

May 2007

**Pension Plan
Presentation Report
First Quarter 2007**

San José Police and Fire Retirement System

MERCER

Investment Consulting

Table of Contents

	Section
Executive Summary	1
Recommendations	2
Asset Allocation	3
Performance Summary	4
Total Fund	5
Presentation	6
Investment Policy Compliance.....	7
Appendix.....	8
A. Market Environment	
B. Glossary	

Executive Summary

Executive Summary

Asset Allocation

The San José Police and Fire Department Retirement Plan had a market value of \$2,622.1 million at March 31, 2007, a \$50.3 million increase from the value at the end of the fourth quarter. At year-end, the Plan's assets were allocated across domestic equity (38.4%), international equity (23.7%), international emerging markets equity (5.9%), domestic core fixed income (19.7%), long-duration fixed income (3.7%), real estate (7.4%), private market equity (1.1%), and cash (0.2%). At March 31, 2007, the asset class allocations were within the guidelines and generally close to their targets. Domestic equity was 4.4% above its target allocation of 34.0%, international equity was 3.7% above its target allocation of 20.0%, private equity was 3.2% below its target allocation of 5.0%, and real estate was 4.6% below its target allocation of 12.0%. As opportunities present themselves, we anticipate the allocation to real estate and private equity to be funded from domestic and international equities.

Total Fund Performance

The Total Fund outperformed the return of the Total Fund Benchmark for the quarter and 5 years. The Total Fund placed above or near the Russell/Mellon Total Funds Billion Dollar–Public Universe median for all periods except the recent quarter.

Economic growth moderated in the first quarter of 2007. The preliminary estimate of GDP growth for the quarter was 1.3%, down from 2.3% for the fourth quarter. Weak points for the economy were continued problems in the housing market, especially in the sub-prime sector; higher energy prices; an

uptick in inflation; and a partially inverted yield curve. On the positive side, job growth continued with another 455,000 jobs added during the quarter, and wage gains started to accelerate after several years of tepid growth.

The number of unemployed, 6.7 million, and the unemployment rate, 4.4%, essentially remained unchanged while average hourly earnings increased by \$0.18 to \$17.22. Prices, as measured by the Consumer Price Index, rose by a 4.7% annualized rate in the first quarter. After a sharp decline in early January, oil prices comfortably climbed north of the \$60/barrel seen at the end of 2006. The Producer Prices Index for finished goods increased by 1.0% in March. This advancement followed a rise of 1.3% in February and a decline of 0.6% in January. The index for finished goods, excluding foods and energy, was unchanged in March after moving up 0.4% in February. The Federal Reserve Board reported a production capacity utilization rate of 81.4% at the end of March, a slight decrease from the 81.6% reported at the end of December.

The markets were considerably more volatile at the end of the quarter. In the week that followed “Black Tuesday,” U.S. equities saw their most dramatic one-week decline in four years. However, by the end of March, equities experienced their best weekly gains since 2003. The 10-year Treasury began the year with a yield of 4.68% and fell sharply to a yield of 4.51% in the first week of March as investors embarked on a “flight to safety” after the equity sell-off that followed “Black Tuesday.”

The large cap domestic equity market advanced moderately during the first quarter, appreciating 1.2% as measured by the

Russell 1000 Index; however, sector returns were mixed. A late rebound in energy prices helped other energy lead all sectors for the quarter at 9.5%. Sectors posting negative returns for the quarter were financial services (-2.2%), technology (-1.1%), and integrated oils (-0.4%). Small cap stocks outperformed large cap stocks, as the Russell 2000 Index returned 2.0% for the quarter. Midcap stocks, as measured by the Russell Midcap Index, returned 4.4% during the quarter and outperformed both large and small cap equity. Value outperformed growth in the large cap market, while growth surpassed value in the small cap market.

The international equity markets continued to post solid returns during the first three months of 2007, gaining 4.1% in U.S. dollar terms as measured by the MSCI EAFE Index. A moderately declining dollar boosted performance as the MSCI EAFE Index returned 3.4% in local currency terms. Continuing their strong performance from last quarter, the Nordic countries and Pacific Free ex Japan outperformed all other international indices. A weakening dollar had a moderate impact across most developed markets. Most notably, New Zealand gained 1.2% in U.S. dollar terms but declined 0.2% in local currency terms. Likewise, Australia gained 9.6% in U.S. dollar terms, but advanced only 6.9% in local currency terms. Ireland (-0.8%) was the only developed market to experience losses in U.S. dollar terms during the first quarter.

Emerging markets underperformed developed markets for the quarter, returning 2.3% in U.S. dollar terms as well as in local currency terms as measured by the MSCI Emerging Markets Index. Emerging Markets ex Asia and Latin America were the best-performing regions during the first quarter, led by Peru at 25.0% and Morocco at 24.7%. Many emerging markets, such as China (-2.3%) and India (-3.4%), experienced losses in the first quarter.

The fixed income market, as measured by the Lehman Brothers Aggregate Bond Index, returned 1.5% during the first quarter. The currently inverted yield curve, where the 3-month Treasury bill at 5.04% exceeds the 10-year Treasury note at 4.65%, impacted returns as short-term issues outperformed long-term issues. BBB bonds outperformed higher-quality issues in the investment grade credit market. However, AAA issues outperformed AA and A bonds in the first quarter. High-yield bonds gained 2.6% during the quarter, as measured by the Lehman Brothers High Yield Index. Mortgages, as measured by the Lehman Brothers Mortgage Index, advanced 1.6%, while Treasuries, as measured by the Lehman Brothers Treasury Index, gained 1.5%.

Large Cap Index Equity – Rhumblin Advisers

Rhumblin held \$235.1 million at quarter-end. This represented an increase of \$16.5 million from the end of the fourth quarter.

For all periods shown, Rhumblin tracked the S&P 500 Index within 30 basis points.

Large Cap Growth Equity – Globalt, Inc.

Globalt held \$43.1 million at quarter-end. This represented an increase of \$0.6 million from the end of the fourth quarter.

Except for the recent quarter and 5 years, Globalt underperformed the Russell 1000 Growth Index. The portfolio placed below the Mercer U.S. Equity Large Cap Growth Universe median for all periods.

Strong stock selection in health care and consumer discretionary contributed most to performance. Unfavorable

stock selection in financial services, utilities, autos & transportation and materials & processing detracted from results.

Large Cap Growth Equity – INTECH

INTECH held \$47.2 million at the end of the quarter. This represented an increase of \$0.8 million from the end of the fourth quarter.

INTECH outperformed the Russell 1000 Growth Index for all periods except 1 year. The portfolio placed near or above the Mercer U.S. Equity Large Cap Growth Universe median for all periods.

Stock selection in health care contributed most to performance. Stock selection in consumer discretionary and technology detracted from results.

Large Cap Growth Equity – New Amsterdam Partners

New Amsterdam held \$156.6 million at March 31, 2007. Assets have increased by \$2.0 million since the end of the fourth quarter.

The portfolio matched or outperformed the S&P 500 Index for all periods except 1 year. The fund placed above the Mercer U.S. Equity Large Cap Growth Universe median for all periods except the recent quarter.

The portfolio's exposure to and stock selection in other energy, materials & processing, and technology contributed to performance. Unfavorable stock selection in financial services and autos & transportation hurt performance.

Large Cap Value Equity – UBS Global Asset Management

At March 31, 2007, UBS managed \$134.3 million in assets, \$0.9 million more than at the previous quarter-end.

The portfolio outperformed the Russell 3000 Index for all periods except the recent quarter. The portfolio placed below the Mercer U.S. Equity Large Cap Value Universe median for all periods evaluated.

Favorable allocation to and stock selection in utilities and autos & transportation benefited performance. Unfavorable exposure to materials & processing and financial services negatively impacted performance.

Research Note (February 14, 2007):

Issues to watch

Capacity. The combined assets under management of the team's large cap strategies (Equity, Value, Select, and 130/30) are \$30+ billion as of December 31, 2006. UBS was unable to provide an estimated capacity for the long-only, large-cap products. While we think UBS has the resources to handle a large capacity, due to the singular investment style and high overlap in names between products, positions in a single name across all portfolios may become large enough to warrant liquidity concerns.

Highlights

The dedicated large-cap analysts are very knowledgeable about the sectors and companies they cover. The team's belief in the value of fundamental research, detailed modelling, and UBS's intrinsic value philosophy provides the products with a stable and consistent idea-generation engine. Each sector analyst

uses in-depth fundamental research to calculate the intrinsic value of the stocks they cover. The analyst then ranks all stocks in the sector based on alpha generation potential, calculated by Market Price/Intrinsic value. The analysts do not have to sell ideas to the portfolio managers. The portfolio managers attempt to build a diversified portfolio using the highest ranking stocks by sector and reviewing the analyst's thesis. The analysts agreed that communication among the US team is good. The portfolio managers practice an open-door policy and analysts frequently stop in to discuss investment ideas. The US analysts also appear to have adequate opportunity to work with the Global research teams.

Leonard provided some clarity on how the team determines which stocks go into the portfolio and how the positions weights are determined. Determining if a stock goes into the portfolio involves examining the Price/Intrinsic value ranking, the analyst's thesis, and the degree of conviction. Leonard attempts to include the best ideas in all of the large-cap portfolios and the overlap in names between the portfolios is large. To determine the appropriate weight in each portfolio, Leonard focuses on the stock's active weight versus the benchmark. For stocks in both indices, weights in the Russell 1000 Value are higher than weight in the Russell 1000, which means the Large Cap Value portfolio will generally have to hold larger weights in names resulting in fewer positions.

UBS uses a forward-looking, long-term model to determine a stock's theoretical intrinsic value. Macro inputs are consistent across the global research platform, but assumptions on individual stocks are generated by the analysts. Our concern is that the model's long-term focus requires a significant number of assumptions that make accuracy difficult. The long-term nature of the forecast increases the number of unknowns and

makes it difficult to evaluate how the model incorporates alternative scenarios. In addition, because the analyst does not have to work hard to sell the idea to the portfolio manager, we are concerned that an idea may not be thoroughly vetted before being included in the portfolio. Because of the number of analyst assumptions inherent in the long-term model we would like to be sure that the portfolio manager takes a "devil's advocate" position so that an idea is viewed from all angles before being included in the portfolio. Right now, we are not sure how complete that analysis is.

The analysts agreed that the addition of the 130/30 product did not add a substantial amount of work to their research responsibilities. The process has always required them to rank all of the stocks they covered, regardless of alpha potential. However, they did admit that a short position must be followed more closely than a long position.

Large Cap Value Equity – Boston Partners Asset Mgmt

At March 31, 2007, Boston Partners managed \$142.9 million in assets, an increase of \$0.9 million since the prior quarter-end.

The portfolio underperformed the Russell 1000 Value Index for all periods evaluated except 3 years and since inception. The portfolio placed near or above the Mercer U.S. Equity Large Cap Value Universe median for all periods except the recent quarter.

The portfolio's underweight in utilities and materials & processing negatively impacted performance. Lack of exposure to autos & transportation and an overweight in technology also hurt results. Strong stock selection in consumer staples and producer durables contributed to results.

Manager News (April 3, 2007):

Robeco has taken a formal step to re-brand its investment management subsidiaries. Boston Partners (mainly known for US and non-US Equity), Weiss, Peck & Greer (US Equity and US Fixed Income), and Sage Capital (Funds of Hedge Funds) have merged into a single Registered Investment Advisor named Robeco Investment Management (RIM). RIM is a wholly owned subsidiary of Robeco Group, a Dutch investment management firm, which is 100% owned by Rabobank.

We expect the separate listings for Boston Partners, Weiss, Peck & Greer, and Sage to disappear from GIMD in the near future and for all strategies to be consolidated under an entry for Robeco Investment Management. The identity of the distinct teams will be noted in the strategy names, as products will be referred to by both the Robeco brand and the former subsidiary name.

This specific news does not impact our rating of any strategy. However, we will continue to closely watch all three firms for signs that the parent company is interfering with investment autonomy. We have recently witnessed a significant level of personnel turnover in Weiss, Peck & Greer's New York-based fixed income team. Should we determine that there are strategic changes in the works that meaningfully disturb the investment subsidiaries, we will revisit our ratings.

Small Cap Growth Equity – Provident Investment Counsel

At March 31, 2007, Provident managed \$71.4 million in assets, \$3.2 million more than at the end of the fourth quarter.

For all periods evaluated except 5 years, Provident

outperformed the Russell 2000 Growth Index. The portfolio placed below the universe median for 3 years and 5 years.

The portfolio's strong security selection in technology, financial services, health care and materials & processing benefited performance. Unfavorable stock selection in producer durables, utilities and autos & transportation detracted from results.

Small Cap Index Equity – Rhumblin Advisers

At March 31, 2007, Rhumblin managed \$103.4 million. This represented a \$2.0 million increase in assets from the end of the fourth quarter.

For all periods shown, the fund tracked the Russell 2000 Index within 30 basis points.

Small Cap Value Equity – TCW Group

At quarter-end, TCW Group managed \$71.8 million in assets, an increase of \$2.3 million from the previous quarter.

For all periods evaluated except the recent quarter and 1 year, TCW underperformed the Russell 2000 Index. It placed below the Mercer U.S. Equity Small Cap Value Universe median for all periods except the recent quarter.

Poor stock selection in technology, materials & processing and other energy negatively impacted performance during the recent quarter. Strong stock selection in consumer discretionary, producer durables and health care, as well as below-index exposure to the weak-performing financial service sector, offset some of the losses.

International Equity – AQR Capital Management

At quarter-end, AQR held \$114.8 million, marking an increase of \$4.4 million from the end of the previous quarter.

For the recent quarter, AQR matched the MSCI EAFE Index and placed in the top half of the Mercer International Equity Universe. Since inception, the portfolio outperformed the MSCI EAFE Index.

The portfolio's unfavorable exposure to Switzerland, Hong Kong, and Japan detracted from performance during the recent quarter. Stock selection and an underweight in U.K., as well as exposure to Germany benefited results.

International Equity – Brandes Investment Partners

Brandes had \$257.2 million under management at March 31, 2007. This represented an increase in assets of \$5.0 million from the previous quarter.

For all periods shown, Brandes outperformed both the MSCI EAFE Index and the Mercer International Equity universe median.

The portfolio's strong security selection in Netherlands, United Kingdom, and Japan contributed most to outperformance during the recent quarter. An overweight position in Netherlands and out-of-index exposure to Mexico also benefited performance. Poor stock selection in France and out-of-index exposure to Brazil and Canada detracted from results.

Manager News (February 9, 2007):

The firm has announced several changes to its four Investment Committees (ICs). Each of the four ICs is gaining at least one

new member, while at least one person is rotating off each committee. Most significantly, William Pickering, a 16-year veteran at the firm, is leaving his three IC assignments and has announced his retirement at the end of 2009.

Mercer View

None of the changes detailed below pose any threat to the current outlook for Brandes' equity strategies. As investors know, Brandes manages its equity strategies by committee; no one individual controls any decision-making process. Committee membership rotates each year, though typically in modest amounts. The strength of this organization is its ability to refresh and reinvigorate the talent pool continually. The firm's culture encourages active participation from a wide range of individuals, so this sort of rotation is a healthy sign. Additionally, Pickering's planned retirement and gradual transition is well in advance of the actual event. Further, his departure does not change our overall opinion. We will keep the field posted as events warrant.

Brandes Announcement:

As has been the case in prior years at the end of January, we are making some changes to the membership of our equity investment committees, consistent with our practice of providing broader career experiences for our investment professionals. We believe that, over the long-term, gradual rotation benefits our investment decision-making and our overall effectiveness, in part because it injects new ideas and perspectives into the process. This practice should also over time allow us to transition leadership roles in a thoughtful and effective manner.

The Emerging Markets Investment Committee will see William Pickering, CFA rotate off and Louis Lau rotate on (as a non-voting member). After these changes, the Emerging

Markets Investment Committee will have seven members:

- Alphonse Chan, CFA
- Christopher Garrett, CFA
- Douglas Edman, CFA
- Gerardo Zamorano, CFA
- Greg Rippel, CFA
- Steven Leonard, CFA
- Louis Lau (non-voting member)

Effective immediately, William Pickering, a partner and a member of the firm since 1991, will rotate off the three investment committees as noted above. In addition, he is shifting to a 'partner emeritus' status. He will continue as a partner of the firm for three years, formally retiring at the end of 2009. Bill will continue as a member of the firm's Investment Oversight Committee and will be available for specific activities to support the firm, including providing input on company valuations and investment committee issues.

There have been no announcements of new partners, and our ownership remains held entirely among the 22 partners in our firm.

International Equity – William Blair & Company

At March 31, 2007, William Blair managed \$250.4 million. This represented a \$2.3 million increase in assets from the end of the previous quarter.

For all periods evaluated except 1 year, the portfolio outperformed the MSCI AC World Free ex-U.S. Net Index and placed above the Mercer International Equity Universe median.

The portfolio's security selection in Italy, Spain, and Singapore contributed to outperformance. Poor security selection in U.K.

and Japan hurt results.

Emerging Markets Equity – Alliance Capital Management

At quarter-end, Alliance managed \$78.9 million in assets, marking an increase of \$0.2 million from the end of the previous quarter.

For all periods except 1 year, the portfolio outperformed the MSCI Emerging Markets Free Index. The portfolio placed below the Mercer Emerging Markets Equity Universe median for 1 and 3 years.

The portfolio's overweight positions in Phillipines, Chile, Brazil and Egypt contributed to outperformance. Unfavorable weightings in India, China, and Indonesia detracted from results. An underweight to Taiwan also benefited performance.

Emerging Markets Equity – Boston Company Asset Mgmt

Boston Company had \$76.6 million under management at March 31, 2007. This represented a \$1.3 million decrease in assets from the end of the previous quarter.

For all periods evaluated except since inception, the portfolio underperformed the MSCI Emerging Markets Free Index. The portfolio placed in the bottom quartile of the Mercer Emerging Markets Equity Universe for all periods.

The portfolio's unfavorable exposure paired with weak security selection in Taiwan and South Africa negatively impacted performance. Unfavorable security selection in Brazil and South Korea also weighed on results. Strong stock selection in China and Malaysia, as well as exposure to Russia, mitigated some of the losses.

Core Fixed Income – Seix Investment Advisors, Inc.

At quarter-end, Seix managed \$253.6 million in assets, an increase of \$11.7 million from the previous quarter-end.

Seix matched or outperformed the Lehman Brothers Aggregate Bond Index for all periods evaluated. The portfolio placed below the Mercer U.S. Fixed Core Universe median for all periods evaluated.

The portfolio's allocation to lower-quality issues contributed to outperformance during the recent quarter. Below-index exposure to the government sector and asset-backed securities also helped performance.

Core Fixed Income – Western Asset Management Company

WAMCo held \$262.1 million at quarter-end. Assets increased \$11.7 million during the quarter.

For all periods evaluated, the portfolio matched or outperformed the Lehman Brothers Aggregate Bond Index. For all periods except the recent quarter, it placed in the top quartile of the Mercer U.S. Fixed Core Universe.

The portfolio's favorable weightings in the mortgage-backed and government sectors benefited performance as did its allocation to lower-quality issues. Above-index exposure to asset-backed securities contributed to results.

Long Duration Fixed Income – Income Research & Management

Income Research & Management held \$96.7 million at the end of the quarter. This represented a \$1.2 million increase from December 31, 2006.

For all periods evaluated except since inception, the portfolio outperformed the Lehman Brothers US Government/Credit Long Term Index and placed above the Mercer U.S. Fixed Long Duration Universe median.

The portfolio's out-of-index exposure to the mortgage-backed sector helped performance during the recent quarter. Above-index exposure to the corporate sector also benefited performance.

Real Estate – MIG Realty Advisors

MIG managed \$47.6 million in assets at March 31, 2007.

For all periods evaluated, the portfolio underperformed the NCREIF Property Index and placed in the bottom decile of the Mercer U.S. Real Estate Open End Universe.

Real Estate – Kennedy Associates

Kennedy managed \$90.2 million in assets as of March 31, 2007.

For all periods evaluated, the portfolio underperformed the NCREIF Property Index and placed below the median of the Mercer U.S. Real Estate Open End Universe.

Real Estate – Multi-Employer Property Trust

MEPT managed \$55.3 million in assets at March 31, 2007.

For the recent quarter, the portfolio outperformed the Mercer U.S. Real Estate Open End Universe median but underperformed the NCREIF Property Index. Since inception, the portfolio underperformed the NCREIF Property Index.

Private Market Equity – Pantheon Ventures

Pantheon was funded September 23, 2005. Pantheon held \$11.0 million at quarter-end.

Private Market Equity – Portfolio Advisors

Portfolio Advisors was funded October 17, 2005. Portfolio Advisors held \$12.0 million at quarter-end.

Private Market Equity – HarbourVest Partners

HarbourVest was funded December 23, 2005. HarbourVest held \$4.6 million at quarter-end.

Recommendations

Recommendations

Large Cap Index Equity – Rhumblin Advisers

- Rhumblin is tracking the S&P 500 Index as expected. Retention recommended.

Large Cap Growth Equity – Globalt, Inc.

- Globalt underperformed the Russell 1000 Growth Index for all periods evaluated except the recent quarter and 5 years. The fund placed below the universe median for all periods. We are encouraged by the improvement but one quarter's performance does not alter our recommendation to terminate the relationship. We will review the returns again next quarter.

Large Cap Growth Equity – INTECH

- INTECH outperformed the Russell 1000 Growth Index for all periods except 1 year. The portfolio placed near or above the Mercer U.S. Equity Large Cap Growth Universe median for all periods. Retention recommended.

Large Cap Growth Equity – New Amsterdam Partners

- The portfolio matched or outperformed the S&P 500 Index for all periods except 1 year. The fund placed above the Mercer U.S. Equity Large Cap Growth Universe median for all periods except the recent quarter. Retention recommended.

Large Cap Value Equity – UBS Global Asset Management

- While the portfolio placed below the Mercer U.S. Equity Large Cap Value Universe median for all periods evaluated, it outperformed the Russell 3000 Index for all periods except the recent quarter. Retention recommended. Please see manager news in the Executive Summary.

Large Cap Value Equity – Boston Partners Asset Management

- The portfolio underperformed the Russell 1000 Value Index for all periods evaluated except 3 years and since inception. The portfolio placed near or above the Mercer U.S. Equity Large Cap Value Universe median for all periods except the recent quarter. We recommend keeping the firm on the Watch List and monitoring for improved performance. Please see manager news in the Executive Summary.

Small Cap Growth Equity – Provident Investment Counsel

- For all periods evaluated except 5 years, Provident outperformed the Russell 2000 Growth Index. The portfolio placed below the universe median for 3 years and 5 years only. We are encouraged by the turnaround in performance and recommend keeping the firm on the Watch List for further improvement over the next few quarters.

Small Cap Index Equity – Rhumblin Advisers

- Rhumblin is tracking the Russell 2000 Index as expected. Retention recommended.

Small Cap Value Equity – TCW Group

- TCW outperformed the Russell 2000 Index for the recent quarter and 1 year only. It placed below the Mercer U.S. Equity Small Cap Value Universe median for all periods except the recent quarter. We are encouraged by the improvement in near-term performance but recommend keeping the firm on Probation.

International Equity – AQR Capital Management

- For the recent quarter, AQR matched the MSCI EAFE Index and placed in the top half of the Mercer International Equity Universe. Since inception, the portfolio outperformed the MSCI EAFE Index. Retention recommended.

International Equity – Brandes Investment Partners

- For all periods shown, Brandes outperformed both the MSCI EAFE Index and the Mercer International Equity universe median. Retention recommended. Please see manager news in the Executive Summary.

International Equity – William Blair & Company

- For all periods evaluated except 1 year, the portfolio outperformed the MSCI AC World Free ex-U.S. Net Index and placed above the Mercer International Equity Universe median. Retention recommended.

Emerging Markets Equity – Alliance Capital Management

- For all periods except 1 year, the portfolio outperformed the MSCI Emerging Markets Free Index. The portfolio placed below the Mercer Emerging Markets Equity Universe median for 1 and 3 years. Retention recommended.

Emerging Markets Equity – Boston Company Asset Management

- For all periods evaluated except since inception, the portfolio underperformed the MSCI Emerging Markets Free Index. The portfolio placed in the bottom quartile of the Mercer Emerging Markets Equity Universe for all periods. We recommend keeping the firm on Probation.

Core Fixed Income – Seix Investment Advisors, Inc.

- Seix matched or outperformed the Lehman Brothers Aggregate Bond Index for all periods evaluated. However, the portfolio placed below the Mercer U.S. Fixed Core Universe median for all periods evaluated. We recommend keeping the firm on the Watch List.

Core Fixed Income – Western Asset Management Company

- For all periods evaluated, the portfolio matched or outperformed the Lehman Brothers Aggregate Bond Index. For all periods except the recent quarter, it placed in the top quartile of the Mercer U.S. Fixed Core Universe. We recommend retention.

Long Duration Fixed Income – Income Research & Management

- For all periods evaluated except since inception, the portfolio outperformed the Lehman Brothers US Government/Credit Long Term Index and placed above the Mercer U.S. Fixed Long Duration Universe median. Retention is recommended.

Real Estate – MIG Realty Advisors

- For all periods evaluated, the portfolio underperformed the NCREIF Property Index and placed in the bottom decile of the Mercer U.S. Real Estate Open End Universe. We recommend keeping the firm on Probation.

Real Estate – Kennedy Associates

- For all periods evaluated, the portfolio underperformed the NCREIF Property Index and placed below the median of the Mercer U.S. Real Estate Open End Universe. We recommend keeping the firm on the Watch List.

Real Estate – Multi-Employer Property Trust

- For the recent quarter, the portfolio outperformed the Mercer U.S. Real Estate Open End Universe median but underperformed the NCREIF Property Index. The portfolio underperformed the NCREIF Property Index since inception. Retention recommended.

Private Market Equity – Pantheon Ventures

- Pantheon was funded September 23, 2005.

Private Market Equity – Portfolio Advisors

- Portfolio Advisors was funded October 17, 2005.

Private Market Equity – HarbourVest Partners

- HarbourVest was funded December 23, 2005.

Comments on Asset Allocation

- It shall be the policy of the Plan to invest its assets in accordance with the maximum and minimum range, valued at market, for each asset as stated below:

<u>Asset Class</u>	<u>Minimum %</u>	<u>Target %</u>	<u>Actual %</u>	<u>Maximum %</u>
Domestic Equity	29	34	38.4	39
International Equity	10	20	23.7	25
Emerging Markets Equity	0	5	5.9	8
Domestic Core Fixed Income	15	20	19.7	25
Long-Duration Fixed Income	0	4	3.7	7
Real Estate	0	12	7.4	17
Private Equity	0	5	1.8	8
Cash			0.2	

At March 31, 2007, the asset class allocations were within the guidelines and generally close to their targets. Domestic equity was 4.4% above its target allocation of 34.0%, international equity was 3.7% above its target allocation of 20.0%, real estate was 4.6% below its target allocation of 12.0%, and private equity was 3.2% below its target allocation of 5.0%. As opportunities present themselves, we anticipate the allocation to real estate and private equity to be funded from domestic and international equities.

- Most transitions resulting from the Asset – Liability and Portfolio Structuring studies have been completed.
- Assets currently allocated to the domestic small cap index are earmarked for future private equity acquisitions.

Watch List/Probation

- Globalt placed on the Watch List in the fourth quarter of 2001. Placed on Probation in the first quarter of 2002. Removed from Probation but kept on the Watch List in the fourth quarter of 2004. Placed on Probation in the third quarter of 2006. Placed on Termination status in the fourth quarter of 2006.
- New Amsterdam placed on the Watch List in the first quarter of 1999 and was put on Probation in the third quarter of 1999. Removed from Probation but kept on the Watch List in the fourth quarter of 2000. Removed from the Watch List in the first quarter of 2001.
- UBS placed on the Watch List in the third quarter of 1999. Placed on Probation in the first quarter of 2000. UBS placed on the Watch List in the first quarter of 2002. Removed from the Watch List in the fourth quarter of 2002.
- Boston Partners put on Probation during the fourth quarter of 1998 and moved to the Watch List in the third quarter of 2000, then removed from the Watch List in the second quarter of 2001. Placed on the Watch List in the fourth quarter of 2002. Placed on Probation in the first quarter of 2005. Removed from Probation but kept on the Watch List in the third quarter of 2005.
- Provident placed on the Watch List in the second quarter of 2000. Removed from the Watch List in the third quarter of 2003. Placed on the Watch List in the fourth quarter of 2004.
- TCW placed on the Watch List in the fourth quarter of 2004. Placed on Probation in the second quarter of 2005.
- Alliance Capital (Emerging Markets Equity) placed on the Watch List in the third quarter of 2003. Removed from the Watch List in the second quarter of 2004.
- Boston Company Asset Management placed on the Watch List in the third quarter of 2002. Removed from the Watch List in the second quarter of 2003. Placed on the Watch List in the third quarter of 2005. Placed on Probation in the third quarter of 2006.
- Seix placed on the Watch List in the third quarter of 2002. Removed from the Watch List in the fourth quarter of 2003. Placed on the Watch List in the third quarter of 2004.
- WAMCo placed on the Watch List in the second quarter of 2005. Removed from the Watch List in the fourth quarter of 2005.
- MIG was on Probation from the second quarter of 1998 until third quarter 1999, when they were removed from Probation and placed on the Watch List. MIG was removed from the Watch List in the first quarter of 2002. Placed on the Watch List in the third quarter of 2004. Placed on Probation in the fourth quarter of 2005.
- Kennedy Associates was placed on the Watch List in the fourth quarter of 2006.

Asset Allocation

San Jose Police and Fire Retirement System

Asset Summary
As of March 31, 2007

	Total Market Value	% of Total Fund	% of Asset Class	Equity & Convertible		Fixed Income		Cash & Equivalents		Alternative	
Total Fund	\$ 2,622.1	100.0%	100.0%	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %
Domestic Equity	1,005.8	38.4	100.0	977.5	97.2	--	--	28.3	2.8	--	--
Index Equity											
Rhumblin Advisers - Large Cap Index Equity	235.1	9.0	23.4	219.3	93.3	--	--	15.8	6.7	--	--
Growth Equity	246.9	9.4	24.5	241.0	97.6	--	--	5.9	2.4	--	--
GLOBALT, Inc. - Large Cap Growth Equity	43.1	1.6	4.3	42.2	97.9	--	--	0.9	2.1	--	--
INTECH - Large Cap Growth Equity	47.2	1.8	4.7	47.0	99.5	--	--	0.2	0.5	--	--
New Amsterdam Partners - Large Cap Growth Equity	156.6	6.0	15.6	151.9	97.0	--	--	4.8	3.0	--	--
Value Equity	277.2	10.6	27.6	273.8	98.8	--	--	3.4	1.2	--	--
UBS Global Asset Management - Large Cap Value Equity	134.3	5.1	13.4	133.7	99.5	--	--	0.6	0.5	--	--
Boston Partners Asset Mgmt. - Large Cap Value Equity	142.9	5.4	14.2	140.1	98.1	--	--	2.8	1.9	--	--
Small Cap Growth											
Provident Investment Counsel - Small Cap Growth Equity	71.4	2.7	7.1	69.0	96.7	--	--	2.3	3.3	--	--
Small Cap Core											
Rhumblin Advisers	103.4	3.9	10.3	102.9	99.5	--	--	0.5	0.5	--	--
Small Cap Value											
TCW Group - Small Cap Value Equity	71.8	2.7	7.1	71.5	99.5	--	--	0.3	0.5	--	--

All dollars in millions, numbers may not add due to rounding

San Jose Police and Fire Retirement System

Asset Summary
As of March 31, 2007

	Total Market Value	% of Total Fund	% of Asset Class	Equity & Convertible		Fixed Income		Cash & Equivalents		Alternative	
International Established Markets	\$ 622.4	23.7%	100.0%	\$ 615.2	98.8%	\$ 0.0	0.0%	\$ 7.2	1.2%	\$ --	-- %
AQR Capital Management, LLC International Equity	114.8	4.4	18.4	114.8	100.0	--	--	0.0	0.0	--	--
Bank of Ireland Asset Mgmt Ltd - International Equity	0.0	0.0	0.0	0.0	100.0	0.0	0.0	--	--	--	--
Brandes Investment Partners - International Equity	257.2	9.8	41.3	252.8	98.3	0.0	0.0	4.3	1.7	--	--
William Blair & Company - International Equity	250.4	9.5	40.2	247.5	98.9	0.0	0.0	2.9	1.1	--	--
International Emerging Markets	155.5	5.9	100.0	78.9	50.7	--	--	0.0	0.0	76.6	49.3
Alliance Capital Mgmt Emerging Markets Equity	78.9	3.0	50.7	78.9	100.0	--	--	--	--	--	--
Boston Company Asset Mgmt. Emerging Markets Equity	76.6	2.9	49.3	--	--	--	--	0.0	0.0	76.6	100.0
Domestic Core Fixed Income	515.7	19.7	100.0	0.0	0.0	569.3	110.4	(53.6)	(10.4)	--	--
Seix Investment Advisors, Inc - Fixed Income	253.6	9.7	49.2	0.0	0.0	252.1	99.4	1.5	0.6	--	--
Western Asset Management - Fixed Income	262.1	10.0	50.8	--	--	317.2	121.0	(55.1)	(21.0)	--	--
Long Duration Fixed Income											
Income Research & Mgmt., Inc. Long Duration	96.7	3.7	100.0	--	--	96.2	99.5	0.5	0.5	--	--

All dollars in millions, numbers may not add due to rounding

San Jose Police and Fire Retirement System

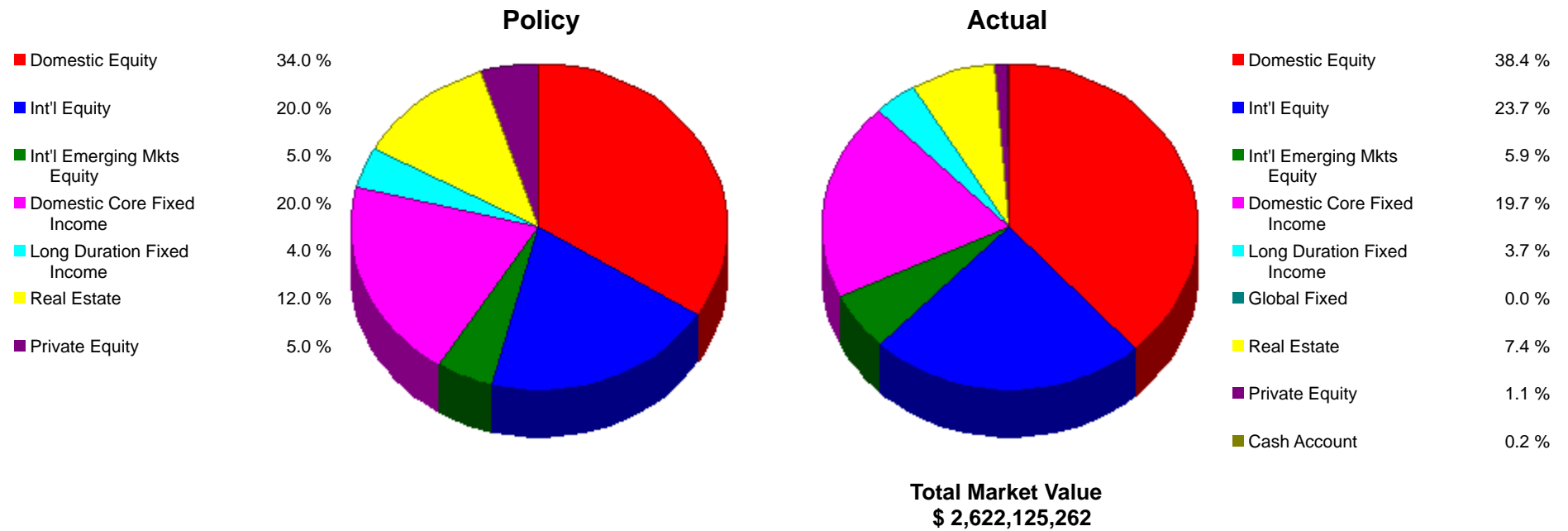
Asset Summary
As of March 31, 2007

	Total Market Value	% of Total Fund	% of Asset Class	Equity & Convertible		Fixed Income		Cash & Equivalents		Alternative	
Global Fixed Inc											
Credit Suisse Asset Mgmt - Global Fixed Income	\$ 0.0	0.0%	100.0%	\$ --	-- %	\$ 0.0	100.0%	\$ --	-- %	\$ --	-- %
Real Estate	193.2	7.4	100.0	--	--	--	--	--	--	--	--
Kennedy Associate Real Estate - Real Estate	90.2	3.4	46.7	--	--	--	--	--	--	--	--
MIG Realty Advisors - Real Estate	47.6	1.8	24.6	--	--	--	--	--	--	--	--
Multi-Employer Property Trust	55.3	2.1	28.7	--	--	--	--	--	--	--	--
Private Equity	27.6	1.1	100.0	0.0	0.0	--	--	0.0	0.0	27.6	100.0
Pantheon Ventures	11.0	0.4	39.8	--	--	--	--	0.0	0.0	11.0	100.0
Portfolio Advisors	12.0	0.5	43.6	--	--	--	--	0.0	0.0	12.0	100.0
HarbourVest Partners, LLC	4.6	0.2	16.7	0.0	0.0	--	--	0.0	0.0	4.6	100.0
Cash Account											
Cash Account	5.2	0.2	100.0	0.0	0.1	--	--	5.2	99.9	--	--

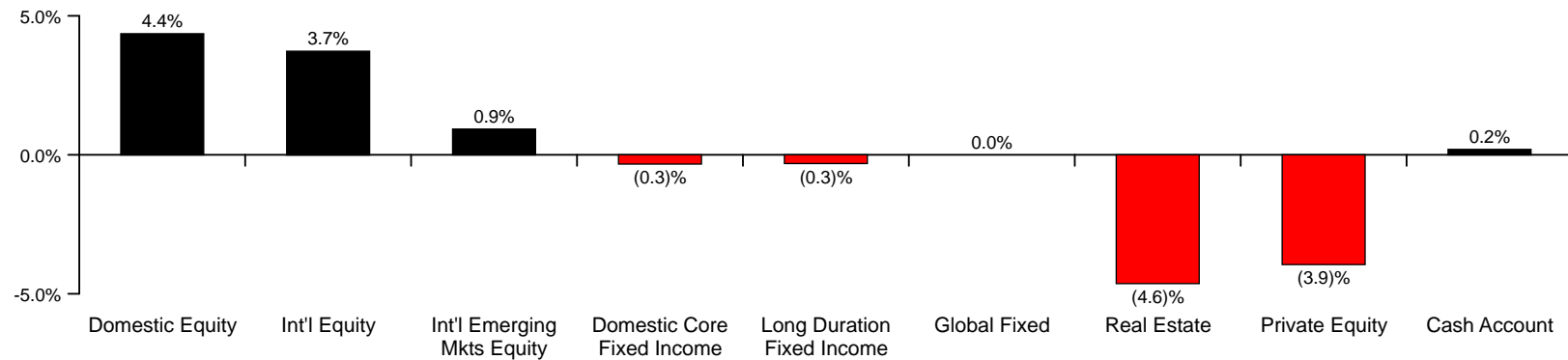
All dollars in millions, numbers may not add due to rounding

San Jose Police and Fire Retirement System

Asset Allocation
As of March 31, 2007



Asset Allocation vs. Policy



San Jose Police and Fire Retirement System

Asset Allocation
As of March 31, 2007

Prior Asset Allocation - December 31, 2006

Domestic Equity	38.0 %
Int'l Equity	23.8 %
Int'l Emerging Mkts Equity	6.1 %
Domestic Core Fixed Income	19.1 %
Long Duration Fixed Income	3.7 %
Global Fixed	0.0 %
Real Estate	8.1 %
Private Equity	0.9 %
Cash Account	0.3 %



Total Market Value
\$ 2,571,783,138

Current Asset Allocation - March 31, 2007

Domestic Equity	38.4 %
Int'l Equity	23.7 %
Int'l Emerging Mkts Equity	5.9 %
Domestic Core Fixed Income	19.7 %
Long Duration Fixed Income	3.7 %
Global Fixed	0.0 %
Real Estate	7.4 %
Private Equity	1.1 %
Cash Account	0.2 %



Total Market Value
\$ 2,622,125,262

San Jose Police and Fire Retirement System

Financial Reconciliation
Quarter Ending March 31, 2007

Manager	Beginning Market Value	Net Cash Flow	Investment Income	Capital Gain/Loss	Net Investment Gain/Loss	Ending Market Value
GLOBALT, Inc. - Large Cap Growth Equity	42,482,161	--	174,401	462,822	637,223	43,119,384
INTECH - Large Cap Growth Equity	46,428,782	--	158,344	607,970	766,313	47,195,096
Provident Investment Counsel - Small Cap Growth Equity	68,188,749	--	62,956	3,116,431	3,179,387	71,368,137
TCW Group - Small Cap Value Equity	69,453,635	--	92,905	2,288,135	2,381,040	71,834,675
Rhumblin Advisers	101,431,255	(140,005)	309,619	1,791,424	2,101,043	103,392,293
UBS Global Asset Management - Large Cap Value Equity	133,376,340	--	679,065	254,903	933,968	134,310,308
Boston Partners Asset Mgmt. - Large Cap Value Equity	141,964,381	--	682,509	252,679	935,188	142,899,569
New Amsterdam Partners - Large Cap Growth Equity	154,605,701	--	537,971	1,475,600	2,013,570	156,619,271
Bank of Ireland Asset Mgmt Ltd - International Equity	73,053	(64,460)	64,460	(66,261)	(1,802)	6,792
Boston Company Asset Mgmt. Emerging Markets Equity	77,912,089	(2,000,000)	--	726,725	726,725	76,638,813
Alliance Capital Mgmt Emerging Markets Equity	78,675,656	(2,172,718)	--	2,386,438	2,386,438	78,889,375
AQR Capital Management, LLC International Equity	110,432,307	(190,648)	190,648	4,356,130	4,546,777	114,788,437
William Blair & Company - International Equity	248,130,261	(7,500,810)	376,331	9,388,387	9,764,717	250,394,168
Brandes Investment Partners - International Equity	252,208,928	(7,500,000)	739,394	11,716,859	12,456,253	257,165,181
Income Research & Mgmt., Inc. Long Duration	95,500,698	--	1,461,200	(294,536)	1,166,665	96,667,362
Rhumblin Advisers - Large Cap Index Equity	218,633,964	14,460,694	1,141,576	871,419	2,012,995	235,107,653
Seix Investment Advisors, Inc - Fixed Income	241,926,806	8,000,000	3,284,158	405,908	3,690,065	253,616,871
Western Asset Management - Fixed Income	250,425,795	8,000,000	2,867,309	830,426	3,697,734	262,123,530
Credit Suisse Asset Mgmt - Global Fixed Income	2,522	--	--	24	24	2,546
HarbourVest Partners, LLC	4,615,734	1,471,644	28,356	(1,515,654)	(1,487,298)	4,600,079

San Jose Police and Fire Retirement System

Financial Reconciliation
Quarter Ending March 31, 2007

Manager	Beginning Market Value	Net Cash Flow	Investment Income	Capital Gain/Loss	Net Investment Gain/Loss	Ending Market Value
Pantheon Ventures	8,940,966	1,935,000	65,000	21,174	86,174	10,962,139
Portfolio Advisors	10,684,501	1,317,296	--	11,259	11,259	12,013,056
MIG Realty Advisors - Real Estate	48,484,511	--	--	(891,787)	(891,787)	47,592,724
Multi-Employer Property Trust	53,295,085	--	--	2,052,886	2,052,886	55,347,971
Kennedy Associate Real Estate - Real Estate	107,016,193	--	--	(16,784,356)	(16,784,356)	90,231,837
Cash Account	6,893,065	(2,099,307)	417,028	27,207	444,236	5,237,995
Total	\$2,571,783,138	\$13,516,686	\$13,333,228	\$23,492,210	\$36,825,437	\$2,622,125,262

Performance

San Jose Police and Fire Retirement System
Performance Summary
Period Ending March 31, 2007

				Annualized							
	Market Value	% of Total Fund	Quarter		1 Year		3 Years		5 Years		Inception to Date
Total Fund	\$ 2,622.1	100.0 %	2.2	% 73	12.0	% 50	11.7	% 58	10.7	% 31	9.9 %
Rank vs. Total Funds Billion Dollar - Public											
Total Funds Billion Dollar - Public Med			2.5		12.0		11.9		10.1		--
Total Fund Benchmark			2.1		13.0		12.0		10.1		--
TUCS Public Fund Universe Med			2.0		10.3		10.1		8.8		--
Percentile Ranking				35		22		20		12	
TUCS Master Trust Universe Med			2.1		10.4		10.1		8.6		--
Percentile Ranking				41		23		22		13	
Total Domestic Equity Fund	1,005.8	38.4	1.4	67	9.3	51	10.9	67	7.9	66	12.0
Rank vs. Mercer US Equity Combined Universe											
Mercer US Equity Combined Universe Med			2.4		9.5		12.5		9.6		--
S&P 500 - Total Return Index			0.6		11.8		10.1		6.3		12.4
Index Equity											
Rhumblin Advisers - Large Cap Index Equity	235.1	9.0	0.7		11.8		10.0		6.3		11.2
Rhumblin Advisers - Large Cap Index Equity-Net	235.1	9.0	0.7		11.8		10.0		6.2		11.1
Rank vs. Mercer US Equity Combined Universe											
Mercer US Equity Combined Universe Med			2.4		9.5		12.5		9.6		--
S&P 500 - Total Return Index			0.6		11.8		10.1		6.3		10.9
Growth Equity											
GLOBALT, Inc. - Large Cap Growth Equity	43.1	1.6	1.5	54	3.0	78	6.6	79	3.7	74	(0.4)
GLOBALT, Inc. - Large Cap Growth Equity-Net	43.1	1.6	1.4		2.6		6.1		3.2		(0.9)
Rank vs. Mercer US Equity Large Cap Growth Universe											
Mercer US Equity Large Cap Growth Universe Med			1.7		5.9		8.6		5.4		--
Russell 1000 Growth Index			1.2		7.1		7.0		3.5		1.0
Russell 1000 Growth + 1%			1.5		8.1		8.0		4.5		2.1
INTECH - Large Cap Growth Equity	47.2	1.8	1.7	51	5.5	56	9.1	36	--		12.1
INTECH - Large Cap Growth Equity-Net	47.2	1.8	1.5		4.9		8.5		--		11.5
Rank vs. Mercer US Equity Large Cap Growth Universe											
Mercer US Equity Large Cap Growth Universe Med			1.7		5.9		8.6		5.4		--
Russell 1000 Growth Index			1.2		7.1		7.0		3.5		9.3
Russell 1000 Growth + 1%			1.5		8.1		8.0		4.5		10.3

San Jose Police and Fire Retirement System

Performance Summary

Period Ending March 31, 2007

					Annualized						
	Market Value	% of Total Fund	Quarter		1 Year		3 Years		5 Years		Inception to Date
New Amsterdam Partners - Large Cap Growth Equity	\$ 156.6	6.0 %	1.3 %	58	8.4 %	25	10.1 %	29	8.0 %	16	13.7 %
New Amsterdam Partners - Large Cap Growth Equity-Net	156.6	6.0	1.2		8.1		9.8		7.6		13.3
Rank vs. Mercer US Equity Large Cap Growth Universe											
Mercer US Equity Large Cap Growth Universe Med			1.7		5.9		8.6		5.4		--
S&P 500 - Total Return Index			0.6		11.8		10.1		6.3		11.6
S&P 500 + 1%			1.0		12.8		11.1		7.3		12.6
Value Equity											
UBS Global Asset Management - Large Cap Value Equity	134.3	5.1	0.7	67	11.7	79	13.2	56	9.5	56	12.1
UBS Global Asset Management - Large Cap Value Equity-Net	134.3	5.1	0.6		11.4		12.8		9.1		11.7
Rank vs. Mercer US Equity Large Cap Value Universe											
Mercer US Equity Large Cap Value Universe Med			1.2		14.6		13.5		9.8		--
Russell 3000 Index			1.3		11.3		10.8		7.2		10.6
Russell 3000 + 1%			1.6		12.3		11.8		8.3		11.7
Boston Partners Asset Mgmt. - Large Cap Value Equity	142.9	5.4	0.7	68	14.6	50	14.9	27	9.6	52	11.6
Boston Partners Asset Mgmt. - Large Cap Value Equity-Net	142.9	5.4	0.6		14.3		14.5		9.3		11.3
Rank vs. Mercer US Equity Large Cap Value Universe											
Mercer US Equity Large Cap Value Universe Med			1.2		14.6		13.5		9.8		--
Russell 1000 Value Index			1.2		16.8		14.4		10.2		11.6
Russell 1000 Value + 1%			1.5		17.8		15.4		11.3		12.6
Small Cap Growth											
Provident Investment Counsel - Small Cap Growth Equity	71.4	2.7	4.7	30	3.1	38	9.5	70	7.7	72	8.5
Provident Investment Counsel - Small Cap Growth Equity-Net	71.4	2.7	4.4		2.1		8.4		6.6		7.4
Rank vs. Mercer US Equity Small Cap Growth Universe											
Mercer US Equity Small Cap Growth Universe Med			3.9		1.7		11.3		9.5		--
Russell 2000 Growth Index			2.5		1.6		9.4		7.9		4.2
Russell 2000 Growth + 2%			3.0		3.6		11.4		10.0		6.3
Small Cap Core											
Rhumbline Advisers	103.4	3.9	1.9	80	5.9	44	--		--		12.2
Rhumbline Advisers-Net	103.4	3.9	1.9		5.9		--		--		12.1
Rank vs. Mercer US Equity Small Cap Core Universe											
Mercer US Equity Small Cap Core Universe Med			3.1		5.7		13.5		12.5		--
Russell 2000 Index			1.9		5.9		12.0		10.9		11.9

San Jose Police and Fire Retirement System
Performance Summary
Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized			Inception to Date
				1 Year	3 Years	5 Years	
Small Cap Value							
TCW Group - Small Cap Value Equity	\$ 71.8	2.7 %	3.4 % 45	7.6 % 68	8.3 % 97	8.2 % 98	12.0 %
TCW Group - Small Cap Value Equity-Net	71.8	2.7	3.2	6.8	7.4	7.3	11.1
Rank vs. Mercer US Equity Small Cap Value Universe							
Mercer US Equity Small Cap Value Universe Med			3.3	9.6	14.6	14.5	--
Russell 2000 Index			1.9	5.9	12.0	10.9	13.6
Russell 2000 + 2%			2.4	7.9	14.0	13.0	15.6

San Jose Police and Fire Retirement System
Performance Summary
Period Ending March 31, 2007

					Annualized						
	Market Value	% of Total Fund		Quarter	1 Year		3 Years		5 Years		Inception to Date
Total Intl Equity - Established Markets	\$ 622.4	23.7 %	4.4 %	23	20.4 %	33	20.5 %	47	16.9 %	45	12.0 %
Rank vs. Mercer Intl Equity Universe											
Mercer Intl Equity Universe Med			3.7		18.8		20.4		16.5		--
MSCI EAFE Net Dividend Index			4.1		20.2		19.8		15.8		7.9
AQR Capital Management, LLC International Equity	114.8	4.4	4.1	33	--		--		--		21.6
AQR Capital Management, LLC International Equity-Net	114.8	4.4	3.9		--		--		--		21.1
Rank vs. Mercer Intl Equity Universe											
Mercer Intl Equity Universe Med			3.7		18.8		20.4		16.5		--
MSCI EAFE Net Dividend Index			4.1		20.2		19.8		15.8		19.4
MSCI EAFE NET +1.5%			4.4		21.7		21.3		17.3		20.8
Brandes Investment Partners - International Equity	257.2	9.8	5.0	13	22.8	14	21.1	39	18.4	29	16.1
Brandes Investment Partners - International Equity-Net	257.2	9.8	4.9		22.3		20.4		17.8		15.5
Rank vs. Mercer Intl Equity Universe											
Mercer Intl Equity Universe Med			3.7		18.8		20.4		16.5		--
MSCI EAFE Net Dividend Index			4.1		20.2		19.8		15.8		7.9
MSCI EAFE NET +1.5%			4.4		21.7		21.3		17.3		9.5
William Blair & Company - International Equity	250.4	9.5	3.9	39	18.1	59	21.9	29	18.5	28	18.8
William Blair & Company - International Equity-Net	250.4	9.5	3.8		17.5		21.2		17.7		18.0
Rank vs. Mercer Intl Equity Universe											
Mercer Intl Equity Universe Med			3.7		18.8		20.4		16.5		--
MSCI All Country World Ex United States Net Index			3.8		19.8		20.9		16.9		17.8
MSCI AC World x US Net + 1.5%			4.0		21.3		22.4		18.5		19.3
Total Intl Equity - Emerging Markets	155.5	5.9	2.0	73	17.9	85	27.0	82	25.8	64	27.2
Alliance Capital Mgmt Emerging Markets Equity	78.9	3.0	3.1		19.5		28.5		26.8		28.3
Alliance Capital Mgmt Emerging Markets Equity-Net	78.9	3.0	2.9		18.4		27.2		25.6		27.1
Boston Company Asset Mgmt. Emerging Markets Equity	76.6	2.9	1.0	91	16.4	95	25.5	91	24.7	81	26.3
Boston Company Asset Mgmt. Emerging Markets Equity-Net	76.6	2.9	0.7		15.1		24.2		23.4		25.0
Rank vs. Mercer Emerging Markets Equity Universe											
Mercer Emerging Markets Equity Universe Med			2.9		22.4		29.6		26.3		--
MSCI Emerging Markets Index			2.3		21.0		28.0		24.8		25.9
MSCI Emerging Markets + 2%			2.9		23.0		30.0		26.9		27.9

San Jose Police and Fire Retirement System

Performance Summary

Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized				Inception to Date
				1 Year	3 Years	5 Years		
Total Domestic Core Fixed Income Fund	\$ 515.7	19.7 %	1.5 % 78	7.0 % 41	4.4 % 11	6.2 % 24		8.8 %
<i>Rank vs. Mercer US Fixed Core Universe</i>								
<i>Mercer US Fixed Core Universe Med</i>			1.6	6.9	3.8	5.9		--
<i>Lehman Brothers Aggregate Bond</i>			1.5	6.6	3.3	5.4		--
Seix Investment Advisors, Inc - Fixed Income	253.6	9.7	1.5 73	6.6 76	3.7 60	5.7 64		6.3
Seix Investment Advisors, Inc - Fixed Income-Net	253.6	9.7	1.5	6.4	3.5	5.5		6.1
<i>Rank vs. Mercer US Fixed Core Universe</i>								
<i>Mercer US Fixed Core Universe Med</i>			1.6	6.9	3.8	5.9		--
<i>Lehman Brothers Aggregate Bond</i>			1.5	6.6	3.3	5.4		6.2
<i>LB Aggregate + 0.5%</i>			1.6	7.1	3.8	5.9		6.7
Western Asset Management Company	262.1	10.0	1.5 84	7.3 21	4.8 6	--		7.3
Western Asset Management Company-Net	262.1	10.0	1.4	7.1	4.6	--		7.0
<i>Rank vs. Mercer US Fixed Core Universe</i>								
<i>Mercer US Fixed Core Universe Med</i>			1.6	6.9	3.8	5.9		--
<i>Lehman Brothers Aggregate Bond</i>			1.5	6.6	3.3	5.4		4.7
<i>LB Aggregate + 0.5%</i>			1.6	7.1	3.8	5.9		5.2
Long Duration Fixed Income	96.7	3.7	1.2 20	7.7 45	--	--		3.7
Income Research & Mgmt., Inc. Long Duration	96.7	3.7	1.2	7.7	--	--		3.7
Income Research & Mgmt., Inc. Long Duration-Net	96.7	3.7	1.2	7.4	--	--		3.5
<i>Rank vs. Mercer US Fixed Long Duration Universe</i>								
<i>Mercer US Fixed Long Duration Universe Med</i>			1.1	7.5	4.6	8.2		--
<i>Lehman Brothers U.S. Gov/Credit-Long Term</i>			1.0	7.4	4.1	7.9		4.0
<i>Lehman Brothers U.S. Gov/Credit-Long Term +0.5%</i>			1.1	7.9	4.6	8.4		4.5

San Jose Police and Fire Retirement System

Performance Summary

Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized				Inception to Date
				1 Year	3 Years	5 Years		
Total Real Estate Fund	\$ 193.2	7.4 %	3.1 % 88	12.7 % 100	12.5 % 100	8.4 % 100		7.5 %
<i>Rank vs. Mercer US Real Estate Open End Universe</i>								
<i>Mercer US Real Estate Open End Universe Med</i>			3.7	16.8	17.9	13.8		--
<i>NCREIF Property (1 Qtr in Arrears)</i>			4.5	16.6	17.0	13.3		8.4
MIG Realty Advisors - Real Estate	47.6	1.8	0.8 100	6.9 100	10.8 100	10.1 100		8.1
MIG Realty Advisors - Real Estate-Net	47.6	1.8	0.8	6.4	10.3	9.6		7.2
<i>Rank vs. Mercer US Real Estate Open End Universe</i>								
<i>Mercer US Real Estate Open End Universe Med</i>			3.7	16.8	17.9	13.8		--
<i>NCREIF Property (1 Qtr in Arrears)</i>			4.5	16.6	17.0	13.3		8.5
<i>NCREIF (1 QTR IN ARREARS) + 1.5%</i>			4.9	18.1	18.5	14.7		10.0
Kennedy Associate Real Estate - Real Estate	90.2	3.4	3.6 63	15.0 100	13.0 100	--		12.7
Kennedy Associate Real Estate - Real Estate-Net	90.2	3.4	3.5	14.3	12.3	--		12.0
<i>Rank vs. Mercer US Real Estate Open End Universe</i>								
<i>Mercer US Real Estate Open End Universe Med</i>			3.7	16.8	17.9	13.8		--
<i>NCREIF Property (1 Qtr in Arrears)</i>			4.5	16.6	17.0	13.3		16.0
<i>NCREIF (1 QTR IN ARREARS) + 1.5%</i>			4.9	18.1	18.5	14.7		17.5
Multi-Employer Property Trust	55.3	2.1	4.1 33	--	--	--		11.1
Multi-Employer Property Trust - Net	55.3	2.1	3.9	--	--	--		10.4
<i>Rank vs. Mercer US Real Estate Open End Universe</i>								
<i>Mercer US Real Estate Open End Universe Med</i>			3.7	16.8	17.9	13.8		--
<i>NCREIF Property (1 Qtr in Arrears)</i>			4.5	16.6	17.0	13.3		13.9
<i>NCREIF (1 QTR IN ARREARS) + 1.5%</i>			4.9	18.1	18.5	14.7		15.1
Total Private Equity	27.6	1.1						
Pantheon Ventures	11.0	0.4						
<i>S&P 500 + 3%</i>								
Portfolio Advisors	12.0	0.5						
<i>S&P 500 + 3%</i>								
HarbourVest Partners, LLC	4.6	0.2						
<i>S&P 500 + 3%</i>								

REPORT NOTES

1. The Russell/Mellon Trust Total Funds Billion Dollar – Public Universe median includes all assets of public funds.
2. The Total Fund Benchmark Index consists of 34% S&P 500 Index, 20% MSCI EAFE Index, 5% MSCI Emerging Markets Free Index, 20% Lehman Brothers Aggregate Index, 4% Lehman Brothers Long Government/Credit Index, 12% NCREIF Property Index, and 5% Russell 2000 Index to reflect the transition to private equity market as stated in the Investment Policy.
 - Prior to 01/05, the Index consisted of 35% S&P 500, 15% MSCI EAFE, 5% MSCI Emerging Markets, 28% LB Aggregate, 5% Citigroup WG Bond, and 12% NCREIF.
 - Prior to 10/01, the Index consisted of 35% S&P 500, 10% MSCI EAFE, 35% LB Aggregate, 10% Citigroup WG Bond and 10% NCREIF.
3. Total Fund inception data is from January 1971.
4. Total Domestic Fixed Income Fund inception data is from January 1970.
5. Total Global Fixed Income Fund inception data is from January 1991.
6. Total Domestic Equity Fund inception data is from August 1985.
7. Total International Equity Established Markets Fund inception data is from April 1991.
8. Total International Equity Emerging Markets Fund inception data is from September 2001.
5. Total Real Estate Fund inception data is from January 1986.
6. Seix Investment Advisors inception data is from October 1999.
7. Western Asset Management inception data is from August 2002.
8. Rhumblin Advisers (Large Cap Equity) inception data is from April 1992. In February 2007, the manager's return of 1.13% was used because of a \$15 million inflow that occurred during the month. The manager can revalue their portfolio daily, while Mercer uses custodial statements that are valued monthly.
9. UBS Global Asset Management inception data is from April 1993.
10. Boston Partners inception data is from July 1996.
11. Globalt, Inc. inception data is from July 1998.
12. New Amsterdam Partners inception data is from January 1995.
13. TCW Group inception data is from November 2001.
14. Provident Investment Counsel inception data is from January 1998.
15. Brandes Investment Partners, L.P. inception data is from January 1997.
16. William Blair & Company inception data is from March 2002.
17. Alliance Capital Management and Boston Company Asset Management inception data is from September 2001.
18. MIG Realty Advisors inception data is from January 1986.
19. INTECH and Kennedy Associates inception date is October 1, 2003.
20. Rhumblin Advisers (Small Cap Equity) inception data is from December 2004.
21. Income Research & Management inception date is January 3, 2005. For the first quarter 2007, Mercer calculated a gross return of 1.22% and a net return of 1.15% versus the manager's gross return of 1.03% and net return of 0.96%. Mercer uses custodial statement pricing for performance calculation, which may differ from the investment manager.
22. Pantheon Ventures inception date is September 23, 2005.
23. Portfolio Advisors inception date is October 17, 2005.

- 24. HarbourVest inception date is December 23, 2005.
- 25. AQR Capital Management inception date is June 30, 2006.
- 26. Multi-Employer Property Trust inception date is June 30, 2006.

Important Information, Datasource Acknowledgements and Disclaimers

Returns for periods greater than one year are annualized. Returns are calculated [gross][net] of investment management fees, unless noted.

Style analysis graph time periods may differ reflecting the length of performance history available.

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Percentile rankings for managers, funds or indices in performance floating bar exhibits may not match Universe percentiles due to rounding. Only performance composites submitted by investment managers by Mercer IC's deadline for a particular quarter are included in that quarter's Manager Universe calculation. Composites submitted after the deadline are included in the Manager Universe at Mercer IC's discretion. Because Mercer Manager Universes are based upon

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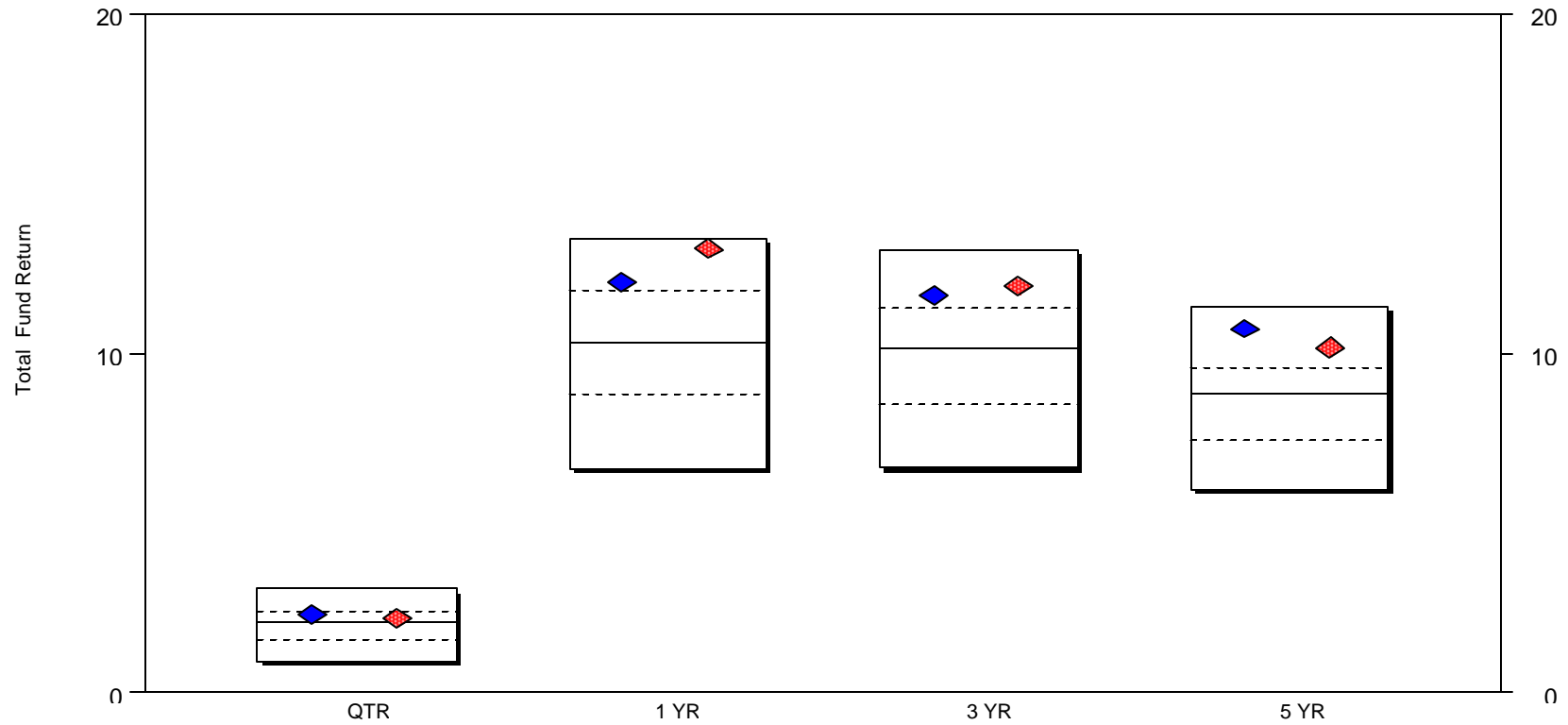
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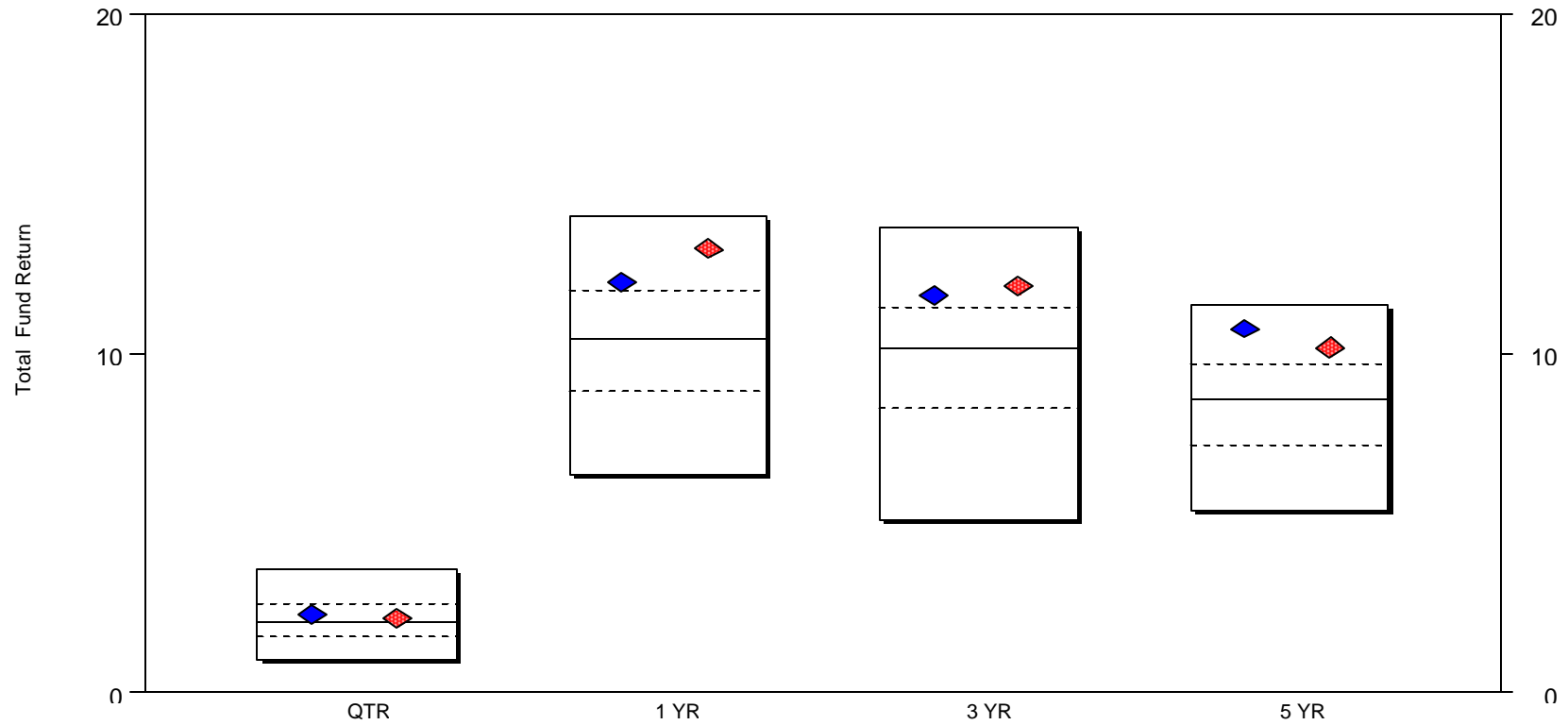
Total Fund

Total Fund TUCS Public Fund Universe



5th Percentile	3.03	13.37	13.01	11.33
25th Percentile	2.38	11.79	11.29	9.55
MEDIAN	2.03	10.27	10.14	8.77
75th Percentile	1.54	8.80	8.47	7.41
95th Percentile	0.88	6.56	6.59	5.94
Total Fund	2.25	12.03	11.71	10.67
Benchmark	2.14	13.03	11.96	10.14
	35	22	20	12
	42	9	12	18

Total Fund TUCS Master Trust Fund Universe

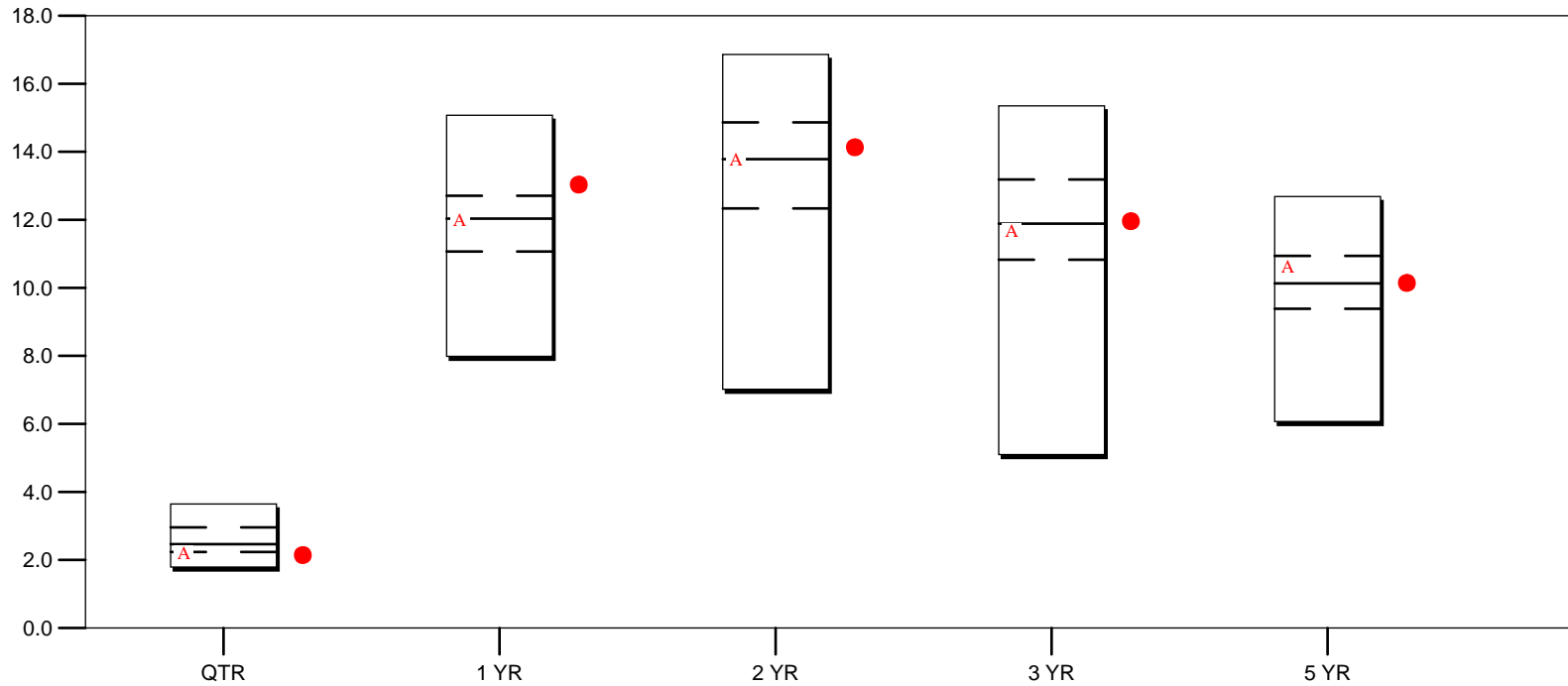


5th Percentile	3.62	14.01	13.67	11.41
25th Percentile	2.58	11.78	11.35	9.62
MEDIAN	2.06	10.40	10.13	8.60
75th Percentile	1.59	8.82	8.39	7.28
95th Percentile	0.93	6.41	5.07	5.32
Total Fund	2.25	12.03	11.71	10.67
Benchmark	2.14	13.03	11.96	10.14
	41	23	22	13
	46	14	20	19

Total Funds Billion Dollar - Public

Return Quartiles
Periods Ending March 31, 2007

Annualized Rate of Return %



Mellon Analytical Solutions Trust Universe

Asset Allocation

Quarter Ending March 31, 2007

Market Value in Millions

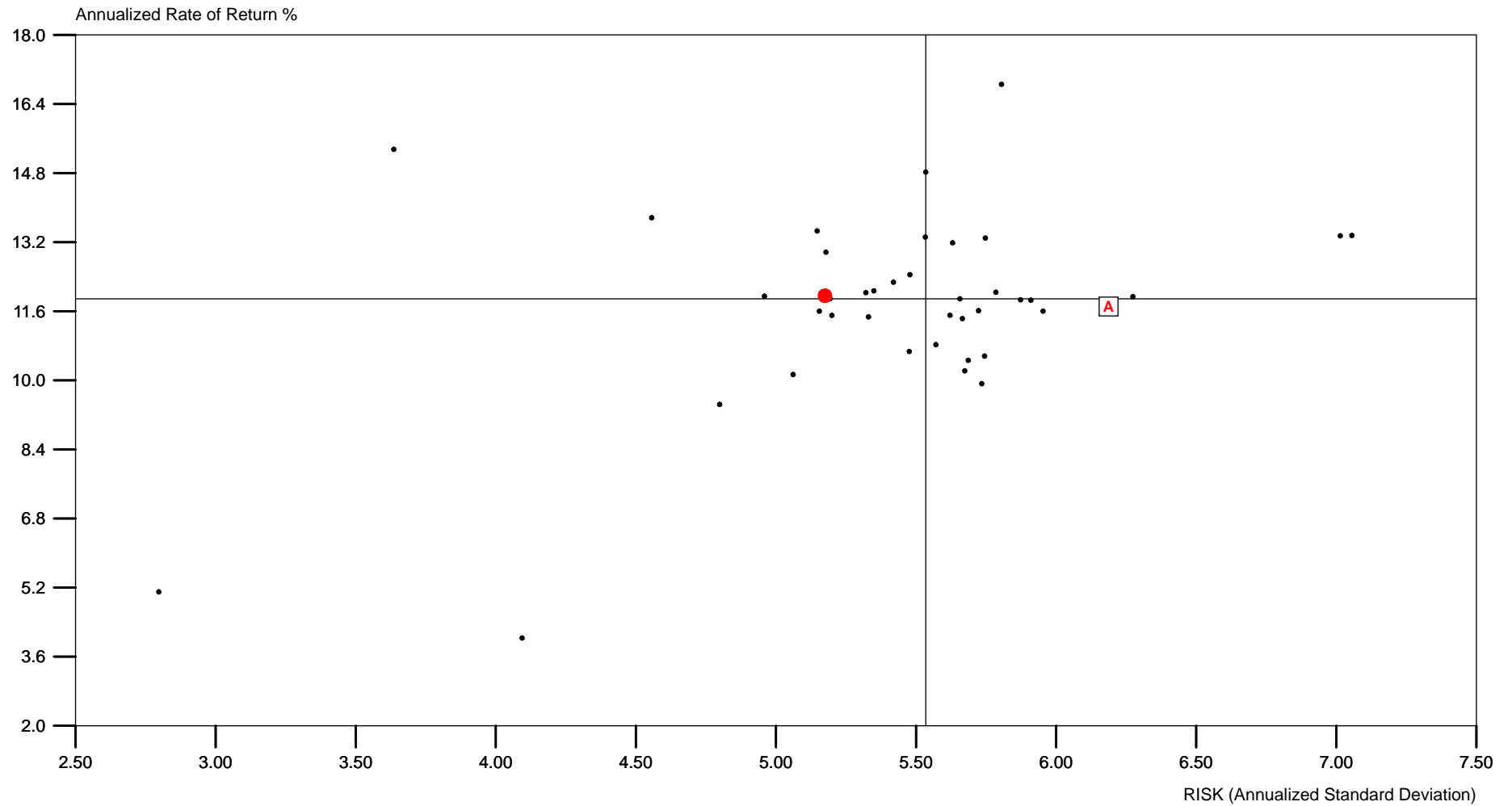
	Total Fund	US Equity	US Fixed Income	Non-US Equity	Non-US Fixed	Alternative Inv.	Real Estate	Cash	Total							
Market Value in US Dollars																
Total Funds Billion Dollar - Public																
Total	681,957.55	249,739.58	37%	144,992.96	21%	155,434.30	23%	10,780.68	2%	37,772.70	6%	13,809.72	2%	2,994.13	0%	90%
Average	18,431.29	6,937.21		4,027.58		4,440.98		770.05		2,518.18		986.41		374.27		
Maximum		57.92%		81.78%		33.89%		13.00%		29.98%		13.18%		7.94%		
5th		54.71%		45.36%		29.16%		9.60%		21.22%		11.09%		7.58%		
25th		44.55%		25.04%		22.93%		5.31%		8.41%		8.52%		4.33%		
Median		38.31%		21.43%		21.12%		3.39%		5.54%		5.11%		3.07%		
75th		33.04%		19.24%		18.00%		1.52%		3.93%		3.83%		1.93%		
95th		22.14%		14.32%		15.13%		.73%		2.95%		0.00%		.67%		
Minimum		14.75%		13.44%		12.82%		0.00%		2.55%		0.00%		0.00%		

Report is based upon plans that have submitted asset class data greater than 70% of the total market value. 37 out of 42 accounts represented from the universe run.

Total does not equal 100% due to asset class market values not reported.

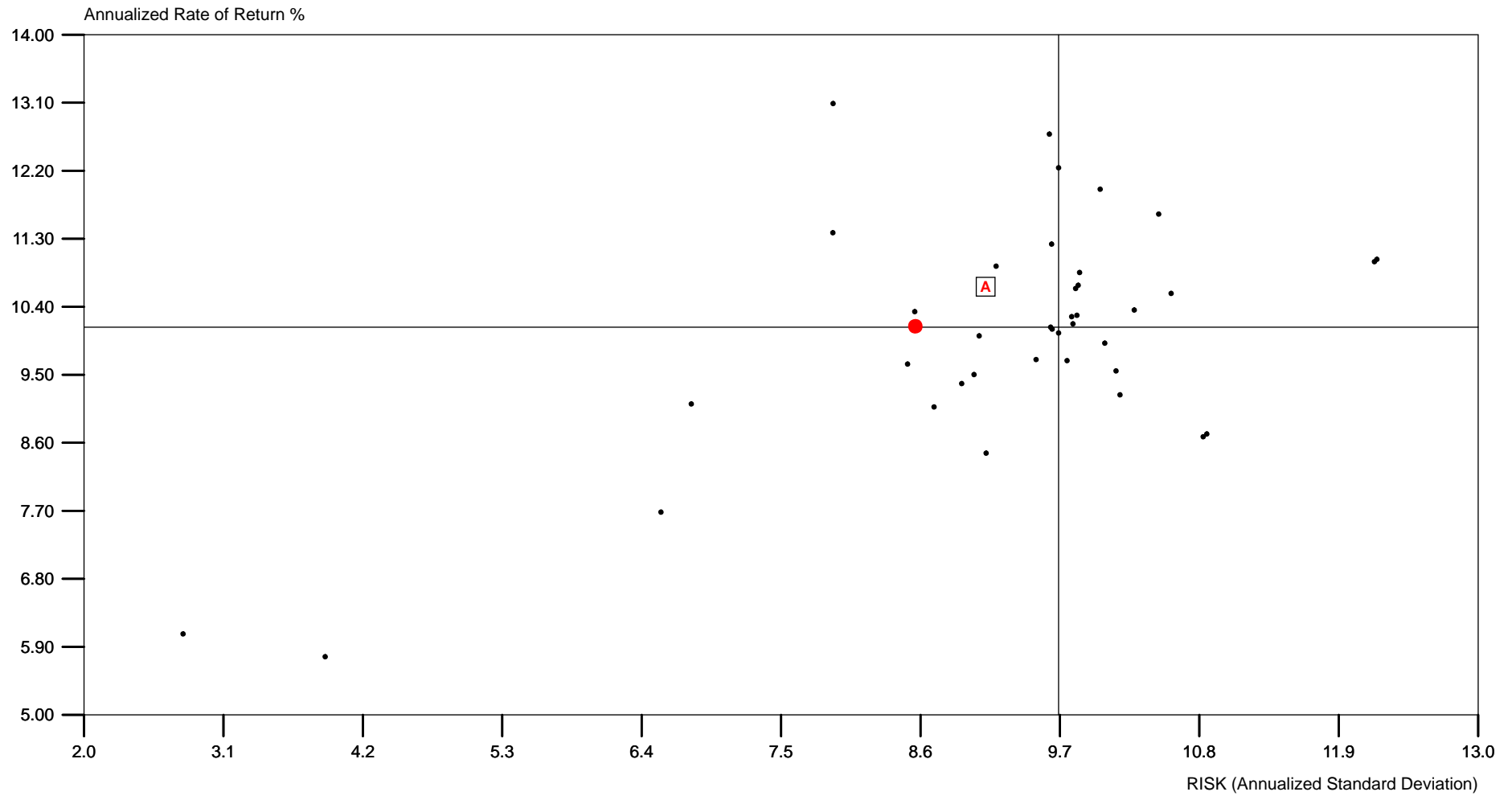
Total Funds Billion Dollar - Public

Risk-Return Comparisons
3 Years Ending March 31, 2007
39 Portfolios



Total Funds Billion Dollar - Public

Risk-Return Comparisons
5 Years Ending March 31, 2007
39 Portfolios



A Total Fund 10.67, 31
● TF BENCHMARK

ATTRIBUTION DETAIL

San Jose

Total Fund

Annualized 1 Year Ending March 31, 2007

	<u>Portfolio</u>		<u>Policy</u>		<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	12.0	100.0	13.0	(0.4)	(0.6)	(1.0)
US Equity	29.8	8.7	39.0	11.1	0.2	(0.7)	(0.6)
Non-US Equity	29.5	19.8	25.0	20.4	0.3	(0.2)	0.1
Fixed Income	32.4	8.5	24.0	6.7	(0.5)	0.6	0.0
Real Estate	7.4	12.7	12.0	16.6	(0.2)	(0.3)	(0.5)
Cash	0.3	28.9	---	---	0.0	0.0	0.0
Other	0.7	9.2	---	---	(0.1)	0.0	(0.1)

Currency USD

Policy Benchmark is 35% S&P 500, 28% LB Aggregate, 15% MSCI EAFE, 5% MSCI Emerging Markets Free, 12% NCREIF Property (1 Qtr in

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ATTRIBUTION DETAIL

San Jose

Total Fund

Annualized 2 Years Ending March 31, 2007

	<u>Portfolio</u>		<u>Policy</u>		<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	13.9	100.0	14.1	(1.0)	0.8	(0.2)
US Equity	30.0	13.2	39.0	12.3	0.1	0.3	0.4
Non-US Equity	28.3	26.0	25.0	24.6	0.3	0.3	0.6
Fixed Income	34.6	5.9	24.0	4.4	(1.1)	0.5	(0.6)
Real Estate	6.4	12.7	12.0	18.3	(0.3)	(0.3)	(0.6)
Cash	0.3	22.6	---	---	0.0	0.0	0.0
Other	0.4	---	---	---	(0.1)	0.0	(0.1)

Currency USD

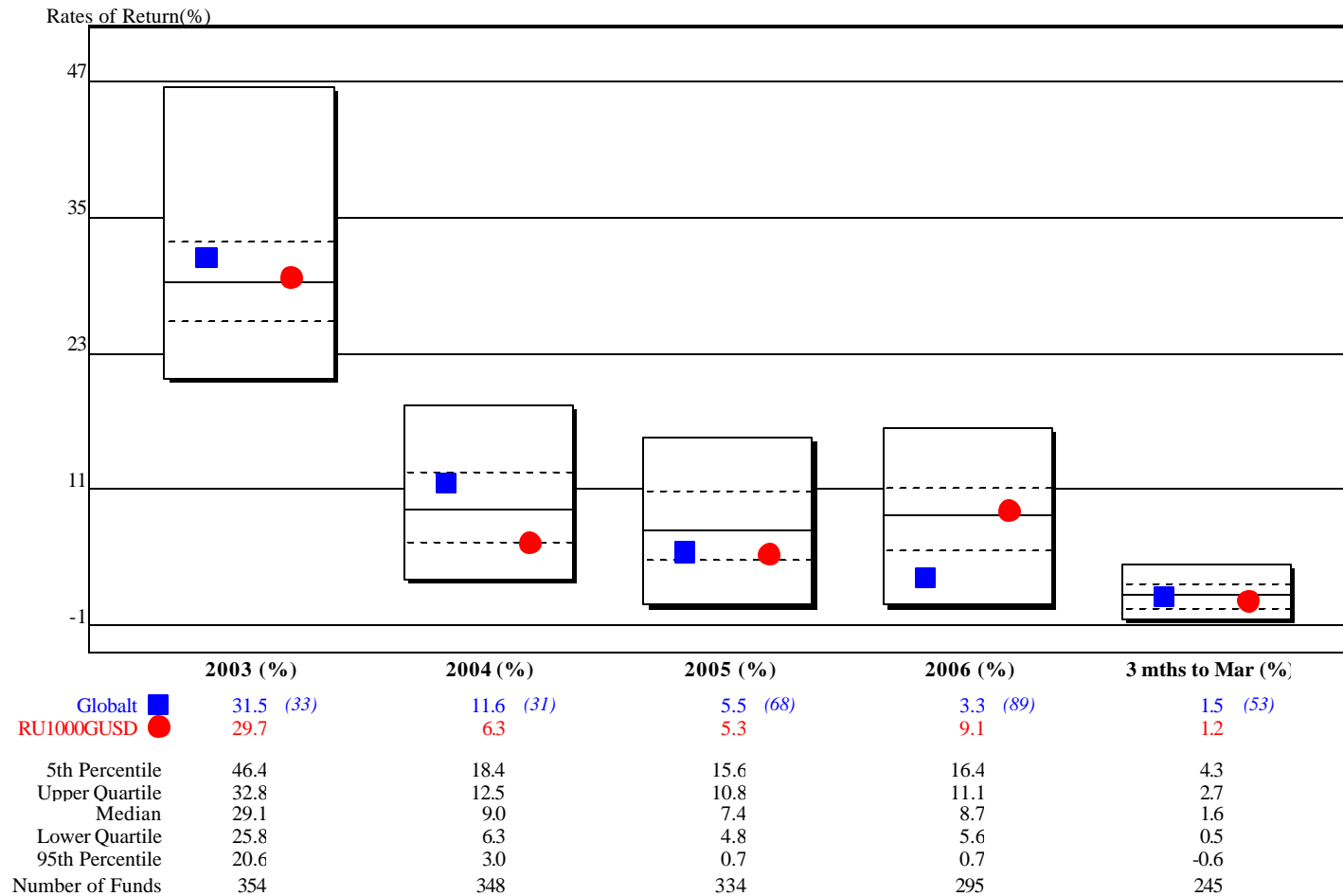
Policy Benchmark is 35% S&P 500, 28% LB Aggregate, 15% MSCI EAFE, 5% MSCI Emerging Markets Free, 12% NCREIF Property (1 Qtr in

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Presentation

Globalt Inc.

Comparison with the Mercer US Equity Large Cap Growth - Large Cap Universe Performance before fees for Calendar Years and 3 months ended March 2007



- Globalt outperformed the Russell 1000 Growth Index for all periods shown except in 2006. Performance placed above the Mercer U.S. Equity Large Cap Growth Universe median in 2003 and 2004.

Returns Consistency Analysis

US Equity Large Cap Growth (all funds) Quarterly Returns - before fees

Quarterly returns from Jun 2002 to Mar 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Globalt	20	2	10%	8	40%	6	30%	4	20%	52	9	45%

Benchmark:

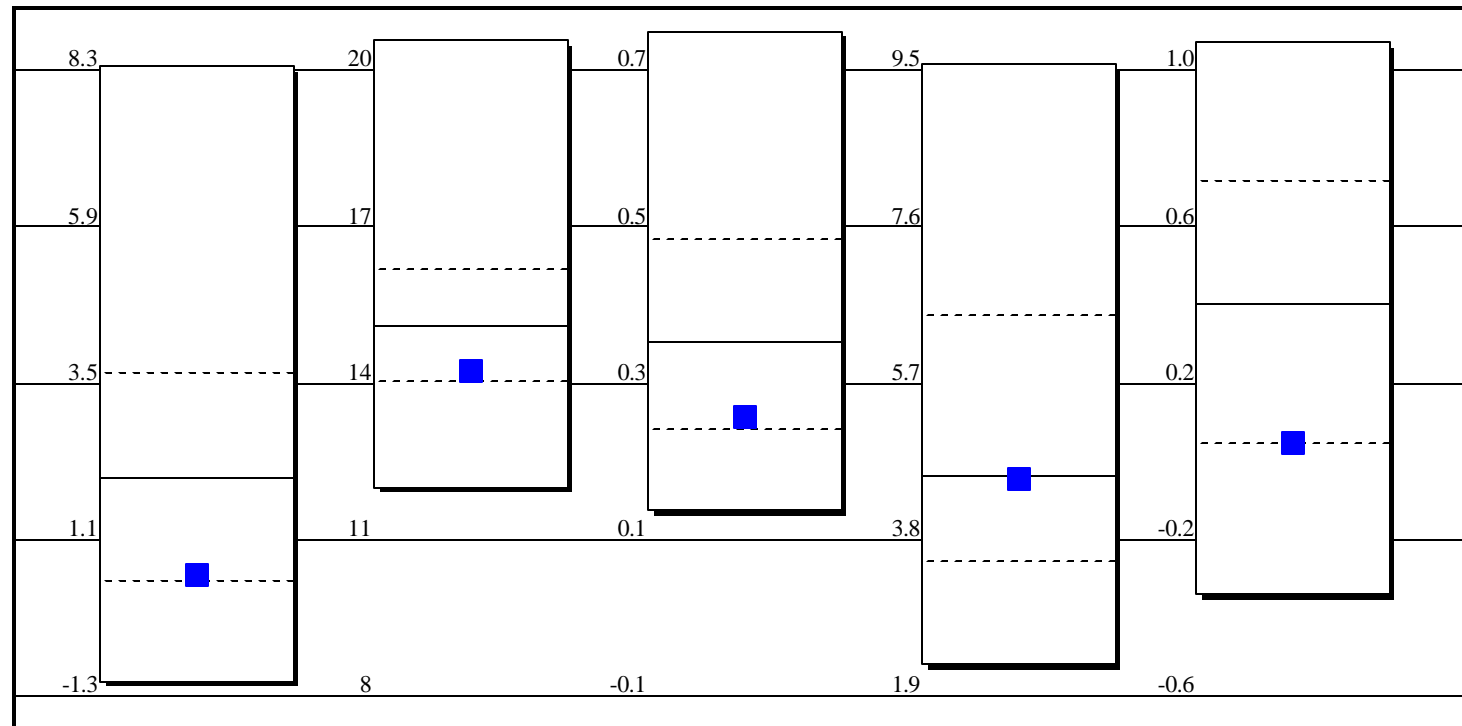
RU1000GUSD	20	1	5%	7	35%	11	55%	1	5%	53
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- For the 5-year period, Globalt has placed in the top half of the universe 50% of the time with only 2 quarters in the top quartile.

Globalt Inc.

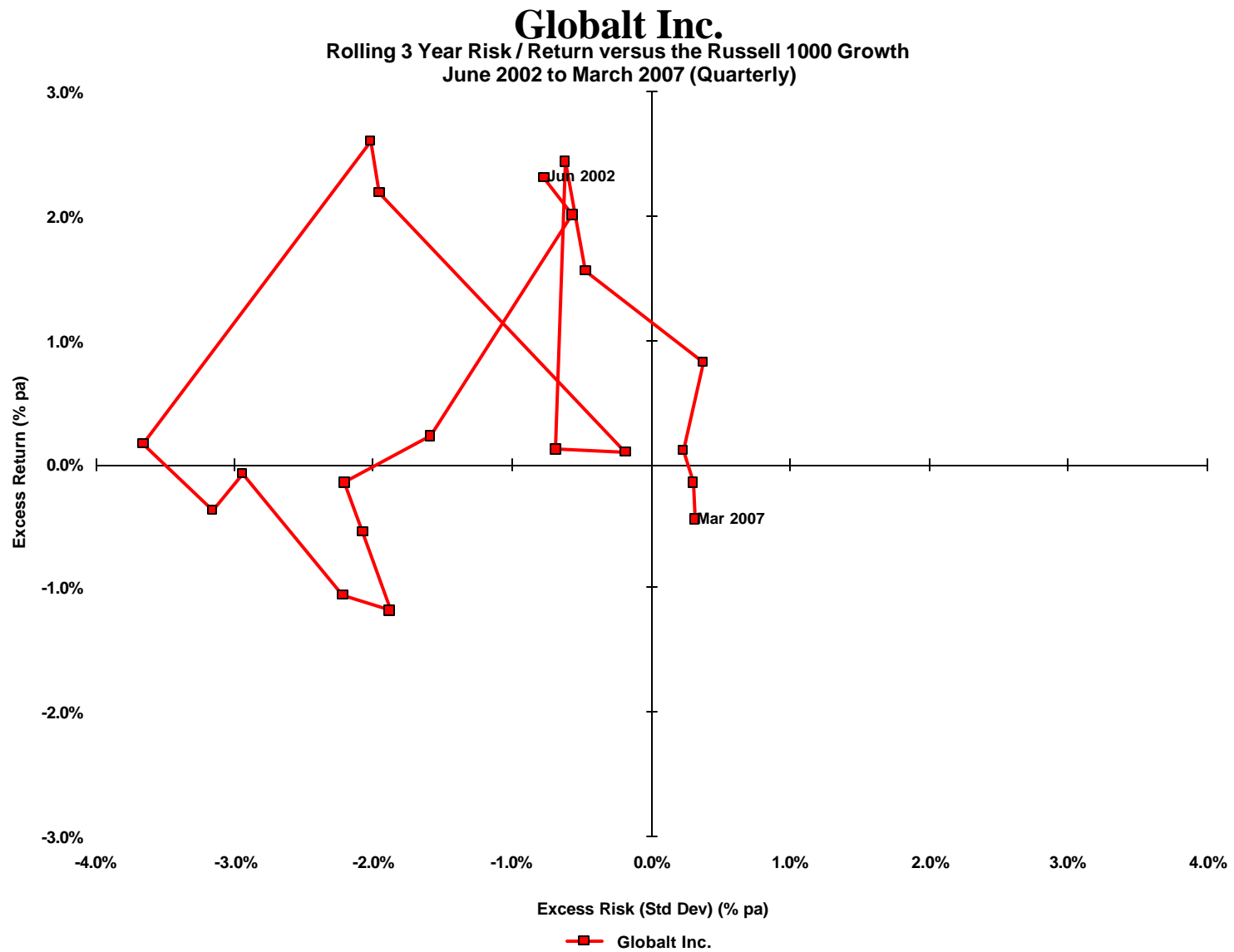
Comparison with the Mercer US Equity Large Cap Growth Universe

Risk and Return Characteristics (calculated quarterly) versus RU1000GUSD for the period from Jun 2002 to Mar 2007

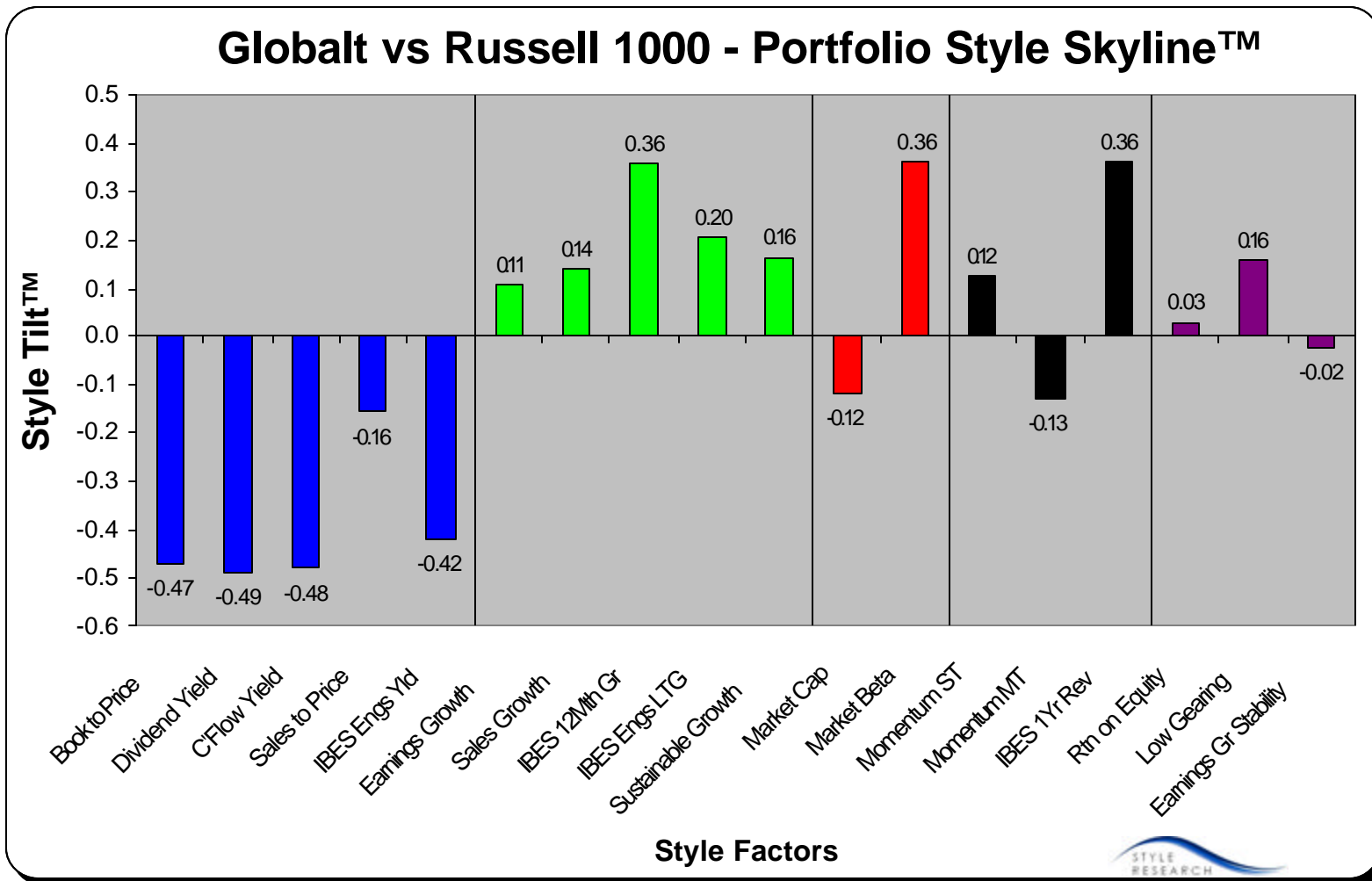


	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
Globalt	0.6 (74)	14.2 (70)	0.3 (71)	4.5 (50)	0.0 (75)
5th Percentile	8.3	20.6	0.7	9.6	1.1
Upper Quartile	3.7	16.2	0.5	6.5	0.7
Median	2.0	15.1	0.4	4.6	0.4
Lower Quartile	0.5	14.0	0.2	3.5	0.0
95th Percentile	-1.1	12.0	0.1	2.3	-0.3
Number of Funds	205	205	205	205	205

- For 5 years, Globalt has a positive alpha and has taken less risk than the median manager.



- Globalt exhibits a volatile risk/return profile.



- Most of the portfolio's characteristics indicate its growth orientation.

3 Months Ending March 31, 2007

GLOBALT, Inc.

	<u>Portfolio</u>		<u>Policy</u>		<u>Currency</u>	<u>Net Management Effect</u>			
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Return</u>	<u>Ccy</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	1.5	100.0	1.2	0.0	0.0	(0.3)	0.6	0.3
EQUITY	97.1	1.5	100.0	1.2	0.0	0.0	(0.3)	0.6	0.3
Technology	23.0	(0.4)	21.2	(1.4)	0.0	0.0	(0.1)	0.2	0.2
Health Care	15.0	5.9	17.4	1.2	0.0	0.0	0.0	0.7	0.7
Consumer Discretionary	21.0	3.6	19.0	2.3	0.0	0.0	0.0	0.4	0.4
Consumer Staples	7.8	1.4	7.3	1.7	0.0	0.0	0.0	0.0	0.0
Integrated Oils	---	---	0.4	(1.1)	0.0	0.0	0.0	0.0	0.0
Other Energy	4.1	4.8	3.5	7.6	0.0	0.0	0.0	(0.1)	(0.1)
Materials and Processing	1.4	4.9	3.8	8.7	0.0	0.0	(0.2)	(0.1)	(0.2)
Producer Durables	7.8	5.7	7.1	2.4	0.0	0.0	0.0	0.2	0.3
Autos and Transportation	0.5	---	3.2	1.9	0.0	0.0	0.0	(0.1)	(0.2)
Financial Services	10.0	(5.9)	10.4	(1.0)	0.0	0.0	0.0	(0.5)	(0.5)
Utilities	1.4	(2.7)	2.6	5.0	0.0	0.0	(0.1)	(0.1)	(0.2)
Other	5.2	(2.7)	4.1	(2.3)	0.0	0.0	0.0	0.0	0.0
CASH	2.9	1.3	---	---	0.0	0.0	0.0	0.0	0.0

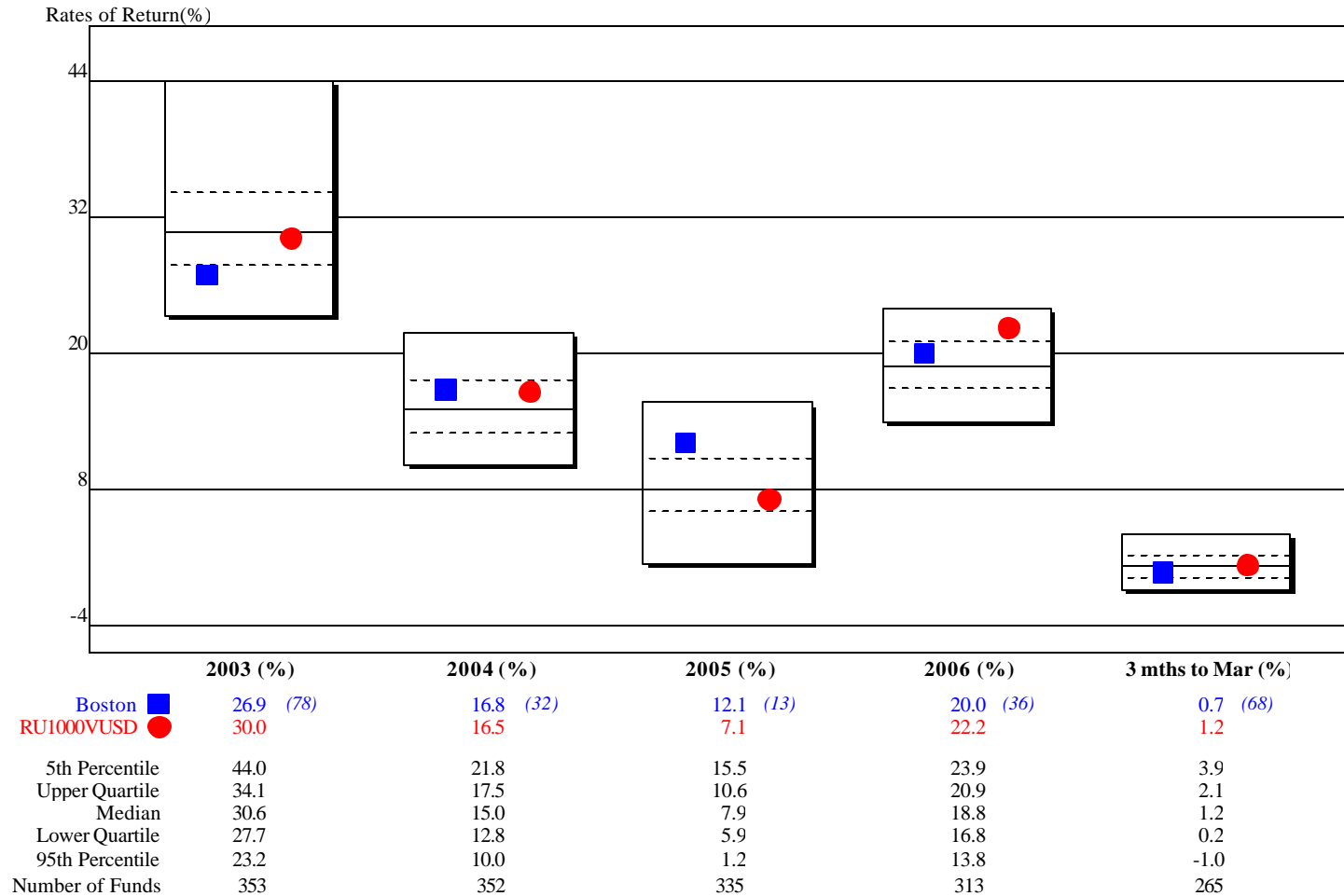
Policy Benchmark is Russell 1000 Growth

- Strong stock selection in health care and consumer discretionary contributed most to performance.
- The portfolio's unfavorable stock selection in financial services detracted from results.

Boston Partners Asset Management

Comparison with the Mercer US Equity Large Cap Value - Large Cap Universe

Performance before fees for Calendar Years and 3 months ended March 2007



- Boston Partners experienced weak performance relative to the Russell 1000 Value Index in 2003, 2006, and 2007. The fund placed above the universe median in 2004, 2005 and 2006.

Returns Consistency Analysis

US Equity Large Cap Value (all funds) Quarterly Returns - before fees

Quarterly returns from Jun 2002 to Mar 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Boston	20	4	20%	7	35%	7	35%	2	10%	49	8	40%

Benchmark:

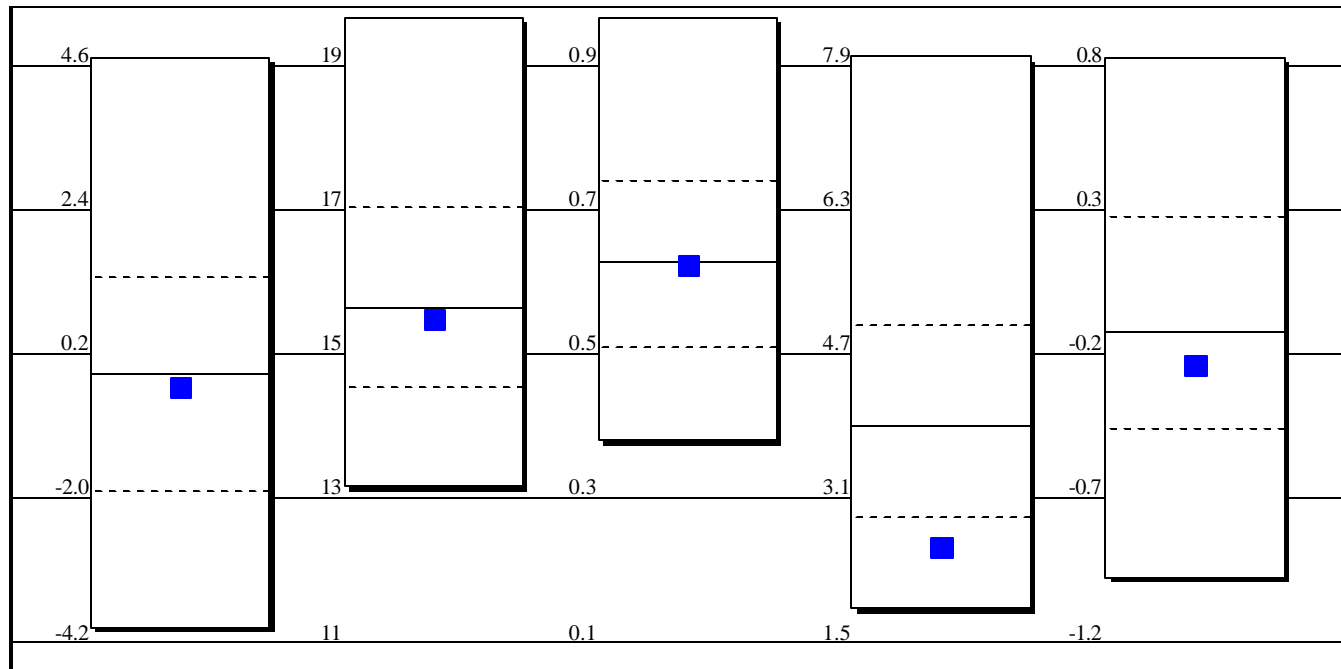
RU1000VUSD	20	2	10%	9	45%	9	45%	0	0%	46
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- For the 5-year period, Boston has placed in the top half of the Mercer U.S. Equity Large Cap Value Universe 55% of the time with 4 quarters in the top quartile.

Boston Partners Asset Management

Comparison with the Mercer US Equity Large Cap Value Universe

Risk and Return Characteristics (calculated quarterly) versus RU1000VUSD for the period from Jun 2002 to Mar 2007

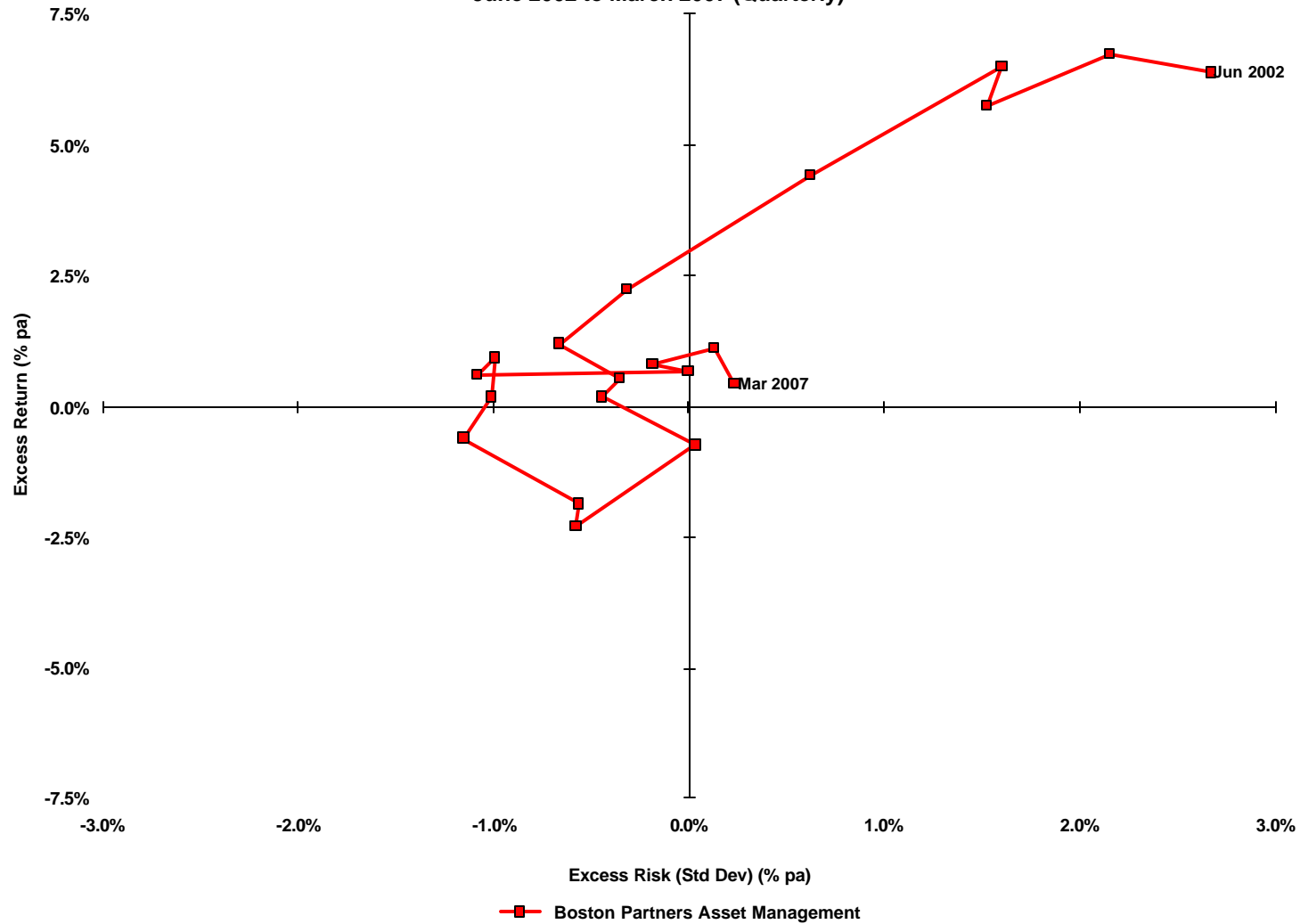


	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
Boston	-0.3 (54)	15.5 (54)	0.6 (51)	2.6 (82)	-0.2 (57)
5th Percentile	4.7	19.6	1.0	8.0	0.8
Upper Quartile	1.4	17.0	0.7	5.0	0.3
Median	-0.1	15.6	0.6	3.9	-0.1
Lower Quartile	-1.9	14.5	0.5	2.9	-0.5
95th Percentile	-4.0	13.1	0.4	1.9	-1.0
Number of Funds	243	243	243	243	243

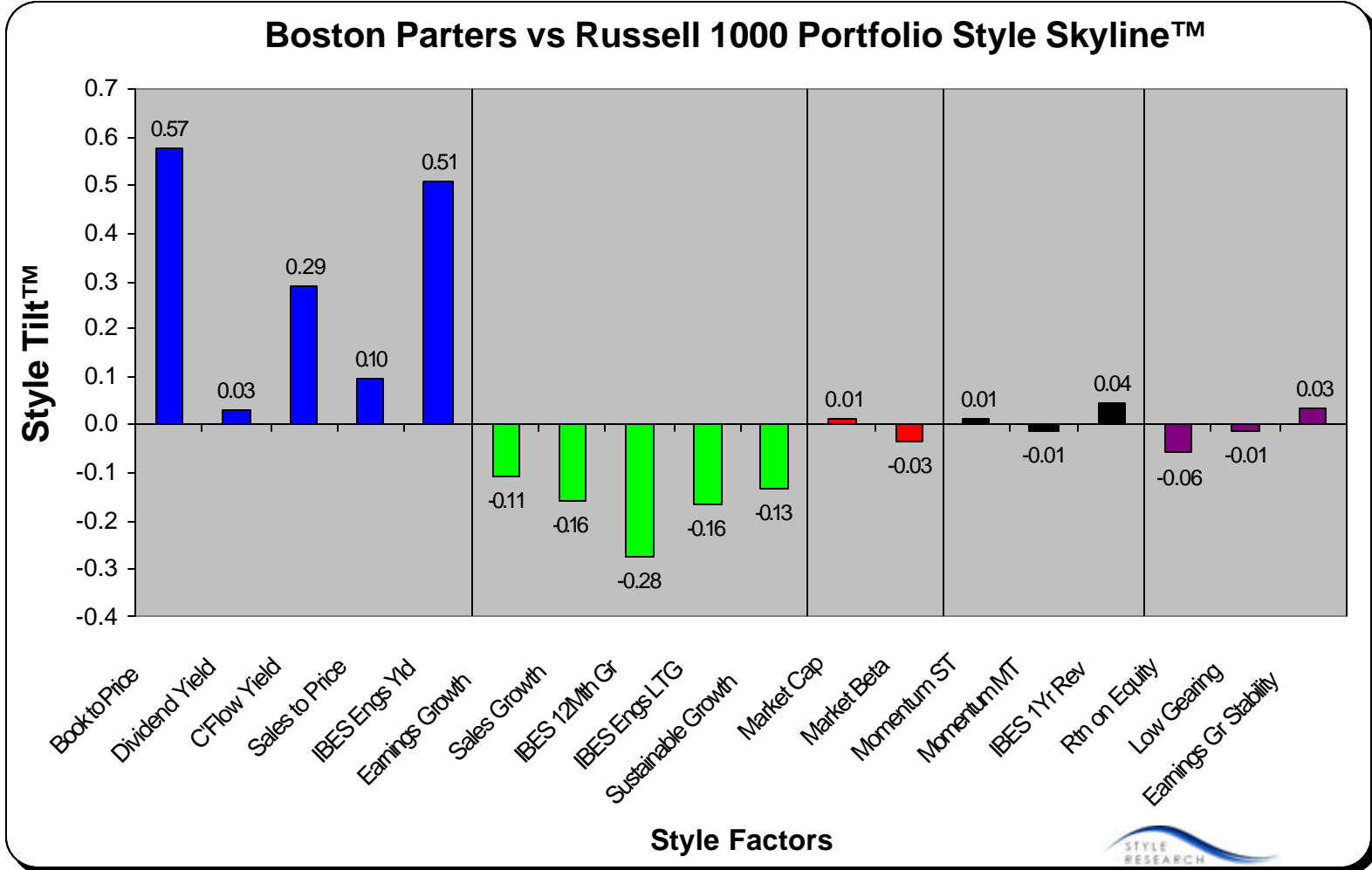
- For the 5-year period, Boston has a negative alpha and has taken risk similar to that of the median manager.

Boston Partners Asset Management

Rolling 3 Year Risk / Return versus the Russell 1000 Value
June 2002 to March 2007 (Quarterly)



- Boston exhibits a volatile risk/return profile.



- The portfolio's characteristics indicate its value bias.

3 Months Ending March 31, 2007
Boston Partners Asset Mgmt. Value Equity

	<u>Portfolio</u>		<u>Policy</u>		<u>Currency</u>	<u>Net Management Effect</u>			
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Return</u>	<u>Ccy</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	0.7	100.0	1.2	0.0	0.0	(0.7)	0.1	(0.6)
EQUITY	97.9	0.7	100.0	1.2	0.0	0.0	(0.7)	0.1	(0.6)
Technology	11.3	0.7	3.6	0.6	0.0	0.0	(0.1)	0.0	0.0
Health Care	8.7	0.9	6.7	1.9	0.0	0.0	0.0	(0.1)	(0.1)
Consumer Discretionary	11.4	1.7	7.6	2.0	0.0	0.0	0.0	0.0	0.0
Consumer Staples	5.0	10.0	6.9	1.8	0.0	0.0	0.0	0.4	0.4
Integrated Oils	8.2	(1.4)	11.1	(0.3)	0.0	0.0	0.0	(0.1)	0.0
Other Energy	2.8	6.4	2.7	12.2	0.0	0.0	0.0	(0.1)	(0.1)
Materials and Processing	1.3	10.8	4.6	10.9	0.0	0.0	(0.3)	0.0	(0.3)
Producer Durables	7.2	6.1	2.0	2.7	0.0	0.0	0.1	0.2	0.3
Autos and Transportation	---	---	1.6	6.3	0.0	0.0	(0.1)	0.0	(0.1)
Financial Services	32.8	(3.0)	36.4	(2.5)	0.0	0.0	0.2	(0.2)	0.0
Utilities	4.2	4.3	13.3	7.1	0.0	0.0	(0.5)	(0.1)	(0.6)
Other	5.1	0.3	3.6	(2.0)	0.0	0.0	(0.1)	0.1	0.1
CASH	2.1	1.3	---	---	0.0	0.0	0.0	0.0	0.0

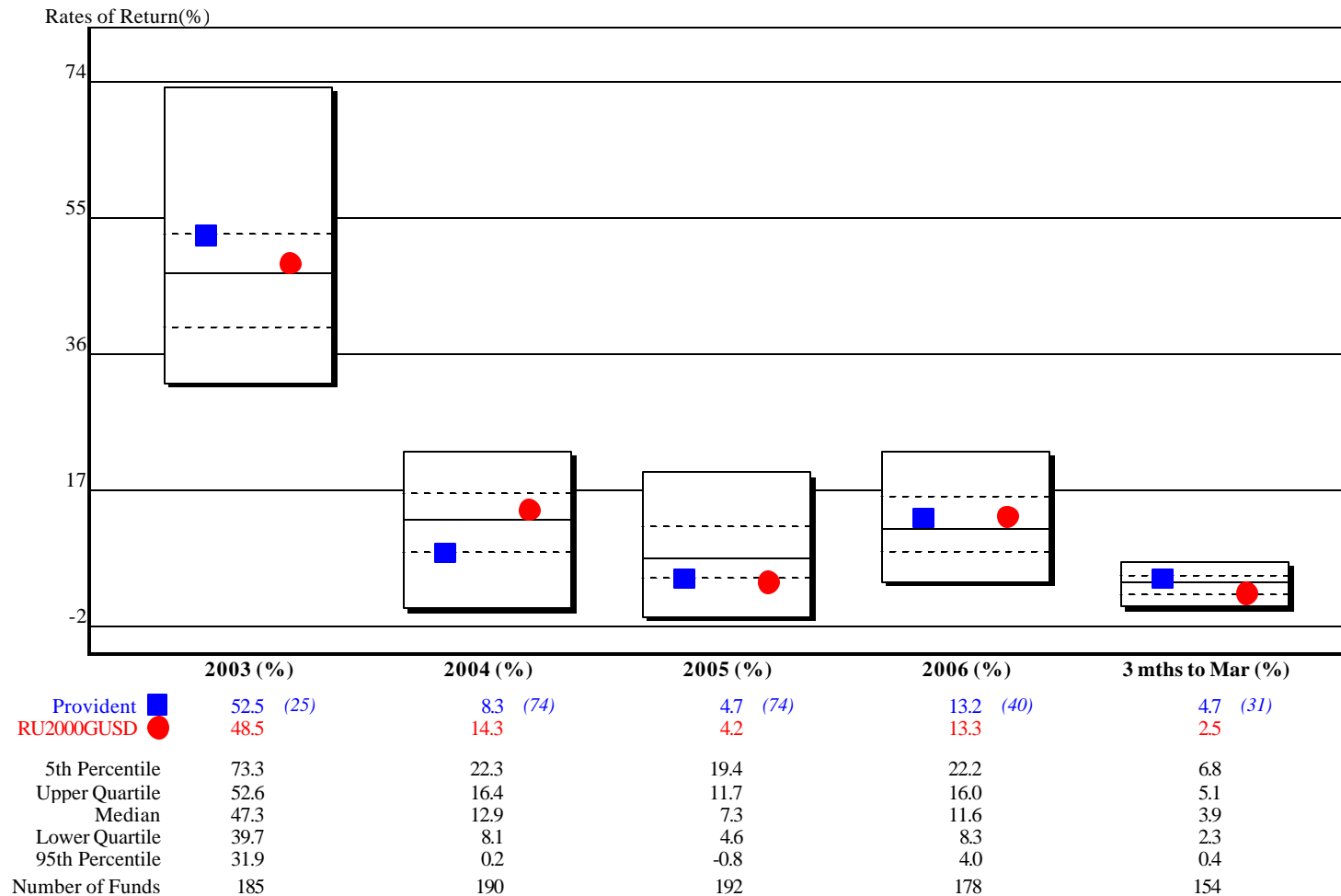
Policy Benchmark is Russell 1000 Value

- The portfolio's underweight in utilities and materials & processing negatively impacted performance.
- Strong selection in consumer staples and producer durables contributed to results.

Provident Investment Counsel

Comparison with the Mercer US Equity Small Cap Growth Universe

Performance before fees for Calendar Years and 3 months ended March 2007



- Provident underperformed the Russell 2000 Growth Index in 2004 and 2006. The portfolio placed above the Mercer U.S. Equity Small Cap Growth Universe median for all periods except 2004 and 2005.

Returns Consistency Analysis

US Equity Small Cap Growth Quarterly Returns - before fees

Quarterly returns from Jun 2002 to Mar 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Provident	20	2	10%	8	40%	5	25%	5	25%	51	9	45%

Benchmark:

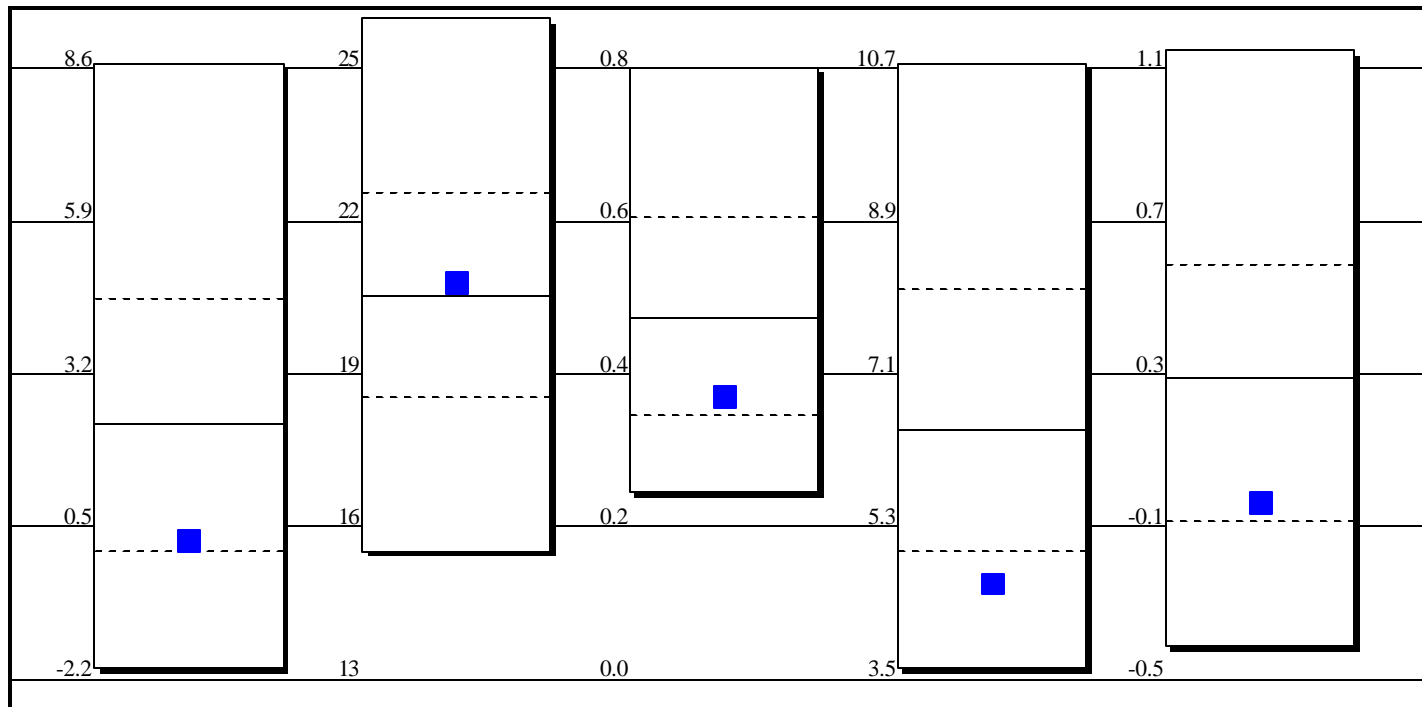
RU2000GUSD	20	0	0%	10	50%	9	45%	1	5%	51
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- For the 5-year period, the fund has placed below the median of the universe 50% of the time with 5 quarters in the bottom quartile.

Provident Investment Counsel

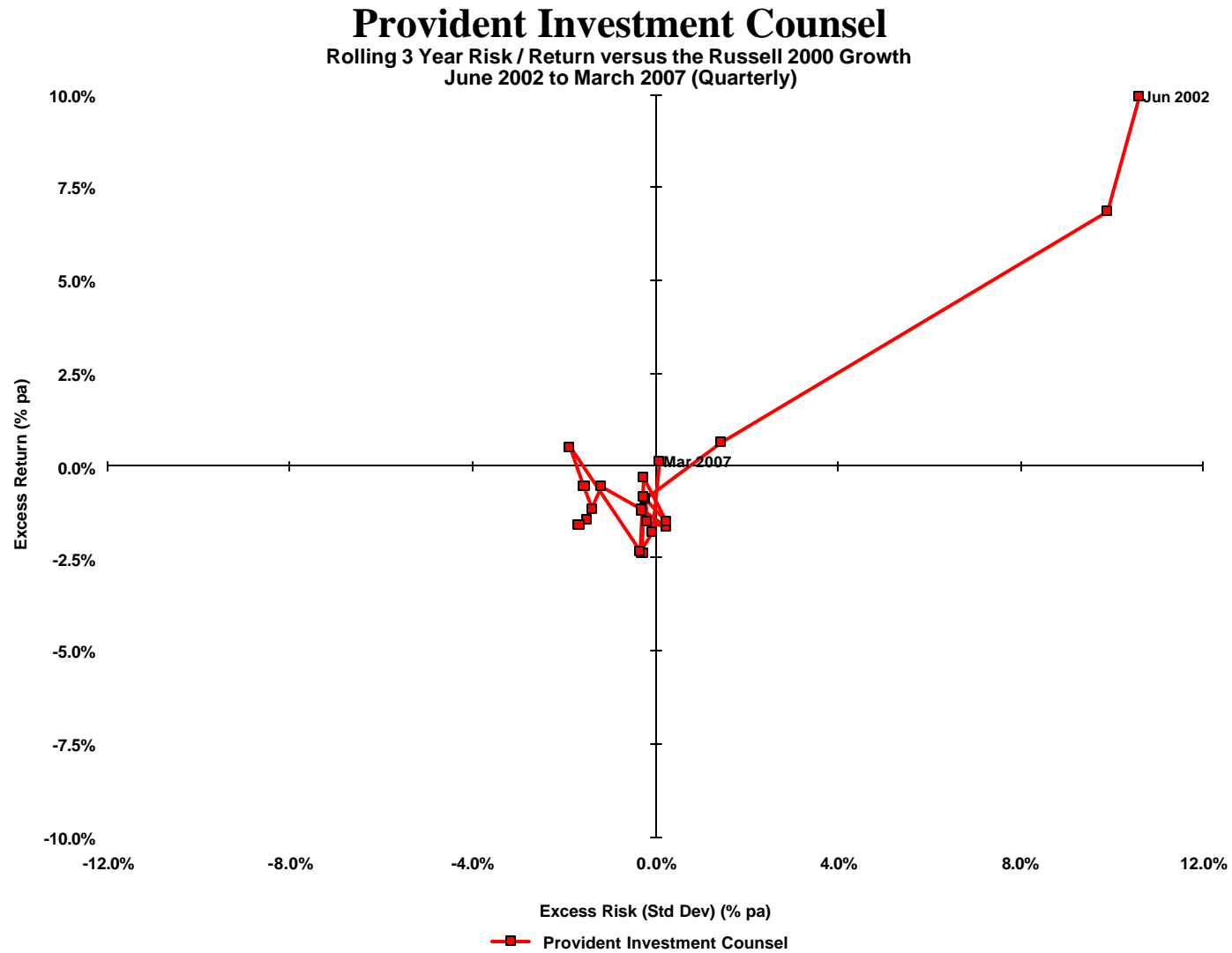
Comparison with the Mercer US Equity Small Cap Growth Universe

Risk and Return Characteristics (calculated quarterly) versus RU2000GUSD for the period from Jun 2002 to Mar 2007



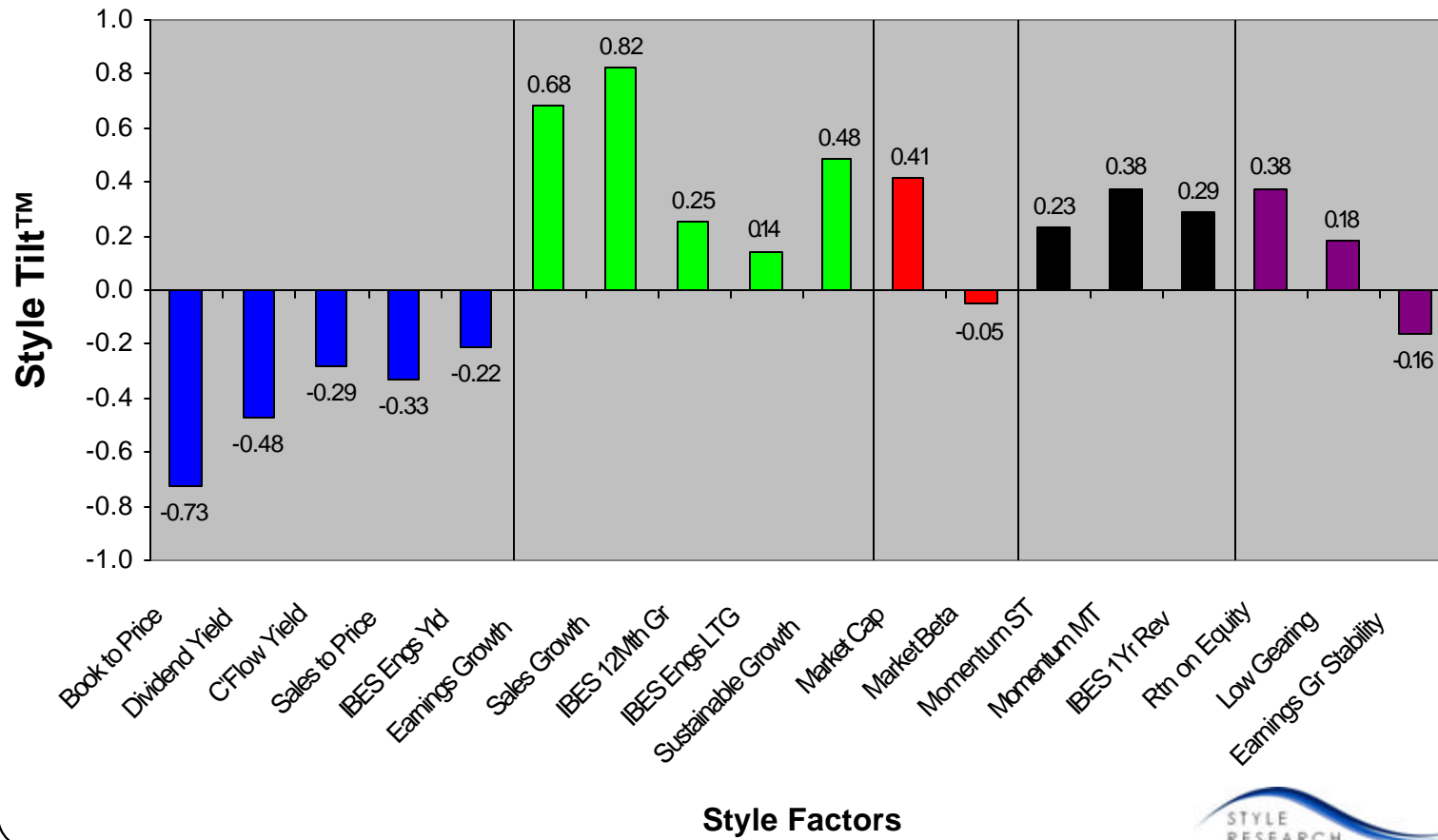
	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
Provident	0.2 (71)	20.8 (46)	0.4 (68)	4.6 (82)	0.0 (71)
5th Percentile	8.7	26.0	0.8	10.7	1.1
Upper Quartile	4.5	22.6	0.6	8.1	0.6
Median	2.3	20.5	0.5	6.4	0.3
Lower Quartile	0.0	18.5	0.3	5.0	-0.1
95th Percentile	-2.0	15.5	0.2	3.6	-0.4
Number of Funds	117	117	117	117	117

- For 5 years, Provident has a positive alpha and has taken slightly more risk than the median manager.



- After a period of general decline, Provident's return/risk profile is close to that of the index in recent quarters.

Provident vs Russell 2000 - Portfolio Style Skyline™



- Most of the portfolio's characteristics indicate its growth orientation.

3 Months Ending March 31, 2007

Provident Investment Counsel

	<u>Portfolio</u>		<u>Policy</u>		<u>Currency</u>	<u>Net Management Effect</u>			
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Return</u>	<u>Ccy</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	4.7	100.0	2.5	0.0	0.0	(0.1)	2.3	2.2
EQUITY	96.7	4.8	100.0	2.5	0.0	0.0	0.0	2.3	2.2
Technology	20.7	9.8	17.4	5.4	0.0	0.0	0.1	0.9	1.0
Health Care	13.7	5.6	18.8	0.3	0.0	0.0	0.1	0.8	0.8
Consumer Discretionary	26.4	3.2	22.1	2.5	0.0	0.0	0.0	0.2	0.2
Consumer Staples	---	---	1.2	10.6	0.0	0.0	(0.1)	0.0	(0.1)
Integrated Oils	---	---	0.3	(6.4)	0.0	0.0	0.0	0.0	0.0
Other Energy	5.1	2.4	5.5	1.0	0.0	0.0	0.0	0.1	0.1
Materials and Processing	8.6	7.3	8.8	3.4	0.0	0.0	0.0	0.3	0.3
Producer Durables	5.9	(3.9)	8.5	3.9	0.0	0.0	(0.1)	(0.4)	(0.4)
Autos and Transportation	4.3	2.4	4.1	2.5	0.0	0.0	(0.1)	(0.1)	(0.2)
Financial Services	10.8	6.7	11.5	0.1	0.0	0.0	0.0	0.7	0.8
Utilities	1.3	(20.4)	1.3	(0.5)	0.0	0.0	0.0	(0.3)	(0.2)
Other	---	---	0.4	0.4	0.0	0.0	0.0	0.0	0.0
CASH	3.3	1.3	---	---	0.0	0.0	0.0	0.0	0.0

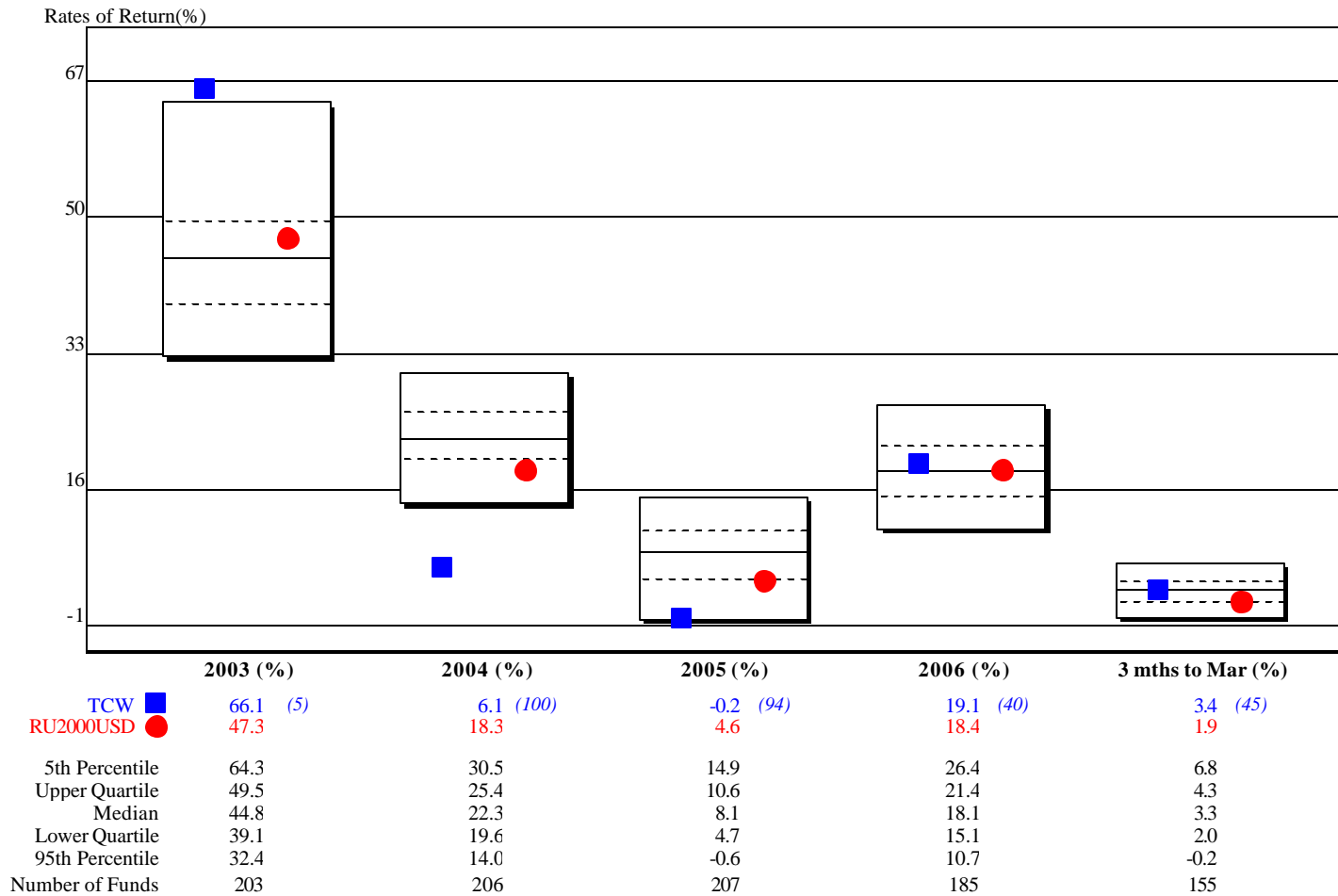
Policy Benchmark is Russell 2000 Growth

- The portfolio's strong security selection in technology, financial services, health care and materials & processing benefited performance.
- Unfavorable stock selection in producer durables, utilities and autos & transportation detracted from results.

TCW Group

Comparison with the Mercer US Equity Small Cap Value Universe

Performance before fees for Calendar Years and 3 months ended March 2007



- TCW underperformed the Russell 2000 Index and placed in the bottom half of the universe in 2004 and 2005 only.

Returns Consistency Analysis

US Equity Small Cap Value Quarterly Returns - before fees

Quarterly returns from Jun 2002 to Mar 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
TCW	20	8	40%	1	5%	2	10%	9	45%	55	10	50%

Benchmark:

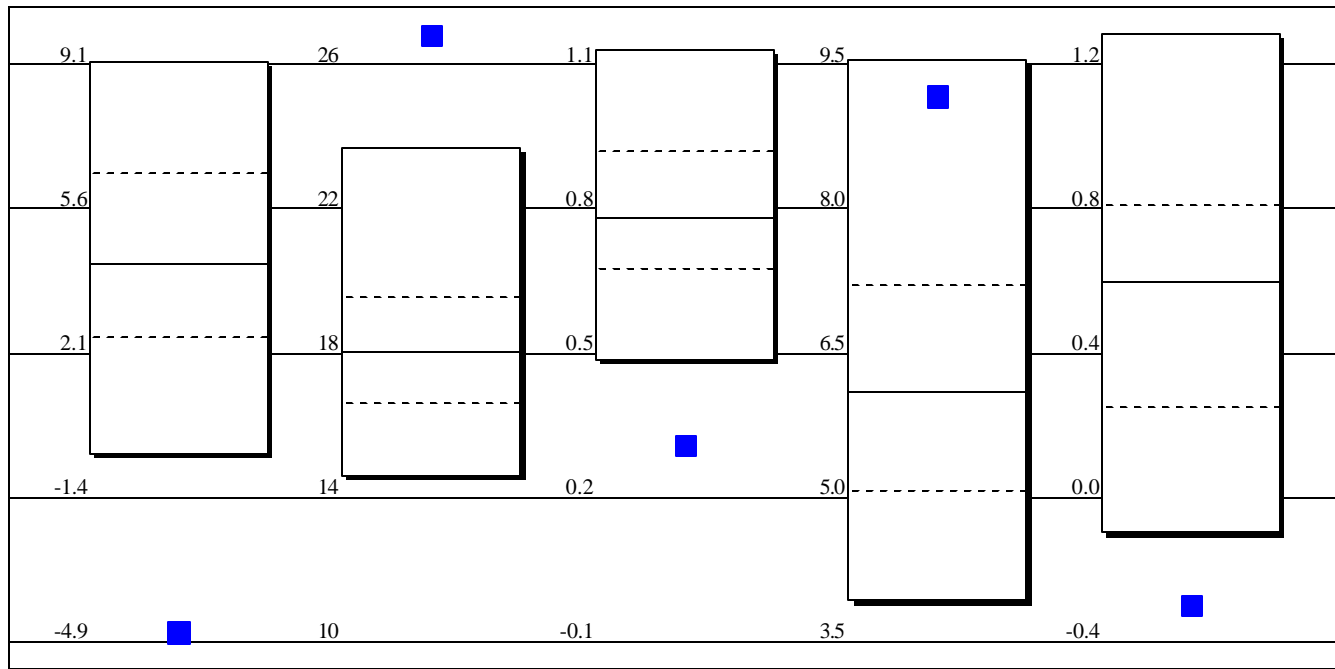
RU2000USD	20	0	0%	8	40%	6	30%	6	30%	57
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- For the 5-year period, TCW has placed below the median of the universe 55% of the time with 9 quarters in the bottom quartile.

TCW Group

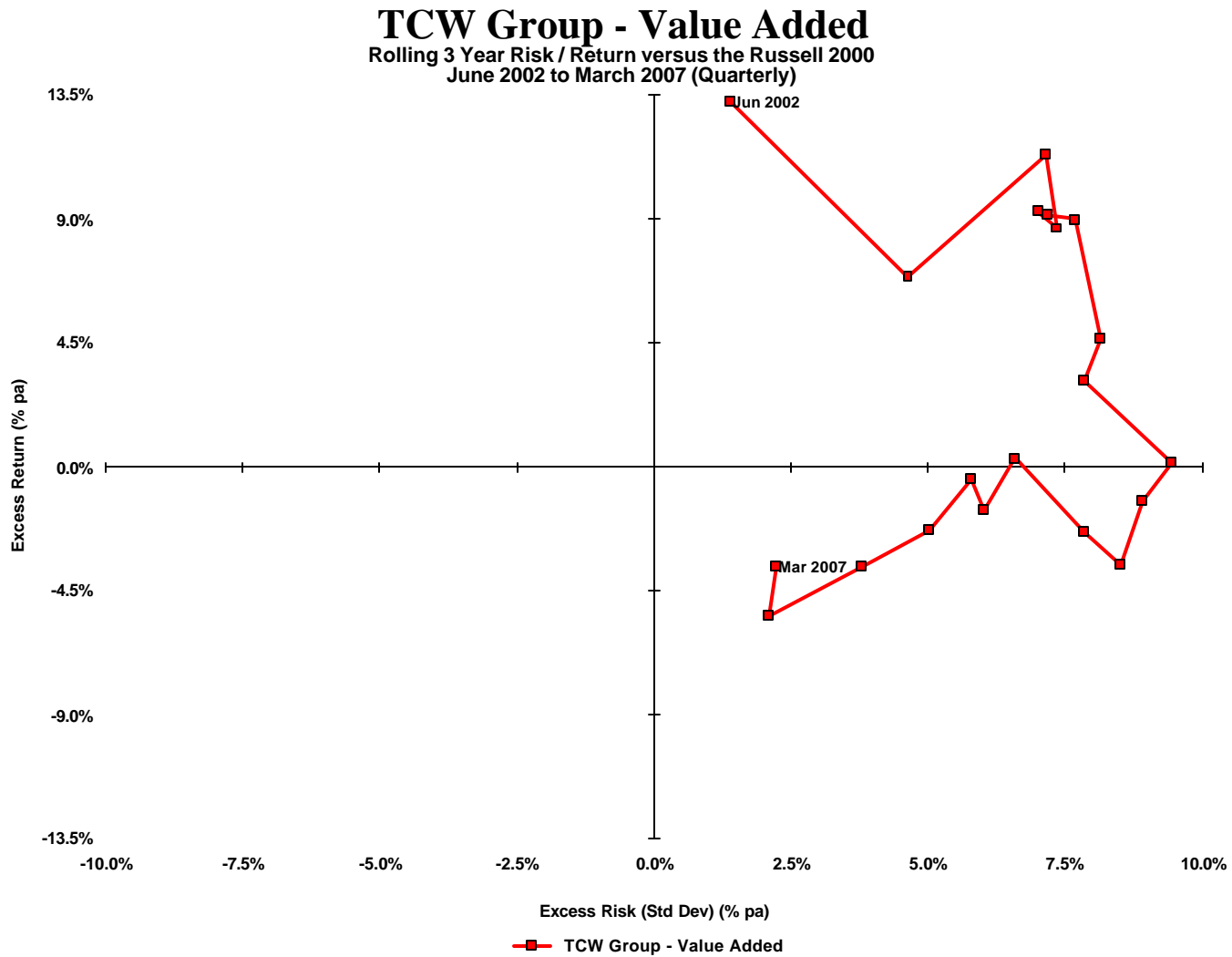
Comparison with the Mercer US Equity Small Cap Value Universe

Risk and Return Characteristics (calculated quarterly) versus RU2000USD for the period from Jun 2002 to Mar 2007

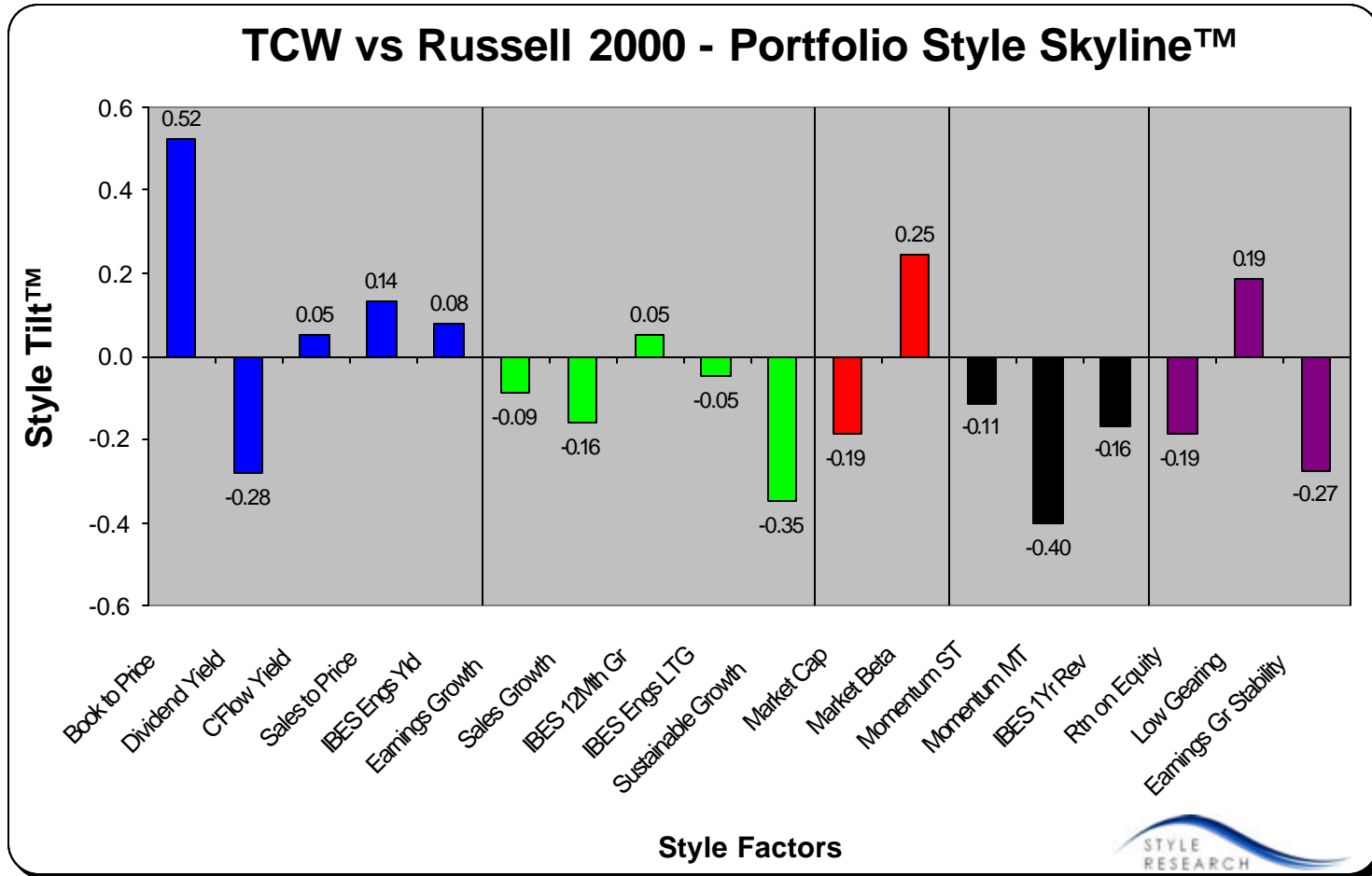


	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
TCW	-4.7 (100)	26.8 (1)	0.3 (100)	9.2 (6)	-0.3 (97)
5th Percentile	9.2	23.7	1.1	9.5	1.3
Upper Quartile	6.4	19.5	0.9	7.2	0.8
Median	4.2	18.0	0.8	6.1	0.6
Lower Quartile	2.5	16.6	0.7	5.1	0.2
95th Percentile	-0.4	14.6	0.5	3.9	-0.1
Number of Funds	123	123	123	123	123

- For 5 years, TCW has a significantly negative alpha and has taken significantly more risk than the median manager.



- TCW composite's return/risk profile has improved in recent quarters.



- The portfolio's emphasis on valuations is consistent with its strategy.

3 Months Ending March 31, 2007

TCW Group

	<u>Portfolio</u>		<u>Policy</u>		<u>Currency</u>	<u>Net Management Effect</u>			
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Return</u>	<u>Ccy</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	3.4	100.0	2.0	0.0	0.0	1.1	0.4	1.5
EQUITY	99.2	3.4	100.0	2.0	0.0	0.0	1.1	0.4	1.5
Technology	25.3	1.6	13.2	4.6	0.0	0.0	0.3	(0.7)	(0.4)
Health Care	5.0	11.7	11.3	1.2	0.0	0.0	0.0	0.5	0.6
Consumer Discretionary	19.5	7.1	19.7	3.0	0.0	0.0	0.0	0.8	0.8
Consumer Staples	1.6	16.0	2.2	14.2	0.0	0.0	(0.1)	0.0	0.0
Integrated Oils	0.2	34.2	0.2	(4.6)	0.0	0.0	0.0	0.1	0.1
Other Energy	3.7	(7.1)	4.4	1.0	0.0	0.0	0.0	(0.3)	(0.3)
Materials and Processing	9.6	(0.3)	9.3	6.7	0.0	0.0	0.0	(0.7)	(0.6)
Producer Durables	19.5	7.1	7.4	3.0	0.0	0.0	0.1	0.8	0.9
Autos and Transportation	3.4	(0.2)	3.8	4.8	0.0	0.0	0.0	(0.2)	(0.2)
Financial Services	11.1	(2.7)	23.8	(3.2)	0.0	0.0	0.7	0.0	0.7
Utilities	---	---	4.3	0.9	0.0	0.0	0.0	0.0	0.0
Other	0.4	11.2	0.3	1.7	0.0	0.0	0.0	0.0	0.0
CASH	0.8	1.4	---	---	0.0	0.0	0.0	0.0	0.0

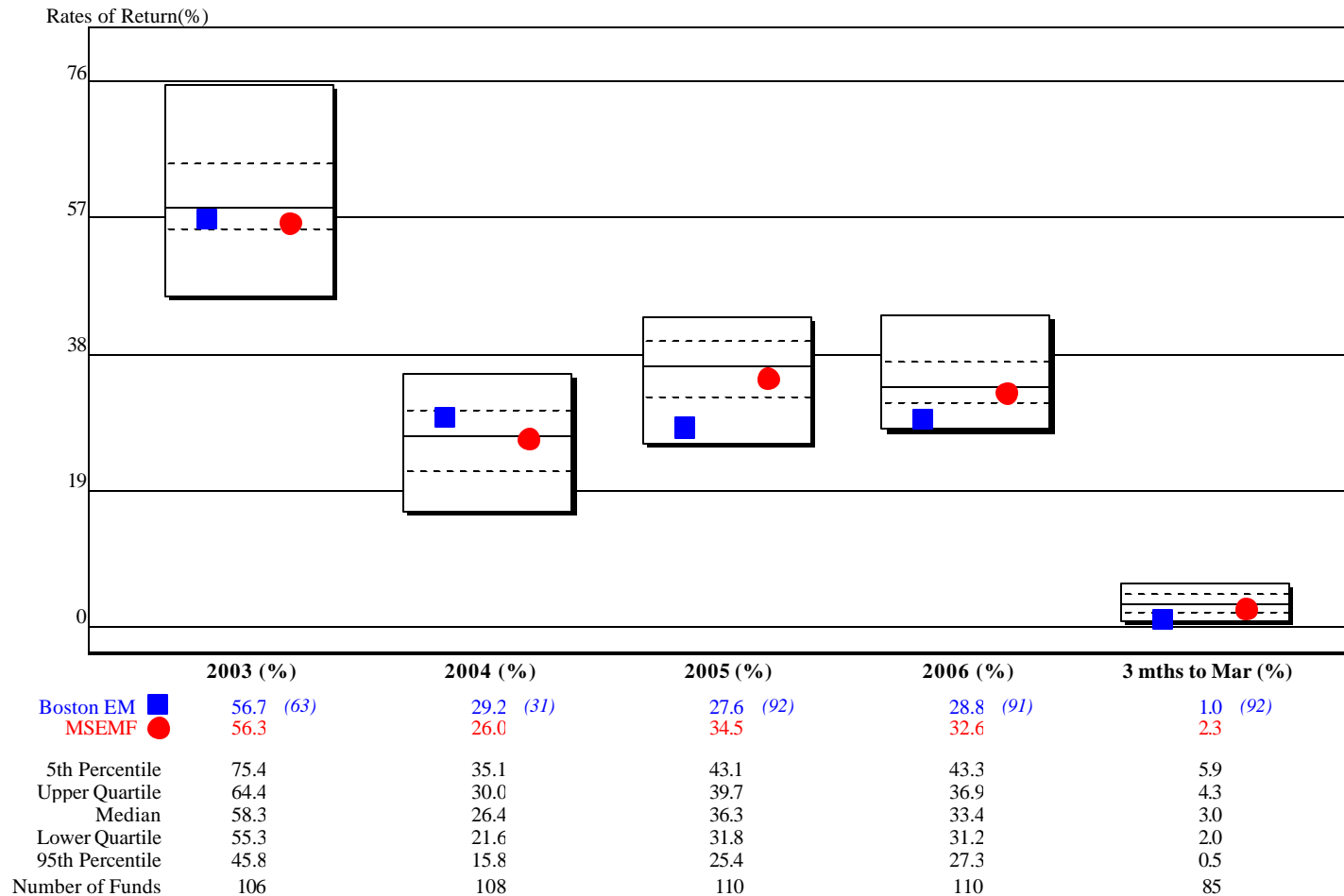
Policy Benchmark is Russell 2000

- Poor stock in technology, materials & processing and other energy negatively impacted performance during the recent quarter.
- Strong stock selection in consumer discretionary, producer durables and health care, as well as below-index exposure to the weak performing financial services sector offset some of the losses.

Boston Company Asset Management

Comparison with the Mercer Emerging Markets Equity Universe

Performance before fees for Calendar Years and 3 months ended March 2007



- Boston Company outperformed the MSCI Emerging Markets Index in 2003 and 2004. It placed around or above the universe median in 2003 and 2004 respectively, while placing in the bottom decile of the universe in 2005, 2006, and 2007.

Returns Consistency Analysis

Emerging Markets Equity (all funds) Quarterly Returns - before fees

Quarterly returns from Jun 2002 to Mar 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Boston EM	20	3	15%	4	20%	6	30%	7	35%	58	8	40%

Benchmark:

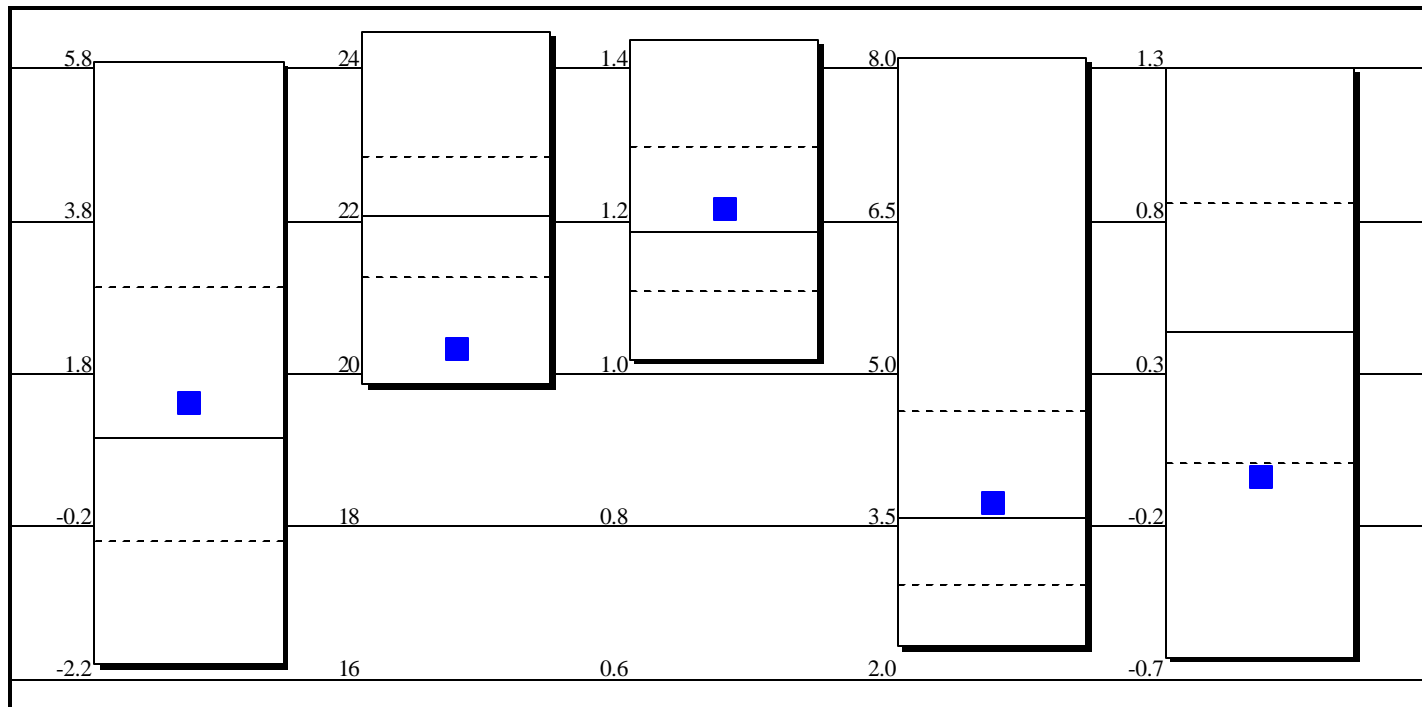
MSEMF	20	0	0%	4	20%	16	80%	0	0%	55
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- For 5 years, Boston Company has placed in the bottom half of the universe 65% of the time with 7 quarters in the bottom quartile.

Boston Company Asset Management

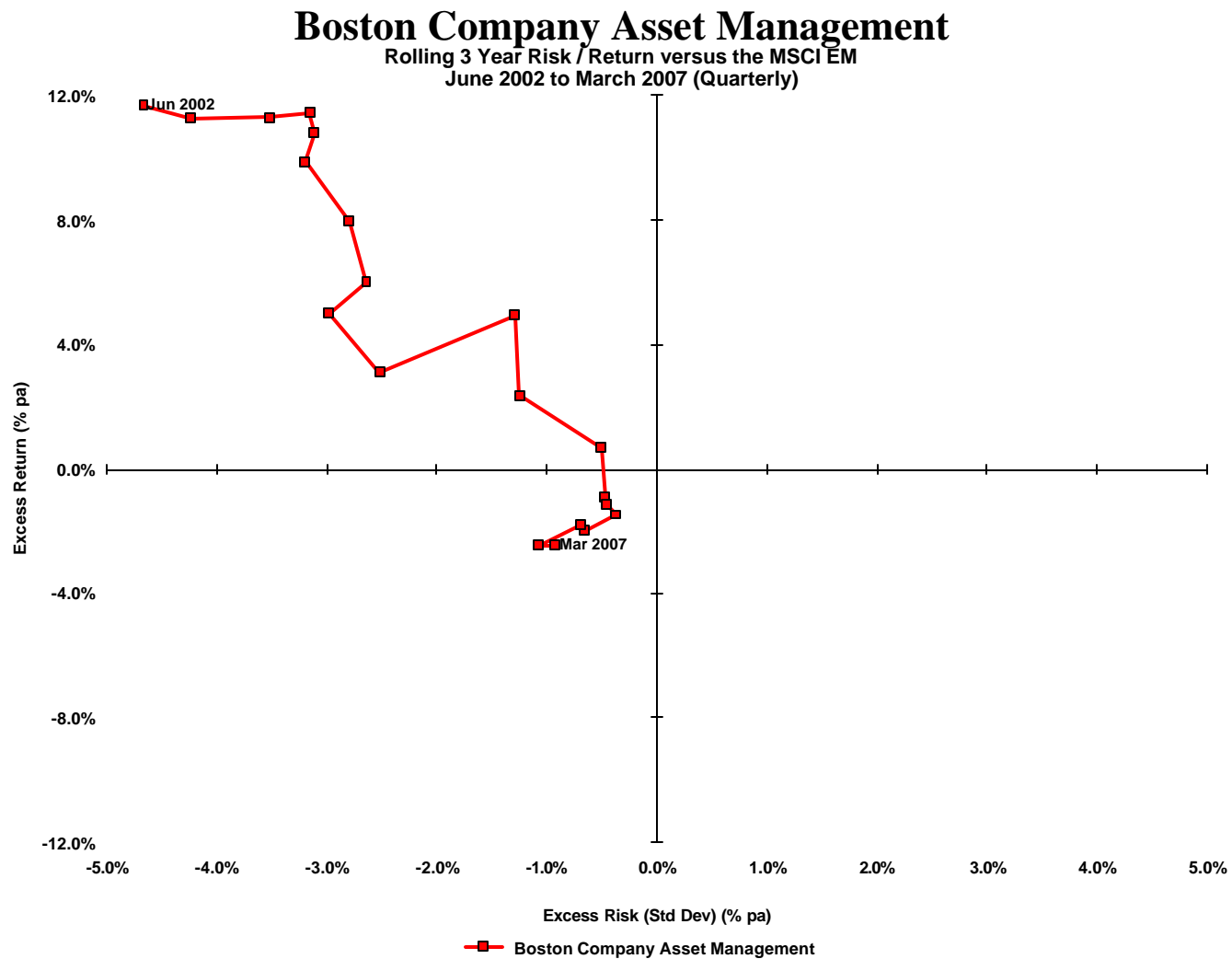
Comparison with the Mercer Emerging Markets Equity Universe

Risk and Return Characteristics (calculated quarterly) versus MSEM for the period from Jun 2002 to Mar 2007



	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
Boston EM	1.4 (44)	20.3 (93)	1.2 (45)	3.7 (48)	0.0 (77)
5th Percentile	5.9	24.5	1.4	8.1	1.3
Upper Quartile	2.9	22.8	1.3	4.6	0.9
Median	0.9	22.0	1.2	3.6	0.4
Lower Quartile	-0.4	21.3	1.1	2.9	0.0
95th Percentile	-2.0	19.9	1.0	2.3	-0.6
Number of Funds	69	69	69	69	69

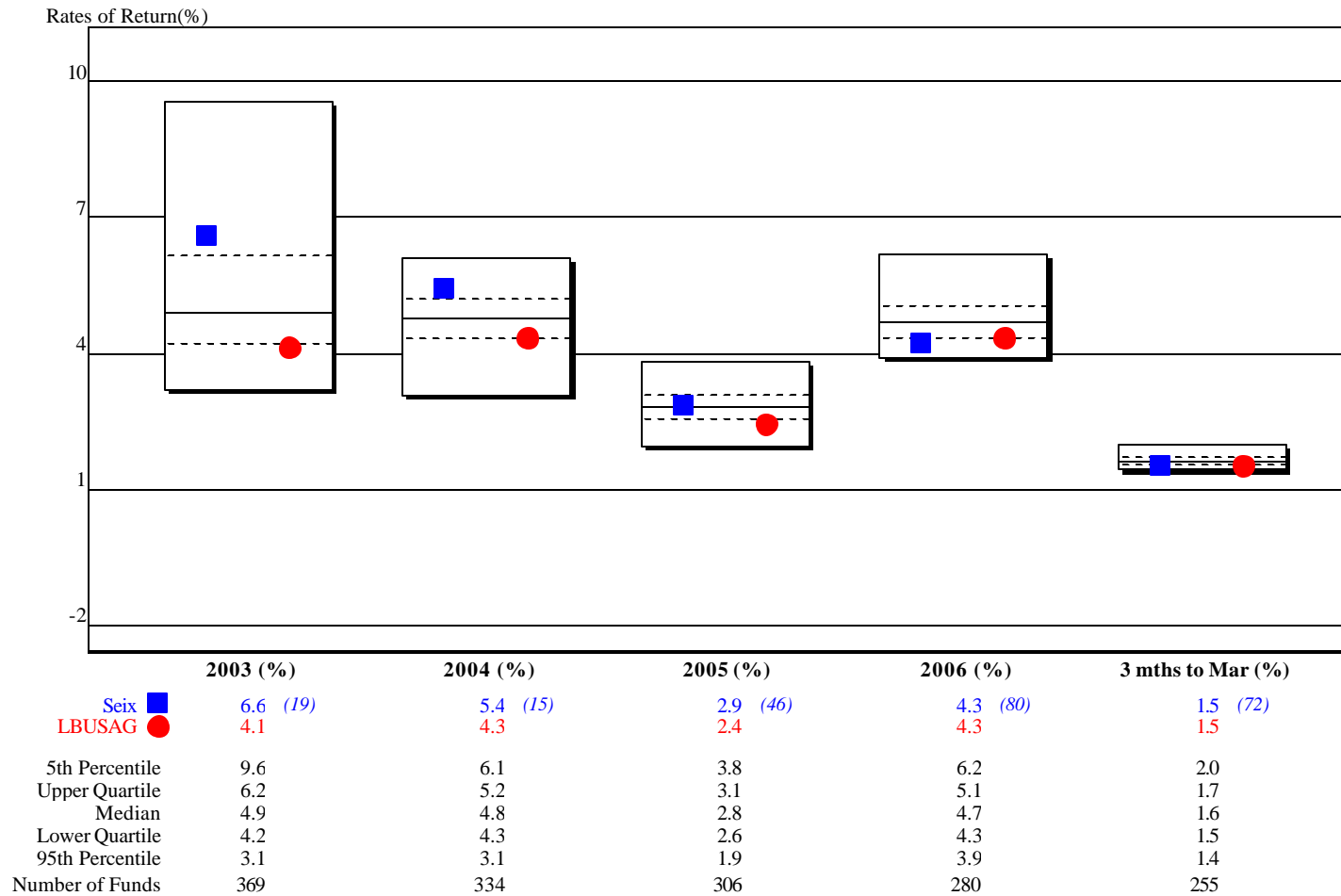
- For 5 years, Boston Company generated more alpha and has taken less risk than the median manager.



- Boston Company's rolling 3-year risk/return profile resides in the southwest quadrant in recent quarters.

Seix Investment Advisors

Comparison with the Mercer US Fixed Core Universe
Performance before fees for Calendar Years and 3 months ended March 2007



- Seix outperformed or matched the Lehman Brothers Aggregate Bond Index for all periods shown. It placed in the bottom half of the Mercer U.S Fixed Core Universe in 2006 and 2007.

Returns Consistency Analysis

US Fixed Core Quarterly Returns - before fees

Quarterly returns from Jun 2002 to Mar 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Seix	20	7	35%	4	20%	4	20%	5	25%	46	15	75%

Benchmark:

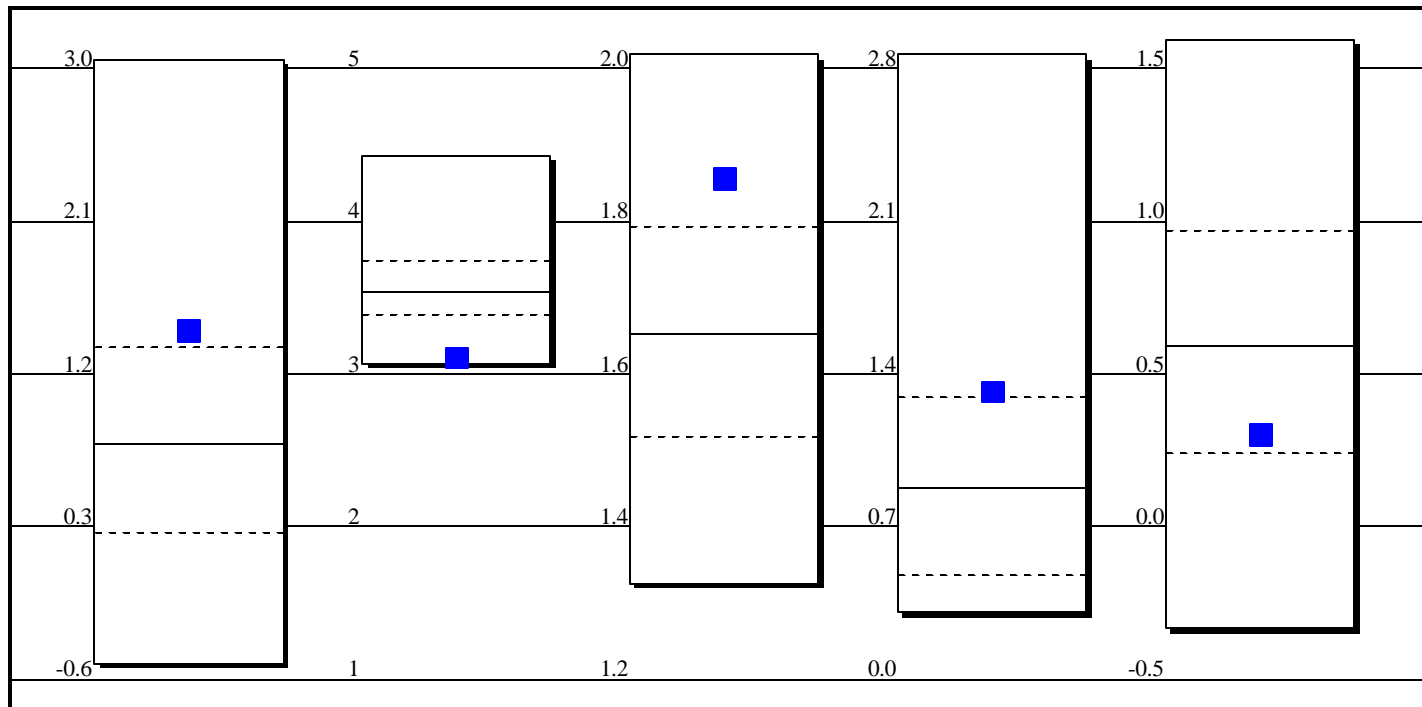
LBUSAG	20	0	0%	3	15%	12	60%	5	25%	64
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- For 5 years, Seix has placed in the top half of the universe 55% of the time with 7 quarters in the top quartile.

Seix Investment Advisors

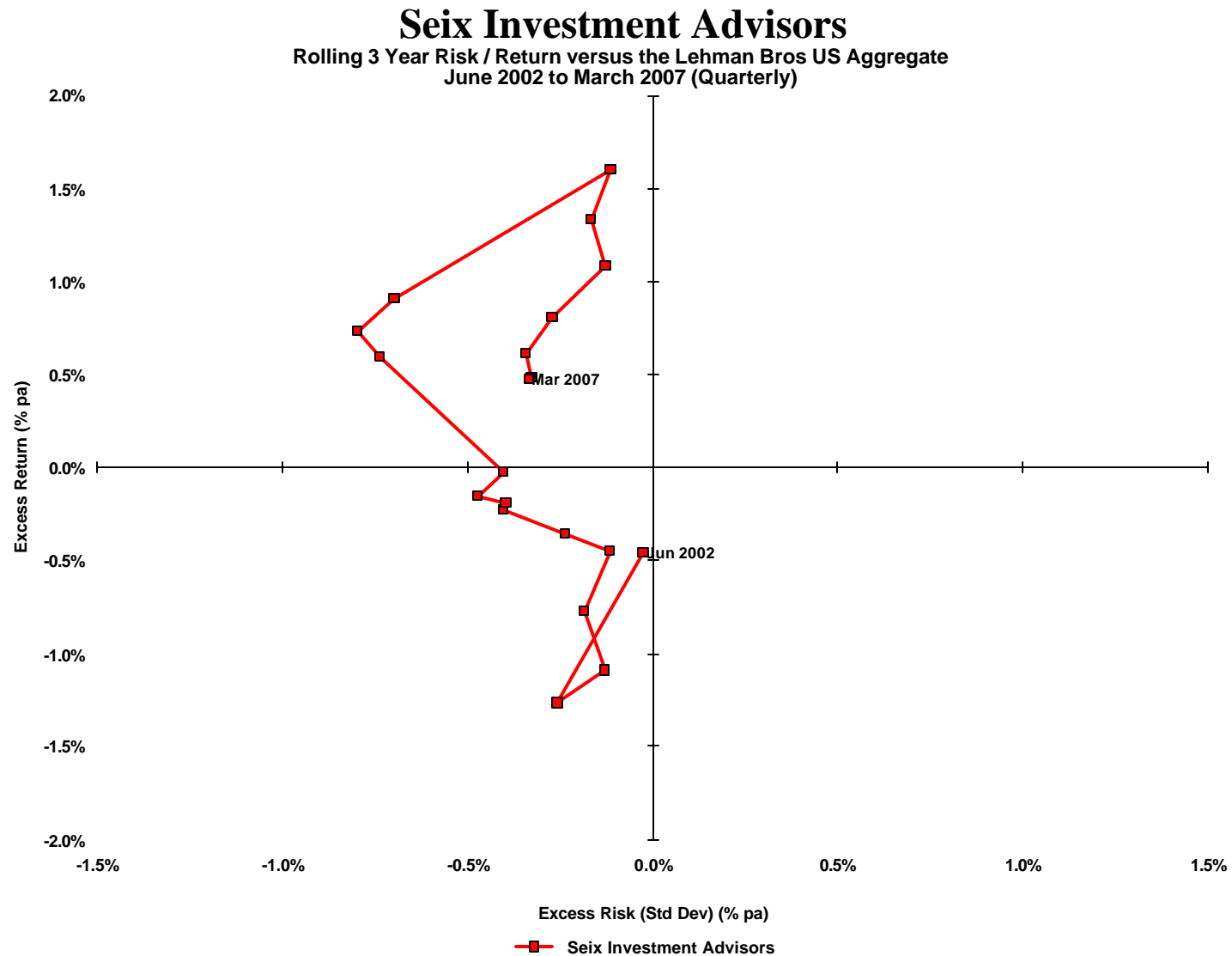
Comparison with the Mercer US Fixed Core Universe

Risk and Return Characteristics (calculated quarterly) versus LBUSAG for the period from Jun 2002 to Mar 2007



	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
Seix	1.5 (21)	3.1 (93)	1.9 (15)	1.3 (24)	0.3 (71)
5th Percentile	3.0	4.4	2.0	2.9	1.6
Upper Quartile	1.3	3.7	1.8	1.3	1.0
Median	0.8	3.5	1.7	0.9	0.6
Lower Quartile	0.3	3.4	1.5	0.5	0.2
95th Percentile	-0.5	3.1	1.3	0.3	-0.3
Number of Funds	226	226	226	226	226

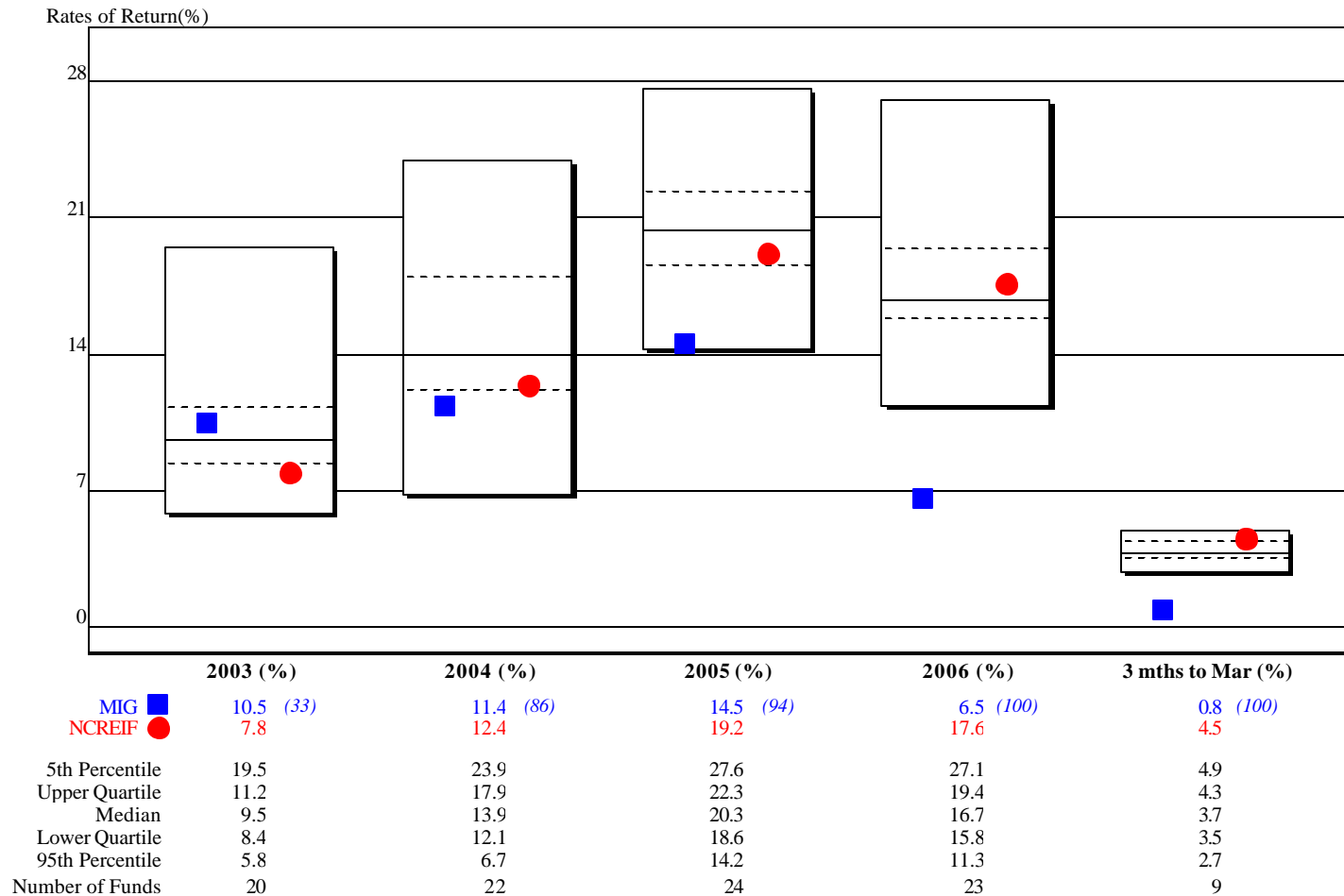
- For 5 years, Seix has a positive alpha and has taken less risk than the median manager.



- Seix's risk/return profile resides in the northwest quadrant in recent quarters.

MIG Realty Advisors

Comparison with the Mercer US Real Estate Open End Universe
Performance before fees for Calendar Years and 3 months ended March 2007



- Except in 2003, MIG underperformed the NCREIF Property (1 Qtr in Arrears) Index and placed in the bottom quartile of the Mercer U.S. Real Estate Open End Universe for all periods shown.

Returns Consistency Analysis

US Real Estate Open End Quarterly Returns - before fees

Quarterly returns from Jun 2002 to Mar 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
MIG	20	3	15%	3	15%	2	10%	12	60%	70	6	30%

Benchmark:

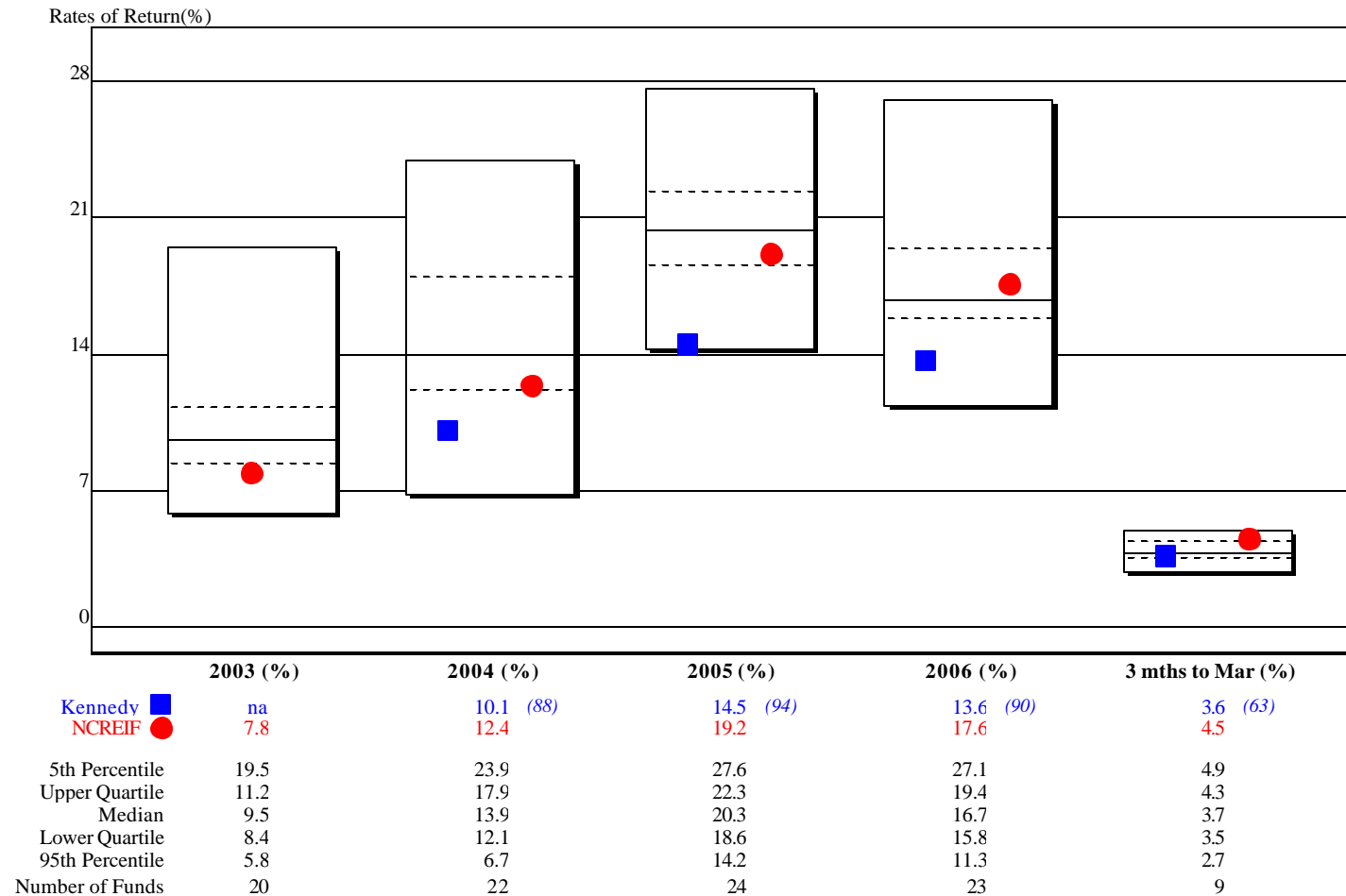
NCREIF	20	2	10%	4	20%	13	65%	1	5%	56
--------	----	---	-----	---	-----	----	-----	---	----	----

- For 5 years, MIG has placed in the bottom half of the universe 70% of the time with 12 quarters in the bottom quartile.

Kennedy Associates

Comparison with the Mercer US Real Estate Open End Universe

Performance before fees for Calendar Years and 3 months ended March 2007



- Kennedy underperformed the NCREIF Property (1 Qtr in Arrears) Index and placed in the bottom quartile of the Mercer U.S. Real Estate Open End Universe for all periods shown except 2007, where it placed around the universe median.

Returns Consistency Analysis

US Real Estate Open End Quarterly Returns - before fees

Quarterly returns from Dec 2003 to Mar 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Kennedy	14	2	14%	1	7%	2	14%	9	64%	71	4	29%

Benchmark:

NCREIF	14	2	14%	4	29%	7	50%	1	7%	53
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- Since inception, Kennedy has placed in the bottom half of the universe 78% of the time with 9 quarters in the bottom quartile.

Investment Policy Compliance

San Jose Police and Fire Retirement System
Compliance Summary
Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized		
				1 Year	3 Years	5 Years
Total Fund	\$ 2,622.1	100.0 %				
<i>Rank vs. Total Funds Billion Dollar - Public</i>						
<i>Total Funds Billion Dollar - Public Med</i>			No	Yes	No	Yes
<i>Total Fund Benchmark</i>			Yes	No	No	Yes
Total Domestic Equity Fund	1,005.8	38.4				
<i>Rank vs. Mercer US Equity Combined Universe</i>						
<i>Mercer US Equity Combined Universe Med</i>			No	No	No	No
<i>S&P 500 - Total Return Index</i>			Yes	No	Yes	Yes
Index Equity						
<i>Rhumblin Advisers - Large Cap Index Equity</i>	235.1	9.0				
<i>Rank vs. Mercer US Equity Combined Universe</i>						
<i>Mercer US Equity Combined Universe Med</i>			No	Yes	No	No
<i>S&P 500 - Total Return Index</i>			Yes	No	No	Yes
<i>Rhumblin Advisers - Large Cap Index Equity-Net</i>	235.1	9.0				
<i>Rank vs. Mercer US Equity Combined Universe</i>						
<i>Mercer US Equity Combined Universe Med</i>			No	Yes	No	No
<i>S&P 500 - Total Return Index</i>			Yes	No	No	No
Growth Equity						
<i>GLOBALT, Inc. - Large Cap Growth Equity</i>	43.1	1.6				
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>						
<i>Mercer US Equity Large Cap Growth Universe Med</i>			No	No	No	No
<i>Russell 1000 Growth Index</i>			Yes	No	No	Yes
<i>Russell 1000 Growth + 1%</i>			No	No	No	No
<i>GLOBALT, Inc. - Large Cap Growth Equity-Net</i>	43.1	1.6				
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>						
<i>Mercer US Equity Large Cap Growth Universe Med</i>			No	No	No	No
<i>Russell 1000 Growth Index</i>			Yes	No	No	No
<i>Russell 1000 Growth + 1%</i>			No	No	No	No

San Jose Police and Fire Retirement System

Compliance Summary

Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized		
				1 Year	3 Years	5 Years
INTECH - Large Cap Growth Equity	\$ 47.2	1.8 %				
Rank vs. Mercer US Equity Large Cap Growth Universe						
Mercer US Equity Large Cap Growth Universe Med			No	No	Yes	
Russell 1000 Growth Index			Yes	No	Yes	
Russell 1000 Growth + 1%			Yes	No	Yes	
INTECH - Large Cap Growth Equity-Net	47.2	1.8				
Rank vs. Mercer US Equity Large Cap Growth Universe						
Mercer US Equity Large Cap Growth Universe Med			No	No	No	
Russell 1000 Growth Index			Yes	No	Yes	
Russell 1000 Growth + 1%			No	No	Yes	
New Amsterdam Partners - Large Cap Growth Equity	156.6	6.0				
Rank vs. Mercer US Equity Large Cap Growth Universe						
Mercer US Equity Large Cap Growth Universe Med			No	Yes	Yes	Yes
S&P 500 - Total Return Index			Yes	No	Yes	Yes
S&P 500 + 1%			Yes	No	No	Yes
New Amsterdam Partners - Large Cap Growth Equity-Net	156.6	6.0				
Rank vs. Mercer US Equity Large Cap Growth Universe						
Mercer US Equity Large Cap Growth Universe Med			No	Yes	Yes	Yes
S&P 500 - Total Return Index			Yes	No	No	Yes
S&P 500 + 1%			Yes	No	No	Yes
UBS Global Asset Management - Large Cap Value Equity	134.3	5.1				
Rank vs. Mercer US Equity Large Cap Value Universe						
Mercer US Equity Large Cap Value Universe Med			No	No	No	No
Russell 3000 Index			No	Yes	Yes	Yes
Russell 3000 + 1%			No	No	Yes	Yes
UBS Global Asset Management - Large Cap Value Equity-Net	134.3	5.1				
Rank vs. Mercer US Equity Large Cap Value Universe						
Mercer US Equity Large Cap Value Universe Med			No	No	No	No
Russell 3000 Index			No	Yes	Yes	Yes
Russell 3000 + 1%			No	No	Yes	Yes

San Jose Police and Fire Retirement System

Compliance Summary

Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized		
				1 Year	3 Years	5 Years
Value Equity						
Boston Partners Asset Mgmt. - Large Cap Value Equity	\$ 142.9	5.4 %				
<i>Rank vs. Mercer US Equity Large Cap Value Universe</i>						
<i>Mercer US Equity Large Cap Value Universe Med</i>			No	Yes	Yes	No
<i>Russell 1000 Value Index</i>			No	No	Yes	No
<i>Russell 1000 Value + 1%</i>			No	No	No	No
 Boston Partners Asset Mgmt. - Large Cap Value Equity-Net	 142.9	 5.4				
<i>Rank vs. Mercer US Equity Large Cap Value Universe</i>						
<i>Mercer US Equity Large Cap Value Universe Med</i>			No	No	Yes	No
<i>Russell 1000 Value Index</i>			No	No	Yes	No
<i>Russell 1000 Value + 1%</i>			No	No	No	No
 Provident Investment Counsel - Small Cap Growth Equity	 71.4	 2.7				
<i>Rank vs. Mercer US Equity Small Cap Growth Universe</i>						
<i>Mercer US Equity Small Cap Growth Universe Med</i>			Yes	Yes	No	No
<i>Russell 2000 Growth Index</i>			Yes	Yes	Yes	No
<i>Russell 2000 Growth + 2%</i>			Yes	No	No	No
 Provident Investment Counsel - Small Cap Growth Equity-Net	 71.4	 2.7				
<i>Rank vs. Mercer US Equity Small Cap Growth Universe</i>						
<i>Mercer US Equity Small Cap Growth Universe Med</i>			Yes	Yes	No	No
<i>Russell 2000 Growth Index</i>			Yes	Yes	No	No
<i>Russell 2000 Growth + 2%</i>			Yes	No	No	No
 Rhumblin Advisers	 103.4	 3.9				
<i>Rank vs. Mercer US Equity Small Cap Core Universe</i>						
<i>Mercer US Equity Small Cap Core Universe Med</i>			No	Yes		
<i>Russell 2000 Index</i>			Yes	Yes		
 Rhumblin Advisers-Net	 103.4	 3.9				
<i>Rank vs. Mercer US Equity Small Cap Core Universe</i>						
<i>Mercer US Equity Small Cap Core Universe Med</i>			No	Yes		
<i>Russell 2000 Index</i>			Yes	Yes		

San Jose Police and Fire Retirement System

Compliance Summary

Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized		
				1 Year	3 Years	5 Years
Small Cap Value						
TCW Group - Small Cap Value Equity	\$ 71.8	2.7 %				
Rank vs. Mercer US Equity Small Cap Value Universe						
Mercer US Equity Small Cap Value Universe Med			Yes	No	No	No
Russell 2000 Index			Yes	Yes	No	No
Russell 2000 + 2%			Yes	No	No	No
TCW Group - Small Cap Value Equity-Net	71.8	2.7				
Rank vs. Mercer US Equity Small Cap Value Universe						
Mercer US Equity Small Cap Value Universe Med			No	No	No	No
Russell 2000 Index			Yes	Yes	No	No
Russell 2000 + 2%			Yes	No	No	No
Total Intl Equity - Established Markets	622.4	23.7				
Rank vs. Mercer Intl Equity Universe						
Mercer Intl Equity Universe Med			Yes	Yes	Yes	Yes
MSCI EAFE Net Dividend Index			Yes	Yes	Yes	Yes
AQR Capital Management, LLC International Equity	114.8	4.4				
Rank vs. Mercer Intl Equity Universe						
Mercer Intl Equity Universe Med			Yes			
MSCI EAFE Net Dividend Index			Yes			
MSCI EAFE NET +1.5%			No			
AQR Capital Management, LLC International Equity-Net	114.8	4.4				
Rank vs. Mercer Intl Equity Universe						
Mercer Intl Equity Universe Med			Yes			
MSCI EAFE Net Dividend Index			No			
MSCI EAFE NET +1.5%			No			

San Jose Police and Fire Retirement System

Compliance Summary

Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized		
				1 Year	3 Years	5 Years
Brandes Investment Partners - International Equity	\$ 257.2	9.8 %				
<i>Rank vs. Mercer Intl Equity Universe</i>						
<i>Mercer Intl Equity Universe Med</i>			Yes	Yes	Yes	Yes
<i>MSCI EAFE Net Dividend Index</i>			Yes	Yes	Yes	Yes
<i>MSCI EAFE NET +1.5%</i>			Yes	Yes	No	Yes
Brandes Investment Partners - International Equity-Net	257.2	9.8				
<i>Rank vs. Mercer Intl Equity Universe</i>						
<i>Mercer Intl Equity Universe Med</i>			Yes	Yes	Yes	Yes
<i>MSCI EAFE Net Dividend Index</i>			Yes	Yes	Yes	Yes
<i>MSCI EAFE NET +1.5%</i>			Yes	Yes	No	Yes
William Blair & Company - International Equity	250.4	9.5				
<i>Rank vs. Mercer Intl Equity Universe</i>						
<i>Mercer Intl Equity Universe Med</i>			Yes	No	Yes	Yes
<i>MSCI All Country World Ex United States Net Index</i>			Yes	No	Yes	Yes
<i>MSCI AC World x US Net + 1.5%</i>			No	No	No	Yes
William Blair & Company - International Equity-Net	250.4	9.5				
<i>Rank vs. Mercer Intl Equity Universe</i>						
<i>Mercer Intl Equity Universe Med</i>			Yes	No	Yes	Yes
<i>MSCI All Country World Ex United States Net Index</i>			Yes	No	Yes	Yes
<i>MSCI AC World x US Net + 1.5%</i>			No	No	No	No
Total Intl Equity - Emerging Markets	155.5	5.9				
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>						
<i>Mercer Emerging Markets Equity Universe Med</i>			No	No	No	No
<i>MSCI Emerging Markets Index</i>			No	No	No	Yes

San Jose Police and Fire Retirement System

Compliance Summary

Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized		
				1 Year	3 Years	5 Years
Alliance Capital Mgmt Emerging Markets Equity	\$ 78.9	3.0 %				
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>						
<i>Mercer Emerging Markets Equity Universe Med</i>			Yes	No	No	Yes
<i>MSCI Emerging Markets Index</i>			Yes	No	Yes	Yes
<i>MSCI Emerging Markets + 2%</i>			Yes	No	No	No
Alliance Capital Mgmt Emerging Markets Equity-Net	78.9	3.0				
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>						
<i>Mercer Emerging Markets Equity Universe Med</i>			No	No	No	No
<i>MSCI Emerging Markets Index</i>			Yes	No	No	Yes
<i>MSCI Emerging Markets + 2%</i>			No	No	No	No
Boston Company Asset Mgmt. Emerging Markets Equity	76.6	2.9				
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>						
<i>Mercer Emerging Markets Equity Universe Med</i>			No	No	No	No
<i>MSCI Emerging Markets Index</i>			No	No	No	No
<i>MSCI Emerging Markets + 2%</i>			No	No	No	No
Boston Company Asset Mgmt. Emerging Markets Equity-Net	76.6	2.9				
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>						
<i>Mercer Emerging Markets Equity Universe Med</i>			No	No	No	No
<i>MSCI Emerging Markets Index</i>			No	No	No	No
<i>MSCI Emerging Markets + 2%</i>			No	No	No	No
Total Domestic Core Fixed Income Fund	515.7	19.7				
<i>Rank vs. Mercer US Fixed Core Universe</i>						
<i>Mercer US Fixed Core Universe Med</i>			No	Yes	Yes	Yes
<i>Lehman Brothers Aggregate Bond</i>			No	Yes	Yes	Yes

San Jose Police and Fire Retirement System

Compliance Summary

Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized		
				1 Year	3 Years	5 Years
Seix Investment Advisors, Inc - Fixed Income	\$ 253.6	9.7 %				
<i>Rank vs. Mercer US Fixed Core Universe</i>						
<i>Mercer US Fixed Core Universe Med</i>			No	No	No	No
<i>LB Aggregate + 0.5%</i>			No	No	No	No
Seix Investment Advisors, Inc - Fixed Income-Net	253.6	9.7				
<i>Rank vs. Mercer US Fixed Core Universe</i>						
<i>Mercer US Fixed Core Universe Med</i>			No	No	No	No
<i>LB Aggregate + 0.5%</i>			No	No	No	No

San Jose Police and Fire Retirement System

Compliance Summary

Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized		
				1 Year	3 Years	5 Years
Western Asset Management Company	\$ 262.1	10.0 %				
<i>Rank vs. Mercer US Fixed Core Universe</i>						
<i>Mercer US Fixed Core Universe Med</i>			No	Yes	Yes	
<i>Lehman Brothers Aggregate Bond</i>			No	Yes	Yes	
<i>LB Aggregate + 0.5%</i>			No	Yes	Yes	
Western Asset Management Company-Net	262.1	10.0				
<i>Rank vs. Mercer US Fixed Core Universe</i>						
<i>Mercer US Fixed Core Universe Med</i>			No	Yes	Yes	
<i>Lehman Brothers Aggregate Bond</i>			No	Yes	Yes	
<i>LB Aggregate + 0.5%</i>			No	No	Yes	
Income Research & Mgmt., Inc. Long Duration	96.7	3.7				
<i>Rank vs. Mercer US Fixed Long Duration Universe</i>						
<i>Mercer US Fixed Long Duration Universe Med</i>			Yes	Yes		
<i>Lehman Brothers U.S. Gov/Credit-Long Term</i>			Yes	Yes		
<i>Lehman Brothers U.S. Gov/Credit-Long Term +0.5%</i>			Yes	No		
Income Research & Mgmt., Inc. Long Duration-Net	96.7	3.7				
<i>Rank vs. Mercer US Fixed Long Duration Universe</i>						
<i>Mercer US Fixed Long Duration Universe Med</i>			Yes	No		
<i>Lehman Brothers U.S. Gov/Credit-Long Term</i>			Yes	Yes		
<i>Lehman Brothers U.S. Gov/Credit-Long Term +0.5%</i>			Yes	No		
Total Global Fixed Income Fund	0.0	0.0				
<i>Rank vs. Mercer Global Fixed Unhedged Universe</i>						
<i>Mercer Global Fixed Unhedged Universe Med</i>			No	Yes	Yes	Yes
<i>Citigroup World Govt. Bond Index</i>			No	Yes	Yes	Yes
Total Real Estate Fund	193.2	7.4				
<i>Rank vs. Mercer US Real Estate Open End Universe</i>						
<i>Mercer US Real Estate Open End Universe Med</i>			No	No	No	No
<i>NCREIF Property (1 Qtr in Arrears)</i>			No	No	No	No

San Jose Police and Fire Retirement System

Compliance Summary

Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized		
				1 Year	3 Years	5 Years
MIG Realty Advisors - Real Estate	\$ 47.6	1.8 %				
Rank vs. Mercer US Real Estate Open End Universe						
Mercer US Real Estate Open End Universe Med			No	No	No	No
NCREIF Property (1 Qtr in Arrears)			No	No	No	No
NCREIF (1 QTR IN ARREARS) + 1.5%			No	No	No	No
MIG Realty Advisors - Real Estate-Net	47.6	1.8				
Rank vs. Mercer US Real Estate Open End Universe						
Mercer US Real Estate Open End Universe Med			No	No	No	No
NCREIF Property (1 Qtr in Arrears)			No	No	No	No
NCREIF (1 QTR IN ARREARS) + 1.5%			No	No	No	No
Kennedy Associate Real Estate - Real Estate	90.2	3.4				
Rank vs. Mercer US Real Estate Open End Universe						
Mercer US Real Estate Open End Universe Med			No	No	No	No
NCREIF Property (1 Qtr in Arrears)			No	No	No	No
NCREIF (1 QTR IN ARREARS) + 1.5%			No	No	No	No
Kennedy Associate Real Estate - Real Estate-Net	90.2	3.4				
Rank vs. Mercer US Real Estate Open End Universe						
Mercer US Real Estate Open End Universe Med			No	No	No	No
NCREIF Property (1 Qtr in Arrears)			No	No	No	No
NCREIF (1 QTR IN ARREARS) + 1.5%			No	No	No	No
Multi-Employer Property Trust	55.3	2.1				
Rank vs. Mercer US Real Estate Open End Universe						
Mercer US Real Estate Open End Universe Med			Yes			
NCREIF Property (1 Qtr in Arrears)			No			
NCREIF (1 QTR IN ARREARS) + 1.5%			No			
Multi-Employer Property Trust - Net	55.3	2.1				
Rank vs. Mercer US Real Estate Open End Universe						
Mercer US Real Estate Open End Universe Med			Yes			
NCREIF Property (1 Qtr in Arrears)			No			
NCREIF (1 QTR IN ARREARS) + 1.5%			No			

San Jose Police and Fire Retirement System
Compliance Summary
Period Ending March 31, 2007

	Market Value	% of Total Fund	Quarter	Annualized		
				1 Year	3 Years	5 Years
Pantheon Ventures <i>S&P 500 + 3%</i>	\$ 11.0	0.4 %	No	No		
Pantheon Ventures-Net <i>S&P 500 + 3%</i>	11.0	0.4	No	No		
Portfolio Advisors <i>S&P 500 + 3%</i>	12.0	0.5	No	No		
Portfolio Advisors-Net <i>S&P 500 + 3%</i>	12.0	0.5	No	No		
HarbourVest Partners, LLC <i>S&P 500 + 3%</i>	4.6	0.2	No	No		
HarbourVest Partners, LLC-Net <i>S&P 500 + 3%</i>	4.6	0.2	No	No		

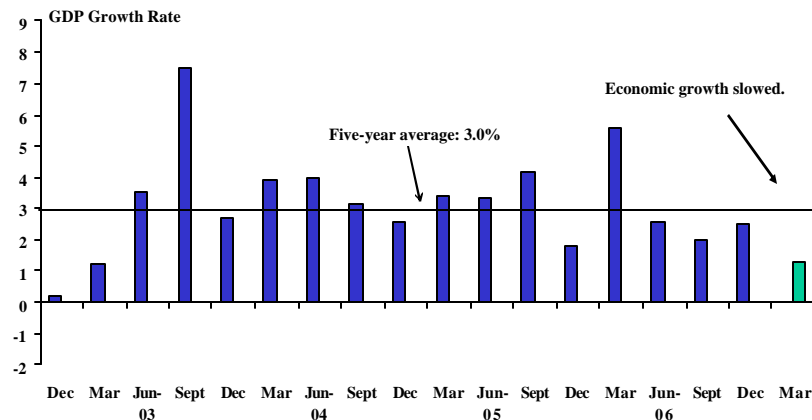
Appendix

Economic Environment

For Periods Ending March 2007

Economic Profile

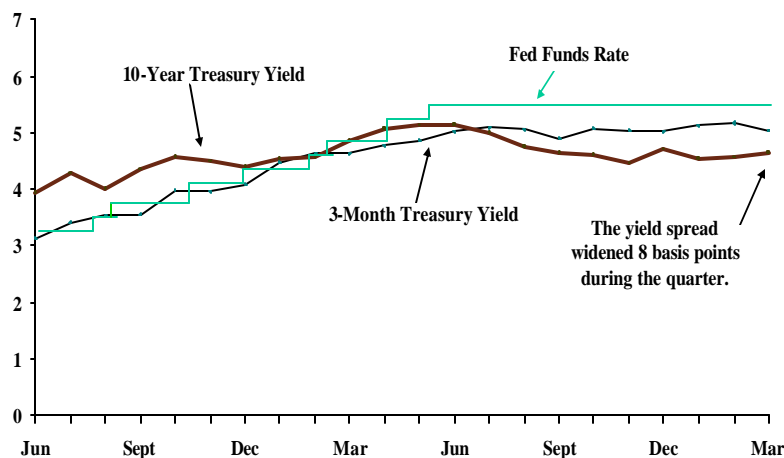
GDP Growth Rate



- The economy expanded during the quarter at the slowest pace in four years, due primarily to weakness in the housing sector and rising energy prices. The initial government estimate of first-quarter GDP growth was 1.3%.
- Job growth was much stronger than expected, with employers adding about 440,000 new jobs during the quarter. The unemployment rate edged down to 4.4%, the lowest since October.
- Consumer confidence fell in March amid concerns over higher gasoline prices and stock market volatility. Consumer spending remained strong despite the decline in home values and rising number of mortgage defaults.
- Housing activity remained weak, with new home construction starts down 23% from a year ago and building permits off 26%. The average 30-year fixed-rate mortgage hit a high for the quarter of 6.39% in January, but fell to 6.18% at the end of March.

Interest Rates and Inflation

Treasury Yields



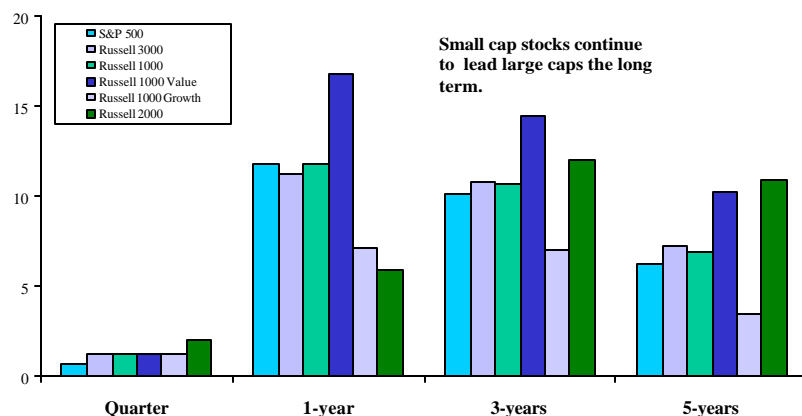
- The Fed left its short-term interest rate target unchanged at 5.25%, but described inflation as slightly elevated, dashing any hopes of a rate cut in the near future.
- After seven consecutive months of 2- to 10-year yield inversion, 10-year Treasury yields finished higher than 2-year Treasury yields. Over the quarter, the 10-year yield fell 6 basis points to 4.65%, while the 2-year yield fell 24 basis points to 4.58%.
- The 3-month T-bill yield increased 2 basis points during the quarter to 5.04%, while the yield on 30-year Treasuries rose 3 basis points to 4.84%.
- Consumer prices rose during the quarter due to a surge in energy prices in March. The CPI showed a year-over-year increase of 2.8%. Core CPI remained low, increasing at an annual rate of 2.5%.

Equity Market Performance

For Periods Ending March 2007

Domestic Equity Market Performance

Market Index Performance



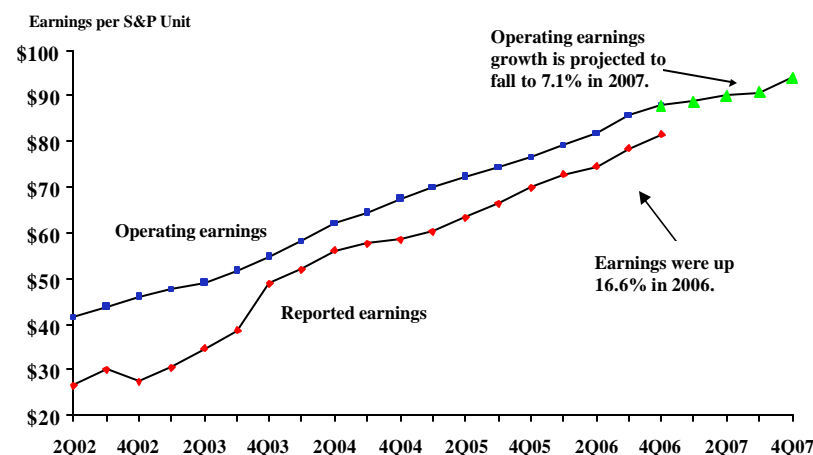
- A sell-off in late February, slowing corporate earnings, and uncertainty about the economy left stock investors disappointed in the first quarter. The S&P 500 Index was up a mere 0.6%, while the broader Russell 1000 Index gained 1.2%.
- Small cap stocks, as measured by the Russell 2000 Index, outperformed large cap stocks by a small margin during the quarter, gaining 1.9%, but trailed mid-cap stocks, which gained 4.4%.
- Performance by style was mixed, with growth leading value among small cap stocks and value dominating in the mid-cap arena. Neither style held a measurable advantage in the large stock space. Mid-cap value stocks were the top performers, returning 4.9%.
- The materials & processing and other energy sectors posted the best results during the quarter, gaining 9.9% and 9.5%. Financial services and technology posted the weakest results, losing 2.2% and 1.1% respectively.

Russell 1000 Sector Weights and Returns

Sector	Weight	1Q07 Return	Trlg Yr Return
Technology	12.3	-1.1	3.5
Health Care	12.2	1.4	6.5
Consumer Discretionary & Services	13.3	2.2	10.9
Consumer Staples	7.0	1.8	17.2
Integrated Oils	5.7	-0.4	23.6
Other Energy	3.3	9.5	7.3
Materials & Processing	4.3	9.9	19.4
Producer Durables	4.6	2.4	7.8
Autos & Transportation	2.4	3.3	6.1
Financial Services	22.7	-2.2	11.7
Utilities	8.3	6.8	31.8
Other	3.9	-2.2	5.5

Source: Returns and security data for the Russell indices are provided by Russell/Mellon Analytical Services.
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 Russell® is a trademark of the Frank Russell Company.

S&P 500 Trailing 4-Quarter Earnings per Unit



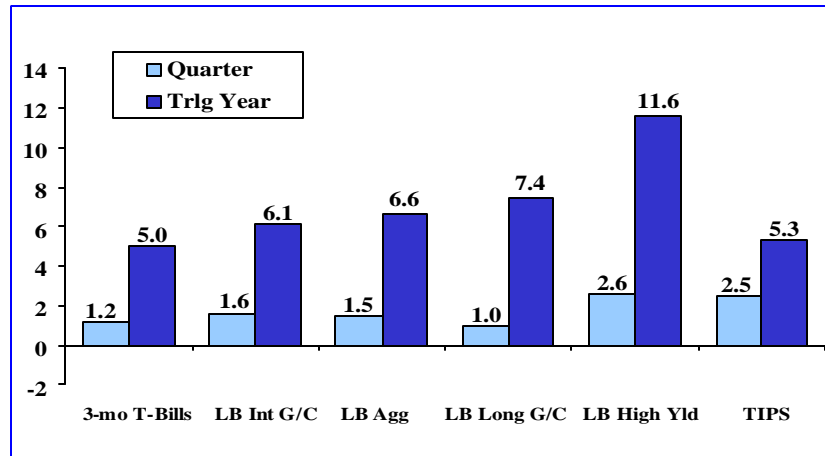
Source: Standard & Poor's

Fixed Income Market Performance

For Periods Ending March 2007

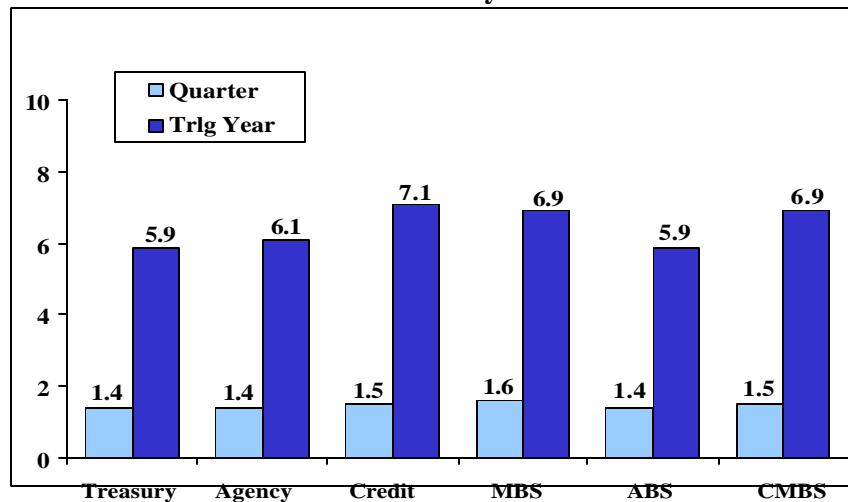
Fixed Income Market Performance

Performance by Maturity and Sector

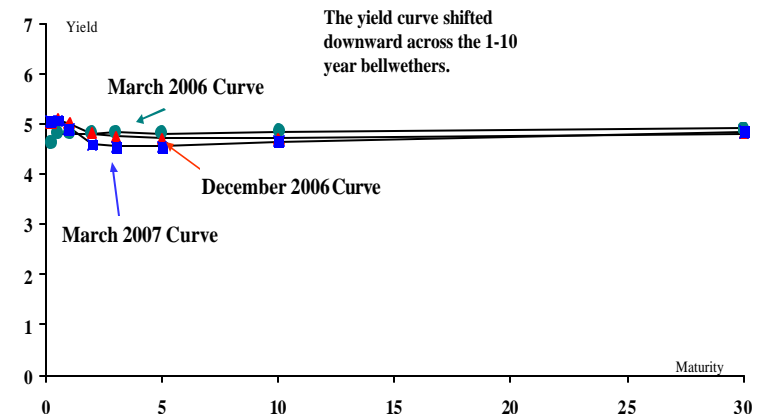


- The investment-grade bond market saw its highest monthly return in over two years in February as investors sought safety from a volatile stock market. The Lehman Brothers Aggregate Bond Index was up 1.5% for the quarter.
- The Lehman Brothers Treasury Index advanced 1.4% during the quarter. Intermediate-term Treasuries, up 1.6%, outperformed long-term Treasuries, which gained 1.1%.
- The Lehman Brothers Credit Index gained 1.5% for the quarter. In general, intermediate-term maturity issues outperformed long-term bonds. By quality, performance was mixed – with Baa-rated securities generating the best results, followed by Aaa-rated issues.
- Mortgage-backed securities held a slight edge over other spread sectors, despite fears of fallout from the troubled subprime mortgage sector. The Lehman Brothers MBS Index returned 1.6% for the quarter.

Performance by Issuer



Treasury Yield Curves

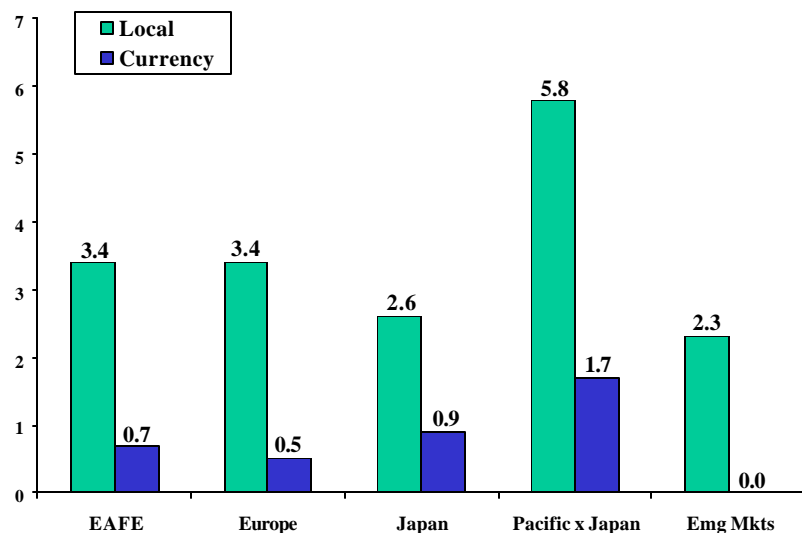


Other Markets

For Periods Ending March 2007

International Equity Market Performance

Regional Performance for the Quarter



- International equity markets tumbled in late February following a major sell-off in the Chinese market. Overseas markets recovered fairly quickly in March as the MSCI EAFE Index ended the quarter up 4.1%. In local currency terms, the Index gained 3.4%. The U.S. dollar continued to depreciate against most major currencies.
- The Pacific region, up 4.7%, posted strong results in the first quarter. The Pacific ex-Japan region returned 7.6%, due to strong performance in Australia and Singapore.
- Stocks in the European region saw a healthy 3.9% gain as continued corporate restructuring and cost-cutting efforts improved profit margins. Within the region, the Nordic countries performed best, gaining 6.9%.
- Stocks in the developing markets suffered losses in the first two months of the year, but a rebound in March left the MSCI EM Index with a gain of 2.3% in dollar terms. Latin America, up 6.1%, was the top-performing region as strong commodity prices boosted returns in Brazil and Peru.

Other Asset Classes

High Yield Bonds

- The Lehman Brothers High Yield Bond Index posted a solid 2.6% gain during the quarter. After narrowing to the lowest gap in a decade in February, the average yield spread versus Treasuries widened to 291 basis points, unchanged from year-end.
- In general, intermediate-term issues outperformed long-term bonds. By quality, Ca-D-rated bonds performed best, returning 7.8%.

Real Estate

- Equity REITs gained 3.5% during the quarter as strong returns in January offset losses in February and March.
- The latest data available for the private real estate market showed a fourth-quarter gain of 4.5% for the NCREIF Property Index.

Inflation Indexed Bonds

- Treasury Inflation Protection Securities (TIPS) ended the quarter up 2.5%, outperforming Treasuries by 106 basis points.

International Bonds

- The Citigroup Non-U.S. Government Bond Index gained 1.1% in U.S. dollar terms during the quarter. On a dollar-hedged basis, the Index returned 0.9%.
- Emerging-market debt posted healthy returns for the first quarter despite global stock market volatility, as the Lehman Brothers Emerging Markets Index gained 2.2%. The EM Middle East and EM Americas regions were up 2.9% and 2.7% respectively. They led EM Africa, EM Europe and EM Asia, which gained 1.7%, 1.6%, and 1.3% respectively.

Market Returns Summary

For Periods Ending March 2007

Market Returns (%) for Periods Ending March 31, 2007

		Qtr	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
Equity	S&P 500	0.6	0.6	11.8	10.1	6.3	8.2
	Russell 1000 Value	1.2	1.2	16.8	14.4	10.2	10.9
	Russell 1000 Growth	1.2	1.2	7.1	7.0	3.5	5.5
	Russell MidCap	4.4	4.4	11.8	15.7	12.9	12.7
	Russell MidCap Value	4.9	4.9	17.1	18.6	15.2	14.0
	Russell MidCap Growth	4.0	4.0	6.9	12.4	9.4	9.4
	Russell 2000	1.9	1.9	5.9	12.0	10.9	10.2
	Russell 2000 Value	1.5	1.5	10.4	14.5	13.6	13.5
	Russell 2000 Growth	2.5	2.5	1.6	9.4	7.9	6.3
	Russell 3000	1.3	1.3	11.3	10.8	7.2	8.7
	<i>Mercer Large Cap Value Equity Peer Group median</i>	1.2	1.2	14.6	13.5	9.8	11.1
	<i>Mercer Large Cap Growth Equity Peer Group median</i>	1.7	1.7	5.9	8.6	5.4	8.7
	<i>Mercer Small Cap Value Equity Peer Group median</i>	3.3	3.3	9.6	14.6	14.4	15.0
	<i>Mercer Small Cap Growth Equity Peer Group median</i>	3.9	3.9	1.7	11.3	9.5	11.9
Fixed Income	Citigroup Brothers 3-Month T-Bill	1.2	1.2	5.0	3.3	2.5	3.7
	Lehman Brothers Int. Gov't/Credit	1.6	1.6	6.1	2.6	4.9	6.0
	Lehman Brothers Gov't/Credit	1.5	1.5	6.4	2.9	5.6	6.5
	Lehman Brothers Aggregate	1.5	1.5	6.6	3.3	5.4	6.5
	Lehman Brothers Intermediate Government	1.5	1.5	5.7	2.4	4.3	5.6
	Lehman Brothers Long Gov't/Credit	1.0	1.0	7.4	4.1	7.9	8.1
	Lehman Brothers Mortgages	1.6	1.6	6.9	4.1	5.0	6.3
	Lehman Brothers TIPS	2.5	2.5	5.3	3.0	7.4	—
	Lehman Brothers High Yield	2.6	2.6	11.6	8.6	10.4	6.8
	<i>Mercer Core Fixed Income Peer Group median</i>	1.6	1.6	6.9	3.8	5.8	6.8
International	MSCI EAFE	4.1	4.1	20.7	20.3	16.2	8.7
	MSCI Emerging Markets	2.3	2.3	21.0	28.0	24.8	8.8
	Citigroup Non-US Gov't Bond	1.1	1.1	8.3	2.7	10.2	5.4
	Citigroup Non-US Gov't Bond - Hedged	0.9	0.9	5.0	4.4	4.8	6.3
	<i>Mercer International Equity Universe median**</i>	3.7	3.7	18.8	20.3	16.5	10.5
Miscellaneous	NCREIF Property Index***	4.5	4.5	16.6	17.0	13.3	12.7
	FTSE NAREIT	3.5	3.5	21.8	22.6	22.1	14.8
	Merrill Lynch Inv. Grade Convertible	1.4	1.4	6.1	4.0	4.4	6.5
Inflation	CPI	1.2	1.2	2.8	3.1	2.8	2.5
Index at 12/31/06		Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000	
		12,463.15	2,415.29	1418.3	787.66	14,257.50	
Index at 03/31/07		Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000	
		12,354.35	2,421.64	1420.86	800.71	14,409.30	

* Annualized

** Preliminary

*** The NCREIF Property returns are one quarter in arrears.

Domestic Equity – Largest Positive & Negative Contributors to S&P

For First Quarter 2007

Domestic Equity - Largest Positive & Negative Contributors to S&P 500

For Periods Ending March 31, 2007

S&P 500 Quarterly Return = 0.64%

25 Largest Positive Contributors

Stock	Return (%)	End of Quarter Weight	Cap Rank
AT&T INC	11.33%	1.94%	4
ABBOTT LABORATORIES INC	15.19%	0.68%	27
QUALCOMM INC	13.22%	0.56%	39
VALERO ENERGY CORP	26.32%	0.31%	72
SCHLUMBERGER LTD	9.71%	0.64%	30
YAHOO INC	22.51%	0.30%	74
APPLE COMPUTER INC	9.51%	0.63%	32
CORNING INC	21.54%	0.28%	81
DOW CHEMICAL CO	15.76%	0.35%	65
ALTRIA GROUP INC	3.32%	1.45%	8
MEDCO HEALTH SOLUTIONS INC	35.72%	0.16%	142
GILEAD SCIENCES INC	17.82%	0.28%	82
CVS/CAREMARK CORP	10.61%	0.41%	57
EXELON CORP	11.76%	0.36%	62
TXU CORP	19.02%	0.23%	101
PUBLIC SERVICE ENTERPRISE	25.98%	0.17%	141
BAXTER INTERNATIONAL INC	13.90%	0.27%	87
FREEMPORT MCMORAN COPPER & GOLD	19.41%	0.20%	115
NEWS CORP INC	7.91%	0.43%	52
ORACLE CORP	5.78%	0.57%	36
CATERPILLAR INC	9.81%	0.34%	67
KROGER CO	22.76%	0.16%	154
FEDERATED DEPT STORES INC	18.48%	0.19%	123
ALCOA INC	13.56%	0.23%	100
EBAY INC	10.24%	0.30%	76

25 Largest Negative Contributors

Stock	Return (%)	End of Quarter Weight	Cap Rank
CITIGROUP INC	-6.84%	1.99%	3
MICROSOFT CORP	-6.33%	1.89%	5
GENERAL ELECTRIC CO	-4.21%	2.87%	2
DUKE ENERGY CORP	-38.25%	0.20%	112
JOHNSON & JOHNSON	-8.18%	1.38%	11
AMGEN INC	-18.20%	0.51%	44
AMERICAN INTL GRP INC	-5.97%	1.38%	10
CISCO SYSTEMS INC	-6.59%	1.22%	14
COMCAST CORP	-8.04%	0.64%	31
MERRILL LYNCH & CO INC	-11.91%	0.57%	37
BANK OF AMERICA CORP	-3.39%	1.80%	6
TIME WARNER INC	-9.21%	0.59%	33
MOTOROLA INC	-13.81%	0.33%	69
HOME DEPOT INC	-7.96%	0.59%	34
INTEL CORP	-5.00%	0.87%	20
FREDDIE MAC	-11.65%	0.33%	71
CONOCOPHILLIPS	-4.41%	0.89%	18
COUNTRYWIDE FINANCIAL CORP	-20.44%	0.16%	156
MEDTRONIC INC	-8.13%	0.45%	48
AMERICAN EXPRESS CO	-6.80%	0.53%	43
EXXON MOBIL CORP	-1.10%	3.39%	1
UNITED PARCEL SERVICE INC	-5.95%	0.59%	35
FANNIE MAE	-7.45%	0.42%	55
DELL INC	-7.49%	0.42%	56
LEHMAN BROTHERS HOLDINGS INC	-10.12%	0.29%	78

Data Source: Compustat

Report Date: April 24, 2007

GLOSSARY OF STYLE FACTORS

The Factors The *Returns to** (see below) analysis is conducted using the following investment criteria or Factors:

VALUE CRITERIA

Book to Price The ratio of the company's Book Value (the sum of Shareholders' Equity plus accumulated Retained Earnings from the P & L Account) to its Share Price.

This Factor has been one of the most successful measures of the intrinsic Value of company shares.

Dividend Yield The annual Dividend Paid per Share divided by the Share Price.

This Factor measures the Value of company shares according to the stream of dividend income resulting from share ownership.

Earnings Yield Annual Earnings per Share divided by the Share Price.

This Factor measures the worth of a company's shares according to the company's ability to support each share with after tax earnings.

Cash Flow Yield Annual Cash Flow per Share divided by the Share Price.

This Factor is related to the earnings yield but also includes other items, specifically: depreciation, amortizations, and provisions for deferred liabilities. It is intended to capture the cash availability of the company as a multiple of the share price, and offers a Value criteria based on the stream of accessible cash earnings.

Sales to Price Net Sales per Share divided by the Share Price.

This Factor measures the worth of a company's shares according to the annual sales volume supporting the company business. The item is considered by many analysts to be less susceptible to manipulation than other valuation criteria; it is, however, a less comprehensive measure of a company's range of activities.

EBITDA to Price Earnings before Interest, Taxes, Depreciations and Amortizations, divided by the Share Price.

This Factor assesses the worth of a company's shares according to the profitability of the company's operations, abstracting from taxes, any interest expenses on debt, depreciation, depletions and amortizations. Many analysts consider that this gives a good measure of a share's worth in terms of the company's genuine trading profitability.

GROWTH CRITERIA

Return on Equity Net Income before Preferred Dividends divided by the Book Value of Shareholders' Common Equity.

RoE measures the profitability of the operations of the company as a proportion of the total amount of equity in the company. Since RoE multiplied by the reinvestment rate (the proportion of earnings not paid as dividends but reinvested in the company) gives the warranted growth rate of a company, RoE is a very usual measure of a company's growth potential.

Earnings Growth The average annual growth rate of Earnings over a trailing three years.

Earnings Growth is, perhaps, the clearest of the Growth criteria. However, it is subject to the distortions of reporting conventions and manipulation and, particularly in some markets, only known after a considerable lag.

Income to Sales The operating profit margin, annual Net Sales less Total Operating Expenses, divided by annual Net Sales.

This measure attempts to assess the company's potential for profitable, sustained expansion or growth.

Sales Growth The average annual growth rate of Net Sales per Share over a trailing three years.

Although growth in sales per share might be only a narrow measure of a company's business growth, and may be subject to a number of distortions, it is less subject to differences in reporting conventions or manipulation than many other Balance Sheet or Profit and Loss items.

I/B/E/S 12 M Earnings Growth I/B/E/S consensus forecast growth of Earnings over the next 12 months.

The I/B/E/S 12 Month Forward is calculated on a pro-rata basis from the forecasts for each company's next 2 annual reporting periods.

I/B/E/S FY1 Revisions I/B/E/S balance of Earnings forecast revisions for the next annual reporting period.

Calculated as the difference between the upwards revisions minus the downwards revisions, expressed as a percentage of the number of estimates.

SIZE & RISK CRITERIA

Size The top 80% of each market, by market capitalization.

Small company securities are here understood to comprise the bottom 20%, by value, of each market.

Market Beta The "slope coefficient", (β), from the simple regression:

Security Monthly Return = ($\alpha + \beta * \text{Market Monthly Return} + \text{Random Error}$)

The regression is carried out over rolling 36 month periods; where sufficient information is not available, $\beta=1$ is assumed.

PERFORMANCE RECORD CRITERIA

Short Term Momentum Short Term Momentum is calculated using a 6 month "memory" of monthly relative returns. The past period returns are weighted using a "decay ratio" of 2/3, per month.

Medium Term Momentum Medium Term Momentum is simply the 12 month percentage change in prices.

The Short Term and Medium Term Momentum factors measure the degree of simple price performance trending. They are useful in recognizing the trading characteristics of specific markets and in noticing occasional changing patterns through the market cycle.

OTHER CRITERIA

Debt to Equity Total Debt as a percentage of total Common Equity.

The Debt to Equity ratio measures leverage, or gearing, a particular feature of share price risk - the higher the ratio the more changes in a company's fortune might be reflected in changes in the payment of dividends. The influence of this criterion is, however, especially subject to a number of particular specific considerations (e.g. sector differences, interest rate sensitivity). Consequently it is considered separately from the other "risk" criteria.

Foreign Sales / Total Sales International Sales as a percentage of Net Sales.

Although information is occasionally rather sparse, where the data are available, and reliable, this is frequently an important investment criterion. It is undoubtedly linked to movements in the exchange rate and company size, and has different interpretations in different industrial sectors.

***Return to** The *Return to* series represent the cumulative market-relative total returns (including dividend income) that an investor would achieve using the following investment strategy:

- Portfolios are constructed from the top half of the market, by market capitalization, of securities exhibiting the highest scores with respect to the criteria under review.
- Portfolios are constructed using market weights to establish the portfolio proportions.
- Dealing costs are not included; however, the extended six month rebalancing interval limits the effect of transactions charges and market impact.

The plots and statistics are constructed by compounding the monthly returns for each factor and comparing the "running totals" against the compound cumulative return for the market as a whole. The items plotted are the ratios, in percentage terms, of the cumulative returns to the various strategies, to the cumulative return to the market.

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