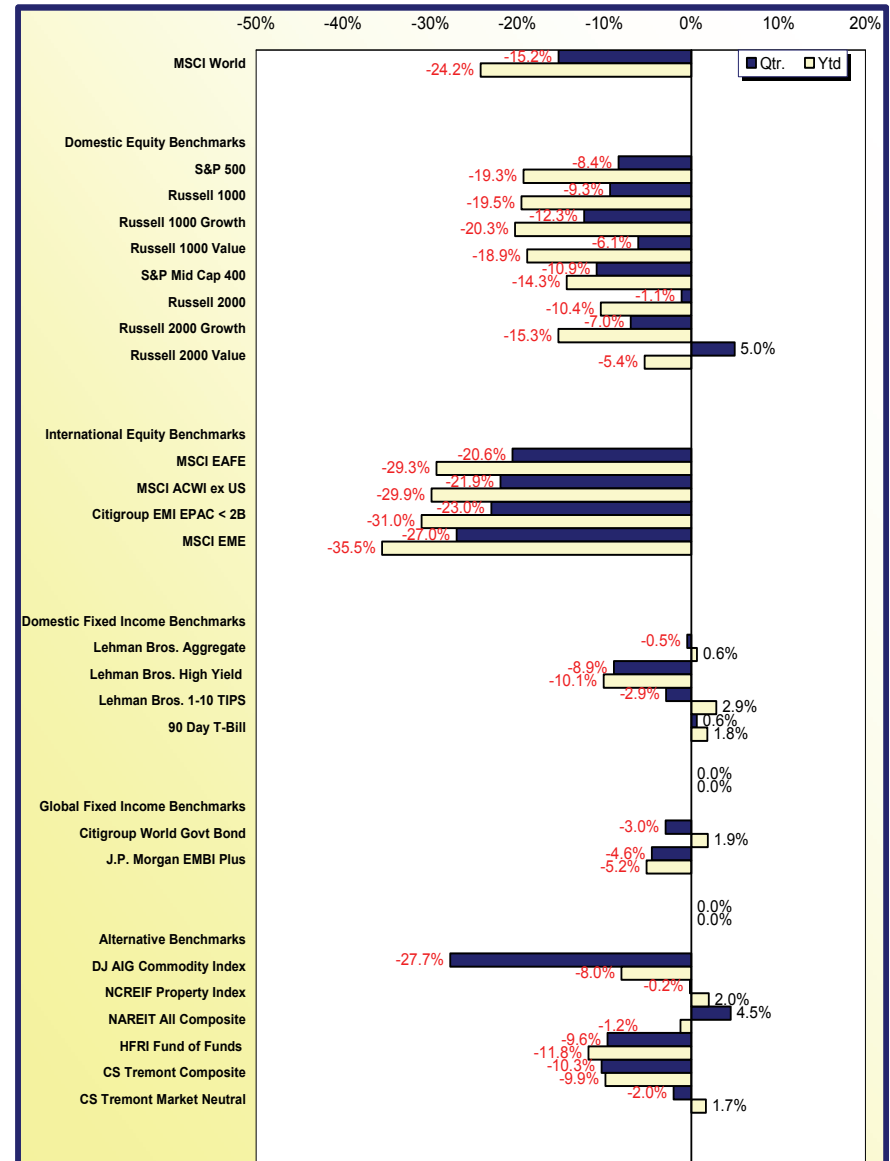


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Market Environment – Overview (as of 9/30/2008)

		Qtr.	Ytd	1 Yr.	3 Yr.	5 Yr.	10 Yr.
World Equity Benchmarks							
MSCI World	World	-15.2%	-24.2%	-26.0%	0.8%	7.3%	3.8%
Domestic Equity Benchmarks							
S&P 500	Large Core	-8.4%	-19.3%	-22.0%	0.2%	5.2%	3.1%
Russell 1000	Large Core	-9.3%	-19.5%	-22.1%	0.1%	5.5%	3.5%
Russell 1000 Growth	Large Growth	-12.3%	-20.3%	-20.9%	0.1%	3.7%	0.6%
Russell 1000 Value	Large Value	-6.1%	-18.9%	-23.6%	0.1%	7.1%	5.5%
S&P Mid Cap 400	Mid Core	-10.9%	-14.3%	-16.7%	1.8%	8.7%	10.3%
Russell 2000	Small Core	-1.1%	-10.4%	-14.5%	1.8%	8.1%	7.8%
Russell 2000 Growth	Small Growth	-7.0%	-15.3%	-17.1%	1.5%	6.6%	4.7%
Russell 2000 Value	Small Value	5.0%	-5.4%	-12.3%	2.0%	9.4%	10.1%
International Equity Benchmarks							
MSCI EAFE	International	-20.6%	-29.3%	-30.5%	1.1%	9.7%	5.0%
MSCI ACWI ex US	Int'l Developed	-21.9%	-29.9%	-30.3%	2.6%	11.3%	6.5%
Citigroup EMI EPAC < 2B	Small Cap Int'l	-23.0%	-31.0%	-34.3%	0.7%	11.6%	8.2%
MSCI EME	Em. Mkt. Eqty.	-27.0%	-35.5%	-33.2%	8.4%	18.7%	14.6%
Domestic Fixed Income Benchmarks							
Lehman Bros. Aggregate	Core Bonds	-0.5%	0.6%	3.7%	4.2%	3.8%	5.2%
Lehman Bros. High Yield	High Yield	-8.9%	-10.1%	-11.2%	1.1%	4.4%	4.4%
Lehman Bros. 1-10 TIPS	Inflation	-2.9%	2.9%	7.9%	5.1%	5.0%	n/a
90 Day T-Bill	Cash	0.6%	1.8%	2.9%	4.2%	3.3%	3.5%
Global Fixed Income Benchmarks							
Citigroup World Govt Bond	Global Bonds	-3.0%	1.9%	5.9%	5.6%	5.3%	5.4%
J.P. Morgan EMBI Plus	Em. Mkt. Bonds	-4.6%	-5.2%	-2.6%	4.4%	8.0%	12.6%
Alternative Benchmarks							
DJ AIG Commodity Index	Commodities	-27.7%	-8.0%	-3.7%	1.8%	10.1%	9.9%
NCREIF Property Index	Real Estate	-0.2%	2.0%	5.3%	13.2%	14.2%	11.8%
NAREIT All Composite	REIT	4.5%	-1.2%	-13.0%	3.4%	11.2%	11.3%
HFRI Fund of Funds	Fund of Funds	-9.6%	-11.8%	-10.1%	3.1%	5.1%	6.6%
CS Tremont Composite	All Hedge Funds	-10.3%	-9.9%	-7.7%	5.5%	7.3%	8.1%
CS Tremont Market Neutral	Market Neutral	-2.0%	1.7%	4.3%	8.2%	7.3%	9.4%



Structural Changes & Investment Results

- Over the last 12 months, the Fund experienced a gross investment loss of \$482.1 million, including a loss of \$249.4 million during the quarter. Total assets decreased from \$2.56 billion at the beginning of the quarter to \$2.35 billion on 9/30/2008, with \$37.6 million in net contributions.
- Over the past five years, the Fund returned 7.3% per annum, trailing the total fund benchmark by 0.1% and ranking in the 19th percentile of the Independent Consultant Cooperative's Public Funds Universe¹.
 - For the five-year period, active management added 10 basis points of value, but has also increased volatility for the period by 70 basis points.
- For the year, the Fund returned -16.5%, trailing the total fund benchmark by 1.2%, and ranking in the 81st percentile of public funds.
 - For the one-year period, active management detracted 80 basis points of value, while increasing the Fund's volatility by 140 basis points.
- For the quarter, the Fund posted a -9.6% return, trailing the total fund benchmark by 0.8% and ranking in the 79th percentile of public funds.
 - For the quarter, active management detracted 60 basis points of value.
- All asset classes were within policy ranges on 9/30/2008.

¹As of September 30, 2008, the ICC Public Funds Universe was comprised of 179 total funds with approximately \$693 billion in assets.

Fund Allocation (as of 9/30/2008)

	Market Value	Percent of Total Assets	Old Policy Target	Difference	Range	New Policy Target ¹
TOTAL FUND	\$2,349,742,422	100.0%				
TOTAL EQUITY	\$1,390,379,825	59.2%	59.0%	0.2%	39-72%	49.0%
U.S. EQUITY COMPOSITE	\$821,923,685	35.0%	34.0%	1.0%	29-39%	27.0%
<i>U.S. Large Cap Equity</i>	\$639,880,450	27.2%	27.0%	0.2%		22.0%
<i>U.S. Small Cap Equity</i>	\$182,043,235	7.7%	7.0%	0.7%		5.0%
NON-U.S. EQUITY COMPOSITE	\$568,456,140	24.2%	25.0%	(0.8%)		22.0%
<i>Non-U.S. Developed Markets</i>	\$447,405,103	19.0%	20.0%	(1.0%)	10-25%	17.0%
<i>Non-U.S. Emerging Markets</i>	\$121,051,037	5.2%	5.0%	0.2%	0-8%	5.0%
FIXED INCOME COMPOSITE	\$670,234,285	28.5%	24.0%	4.5%		23.0%
<i>Core Bonds</i>	\$541,565,499	23.0%	20.0%	3.0%	15-25%	18.0%
<i>Long Bonds</i>	\$104,011,048	4.4%	4.0%	0.4%	0-7%	0.0%
<i>Opportunistic Investments</i>	\$24,657,738	1.0%				5.0%
PRIVATE EQUITY	\$67,084,986	2.9%	5.0%	(2.1%)	0-8%	8.0%
REAL ESTATE	\$219,125,022	9.3%	12.0%	(2.7%)	0-17%	10.0%
REAL ASSETS	\$0					5.0%
ABSOLUTE RETURN	\$0					5.0%
CASH	\$2,918,304	0.1%	0.0%	0.1%		0.0%

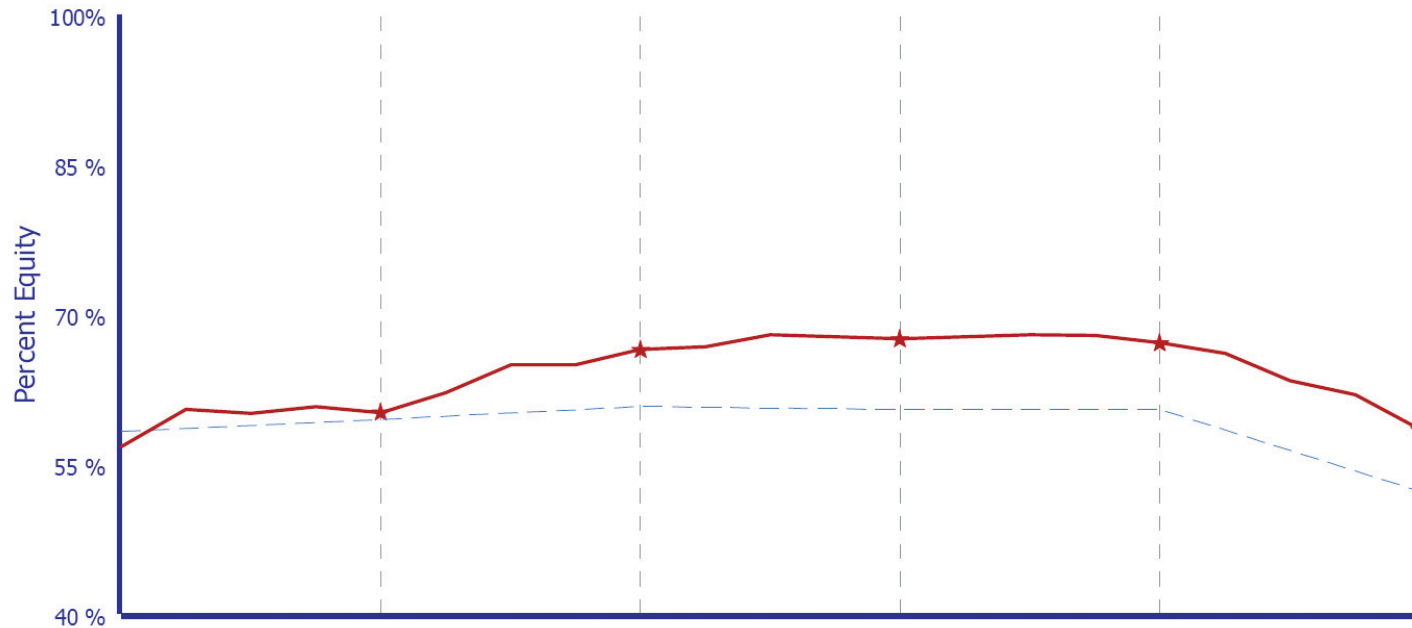
¹New asset allocation targets adopted at the May 21, 2008 Investment Committee meeting. The effective date for the new asset allocation targets will be proposed in the updated Investment Policy Statement.

Manager Allocation (as of 9/30/2008)

	Market Value	Weight in Fund	Target Weight	Over/ Under%	Fund Vehicle
Total Composite	\$2,349,742,422	100.0%	100.0%	0.0%	
Total Domestic Equity	\$821,923,685	35.0%	34.0%	1.0%	
Total Large Cap Equity	\$639,880,450	27.2%	27.0%	0.2%	
UBS	\$109,118,103	4.6%	5.0%	-0.4%	Separately Managed
Robeco	\$123,854,821	5.3%	5.0%	0.3%	Separately Managed
New Amsterdam	\$123,714,246	5.3%	5.0%	0.3%	Separately Managed
INTECH	\$44,726,950	1.9%	2.5%	-0.6%	Separately Managed
State Street (formerly Globalt)	\$38,272,609	1.6%	2.5%	-0.9%	Separately Managed
Rhumblin	\$200,193,721	8.5%	7.0%	1.5%	Separately Managed
Total Small Cap Equity	\$182,043,235	7.7%	7.0%	0.7%	
State Street (formerly TCW)	\$56,416,070	2.4%	2.5%	-0.1%	Separately Managed
State Street (formerly Provident)	\$47,210,086	2.0%	2.5%	-0.5%	Separately Managed
Rhumblin	\$78,417,079	3.3%	2.0%	1.3%	Separately Managed
Total Developed Int'l Equity	\$447,405,103	19.0%	20.0%	-1.0%	
AQR	\$87,957,381	3.7%	4.0%*	-0.3%	Commingled
Brandes	\$186,371,774	7.9%	8.0%*	-0.1%	Separately Managed
William Blair	\$173,075,948	7.4%	8.0%*	-0.6%	Separately Managed
Total Emerging Mkts Equity	\$121,051,037	5.2%	5.0%	0.2%	
The Boston Company	\$61,933,948	2.6%	2.5%*	0.1%	Commingled
AllianceBernstein	\$59,117,089	2.5%	2.5%*	0.0%	Commingled
Total Domestic Fixed Income	\$670,234,285	28.5%	24.0%	4.5%	
WAMCO	\$258,043,773	11.0%	10.0%*	1.0%	Separately Managed
Seix	\$283,521,726	12.1%	10.0%*	2.1%	Separately Managed
IR&M	\$104,011,048	4.4%	4.0%	0.4%	Separately Managed
PIMCO DISCO	\$24,657,738	1.0%	0.0%	1.0%	Commingled
Total Real Estate	\$219,125,022	9.3%	12.0%	-2.7%	
Kennedy Associates	\$108,273,136	4.6%	--	--	Separately Managed
MEPT	\$61,187,215	2.6%	--	--	Commingled
MIG Realty	\$49,664,671	2.1%	--	--	Separately Managed
Total Private Equity	\$67,084,986	2.9%	5.0%	-2.1%	
Cash	\$2,918,304	0.1%	0.0%	0.1%	

*Individual manager target weights for Developed Int'l Equity, Emerging Int'l Equity, and Core Domestic Fixed Income managers are not explicitly stated in the Investment Policy Statement. These are NEPC's assumptions based on current asset allocation weights.

Total Public Funds – Total Equity Commitment

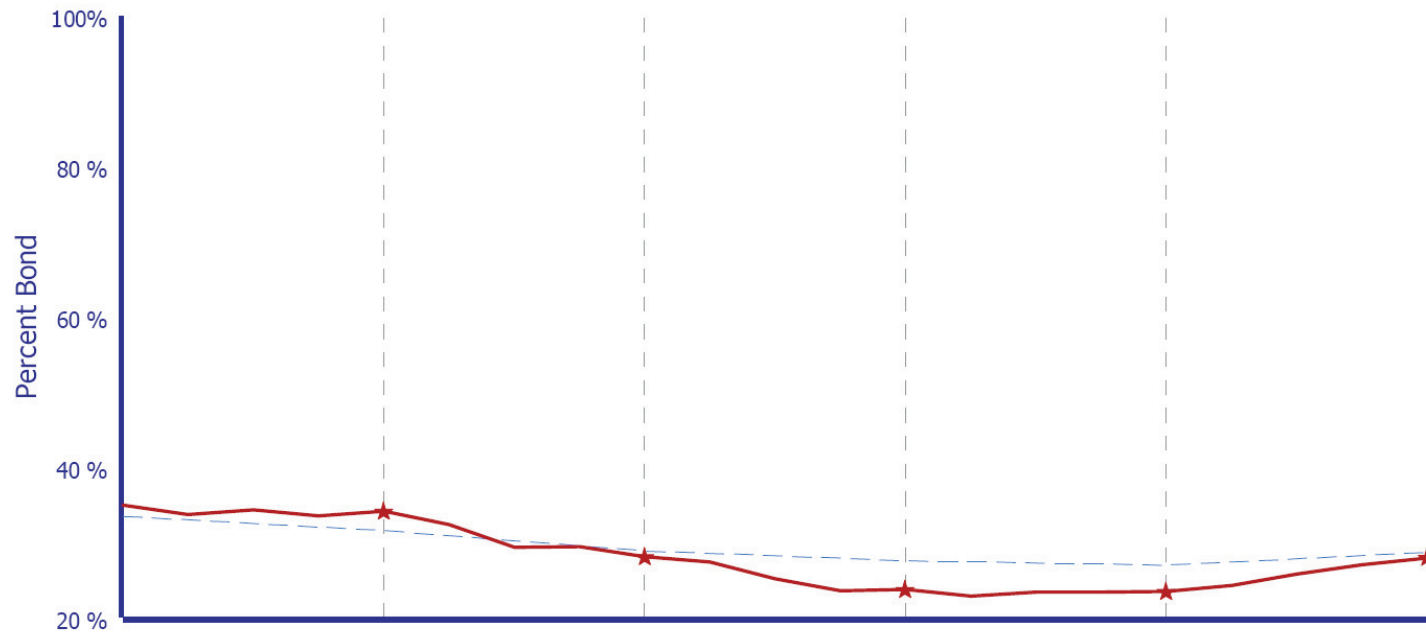


	9/03	9/04	9/05	9/06	9/07	9/08
5th	71.9	73.8	71.8	72.1	71.4	67.9
25th	63.2	64.2	66.5	64.4	64.5	58.2
— Median	58.3	59.5	60.8	60.5	60.5	52.3
75th	50.0	54.2	55.3	54.5	52.3	45.7
95th	20.1	28.0	30.9	35.5	0.8	16.0
★ TOTAL FUND	56.8 57	60.2 45	66.5 25	67.6 18	67.2 16	58.5 23

*Includes International Segment

*Total Equity Commitment excludes manager held cash for separately managed accounts.

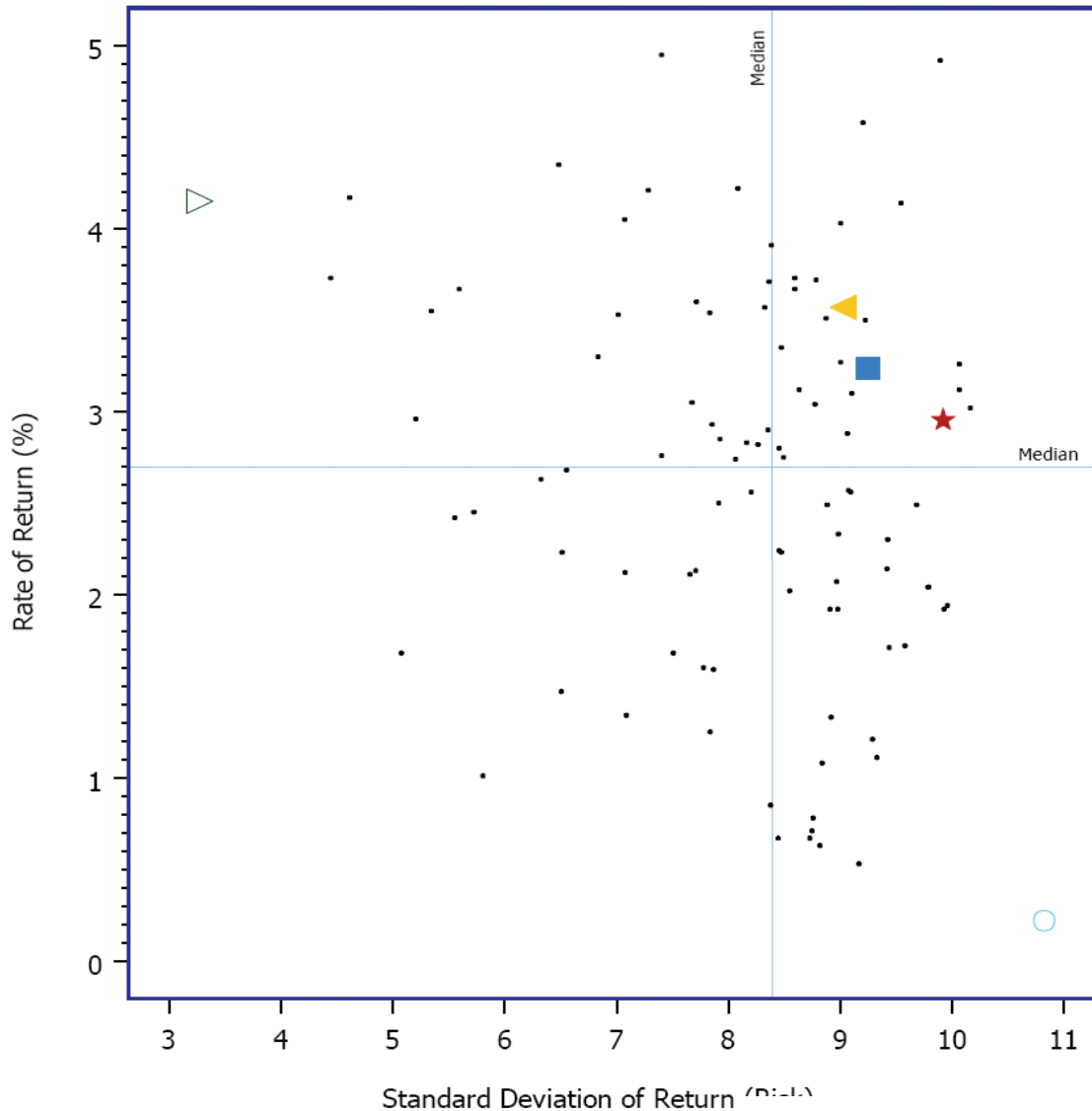
Total Public Funds – Total Fixed Income Commitment



	9/03	9/04	9/05	9/06	9/07	9/08
5th	61.3	56.9	53.0	51.8	55.9	61.9
25th	39.9	37.4	35.8	35.4	34.0	38.3
- Median	33.5	31.6	28.9	27.6	27.0	28.7
75th	28.0	26.7	25.2	23.4	22.0	24.2
95th	15.9	3.8	13.6	13.8	10.0	9.8
★ TOTAL FUND	35.0 43	34.2 40	28.1 57	23.8 73	23.5 70	28.0 55

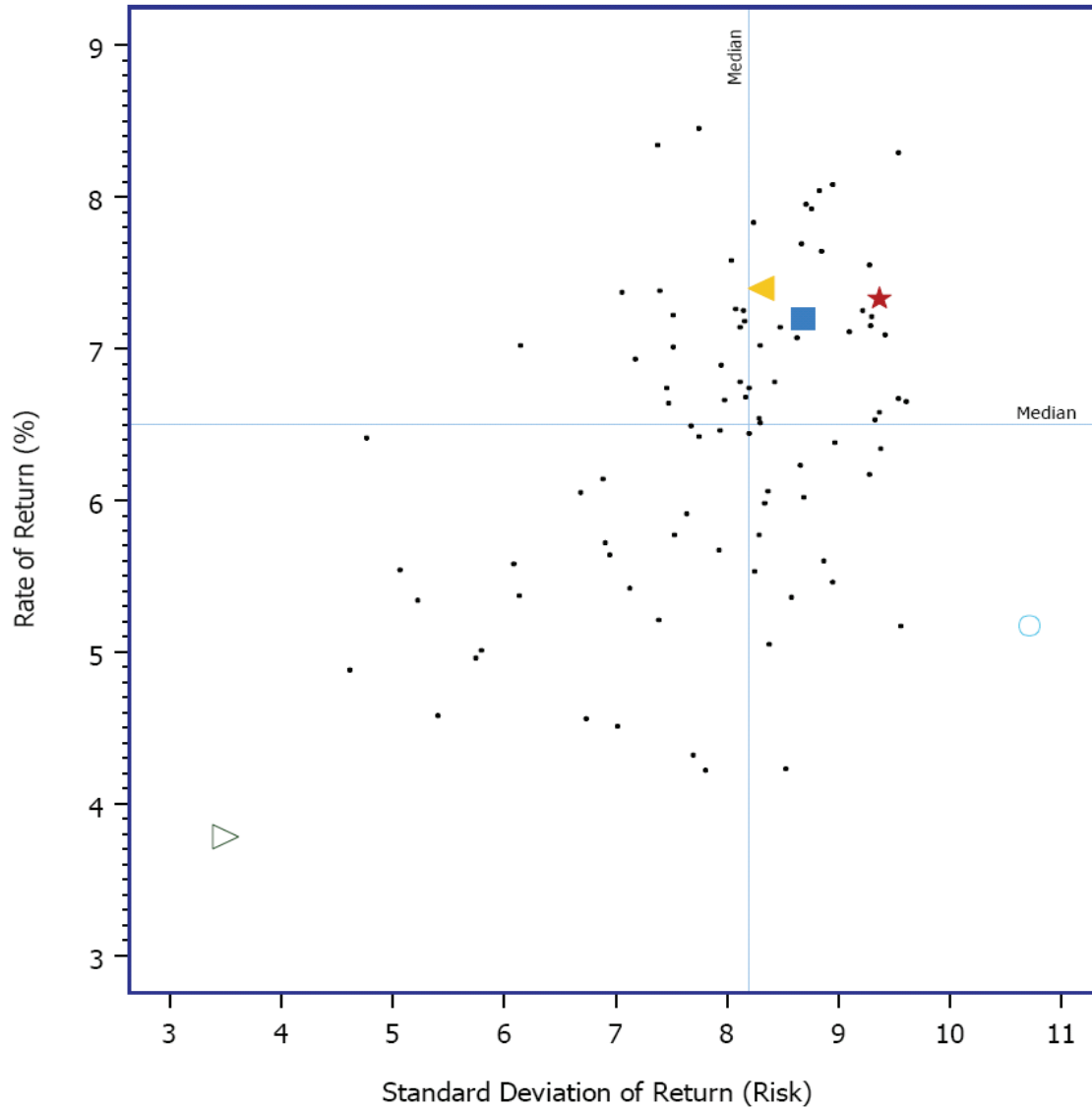
*Total Fixed Income Commitment excludes manager held cash for separately managed accounts.

Total Public Funds – Return vs. Volatility (3 Yrs. Ending 9/30/2008)



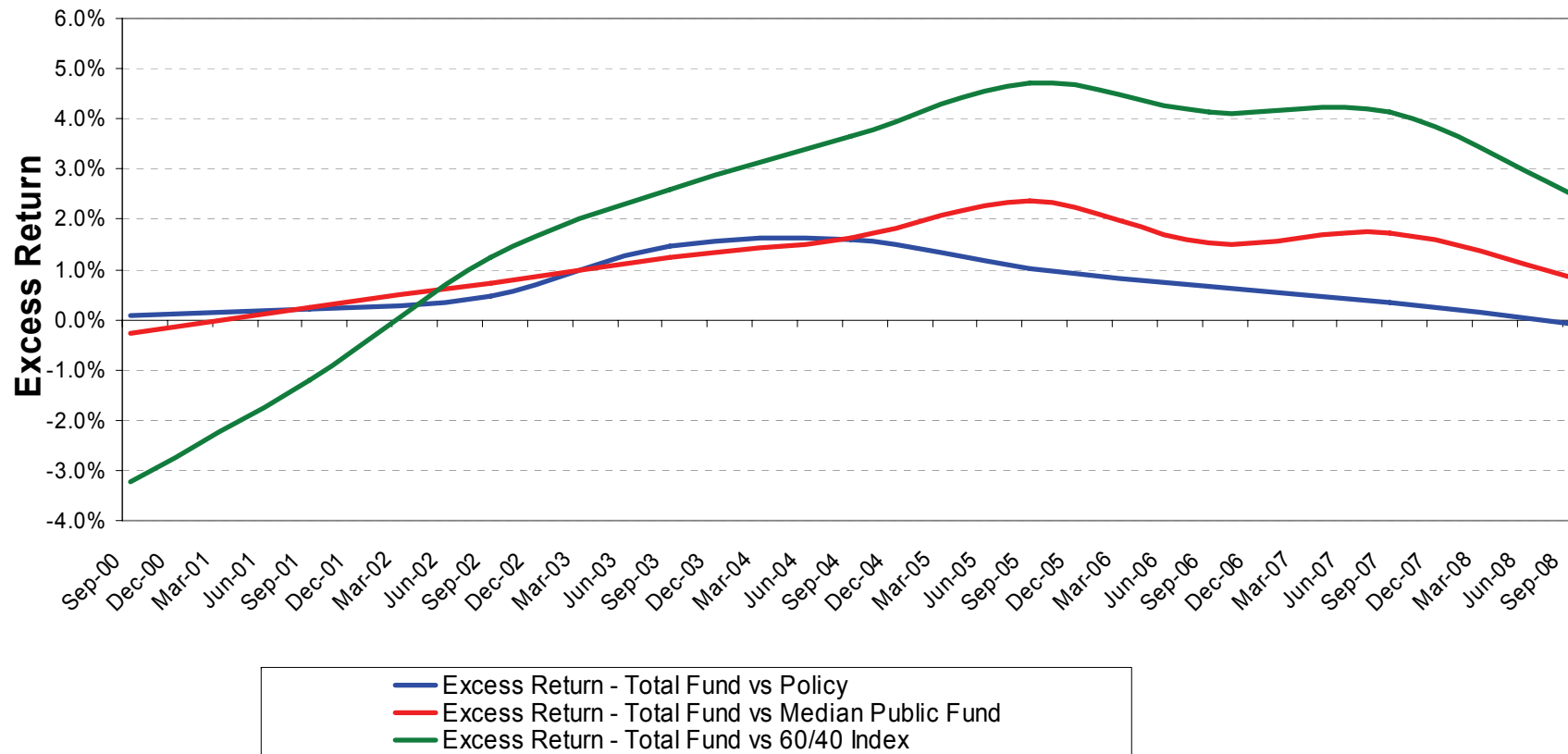
	Return	Standard Deviation	Sharpe Ratio
★ TOTAL FUND	3.0 39	9.9 89	-0.1
■ ALLOC INDEX	3.2 33	9.3 79	-0.1
▲ Policy Index	3.6 23	9.0 73	0.0
○ S&P 500	0.2 96	10.8 98	-0.3
▷ LB AGGREGATE	4.2 11	3.3 1	0.0
Median	2.7	8.4	-0.1

Total Public Funds – Return vs. Volatility (5 Yrs. Ending 9/30/2008)

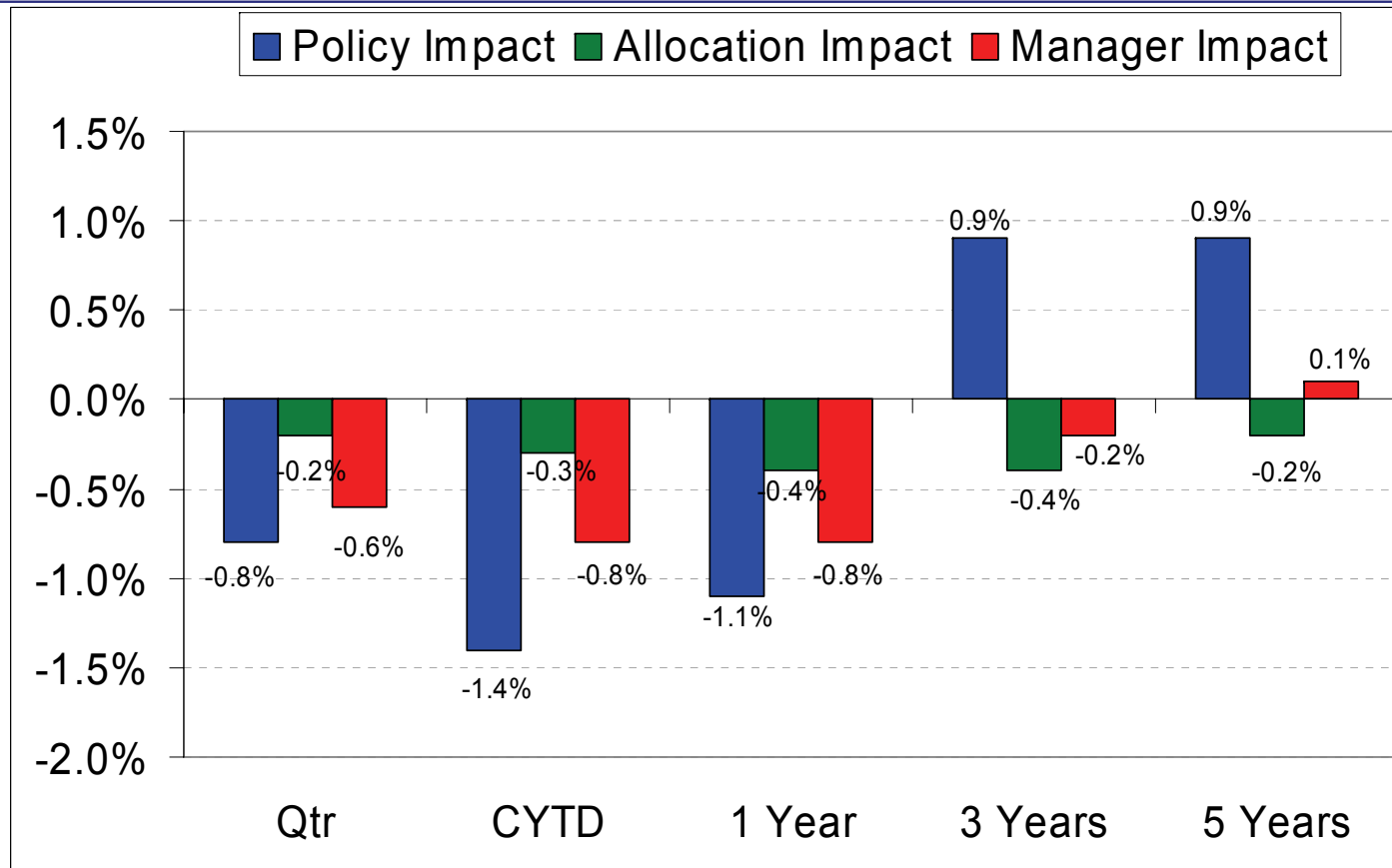


	Return	Standard Deviation	Sharpe Ratio
★ TOTAL FUND	7.3 19	9.4 89	0.5 35
■ ALLOC INDEX	7.2 24	8.7 72	0.5 31
▲ Policy Index	7.4 17	8.3 61	0.5 21
○ S&P 500	5.2 80	10.7 99	0.2 88
▷ LB AGGREGATE	3.8 96	3.5 1	0.2 94
Median	6.5	8.2	0.4

Rolling 5-Year Excess Returns (as of 9/30/2008)



Performance Attribution



Policy 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.

Third Quarter Performance Summary

Weight in Fund		Last 3 Months	Rank	Year to-Date	Rank	Last Year	Rank	Annualized Returns				Ending Market Value
								Three Years	Rank	Five Years	Rank	
100%	Total Fund Composite	-9.6%	79	-16.1%	88	-16.5%	81	3.0%	39	7.3%	19	\$2,349,742,422
	<i>Total Fund Composite (Net) ¹</i>	-9.7%		-16.4%		-16.8%		2.6%		7.0%		
	<i>Allocation Index</i>	-9.0%	66	-15.3%	79	-15.7%	71	3.2%	33	7.2%	24	
	<i>Total Fund Benchmark</i>	-8.8%	60	-15.0%	75	-15.3%	62	3.6%	23	7.4%	17	
	<i>CPI</i>	1.4%		8.0%		9.9%		8.3%		8.5%		
	ICC Public Funds Median	-8.0%		-13.6%		-14.2%		2.7%		6.5%		
35.0%	Total Domestic Equity	-7.9%	36	-18.5%	45	-21.1%	46	0.0%	60	6.2%	57	\$821,923,685
	<i>S&P 500</i>	-8.4%	46	-19.3%	57	-22.0%	57	0.2%	53	5.2%	77	
	<i>Russell 3000</i>	-8.7%	49	-18.8%	47	-21.5%	49	0.3%	50	5.7%	64	
	ICC Equity Funds Median	-8.8%		-19.0%		-21.6%		0.3%		6.8%		
27.2%	Total Large Cap Domestic Equity	-8.1%	27	n/a		n/a		n/a		n/a		\$639,880,450
	<i>S&P 500</i>	-8.4%	37	-19.3%	46	-22.0%	47	0.2%	45	5.2%	72	
	ICC Large Cap Equity Funds Median	-9.4%		-19.4%		-22.0%		0.1%		5.9%		
7.7%	Total Small Cap Domestic Equity	-7.2%	66	n/a		n/a		n/a		n/a		\$182,043,235
	<i>Russell 2000</i>	-1.1%	33	-10.4%	36	-14.5%	37	1.8%	48	8.1%	60	
	ICC Small Cap Equity Funds Median	-4.3%		-12.3%		-16.9%		1.6%		8.9%		
24.2%	Total International Equity	-22.5%	80	-31.2%	81	-31.2%	77	3.0%	50	12.1%	36	\$568,456,140
19.0%	Total Developed Int'l Equity	-21.7%	72	-30.7%	77	-31.5%	78	1.8%	68	10.5%	66	\$447,405,103
	<i>MSCI EAFE Net</i>	-20.6%	62	-29.3%	71	-30.5%	73	1.1%	82	9.7%	84	
	ICC Int'l Developed Equity Funds Median	-18.9%		-27.5%		-28.1%		3.0%		11.5%		
5.2%	Total Emerging Mkts Equity	-25.2%	36	-32.9%	33	-30.6%	33	7.5%	68	18.2%	67	\$121,051,037
	<i>MSCI Emg Mkts Free Net</i>	-27.0%	70	-35.5%	60	-33.2%	55	8.4%	45	18.7%	63	
	ICC Int'l Emerging Mkts Equity Median	-25.8%		-34.7%		-32.7%		8.1%		20.0%		
23.0%	Total Domestic Core Fixed Income	-1.9%	42	-2.4%	62	-0.4%	68	2.8%	71	3.7%	44	\$541,565,499
	<i>LB Aggregate</i>	-0.5%	15	0.6%	22	3.7%	22	4.2%	31	3.8%	39	
	ICC Core Bonds Median	-2.1%		-1.3%		1.5%		3.6%		3.6%		
4.4%	Total Domestic Long Duration Fixed Income	-6.3%	73	-6.5%	69	-2.5%	58	1.2%	72	n/a		\$104,011,048
	<i>LB US Gov't/Credit Long</i>	-3.4%	44	-4.1%	51	-0.4%	47	2.0%	58	3.7%	53	
	ICC Long Duration Bonds Median	-4.0%		-3.7%		-0.9%		3.6%		3.8%		
1.0%	Total Opportunistic Investments	2.8%		n/a		n/a		n/a		n/a		\$24,657,738
	<i>ML US HY BB/B Constrained</i>	-8.4%		-8.9%		-9.3%		1.2%		4.2%		
9.3%	Total Real Estate	0.5%	25	2.2%	31	3.9%	35	11.3%	60	11.4%	74	\$219,125,022
	<i>NCREIF Property Index</i>	-0.2%	67	2.0%	34	5.3%	28	13.2%	38	14.2%	42	
	ICC Real Estate Funds Median	0.0%		0.9%		2.7%		12.2%		13.8%		
2.9%	Total Private Equity	0.4%		9.4%		15.3%		11.9%		n/a		\$67,084,986
	<i>Russell 2000</i>	-1.1%		-10.4%		-14.5%		1.8%		8.1%		
0.1%	Total Cash	0.6%										\$2,918,304
	<i>90 day t-bills</i>	0.6%		1.8%		2.9%		4.2%		3.3%		

Net of fee returns longer than the most recent quarter end are estimates based on an estimated annual fund expense ratio of 33 basis points.

Performance Summary – Lrg. Cap Domestic Equity

Weight in Fund		Last 3 Months	Rank	Year to-Date	Rank	Last Year	Rank	Annualized Returns				Inception Date	Ending Market Value	
								Three Years	Rank	Five Years	Rank			
35.0%	Total Domestic Equity	-7.9%	36	-18.5%	45	-21.1%	46	0.0%	60	6.2%	57		\$821,923,685	
	S&P 500	-8.4%	46	-19.3%	57	-22.0%	57	0.2%	53	5.2%	77			
	Russell 3000	-8.7%	49	-18.8%	47	-21.5%	49	0.3%	50	5.7%	64			
	ICC Equity Funds Median	-8.8%		-19.0%		-21.6%		0.3%		6.8%				
27.2%	Total Large Cap Domestic Equity Composite	-8.1%	27	n/a		n/a		n/a		n/a			\$639,880,450	
	S&P 500	-8.4%	37	-19.3%	46	-22.0%	47	0.2%	45	5.2%	72			
	ICC Large Cap Equity Funds Median	-9.4%		-19.4%		-22.0%		0.1%		5.9%				
	Large Cap Value Equity													
4.6%	UBS	-7.7%	46	-18.1%	23	-21.5%	20	0.1%	31	6.6%	55	9.6%	May-93	\$109,118,103
	UBS (Net)	-7.8%		-18.3%		-21.8%		-0.2%		6.3%		8.9%		
	Russell 3000	-8.7%	54	-18.8%	29	-21.5%	20	0.3%	28	5.7%	75	8.6%		
	Russell 3000 + 1.0%	-8.5%		-18.5%		-20.5%		1.3%		6.7%		9.6%		
	Performance Variance	0.7%		0.2%		-1.2%		-1.5%		-0.4%		-0.7%		
5.3%	ROBECO	-2.0%	6	-15.6%	10	-18.4%	10	3.0%	8	9.7%	7	9.0%	Jul-96	\$123,854,821
	ROBECO (Net)	-2.0%		-15.7%		-18.7%		2.6%		9.4%		8.7%		
	Russell 1000 Value	-6.1%	23	-18.9%	29	-23.6%	35	0.1%	31	7.1%	5	8.1%		
	Russell 1000 Value + 1.0%	-5.9%		-18.5%		-22.6%		1.1%		8.1%		9.1%		
	Performance Variance	3.8%		2.8%		3.9%		1.6%		1.3%		-0.4%		
	ICC Large Cap Value Median	-8.6%		-21.3%		-25.6%		-0.9%		7.2%				
	Large Cap Growth Equity													
5.3%	New Amsterdam	-10.7%	30	-20.5%	48	-22.6%	60	-2.4%	81	5.1%	57	10.5%	Jan-95	\$123,714,246
	New Amsterdam (Net)	-10.8%		-20.7%		-22.8%		-2.7%		4.8%		10.2%		
	S&P 500	-8.4%	10	-19.3%	37	-22.0%	54	0.2%	39	5.2%	57	8.9%		
	S&P 500 + 1.0%	-8.1%		-18.9%		-21.0%		1.2%		6.2%		9.9%		
	Performance Variance	-2.7%		-1.8%		-1.8%		-3.9%		-1.4%		0.3%		
1.9%	INTECH	-13.4%	56	-22.9%	65	-21.8%	51	-1.2%	68	4.8%	64	3.6%	Nov-03	\$44,726,950
	INTECH (Net)	-13.6%		-23.2%		-22.2%		-1.8%		4.2%		3.1%		
	Russell 1000 Growth	-12.3%	40	-20.3%	43	-20.9%	46	0.1%	46	3.7%	82	2.7%		
	Russell 1000 Growth + 1.0%	-12.1%		-19.9%		-19.9%		1.1%		4.7%		3.7%		
	Performance Variance	-1.5%		-3.3%		-2.3%		-2.8%		-0.6%		-0.6%		
1.6%	State Street - formerly Globalt	-12.0%	38	-20.2%	42	-19.8%	40	-1.6%	73	3.6%	84	-1.6%	Jul-98	\$38,272,609
	State Street - formerly Globalt (Net)	-12.0%		-20.2%		-19.8%		-1.9%		3.3%		-2.0%		
	Russell 1000 Growth	-12.3%	40	-20.3%	43	-20.9%	46	0.1%	46	3.7%	82	-0.4%		
	Russell 1000 Growth + 1.0%	-12.1%		-19.9%		-19.9%		1.1%		4.7%		0.6%		
	Performance Variance	0.0%		-0.3%		0.1%		-3.0%		-1.5%		-2.6%		
	ICC Large Cap Growth Median	-13.0%		-20.6%		-21.5%		-0.2%		5.5%				
	Large Cap Core Equity													
8.5%	Rhumblin S&P 500	-8.2%	29	-19.1%	38	-21.8%	40	0.3%	56	5.2%	76	9.0%	Apr-92	\$200,193,721
	Rhumblin S&P 500 (Net)	-8.2%		-19.1%		-21.9%		0.2%		5.1%		9.0%		
	S&P 500	-8.4%	55	-19.3%	66	-22.0%	60	0.2%	67	5.2%	77	8.7%		
	Performance Variance	0.1%		0.2%		0.1%		0.0%		0.0%		0.2%		
	ICC Large Cap Core Median	-8.4%		-19.2%		-21.9%		0.3%		5.4%				

Performance Summary – Sm. Cap Domestic Equity

Weight in Fund		Last 3 Months	Rank	Year to-Date	Rank	Last Year	Rank	Annualized Returns				Inception Date	Ending Market Value	
								Three Years	Rank	Five Years	Rank			
7.7%	Total Small Cap Domestic Equity Composite	-7.2%	66	n/a		n/a		n/a		n/a				\$182,043,235
	<i>Russell 2000</i>	-1.1%	33	-10.4%	36	-14.5%	37	1.8%	48	8.1%	60			
	ICC Small Cap Equity Funds Median	-4.3%		-12.3%		-16.9%		1.6%		8.9%				
	Small Cap Core Equity													
2.0%	State Street - formerly Provident	-16.3%	100	-30.0%	100	-31.7%	99	-2.7%	94	3.1%	100	4.8%	Jan-98	\$47,210,086
	State Street - formerly Provident (Net)	-16.6%		-30.6%		-32.4%		-3.7%		2.0%		3.7%		
	<i>Russell 2000</i>	-1.1%	43	-10.4%	57	-14.5%	55	1.8%	57	8.1%	73	5.5%		
	<i>Russell 2000 + 2.0%</i>	-0.6%		-9.7%		-12.5%		3.8%		10.1%		7.5%		
	Performance Variance	-15.9%		-20.9%		-19.9%		-7.5%		-8.1%		-3.8%		
2.4%	State Street - formerly TCW	-5.7%	80	-11.7%	66	-17.5%	70	-0.2%	77	4.2%	99	5.5%	Nov-01	\$56,416,070
	State Street - formerly TCW (Net)	-5.7%		-11.7%		-17.7%		-0.8%		3.5%		4.8%		
	<i>Russell 2000</i>	-1.1%	43	-10.4%	57	-14.5%	55	1.8%	57	8.1%	73	8.2%		
	<i>Russell 2000 + 2.0%</i>	-0.6%		-9.7%		-12.5%		3.8%		10.1%		10.2%		
	Performance Variance	-5.0%		-2.0%		-5.2%		-4.6%		-6.6%		-5.5%		
3.3%	Rhumblin R2000	-1.1%	42	-10.4%	57	-14.5%	55	1.9%	57	n/a		3.3%	Dec-04	\$78,417,079
	Rhumblin R2000 (Net)	-1.1%		-10.4%		-14.5%		1.8%		n/a		3.3%		
	<i>Russell 2000</i>	-1.1%	43	-10.4%	57	-14.5%	55	1.8%	57	8.1%	73	3.1%		
	Performance Variance	0.0%		0.0%		0.0%		0.0%		n/a		0.2%		
	ICC Small Cap Core Median	-2.3%		-8.7%		-13.9%		2.6%		10.1%				



Performance Summary – International Equity

Weight in Fund		Last 3 Months	Rank	Year to-Date	Rank	Last Year	Rank	Annualized Returns				Inception Date	Ending Market Value	
								Three Years	Rank	Five Years	Rank			Since Inception
24.2%	Total International Equity	-22.5%	80	-31.2%	81	-31.2%	77	3.0%	50	12.1%	36		\$568,456,140	
	MSCI EAFE Net	-20.6%	62	-29.3%	71	-30.5%	73	1.1%	82	9.7%	84			
	ICC Int'l Developed Equity Funds Median	-18.9%		-27.5%		-28.1%		3.0%		11.5%				
19.0%	Total Developed International Equity	-21.7%	72	-30.7%	77	-31.5%	78	1.8%	68	10.5%	66		\$447,405,103	
	MSCI EAFE Net	-20.6%	62	-29.3%	71	-30.5%	73	1.1%	82	9.7%	84			
3.7%	AQR	-24.9%	88	-31.8%	84	-34.5%	87	n/a		n/a		-6.2%	Jul-06	\$87,957,381
	AQR (Net)	-25.0%		-32.1%		-35.0%		n/a		n/a		-6.9%		
	MSCI EAFE Net	-20.6%	62	-29.3%	71	-30.5%	73	1.1%	82	9.7%	84	-4.5%		
	MSCI EAFE Net + 1.5%	-20.2%		-28.8%		-29.0%		2.6%		11.2%		-3.0%		
	Performance Variance	-4.9%		-3.4%		-6.0%		n/a		n/a		-4.0%		
7.9%	Brandes	-14.0%	10	-25.1%	17	-25.7%	26	3.2%	45	12.3%	34	11.6%	Jan-97	\$186,371,774
	Brandes (Net)	-14.2%		-25.3%		-26.0%		2.7%		11.7%		11.1%		
	MSCI EAFE Net	-20.6%	62	-29.3%	71	-30.5%	73	1.1%	82	9.7%	84	4.4%		
	MSCI EAFE Net + 1.5%	-20.2%		-28.8%		-29.0%		2.6%		11.2%		5.9%		
	Performance Variance	6.0%		3.4%		3.0%		0.1%		0.5%		5.2%		
7.4%	William Blair	-27.2%	95	-35.3%	97	-35.3%	93	1.5%	74	10.7%	62	9.3%	Feb-02	\$173,075,948
	William Blair (Net)	-27.3%		-35.6%		-35.7%		1.0%		10.0%		8.7%		
	MSCI ACWXUS Net	-21.9%	74	-29.9%	75	-30.3%	71	2.6%	56	11.3%	53	9.5%		
	MSCI ACWXUS Net + 1.5%	-21.5%		-29.4%		-28.8%		4.1%		12.8%		11.0%		
	Performance Variance	-5.7%		-6.2%		-6.9%		-3.2%		-2.8%		-2.3%		
	ICC Int'l Developed Mkts Equity Median	-18.9%		-27.5%		-28.1%		3.0%		11.5%				
5.2%	Total Emerging Mkts Equity	-25.2%	36	-32.9%	33	-30.6%	33	7.5%	68	18.2%	67		\$121,051,037	
	MSCI Emg Mkts Free Net	-27.0%	70	-35.5%	60	-33.2%	55	8.4%	45	18.7%	63			
2.5%	AllianceBernstein	-29.9%	85	-37.1%	81	-34.6%	76	6.9%	77	18.3%	66	18.9%	Sep-01	\$59,117,089
	AllianceBernstein (Net)	-30.0%		-37.6%		-35.2%		5.9%		17.2%		17.9%		
	MSCI Emg Mkts Free Net	-27.0%	70	-35.5%	60	-33.2%	55	8.4%	45	18.7%	63	17.5%		
	MSCI Emg Mkts Free Net + 2.0%	-26.5%		-34.9%		-31.2%		10.4%		20.7%		19.5%		
	Performance Variance	-3.6%		-2.7%		-4.0%		-4.4%		-3.5%		-1.6%		
2.6%	The Boston Co.	-20.0%	13	-28.3%	21	-26.1%	18	8.0%	56	18.1%	70	18.6%	Sep-01	\$61,933,948
	The Boston Co. (Net)	-20.2%		-28.8%		-26.8%		6.9%		16.8%		17.7%		
	MSCI Emg Mkts Free Net	-27.0%	70	-35.5%	60	-33.2%	55	8.4%	45	18.7%	63	17.5%		
	MSCI Emg Mkts Free Net + 2.0%	-26.5%		-34.9%		-31.2%		10.4%		20.7%		19.5%		
	Performance Variance	6.3%		6.1%		4.4%		-3.5%		-3.9%		-1.8%		
	ICC Int'l Emerging Mkts Equity Median	-25.8%		-34.7%		-32.7%		8.1%		20.0%				



Performance Summary – Fixed Income

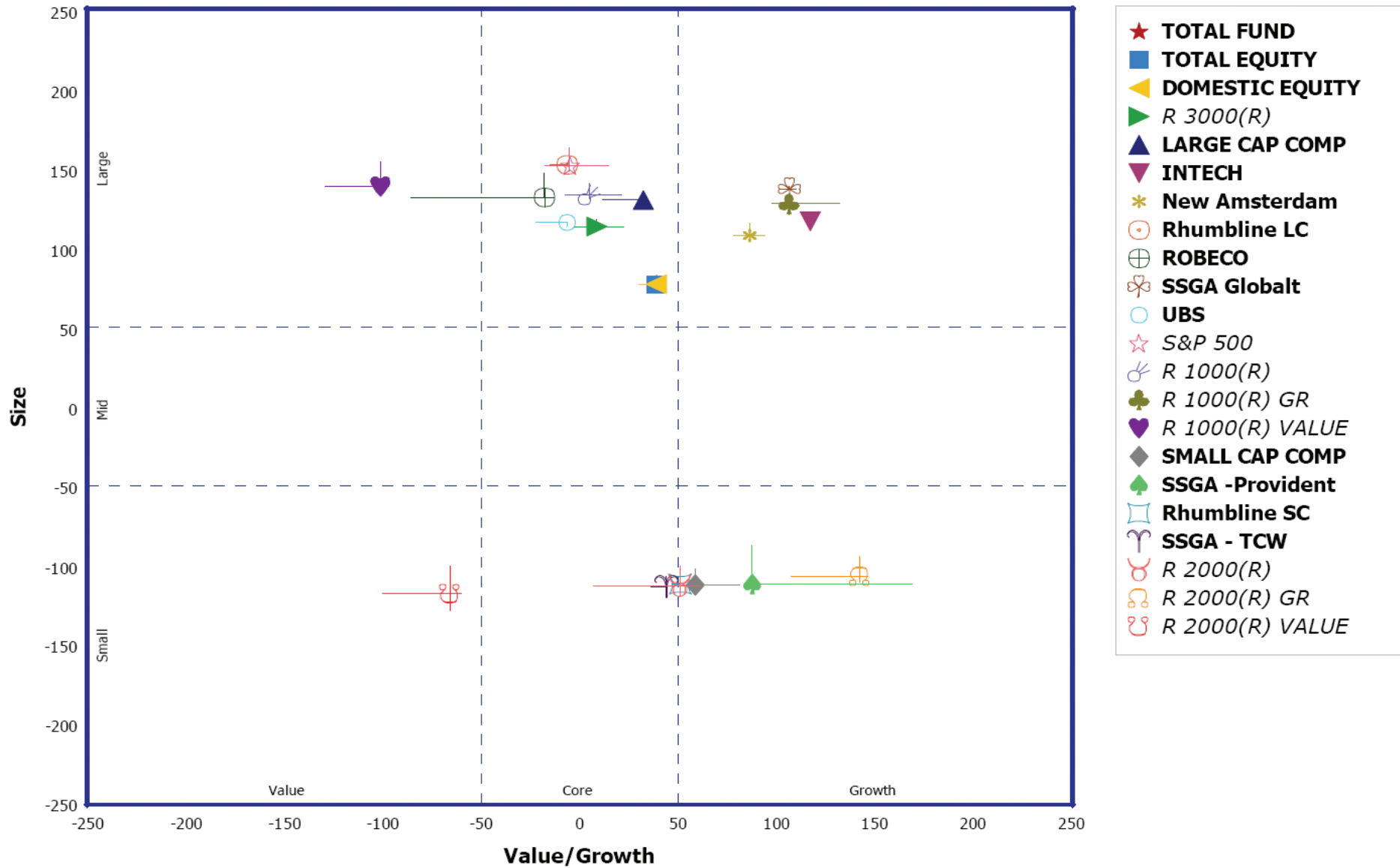
Weight in Fund		Last 3 Months	Rank	Year to-Date	Rank	Last Year	Rank	Annualized Returns				Inception Date	Ending Market Value	
								Three Years	Rank	Five Years	Rank			
23.0%	Total Domestic Core Fixed Income <i>LB Aggregate</i>	-1.9%	42	-2.4%	62	-0.4%	68	2.8%	71	3.7%	44		\$541,565,499	
		-0.5%	15	0.6%	22	3.7%	22	4.2%	31	3.8%	39			
12.1%	SEIX	0.0%	10	0.9%	18	3.6%	22	4.3%	27	4.2%	21	6.0%	Sep-99	\$283,521,726
	SEIX (Net)	0.0%		0.8%		3.4%		4.1%		4.0%		5.8%		
	<i>LB Aggregate</i>	-0.5%	15	0.6%	22	3.7%	22	4.2%	31	3.8%	39	5.8%		
	<i>LB Aggregate + 0.5%</i>	-0.4%		0.8%		4.2%		4.7%		4.3%		6.3%		
	<i>Performance Variance</i>	0.3%		0.0%		-0.7%		-0.6%		-0.3%		-0.5%		
11.0%	WAMCO	-3.8%	73	-5.7%	84	-4.4%	87	1.3%	88	3.1%	78	4.8%	Jul-02	\$258,043,773
	WAMCO (Net)	-3.8%		-5.8%		-4.5%		1.1%		2.9%		4.6%		
	<i>LB Aggregate</i>	-0.5%	15	0.6%	22	3.7%	22	4.2%	31	3.8%	39	4.6%		
	<i>LB Aggregate + 0.5%</i>	-0.4%		0.8%		4.2%		4.7%		4.3%		5.1%		
	<i>Performance Variance</i>	-3.5%		-6.6%		-8.6%		-3.5%		-1.4%		-0.6%		
	ICC Core Bonds Median	-2.1%		-1.3%		1.5%		3.6%		3.6%				
4.4%	Total Domestic Long Duration Fixed Income <i>LB US Gov't/Credit Long</i>	-6.3%	73	-6.5%	69	-2.5%	58	1.2%	72	n/a				\$104,011,048
		-3.4%	44	-4.1%	51	-0.4%	47	2.0%	58	3.7%	53			
4.4%	Income Research	-6.3%	73	-6.5%	69	-2.5%	58	1.2%	72	n/a		1.4%	Jan-05	\$104,011,048
	Income Research (Net)	-6.4%		-6.7%		-2.8%		1.0%		n/a		1.1%		
	<i>LB US Gov't/Credit Long</i>	-3.4%	44	-4.1%	51	-0.4%	47	2.0%	58	3.7%	53	2.1%		
	<i>LB US Gov't/Credit Long + 0.5%</i>	-3.3%		-3.9%		0.1%		2.5%		4.2%		2.6%		
	<i>Performance Variance</i>	-3.1%		-2.7%		-2.9%		-1.5%		n/a		-1.5%		
	ICC Long Duration Bonds Median	-4.0%		-3.7%		-0.9%		3.6%		3.8%				
1.0%	Total Opportunistic Investments <i>ML US HY BB/B Constrained</i>	2.8%		n/a		n/a		n/a		n/a				\$24,657,738
		-8.4%		-8.9%		-9.3%		1.2%		4.2%				
1.0%	PIMCO DISCO	2.8%		n/a		n/a		n/a		n/a		2.8%	Jul-08	\$24,657,738
	PIMCO DISCO (Net)	2.6%		n/a		n/a		n/a		n/a		2.6%		
	<i>ML US HY BB/B Constrained</i>	-8.4%		-8.9%		-9.3%		1.2%		4.2%		-8.4%		

Performance Summary – Alternatives

Weight in Fund		Last 3 Months	Rank	Year to-Date	Rank	Last Year	Rank	Annualized Returns				Inception Date	Ending Market Value	
								Three Years	Rank	Five Years	Rank			Since Inception
9.3%	Total Real Estate	0.5%	25	2.2%	31	3.9%	35	11.3%	60	11.4%	74		\$219,125,022	
	<i>NCREIF Property Index</i>	-0.2%	67	2.0%	34	5.3%	28	13.2%	38	14.2%	42			
4.6%	Kennedy Associates	0.8%	21	1.5%	40	2.8%	49	13.7%	26	12.5%	63	12.5%	Sep-03	\$108,273,136
	Kennedy Associates (Net)	0.7%		0.8%		1.9%		13.0%		11.8%		11.9%		
	<i>NCREIF Property Index</i>	-0.2%	67	2.0%	34	5.3%	28	13.2%	38	14.2%	42	14.2%		
	<i>NCREIF Property Index + 1.5% Performance Variance</i>	0.2% 0.5%		2.5% -1.7%		6.8% -4.8%		14.7% -1.7%		15.7% n/a		15.7% -3.8%		
2.1%	MIG REALTY	1.7%	14	3.7%	16	5.7%	22	6.9%	76	9.3%	78	8.1%	Dec-85	\$49,664,671
	MIG REALTY (Net)	1.6%		3.3%		5.1%		6.4%		8.8%		7.2%		
	<i>NCREIF Property Index</i>	-0.2%	67	2.0%	34	5.3%	28	13.2%	38	14.2%	42	8.5%		
	<i>NCREIF Property Index + 1.5% Performance Variance</i>	0.2% 1.4%		2.5% 0.9%		6.8% -1.7%		14.7% -8.4%		15.7% -7.0%		10.0% -2.8%		
2.6%	MEPT	-2.0%	81	0.5%	56	2.9%	49	n/a		n/a		10.3%	Jul-06	\$61,187,215
	MEPT (Net)	-2.4%		-0.3%		1.8%		n/a		n/a		9.3%		
	<i>NCREIF Property Index</i>	-0.2%	67	2.0%	34	5.3%	28	13.2%	38	14.2%	42	11.5%		
	<i>NCREIF Property Index + 1.5% Performance Variance</i>	0.2% -2.6%		2.5% -2.8%		6.8% -5.0%		14.7% n/a		15.7% n/a		13.0% -3.8%		
	ICC Real Estate Funds Median	0.0%		0.9%		2.7%		12.2%		13.8%				
2.9%	Total Private Equity	0.4%		9.4%		15.3%		11.9%		n/a			\$67,084,986	
	<i>Russell 2000</i>	-1.1%		-10.4%		-14.5%		1.8%		8.1%				
	<i>S&P 500</i>	-8.4%		-19.3%		-22.0%		0.2%		5.2%				
	<i>S&P 500 + 3.0% Performance Variance</i>	-7.6% 8.0%		-18.3% 27.7%		-19.0% 34.3%		3.2% n/a		8.2% n/a				
0.1%	Total Cash¹	0.6%		n/a		n/a		n/a		n/a			\$2,918,304	
	<i>90 day t-bills</i>	0.6%		1.8%		2.9%		4.2%		3.3%				

¹ NEPC began calculating cash returns as of April 1st, 2008 due to inconsistent historical data received from prior consultant

Equity Style Spectrum Analysis (as of 9/30/2008)



Manager Summary

Manager	Organization	Investment Process & Product	Performance
UBS Asset Management (March-93)	There are no organizational updates to report.	Team and process has been stable.	Net of fee performance has outperformed the Russell 3000 index for the quarter, year-to-date, five-year and inception-to date periods. On a relative basis, the portfolio has performed well, ranking in the top third of the ICC Large Cap Value managers for the year-to-date, one- and three-year periods. For the quarter, risk factors proved to be the largest contributor to the fund's outperformance, as price volatility and trading activity contributed to returns. Industry weightings also contributed to performance, with overweight positions in banks/financials and biotech firms contributing the most to performance. Stock selection was the largest detractor during the quarter, but was not enough to offset the contributions of the fund's industry weights and risk management.
Robeco/Boston Partners (June-96)	There are no organizational updates to report.	Team and process has been stable.	Net of fee performance has outperformed the Russell 1000 Value index by at least 2.0% for all time periods reported except inception-to-date, where it has outperformed by 0.6%. Relative performance has been strong as well, as the portfolio has ranked in the top decile of the ICC Large Cap Value managers over all time periods reported. Stock selection was the major contributor to the fund's strong performance during the quarter. The fund avoided owning distressed financial firms Fannie Mae, Freddie Mac, Lehman Brothers, Washington Mutual, and Wachovia Bank, all of whom collapsed in the month of September. Weak stock selection in the energy sector detracted from performance, but was not enough to offset the gains the fund experienced in financials.
Rhumbleline Advisers (March-92)	There are no organizational updates to report.	Team and process has been stable.	Rhumbleline's S&P 500 portfolio is tracking the S&P 500 index within 20 bps for all time periods reported on a net of fee basis, except inception-to-date, where the portfolio is outperforming by 30 bps.

Manager Summary

Manager	Organization	Investment Process & Product	Performance
New Amsterdam Partners (December-94)	There are no organizational updates to report.	Team and process has been stable.	Net of fee performance lags the S&P 500 index over all time periods reported except inception-to-date, where the portfolio is outperforming by 1.3%. On a relative basis, the portfolio fared well in the quarter, ranking in the 30 th percentile of the ICC Large Cap Growth universe, but ranks below the median manager for the one-, three- and five-year periods. Value stocks outperformed growth stocks by more than 6% during the quarter, providing a strong head-wind against the fund's growth style. Both sector and stock selection were negative during the quarter. Underweight positions in non-energy minerals and financials detracted from performance during the quarter. Financials, despite the turmoil in the credit markets during the quarter, were actually one of the market's best performing sectors.
INTECH (September-03)	INTECH announced on October 30 th that the firm's COO, David Hurley, has decided to retire effective December 31, 2008. Mr. Hurley has been with the firm since 1987. To help ensure a smooth transition of his responsibilities, Mr. Hurley will remain as a consultant to INTECH following his retirement. NEPC is not recommending any action based on Mr. Hurley's departure as he is not responsible for the investment strategies or the management of client portfolios.	Team and process has been stable.	Net of fee performance lags the Russell 1000 Growth index for all time periods reported except the five-year and inception-to-date periods. Relative performance has not been attractive either as the portfolio ranks below the median ICC Large Cap Growth managers for all time periods. INTECH's volatility capture strategy depends on their ability to forecast stocks' relative volatilities and correlations. The increase in market volatility over the past year has made forecasting volatility difficult, contributing to INTECH's poor performance over the past year.
State Street Global Markets (November-07)	There are no organizational updates to report.	Team and process has been stable.	State Street Global Markets is managing assets on an interim basis until a search is conducted to replace Globalt in the Large Cap Growth space.

Manager Summary

Manager	Organization	Investment Process & Product	Performance
State Street Global Markets (formerly TCW) (February-08)	There are no organizational updates to report.	Team and process has been stable.	State Street Global Markets is managing assets on an interim basis until a search is conducted to replace TCW in the Small Cap Value space.
State Street Global Markets (formerly Provident) (September-08)	There are no organizational updates to report.	Team and process has been stable.	State Street Global Markets is managing assets on an interim basis until a search is conducted to replace Provident in the Small Cap Growth space.
Rhumblin Advisers (November-04)	There are no organizational updates to report.	Team and process has been stable.	Rhumblin's Russell 2000 portfolio is tracking the Russell 2000 index within 10 bps for all time periods reported, on a net of fee basis, except inception-to-date, where the portfolio is outperforming by 20 bps.
William Blair (February-02)	There are no organizational updates to report.	Team and process has been stable.	William Blair's portfolio lagged the MSCI ACWI ex-U.S. index by 5.4%, net of fees, during the quarter, causing performance over all time periods reported to lag the index. Relative performance also suffered, and the fund now ranks in the bottom third of its peer universe for all but the five-year period, where it ranks 62 nd . The fund's investment guidelines allow for investments in emerging markets equities, which performed worse than int'l developed equities during the period, causing the poor relative performance. During periods when emerging markets outperform int'l developed markets, the fund should rank higher in the universe, and in periods when the opposite is true, the fund will rank worse. The portfolio was more defensive in its developed markets positioning during the quarter, as it decreased exposure in financials, consumer and auto-related companies and increased exposure to healthcare and utilities. They did, however, maintain exposure to those companies geared toward emerging markets growth, which hurt performance.

Manager Summary

Manager	Organization	Investment Process & Product	Performance
AQR Capital Management (June-06)	There are no organizational updates to report.	<p>Team and process has been stable.</p> <p>AQR participates in a securities lending program through BNY/Mellon. They typically have no more than \$10 million in securities out on loan, equating to less than one basis point of the entire fund's NAV. They are a BNY legacy client, and invest the cash collateral in the Institutional Cash Reserves (ICR) Fund. The ICR Fund had exposure to Lehman Brothers commercial paper, which was written down after the firm failed, causing an impact of 4 basis points to the NAV of AQR's portfolio. AQR has since received an offer from BNY/Mellon, which was made public, that they may cover 80% of the losses associated with Lehman Brothers securities held in cash collateral reinvestment pools. They are currently discussing an agreement, which may allow AQR to recoup 3 bps of the loss.</p>	<p>After a difficult quarter, in which the portfolio lagged the MSCI EAFE index by 4.4% net of fees, the fund now lags its index for all periods reported. On a relative basis, the fund ranks in the bottom quartile of the ICC Int'l Developed Equity managers universe for all time periods. Each of the fund's three active strategies struggled during the quarter. Stock selection was negative during the quarter as de-risking of active portfolios began early in the quarter and picked up momentum in September with the failure of Lehman Brothers and the bailout of AIG. Country selection also suffered as value oriented themes struggled during the period. Currency selection was negative due to an underweight position in the Japanese Yen, which performed well during the period.</p>
Brandes Investment Partners (December-96)	There are no organizational updates to report.	Team and process has been stable.	<p>Brandes had a strong quarter, outperforming the MSCI EAFE index by 6.4%, net of fees. The portfolio is now outperforming its index over all time periods reported. Relative performance has been strong as well, as the fund ranks in the top third of its peer universe for all but the three-year period, and in the top quartile for the quarter and year-to-date. The largest source of alpha during the period was the fund's strong stock selection in the United Kingdom. The fund also benefited from strong stock selection in Japan. An overweight position to pharmaceuticals and an underweight position in chemicals also helped performance during the period.</p>

Manager Summary

Manager	Organization	Investment Process & Product	Performance
The Boston Company (August-01)	There are no organizational updates to report.	<p>Team and process has been stable.</p> <p>The Boston Company participates in a securities lending program through BNY/Mellon. As of September 30, the fund had approximately 5% of assets out on loan. The Pooled Employees ASL Short-Term Fund (ASL) is used for the reinvestment of the cash collateral. ASL did not have any exposure to Lehman Brothers or any other impaired securities in September. The fund did, however, own the SIGMA Structured Investment Vehicle (SIV) in the pool. SIGMA was downgraded from AAA to CCC in early October when the securities credit lines were pulled by many of the large banks who were providing credit. The fund experienced a 6 basis point loss due to the SIGMA impairment, which was applied to the NAV on October 8, 2008.</p>	<p>The portfolio outperformed the MSCI Emerging Markets Free index by 6.8%, net of fees, during the quarter, significantly closing the gap in underperformance the fund had experienced over the prior year. On a relative basis, the fund has performed well in the near term, ranking in the top quartile of the ICC Emerging Markets Funds universe for the quarter, year-to-date and one-year periods. The fund ranks below the median manager for the three- and five-year periods. The portfolio's positions in value securities and relatively low weight to more expensive, momentum driven index constituents, provided protection in an environment where the emerging markets were the hardest hit of the equity asset classes. A correction in commodities prices during the quarter caused the materials and energy sectors to be the two worst performing sectors in the index. The fund has long had a significant underweight position to materials, which contributed to the fund's outperformance. Underweight positions in Brazil and Russia also helped as they were the two worst performing countries during the quarter.</p>
AllianceBernstein (August-01)	There are no organizational updates to report.	<p>Team and process has been stable.</p> <p>AllianceBernstein participates in a securities lending program through Northern Trust. The Core USA Fund is used for the reinvestment of the cash collateral. Northern experienced a collateral deficiency in the pool due to holdings of Lehman Brothers commercial paper. The impact to the NAV of the fund was 16.75 basis points in the month of September.</p>	<p>After a difficult quarter in which the fund underperformed the MSCI Emerging Markets Free index by 3.0%, net of fees, the fund now lags the index in all time periods measured except inception-to-date. On a relative basis, the fund ranks in the bottom quartile of its universe for all but the five-year period, and ranks in the bottom third during the five-year period. The fund suffered from weak stock selection across nearly all sectors. Security selection was weakest in materials, which has long been one of the driving sectors of emerging markets. The fund was also hurt by its stock selection in the healthcare sector, which was the best performing sector of the period, down 6.3%. Neither country nor sector selection were responsible for the quarter's poor performance.</p>

Manager Summary

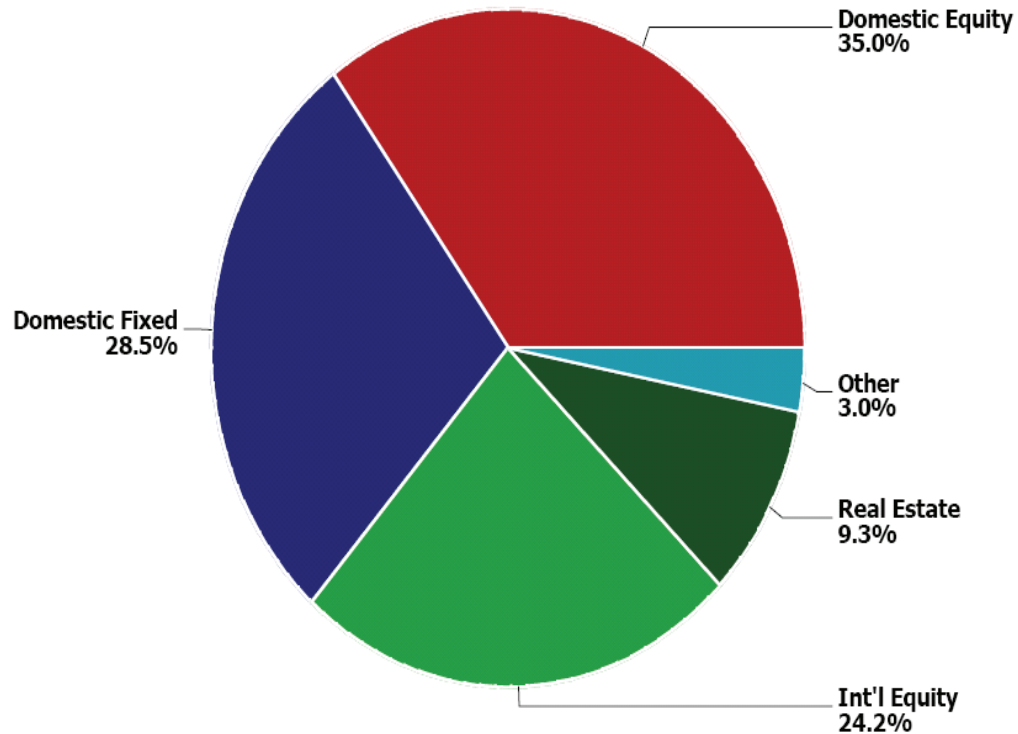
Manager	Organization	Investment Process & Product	Performance
Seix Investment Advisers (September-99)	There are no organizational updates to report.	Team and process has been stable.	The fund is outperforming the Lehman Brothers Aggregate Bond index for the quarter, year-to-date and five-year periods, net of fees, and is even with the index since inception. On a relative basis, the outperformance of the past nine months has pushed the fund in the top quartile of the ICC Core Bond funds universe for all time periods except the three-year period, where it ranks 27 th . An overweight position to corporate bonds during the quarter through investments in industrial and utility bonds, while limiting exposure to financial bonds, provided a significant benefit to the portfolio during the quarter. The fund has been reducing the risk profile of the portfolio for awhile now, rotating into treasuries when securities reached extreme valuation levels and complacency regarding. This has left the portfolio well positioned to take advantage of the dislocations that now exist in the credit markets.
WAMCO (June-02)	Earlier this year, WAMCO's CIO, Kenneth Leech, requested a leave of absence effective May 2, 2008, under the assumption that he would return once he had attended to his health issues. In early September, Mr. Leech officially stepped down as CIO, however, he will remain as an employee of the firm as a Senior Advisor. This role will allow him to attend to his health issues, while maintaining his input into the investment process, and the synthesis of portfolio strategy through the Investment Strategy Committee. Stepping down allows Mr. Leech to reduce his responsibilities of participating in client meetings and being responsible for the day-to-day management of portfolios. Mr. Stephen Walsh, Deputy CIO, will assume Mr. Leech's portfolio management responsibilities going forward. Mr. Walsh joined Western in 1991 and has over 25 years of investment experience. NEPC is not recommending any action at this time.	Team and process has been stable.	Net of fee performance lags the Lehman Brothers Aggregate Bond index for all time periods except inception-to-date, where performance is in line with the index. On a relative basis, the portfolio has not performed well, ranking in the bottom third of the ICC Core Bond funds universe for all time periods reported. WAMCO continues to be hurt by illiquidity in the credit markets, as there is no market for its positions in spread sectors and valuations of these securities continue to decline. An overweight positions to corporates, whose spreads are at all time highs, has detracted from performance. The fund does own mortgages, but has emphasized non-agency issues in the past, so they weren't able to capitalize on the government takeover of Fannie Mae and Freddie Mac, which essentially guaranteed those issues. We are continuing to monitor their performance, but recommend no action at this time. The portfolio has experienced some downgrades recently, which has caused securities to be sold to meet investment policy guideline limits. This issue is addressed in a memo under separate cover.

Manager Summary

Manager	Organization	Investment Process & Product	Performance
Income Research & Management (December-04)	There are no organizational updates to report.	Team and process has been stable.	Net of fee performance is lagging the Lehman Brothers US Long Duration Gov't Credit index for all time periods reported. On a relative basis, the fund has not performed well, ranking below the median manager in the ICC Long Duration Bond funds universe for all time periods, and in the bottom third for the quarter, year-to-date and three-year period. The seizing of the credit markets during the quarter caused all asset classes to suffer, with spreads on corporate bonds, collateralized mortgage backed securities (CMBS) and asset-backed securities (ABS) growing wider. Mortgage-backed securities (MBS) were the only bright spot during this time, benefiting from the government's bailout of GSE's Fannie Mae & Freddie Mac.
PIMCO (July-08)	In early September, Bill Thompson, co-CEO of PIMCO, announced that he will retire at the end of 2008. He plans to pursue philanthropic endeavors full-time and does not plan to remain in the investment management industry. Mohamed El-Erian, co-CEO along with Mr. Thompson, will assume full CEO responsibilities at that time. Mr. El-Erian is also the firm's co-CIO, along with Bill Gross. Prior to the announcement, Mr. El-Erian was splitting his time evenly between his dual roles, and that will remain the case going forward. Mr. El-Erian joined PIMCO in 1999 and was a member of PIMCO's portfolio management team and investment strategy group in 2005, when he left the firm to become President and CEO of Harvard Management Company. He returned in 2007 as co-CEO and co-CIO. PIMCO's investment process is driven through their annual secular forum, and through subsequent refinements to their three to five year outlook. We believe Mr. Thompson's departure will have minimal impact on the firm's ability to manage client assets.	Team and process has been stable.	The Distressed Senior Credit Opportunities Fund (DiSCO) was launched June 30 th , 2008, seeking to take advantage of liquidity distress in assets high in the capital structure across collateral types. The fund returned 2.6%, net of fees, during the quarter. The DiSCO fund has been able to capitalize on the de-levering of many firms who are being hit by margin calls and redemption notices. DiSCO provides liquidity to those firms and purchases their high quality, AAA rated asset-backed securities such as credit card debt, auto loans and student loans. The fund has also been purchasing short-term, current pay sub-prime securities with maturities in the 6-8 month range. Also contributing to performance is the purchase of GNMA securities, which are government guaranteed mortgage securities, currently trading at spreads that are 100-150 basis points over their traditional spreads.

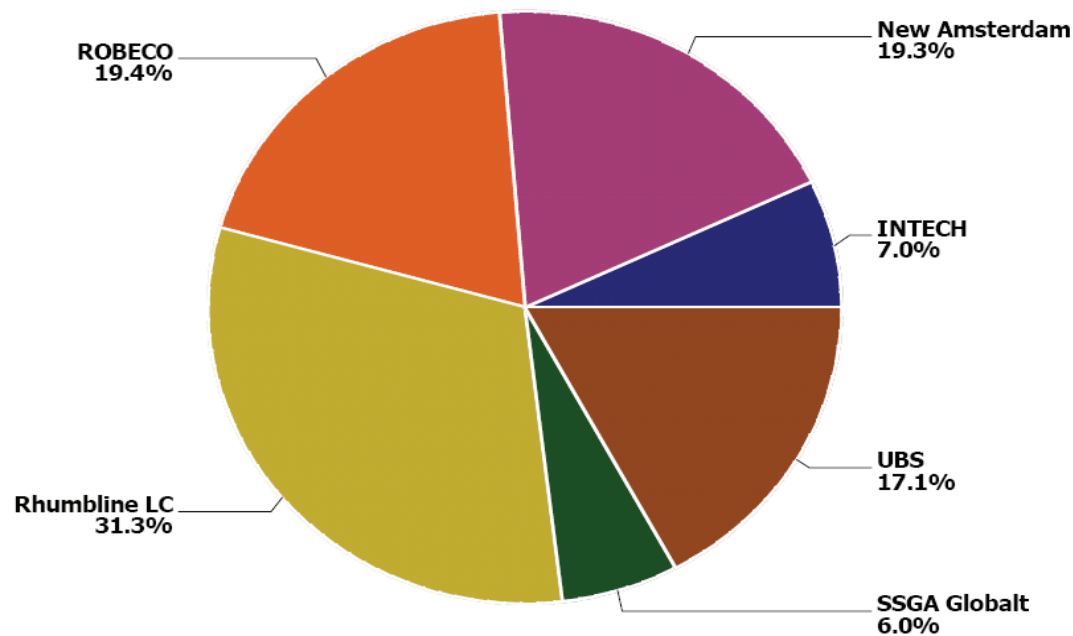
Appendix

Total Composite



Manager Type	Market Value	Current%
Cash	2,918,304	0.1
Domestic Equity	821,923,685	35.0
Domestic Fixed	670,234,285	28.5
Int'l Equity	568,456,140	24.2
Private Equity	67,084,986	2.9
Real Estate	219,125,022	9.3
Total	2,349,742,422	100.0

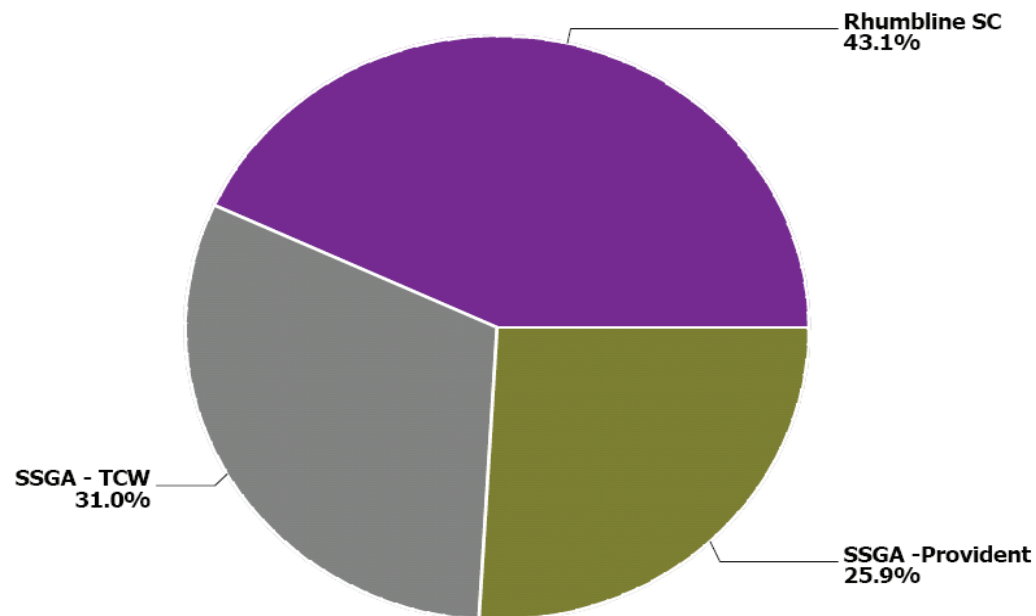
Large Cap Domestic Equity Composite



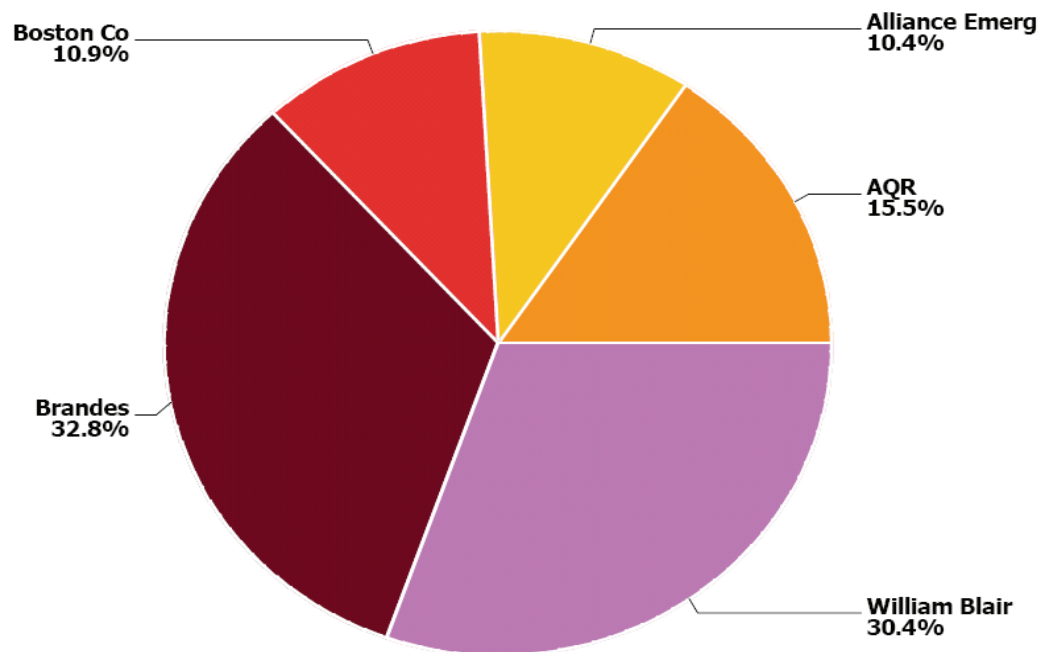
Manager	Market Value	Current%
INTECH	44,726,950	7.0
New Amsterdam	123,714,246	19.3
ROBECO	123,854,821	19.4
Rhumblin LC	200,193,721	31.3
SSGA Globalt	38,272,609	6.0
UBS	109,118,103	17.1
Total	639,880,450	100.0

Small Cap Domestic Equity Composite

Manager	Market Value	Current%
Rhumblin SC	78,417,079	43.1
SSGA - TCW	56,416,070	31.0
SSGA -Provident	47,210,086	25.9
Total	182,043,235	100.0

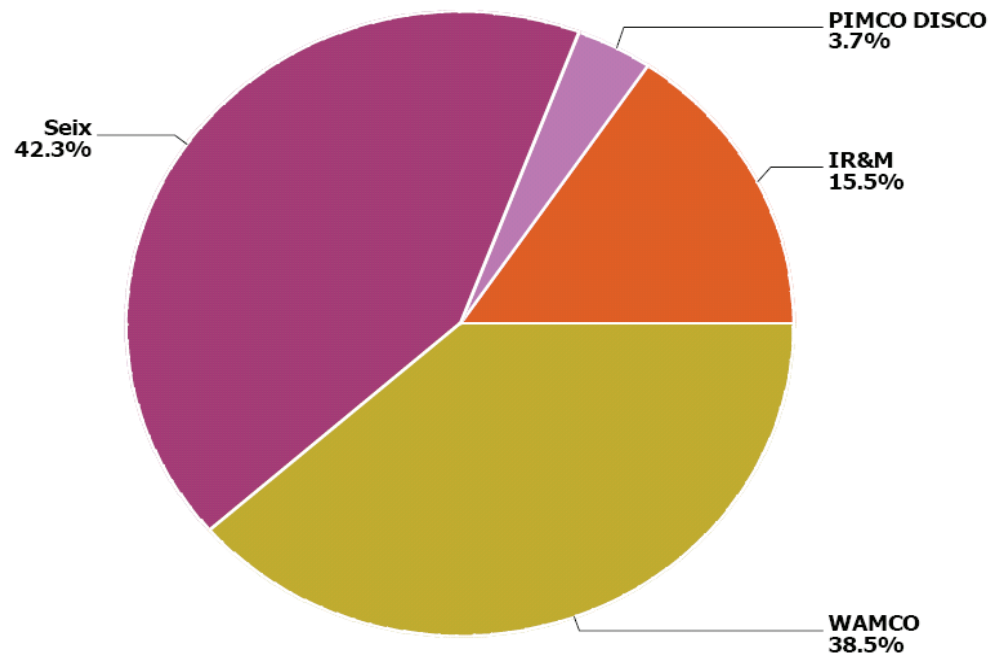


Non-U.S. Equity Composite



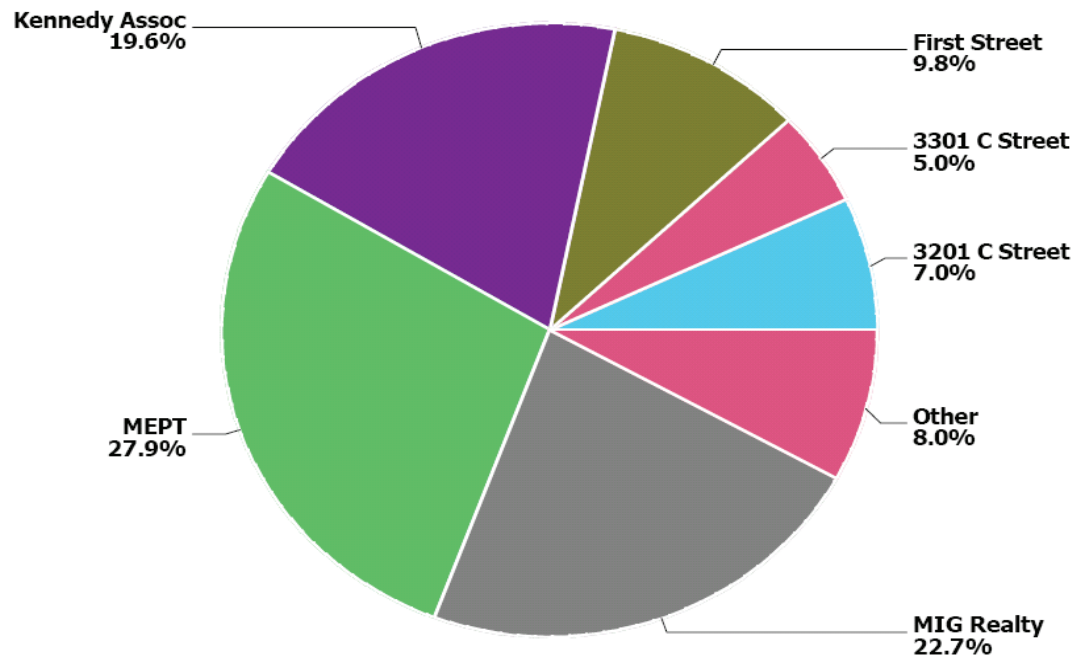
Manager	Market Value	Current%
AQR	87,957,381	15.5
Alliance Emerg	59,117,089	10.4
Boston Co	61,933,948	10.9
Brandes	186,371,774	32.8
William Blair	173,075,948	30.4
Total	568,456,140	100.0

Total Domestic Fixed Income Composite



Manager	Market Value	Current%
IR&M	104,011,048	15.5
PIMCO DISCO	24,657,738	3.7
Seix	283,521,726	42.3
WAMCO	258,043,773	38.5
Total	670,234,285	100.0

Total Real Estate Composite



Manager	Market Value	Current%
3201 C Street	15,302,012	7.0
3301 C Street	10,883,489	5.0
Dodd Road	10,066,000	4.6
First Street	21,541,339	9.8
Kennedy Assoc	42,922,432	19.6
MEPT	61,187,215	27.9
MIG Realty	49,664,671	22.7
SJ Progress	7,557,864	3.4
Total	219,125,022	100.0

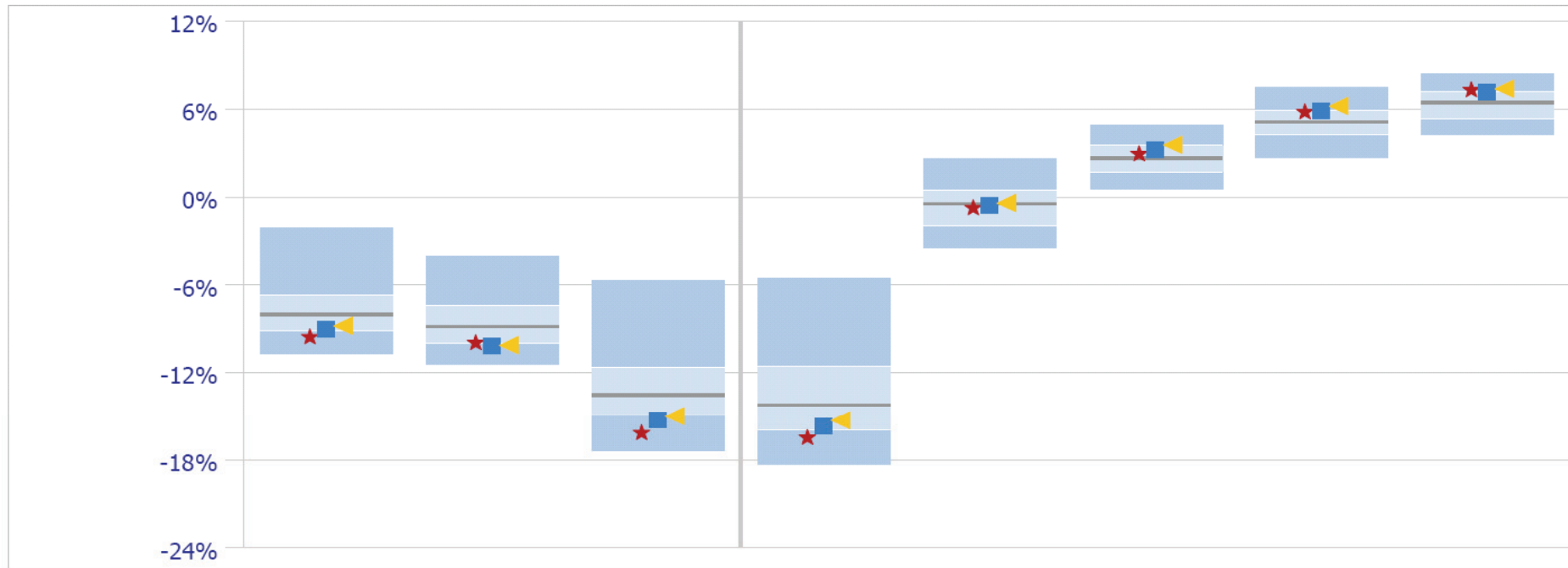
*When reporting performance, Kennedy Associates, First Street, Dodd Road, 3201 C Street, 3301 C Street and SJ Progress are all referred to as Kennedy Associates.



Calendar Year Performance

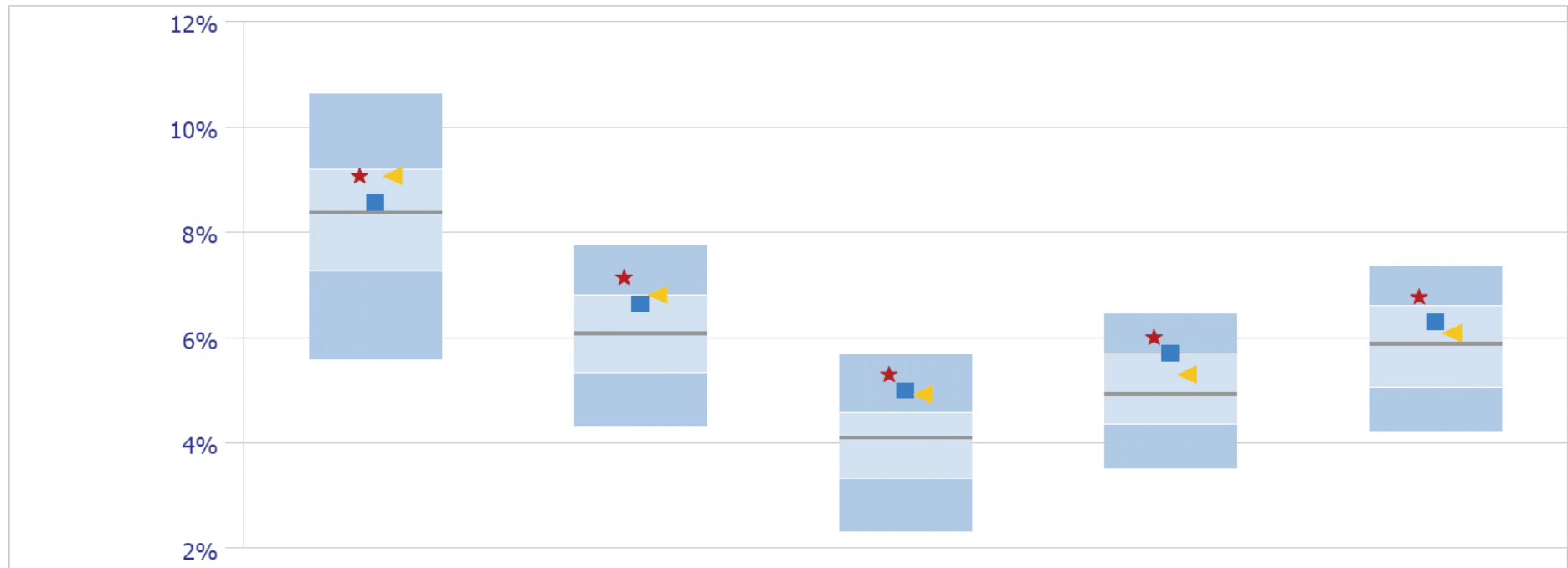
	1 Yr ending 12/31/07	1 Yr ending 12/31/06	1 Yr ending 12/31/05	1 Yr ending 12/31/04	1 Yr ending 12/31/03	1 Yr ending 12/31/02	1 Yr ending 12/31/01	1 Yr ending 12/31/00	1 Yr ending 12/31/99	1 Yr ending 12/31/98
Total Fund Composite	9.7%	15.4%	8.7%	12.6%	24.0%	-5.5%	-0.9%	3.7%	11.7%	15.8%
<i>Allocation Index</i>	9.5%	15.6%	7.8%	12.1%	21.1%	-6.4%	-4.1%	12.2%	11.1%	16.1%
Total Fund Benchmark	9.5%	16.1%	9.4%	11.6%	21.0%	-6.3%	-1.1%	0.6%	10.1%	18.6%
<i>60%S&P500/40% LB Aggregate</i>	6.2%	11.1%	4.0%	8.3%	18.5%	-9.8%	-3.7%	-1.0%	12.0%	21.0%
Total Domestic Equity	4.5%	14.7%	6.9%	12.4%	35.2%	-21.3%	-7.2%	-2.4%	18.7%	17.0%
<i>S&P 500</i>	5.5%	15.8%	4.9%	10.9%	28.7%	-22.1%	-11.9%	-9.1%	21.0%	28.6%
<i>Russell 3000</i>	5.1%	15.7%	6.1%	11.9%	31.1%	-21.6%	-11.5%	-7.5%	20.9%	24.1%
Total International Equity	17.8%	27.4%	17.9%	24.3%	46.3%	-10.5%	-13.1%	-1.3%	43.6%	17.4%
<i>MSCI EAFE Net</i>	11.2%	26.3%	13.5%	20.2%	38.6%	-15.9%	-21.4%	-14.2%	27.0%	20.0%
Int'l Developed Markets Equity	13.6%	26.8%	14.7%	22.3%	42.1%	-15.7%	-16.8%	-1.3%	43.6%	17.4%
<i>MSCI EAFE Net</i>	11.2%	26.3%	13.5%	20.2%	38.6%	-15.9%	-21.4%	-14.2%	27.0%	20.0%
Int'l Emerging Markets Equity	33.6%	29.9%	30.8%	30.1%	56.2%	1.7%				
<i>MSCI Emg Mkts Free Net</i>	39.4%	32.2%	34.1%	25.6%	55.8%	-6.0%	-2.4%	-30.6%	66.4%	-25.3%
Total Domestic Core Fixed Income	5.4%	4.9%	3.9%	5.8%	6.6%	8.2%	7.4%	11.4%	-0.9%	7.6%
<i>LB Aggregate</i>	7.0%	4.3%	2.4%	4.3%	4.1%	10.3%	8.4%	11.6%	-0.8%	8.7%
Total Domestic Long Duration Fixed Income	7.0%	3.0%	4.1%							
<i>LB US Gov't/Credit Long</i>	6.6%	2.7%	5.3%	8.6%	5.9%	14.8%	7.3%	16.2%	-7.7%	11.8%
Total Real Estate	15.7%	11.1%	14.6%	11.6%	0.8%	4.3%	5.9%	11.7%	12.0%	16.1%
<i>NCREIF Property Index</i>	15.8%	16.6%	20.1%	14.5%	9.0%	6.7%	7.3%	12.2%	11.1%	16.1%
Total Private Equity	12.7%	13.7%								
<i>Russell 2000</i>	-1.5%	18.3%	4.6%	18.3%	47.3%	-20.5%	2.5%	-3.0%	21.3%	-2.5%

Total Composite vs. Total Public Funds (as of 9/30/2008)



	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
★ TOTAL FUND	-9.6	79	-9.9	73	-16.1	88	-16.5	81	-0.7	55	3.0	39	5.8	28	7.3	19
■ ALLOC INDEX	-9.0	66	-10.2	75	-15.3	79	-15.7	71	-0.5	50	3.2	33	5.9	27	7.2	24
◀ Policy Index	-8.8	60	-10.1	75	-15.0	75	-15.3	62	-0.4	49	3.6	23	6.2	16	7.4	17
Median	-8.0		-8.9		-13.6		-14.2		-0.5		2.7		5.1		6.5	

Total Composite vs. Total Public Funds (as of 9/30/2008)



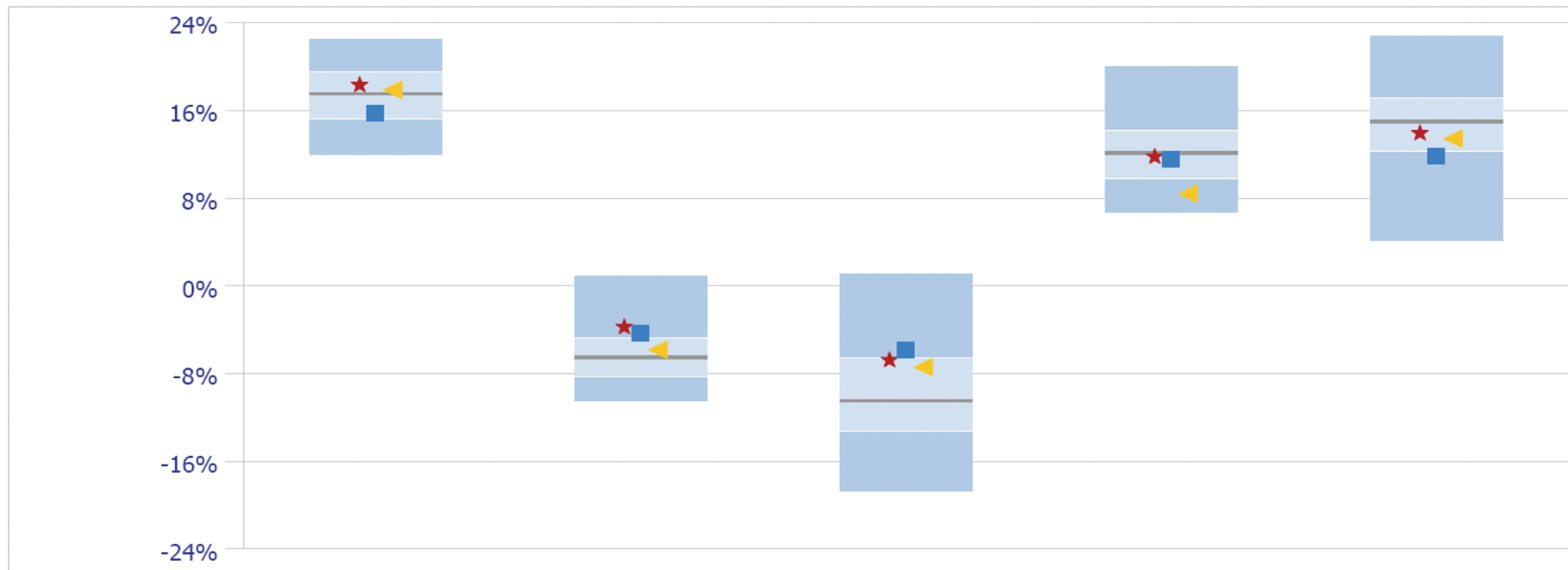
	Six Years		Seven Years		Eight Years		Nine Years		Ten Years	
★ TOTAL FUND	9.1	28	7.1	13	5.3	6	6.0	12	6.8	18
■ ALLOC INDEX	8.6	41	6.6	28	5.0	13	5.7	23	6.3	31
▲ Policy Index	9.1	28	6.8	24	4.9	15	5.3	32	6.1	40
Median	8.4		6.1		4.1		4.9		5.9	

Total Composite vs. Total Public Funds (Years Ending September)



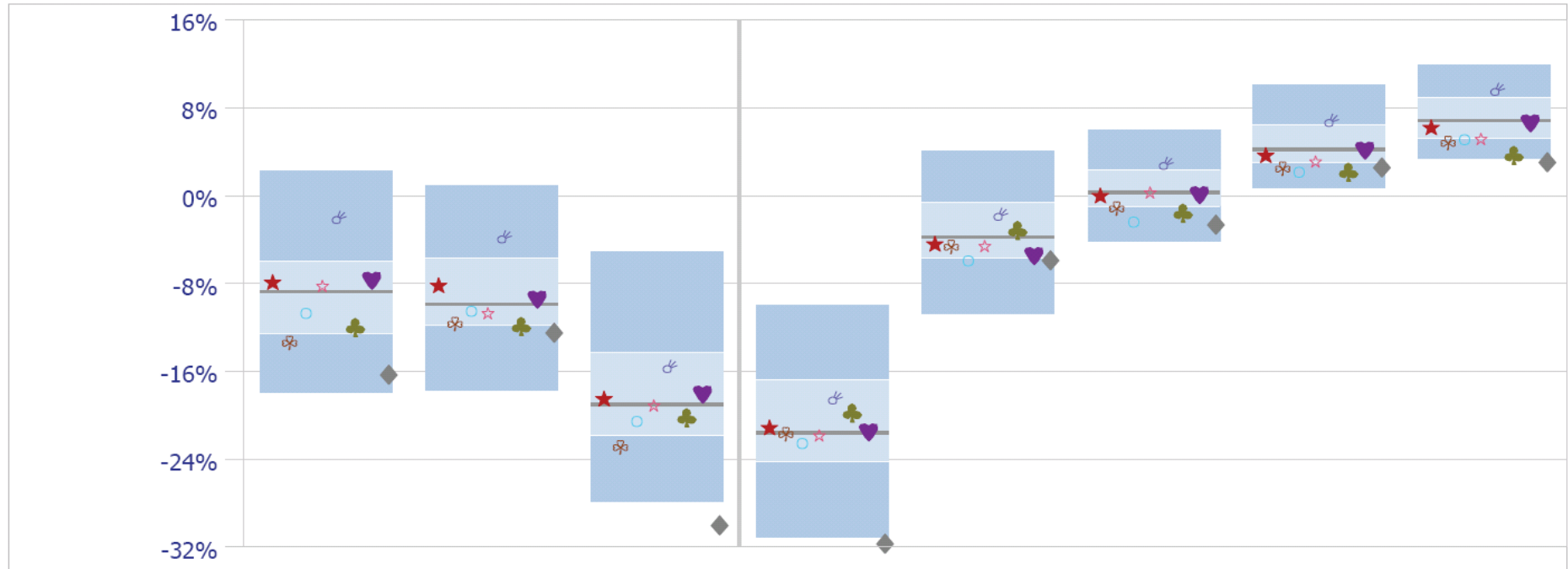
	September 2008	September 2007	September 2006	September 2005	September 2004
★ TOTAL FUND	-16.5 81	18.0 9	10.8 22	14.9 21	13.6 15
■ ALLOC INDEX	-15.7 71	17.4 14	11.1 17	14.4 31	12.5 33
▲ Policy Index	-15.3 62	17.0 16	12.0 6	14.5 28	12.3 37
Median	-14.2	14.9	9.7	13.1	11.6

Total Composite vs. Total Public Funds (Years Ending September)



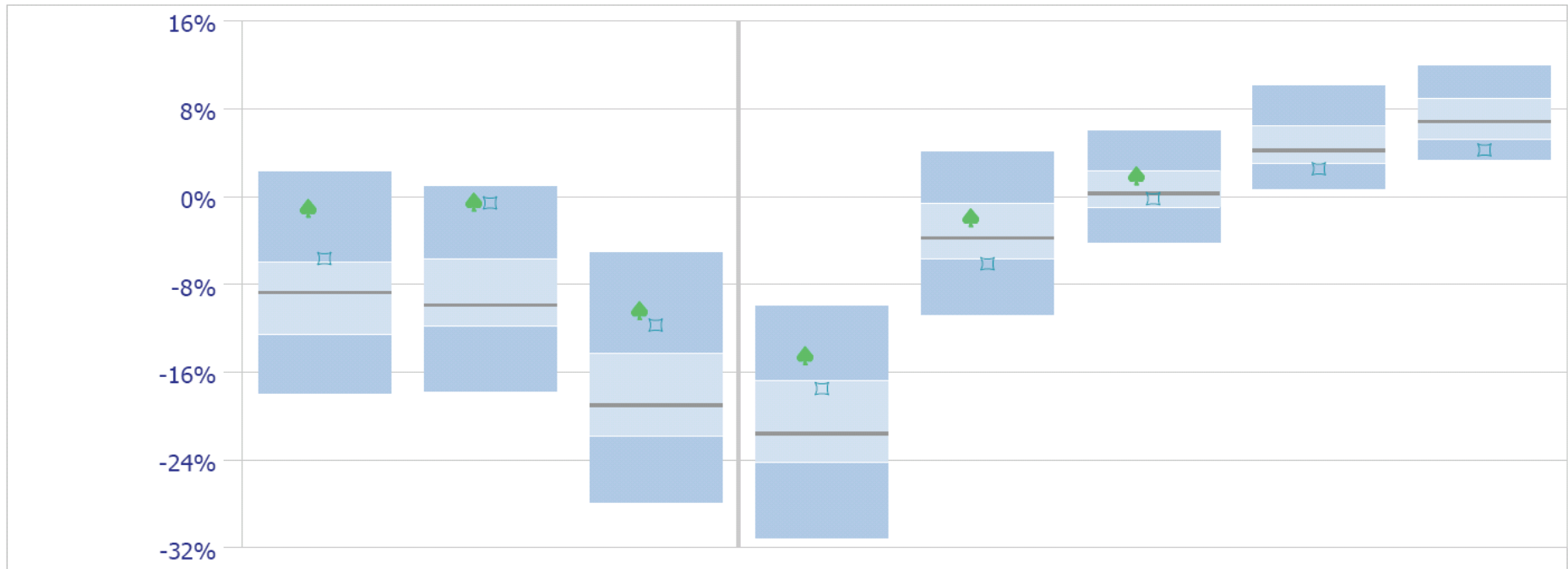
	September 2003	September 2002	September 2001	September 2000	September 1999
★ TOTAL FUND	18.3 33	-3.7 16	-6.7 25	11.8 53	14.0 59
■ ALLOC INDEX	15.8 69	-4.3 21	-5.8 21	11.6 56	11.9 76
▲ Policy Index	17.9 41	-5.8 40	-7.4 29	8.4 88	13.4 64
Median	17.5	-6.5	-10.5	12.1	15.0


Domestic Equity vs. Total Equity Funds Universe



	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
★ DOMESTIC EQUITY	-7.9	36	-8.2	38	-18.5	45	-21.1	46	-4.4	56	0.0	60	3.6	60	6.2	57
♣ INTECH	-13.4	79	-11.7	74	-22.9	80	-21.8	51	-4.7	64	-1.2	78	2.4	84	4.8	83
○ New Amsterdam	-10.7	64	-10.5	55	-20.5	69	-22.6	65	-5.9	77	-2.4	85	2.2	86	5.1	80
☆ Rhumblin LC	-8.2	40	-10.7	56	-19.1	50	-21.8	52	-4.6	60	0.3	50	3.1	72	5.2	77
♂ ROBECO	-2.0	14	-3.7	17	-15.6	29	-18.4	32	-1.7	31	3.0	21	6.9	21	9.7	19
♣ SSGA Globalt	-12.0	72	-11.9	75	-20.2	66	-19.8	39	-3.2	43	-1.6	81	2.1	86	3.6	93
♥ UBS	-7.7	35	-9.4	45	-18.1	42	-21.5	49	-5.5	72	0.1	57	4.1	50	6.6	52
◆ SSGA -Provident	-16.3	91	-12.5	79	-30.0	97	-31.7	95	-5.9	76	-2.7	87	2.6	82	3.1	95
Median	-8.8		-9.9		-19.0		-21.6		-3.8		0.3		4.2		6.8	

Domestic Equity vs. Total Equity Funds Universe



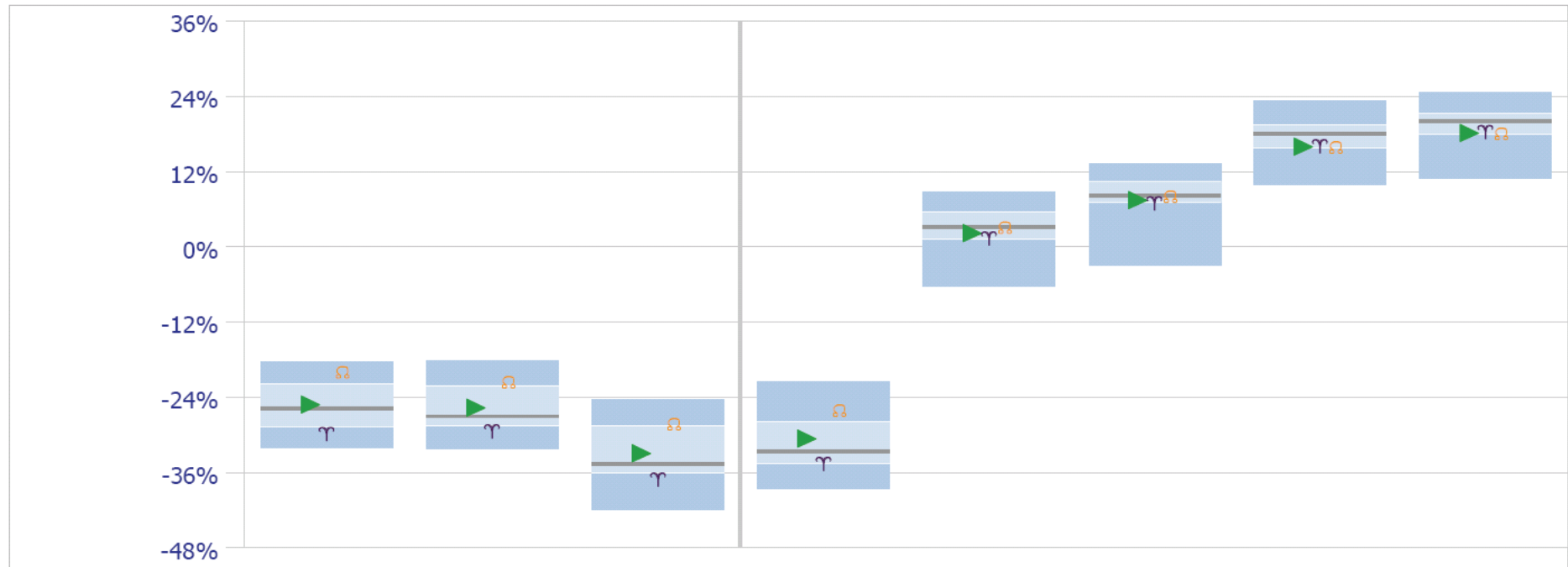
	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
 Rhumblin SC	-1.1	11	-0.5	9	-10.4	13	-14.5	16	-1.9	33	1.9	29				
 SSGA - TCW	-5.7	23	-0.6	9	-11.7	17	-17.5	28	-6.1	78	-0.2	63	2.5	83	4.2	88
Median	-8.8		-9.9		-19.0		-21.6		-3.8		0.3		4.2		6.8	

Developed Int'l Equity vs. Total Int'l Dev. Equity Funds Universe



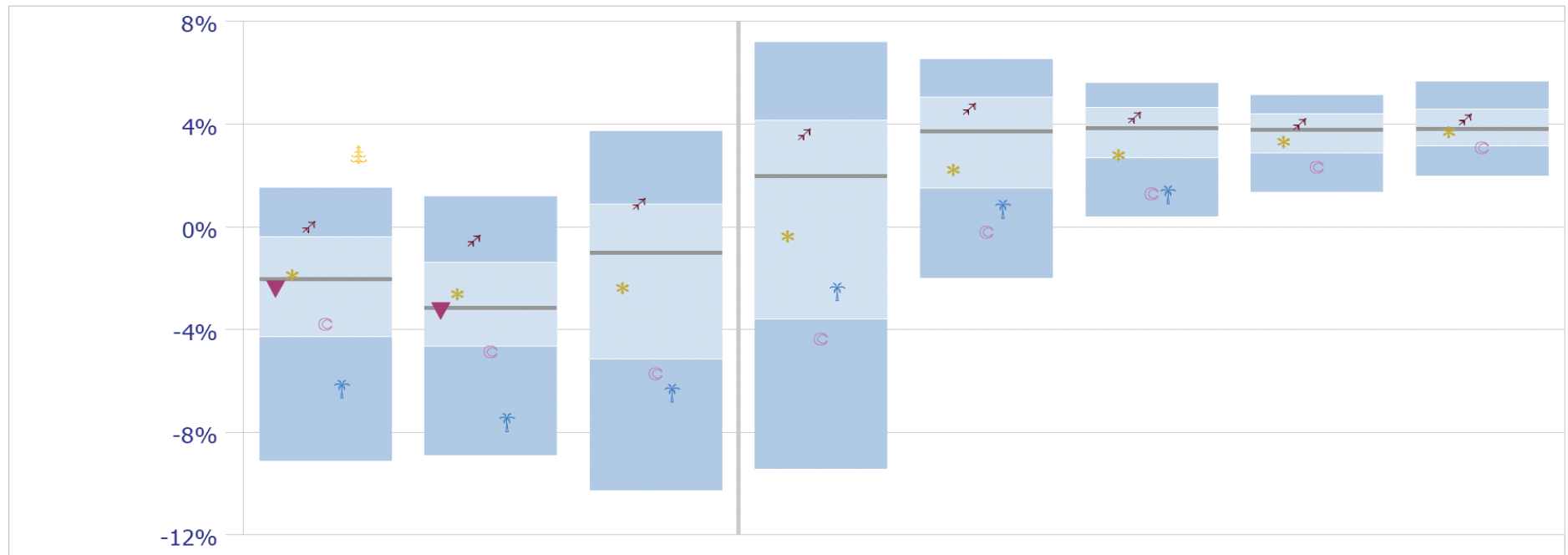
	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
■ INT'L EQUITY	-22.5	80	-23.1	73	-31.2	81	-31.2	77	-4.6	48	3.0	50	9.2	39	12.1	36
▲ INT'L DEVELOPED	-21.7	72	-22.4	68	-30.7	77	-31.5	78	-6.4	74	1.8	68	7.3	75	10.5	66
⌘ AQR	-24.9	88	-25.3	86	-31.8	84	-34.5	87	-8.9	92						
⌘ Brandes	-14.0	10	-14.8	5	-25.1	17	-25.7	26	-5.0	54	3.2	45	8.5	53	12.3	34
🔔 William Blair	-27.2	95	-27.9	95	-35.3	97	-35.3	93	-6.6	76	1.5	74	8.3	55	10.7	62
Median	-18.9		-20.8		-27.5		-28.1		-4.7		3.0		8.8		11.5	

Emerging Int'l Equity vs. Total Emg. Mkt Equity Funds Universe



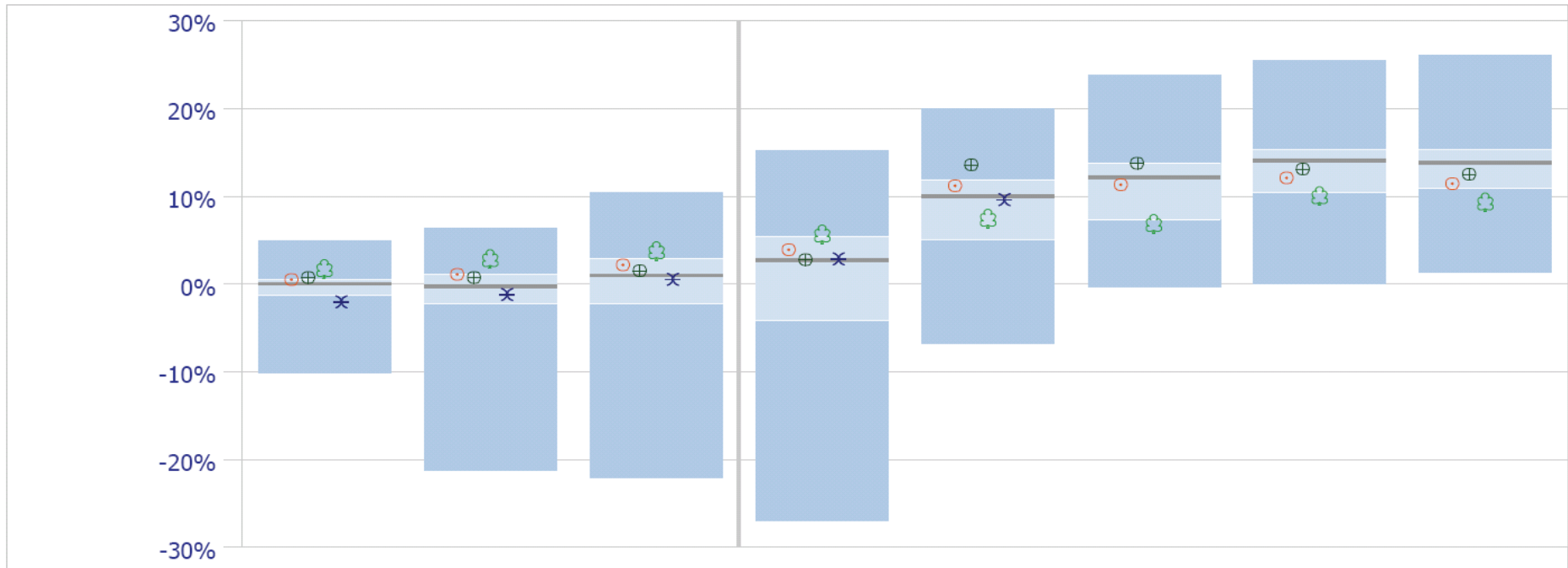
	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
▶ INT'L EMERGING	-25.2	36	-25.6	38	-32.9	33	-30.6	33	2.2	63	7.5	68	16.0	68	18.2	67
⌞ Alliance Emrg	-29.9	85	-29.4	87	-37.1	81	-34.6	76	1.3	74	6.9	77	16.1	67	18.3	66
⊗ Boston Co	-20.0	13	-21.6	16	-28.3	21	-26.1	18	3.1	50	8.0	56	15.8	70	18.1	70
Median	-25.8		-27.1		-34.7		-32.7		3.1		8.1		18.0		20.0	

Fixed Income vs. Total Fixed Income Funds Universe



	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
▼ DOMESTIC FIXED	-2.4	54	-3.3	53												
* CORE FIXED INC	-1.9	41	-2.6	39	-2.4	60	-0.4	64	2.2	68	2.8	72	3.3	61	3.7	54
↗ Seix	0.0	18	-0.5	17	0.9	24	3.6	34	4.6	31	4.3	36	4.0	38	4.2	35
⊙ WAMCO	-3.8	70	-4.9	77	-5.7	77	-4.4	77	-0.2	85	1.3	86	2.3	83	3.1	77
✎ IR&M	-6.3	89	-7.6	92	-6.5	83	-2.5	72	0.7	79	1.2	86				
⚓ PIMCO DISCO	2.8	1														
Median	-2.0		-3.1		-1.0		2.0		3.7		3.8		3.8		3.8	

Real Estate vs. Total Real Estate Funds Universe



	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
○ REAL ESTATE	0.5	25	1.1	24	2.2	31	3.9	35	11.2	33	11.3	60	12.1	66	11.4	74
⊕ KENNEDY COMP	0.8	21	0.7	35	1.5	40	2.8	49	13.6	14	13.7	26	13.1	56	12.5	63
⊕ MIG Realty	1.7	14	2.9	13	3.7	16	5.7	22	7.5	67	6.9	76	10.0	77	9.3	78
✕ MEPT	-2.0	81	-1.2	64	0.5	56	2.9	49	9.6	54						
Median	0.0		-0.3		0.9		2.7		10.0		12.2		14.0		13.8	



Total Fund Benchmark History

POLICY ACCOUNT: RSP0000 **Policy Index**

EFFECTIVE DATE: 06/95

35.00% S&P 500
10.00% CITI WLD GOV BD

35.00% LB AGGREGATE
10.00% NCREIF PROPERTY

10.00% MS EAFE NET

EFFECTIVE DATE: 10/01

35.00% S&P 500
12.00% NCREIF PROPERTY

28.00% LB AGGREGATE
5.00% MS EMER FREE NT

15.00% MS EAFE NET
5.00% CITI WLD GOV BD

EFFECTIVE DATE: 01/05

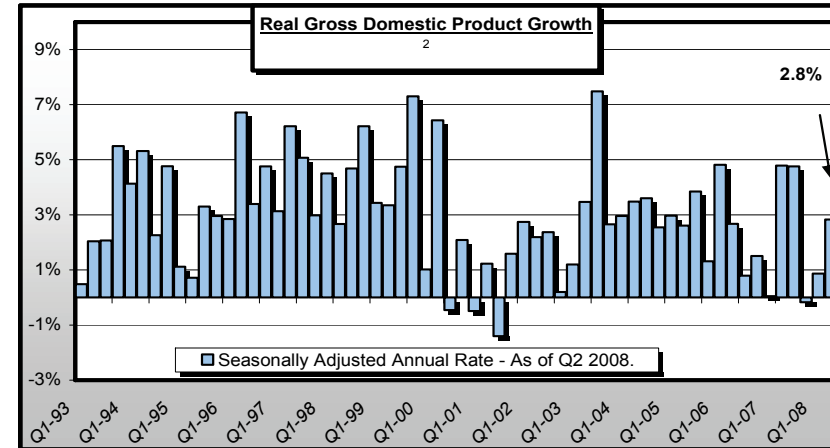
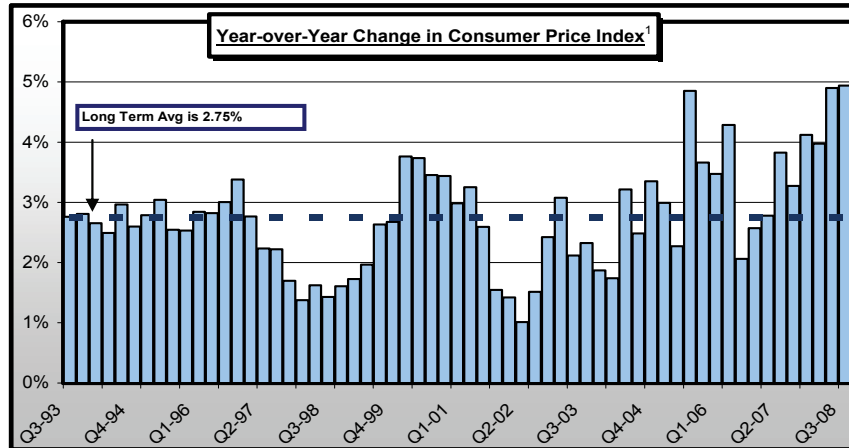
34.00% S&P 500
12.00% NCREIF PROPERTY
4.00% LB GOVT/CRED LG

20.00% LB AGGREGATE
5.00% MS EMER FREE NT

20.00% MS EAFE NET
5.00% R 2000(R)

Appendix: Market Environment

Market Environment – US Economy (As of 9/30/2008)

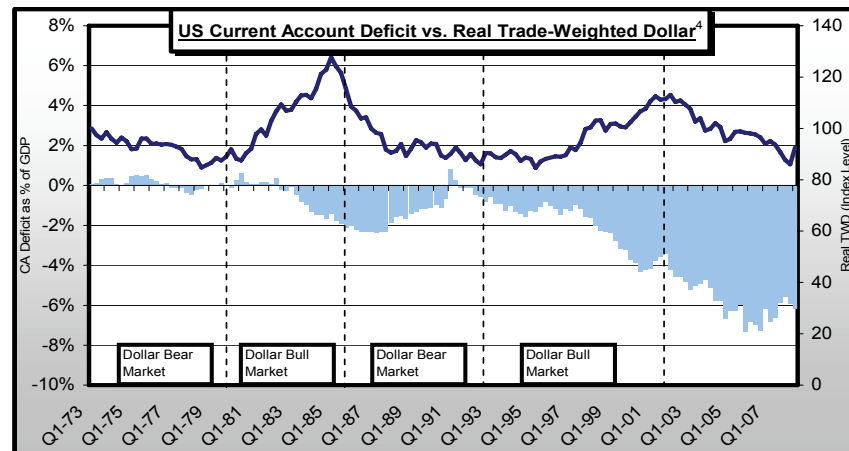


Inflation remained high in Q3...

¹ Source: U.S. Department of Labor: Bureau of Labor Statistics

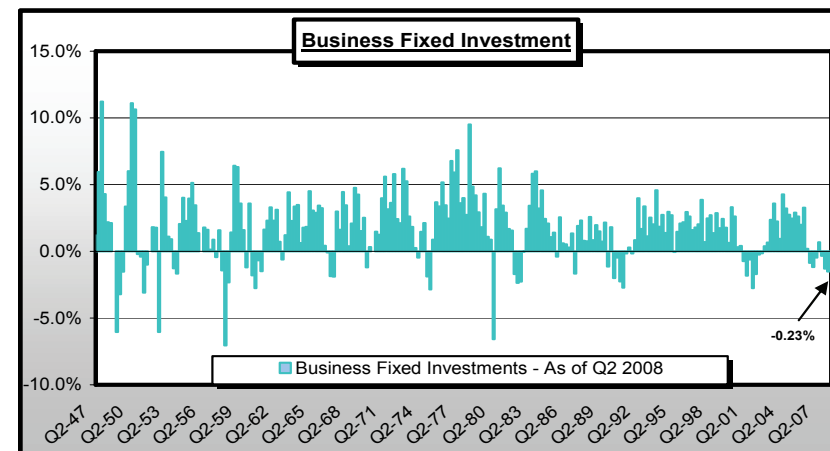
GDP Grew 2.8% in Q2...

² Source: U.S. Department of Commerce: Bureau of Economic Analysis



The Dollar rebounded in Q3

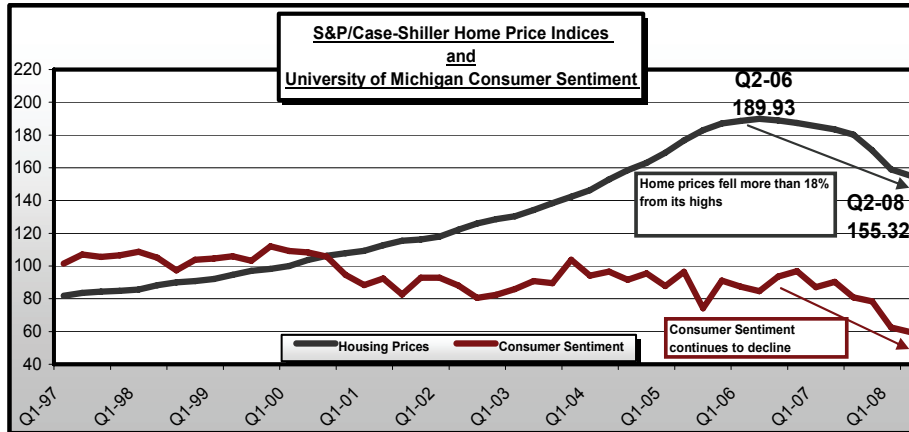
³ Source: Dow Jones & Company via St. Louis Fed.



Business fixed investments declined by 0.23% in Q2...

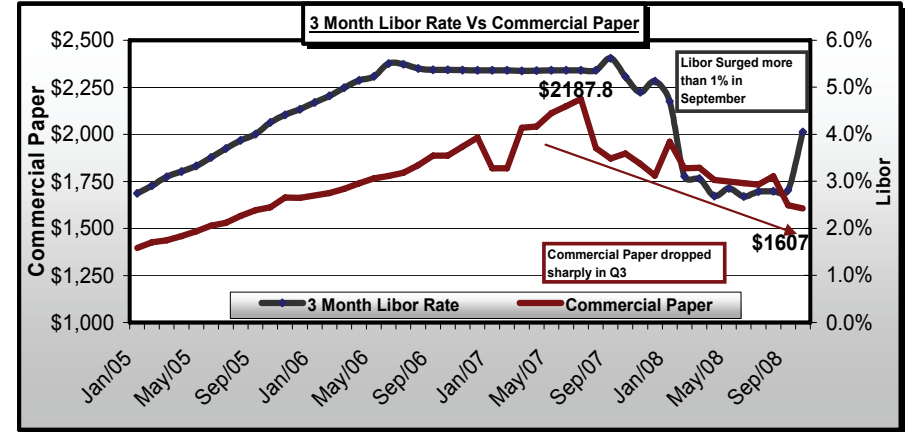
² Source: U.S. Department of Commerce: Bureau of Economic Analysis

Slide of the Quarter: Crisis of Confidence?



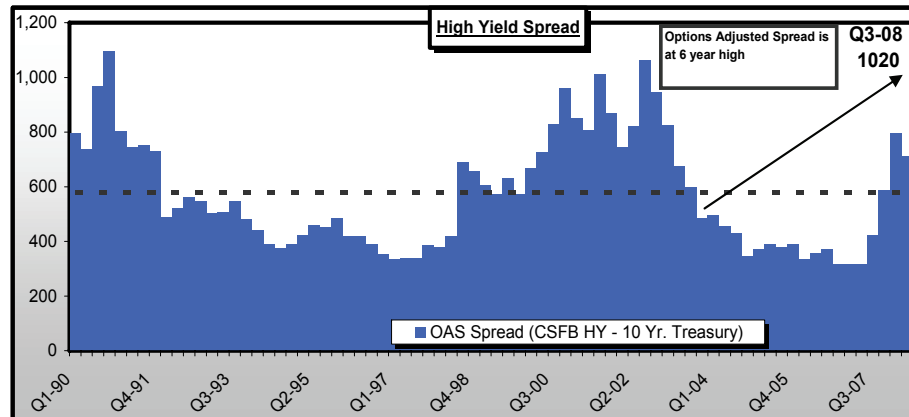
Source: Standard & Poors

Consumer Sentiment continues to fall as home prices drops 18% from the peak...



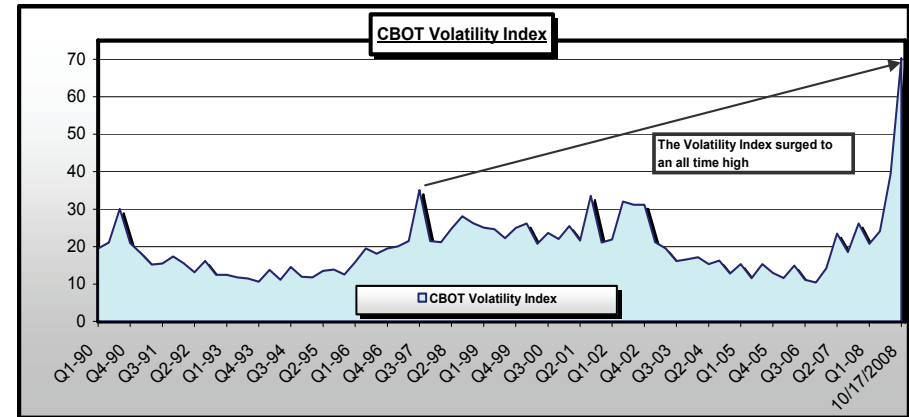
source: U.S Federal Reserve & British Bankers Association

Commercial Papers volume declined sharply in Q3 and Libor spiked...



source: Lehman Live

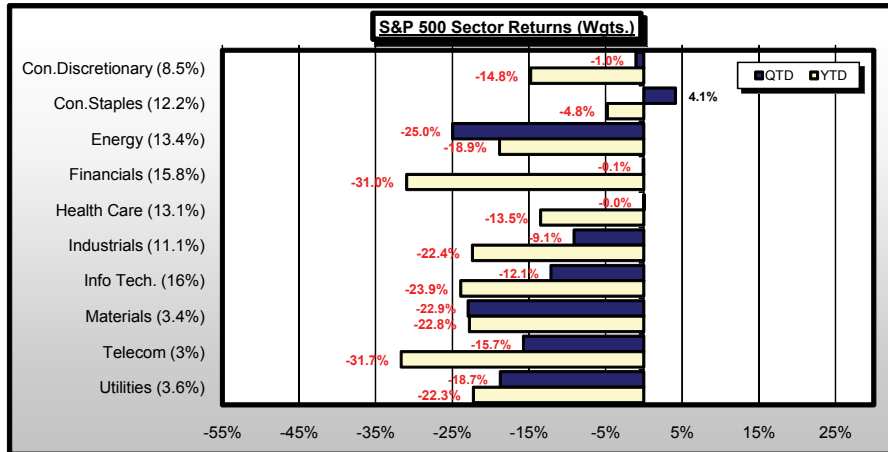
Option Adjusted Spread at a 6 year high...



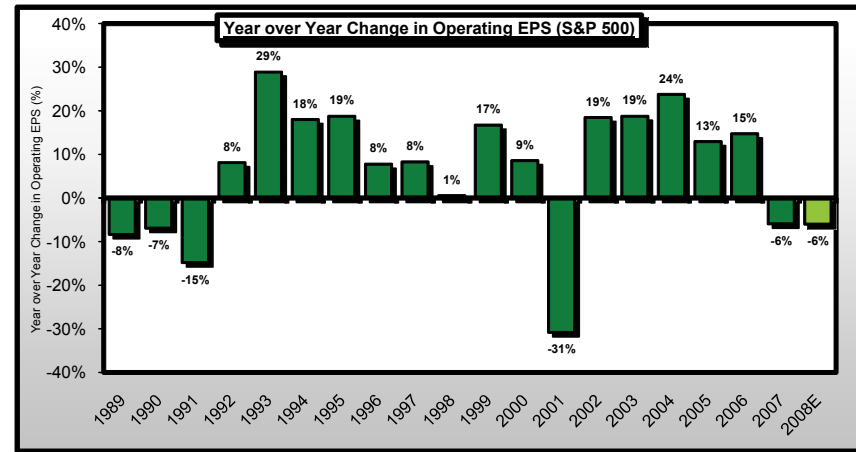
source: Bloomberg

Volatility spiked to all time high in Q3...

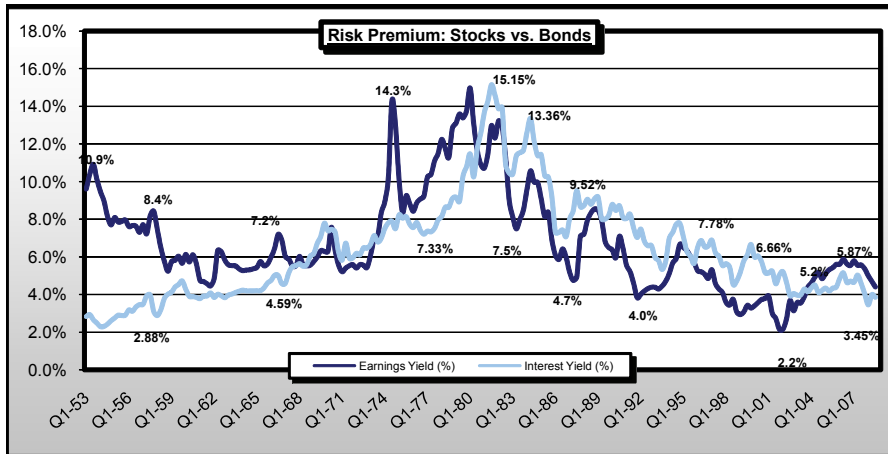
Market Environment – Domestic Equity (As of 9/30/2008)



S&P dropped in Q3 lead by Energy and Materials sectors..



2008 expected EPS continues to be revised lower



Stock earning yields (4.40%) continue to exceed bond yields (3.48%)...

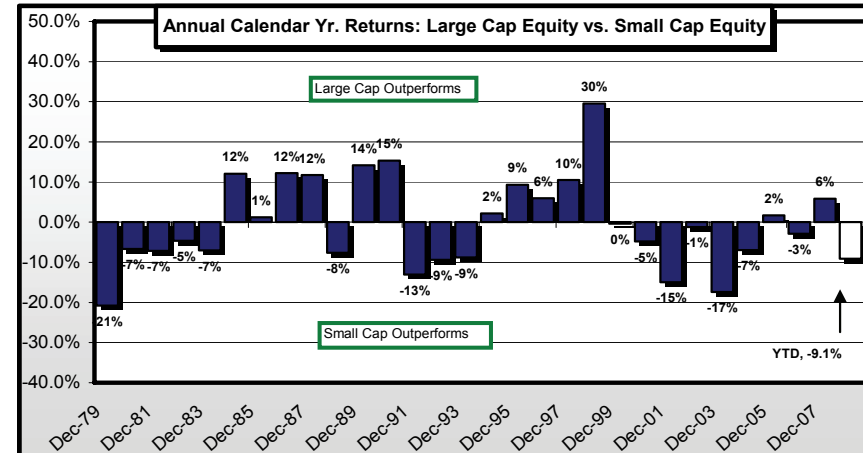
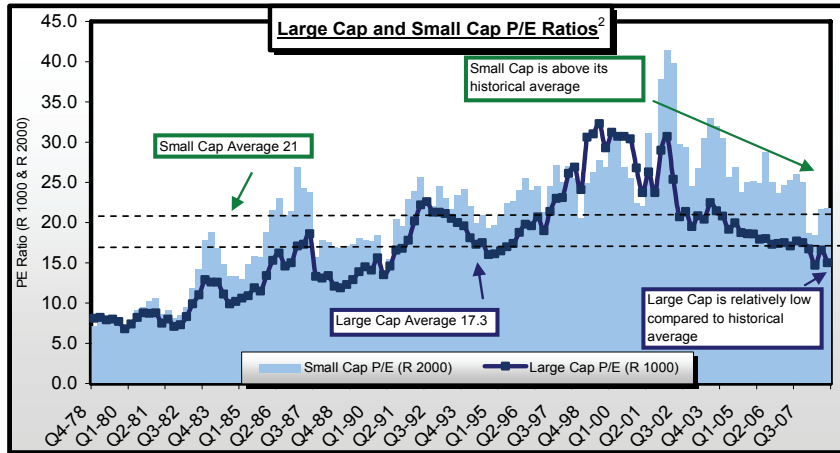
Source: Russell Investment Group



Current P/E ratio moves to 18.08 from 21.20

Source: Standard & Poors

Market Environment – Sector / Style Rotation (As of 9/30/2008)

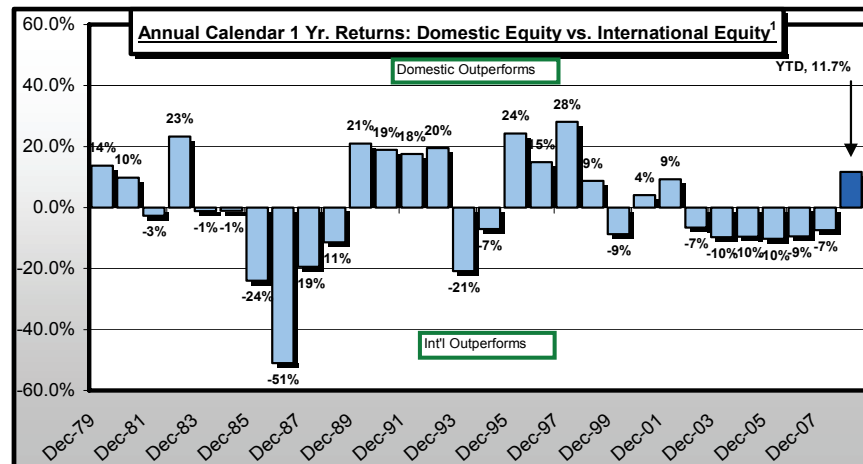
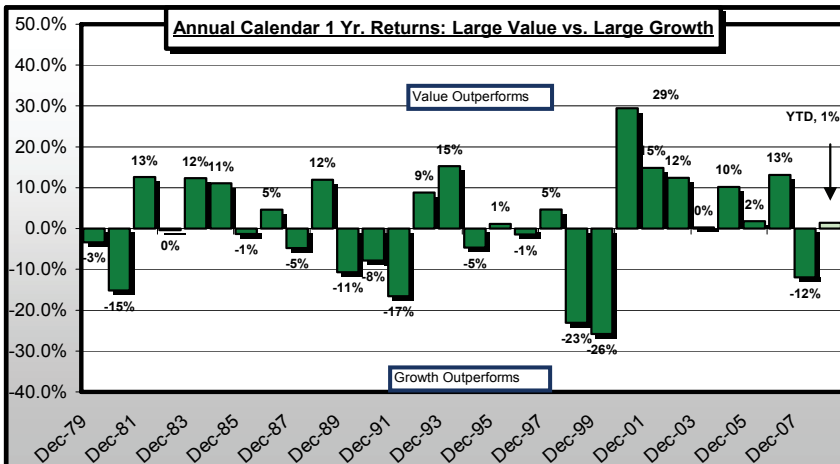


Large cap P/E is below its historical average whereas; Small cap PE is slightly higher ...

Small cap outperformed large cap YTD by 9.1%...

² Source: Russell Investment Group

² Source: Russell Investment Group



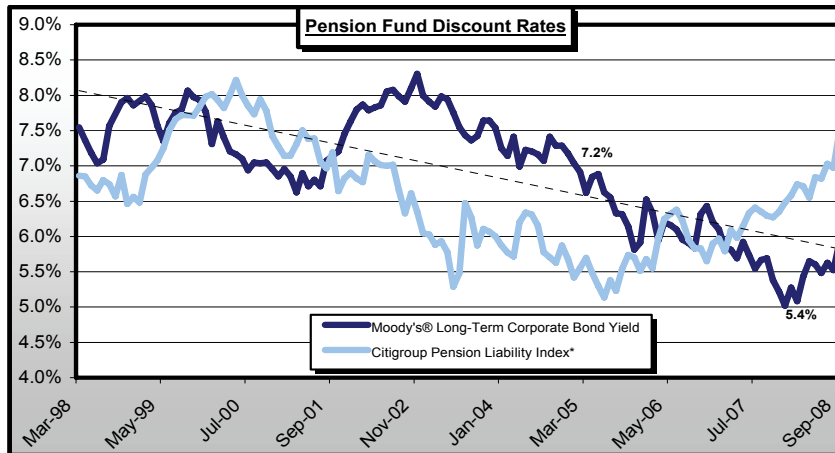
² Source: Russell Investment Group

¹ MSCI EAFE (1979-1989); Citi PMI EPAC (1990-present)

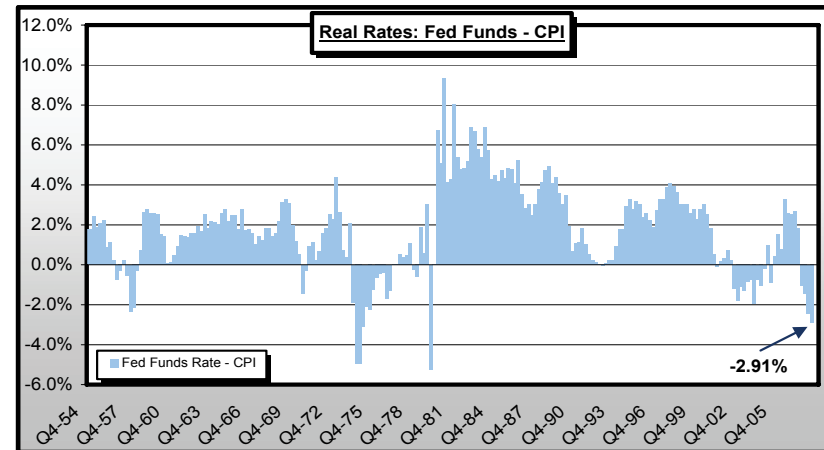
Value stocks outperformed Growth stocks by 1% YTD

Domestic outperformed international equity by 11.7% YTD

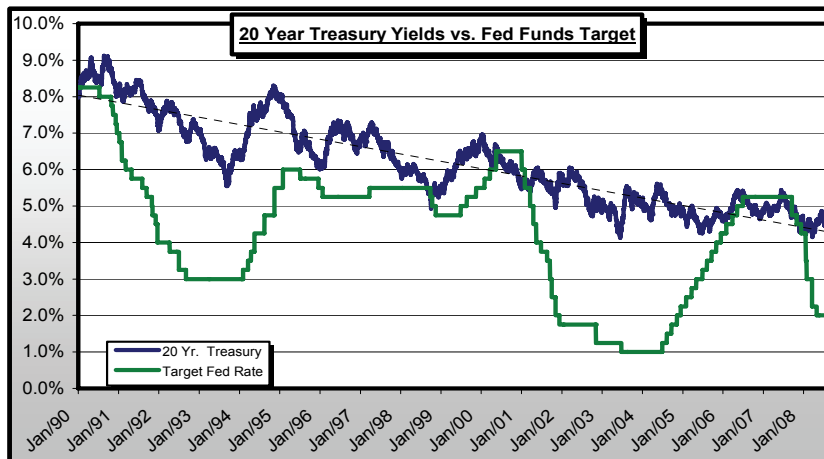
Market Environment – Interest Rates (As of 9/30/2008)



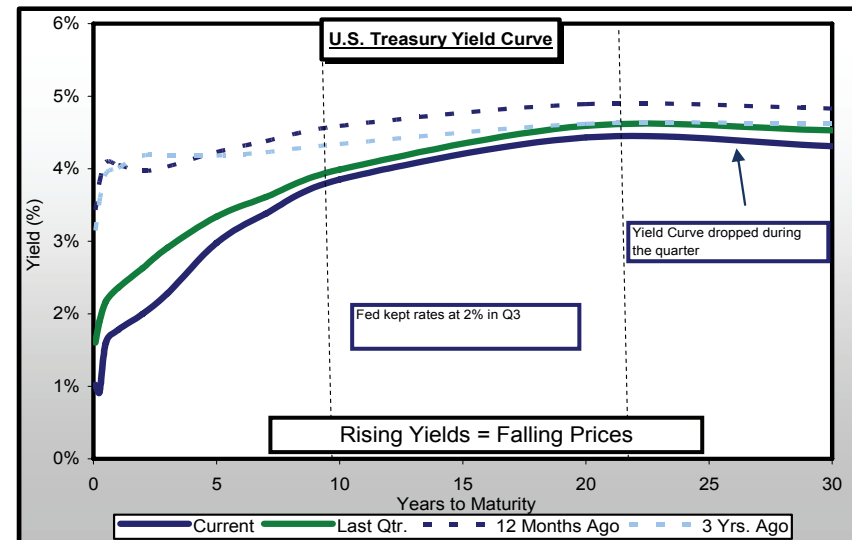
Pension discount rates rose in Q3...



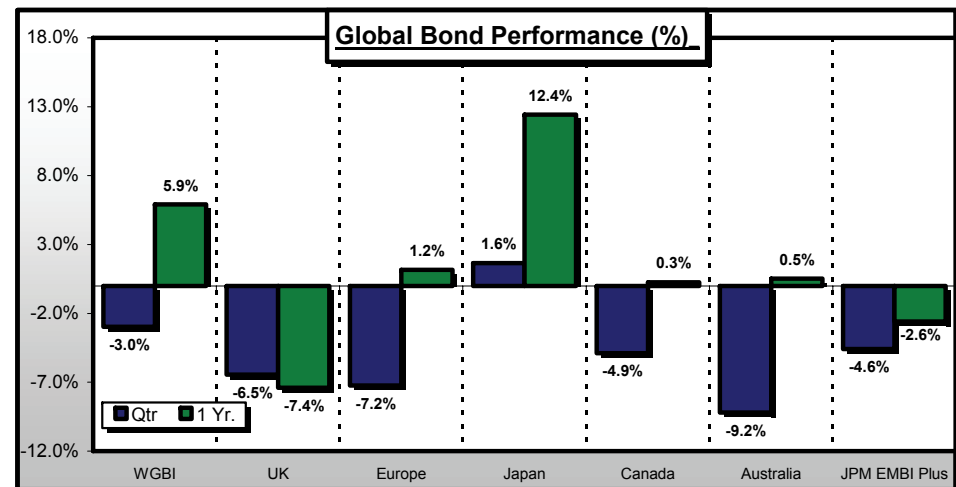
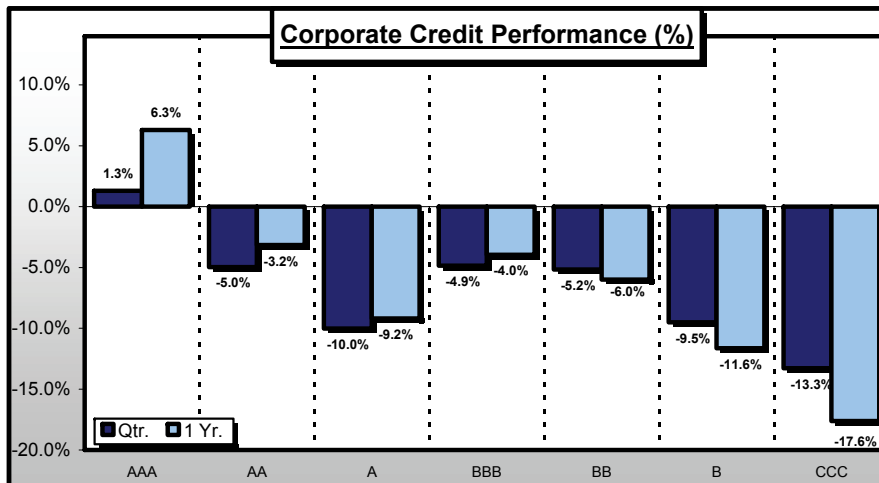
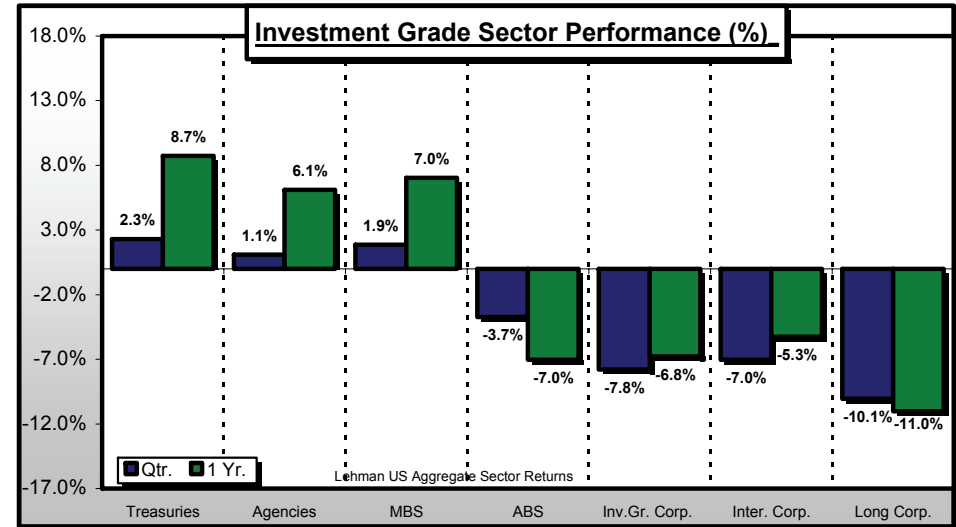
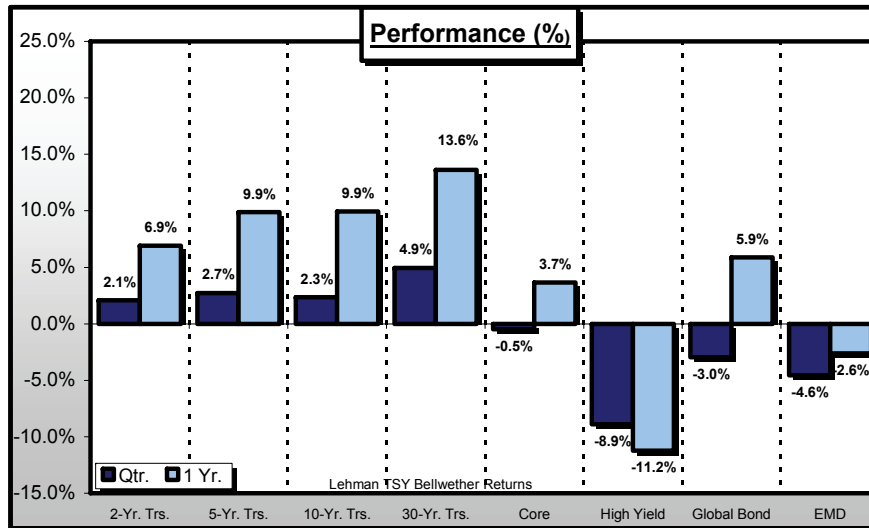
Real interest rates declined to a 28 Year low...



Fed held rates at 2% and 20 Yr. Treasury yields decreased during Q3...



Market Environment – Fixed Income (As of 9/30/2008)



Market Environment – International Equity (As of 9/30/2008)

Developed Market Equity Returns (U.S. Dollars)

Source: MSCI Inc.

	Qtr. (%)	1 Yr. (%)	3 Yr. (%)
Europe ex UK	-20.9%	-32.5%	1.5%
United Kingdom	-21.8%	-34.2%	-3.7%
Japan	-18.3%	-28.3%	-5.3%
Pacific Ex Japan	-26.0%	-37.1%	1.1%
Canada	-22.1%	-20.0%	6.6%
USA	-9.5%	-23.3%	-1.5%

US Dollar Return vs. Major Foreign Currencies

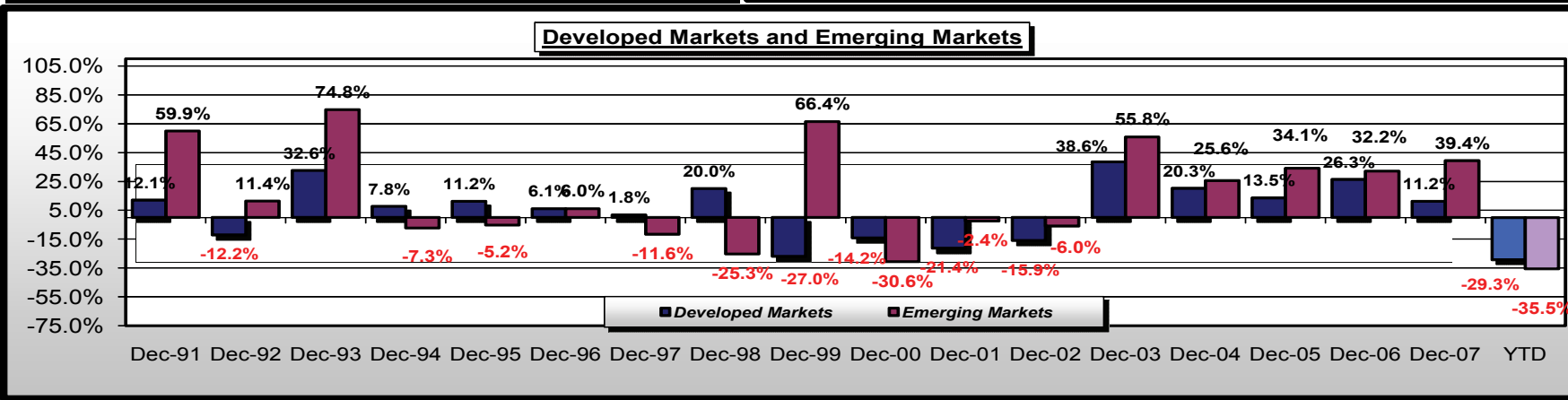
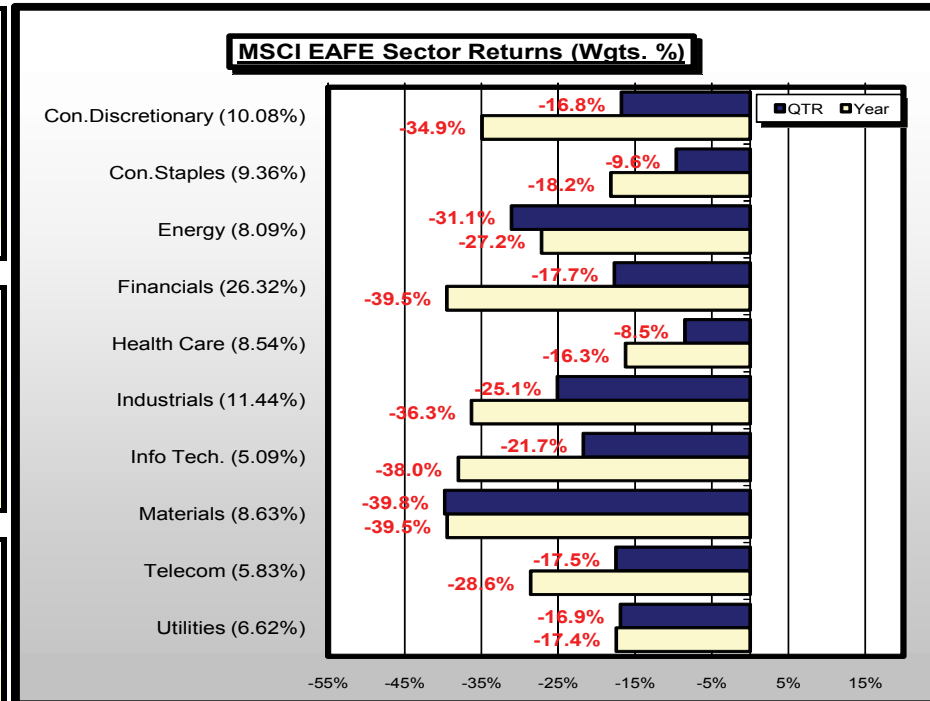
(Negative = Dollar Depreciates, Positive = Dollar Appreciates)

	Qtr.	1 Yr.	5 Yr.
Euro	12.2%	4.1%	-3.7%
Japanese Yen	0.2%	-5.0%	-1.0%
British Pound	11.7%	11.7%	-1.4%
Canada	4.8%	7.7%	-4.7%
Australia	21.7%	11.3%	-3.0%

Currency Impact on Developed Mkt. Returns

(Negative = Currency Hurt, Positive = Currency Helped)

	Qtr.	1 Yr.	5 Yr.
MSCI EAFE (Local)	-13.6%	-30.9%	4.5%
MSCI EAFE (USD)	-21.1%	-32.5%	7.1%
Currency Impact	-7.5%	-1.6%	2.6%



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