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**City of San Jose Police and Fire
Department Retirement Plan**
Investment Performance Analysis
For the period ending September 30, 2012

November 2012

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Market Environment

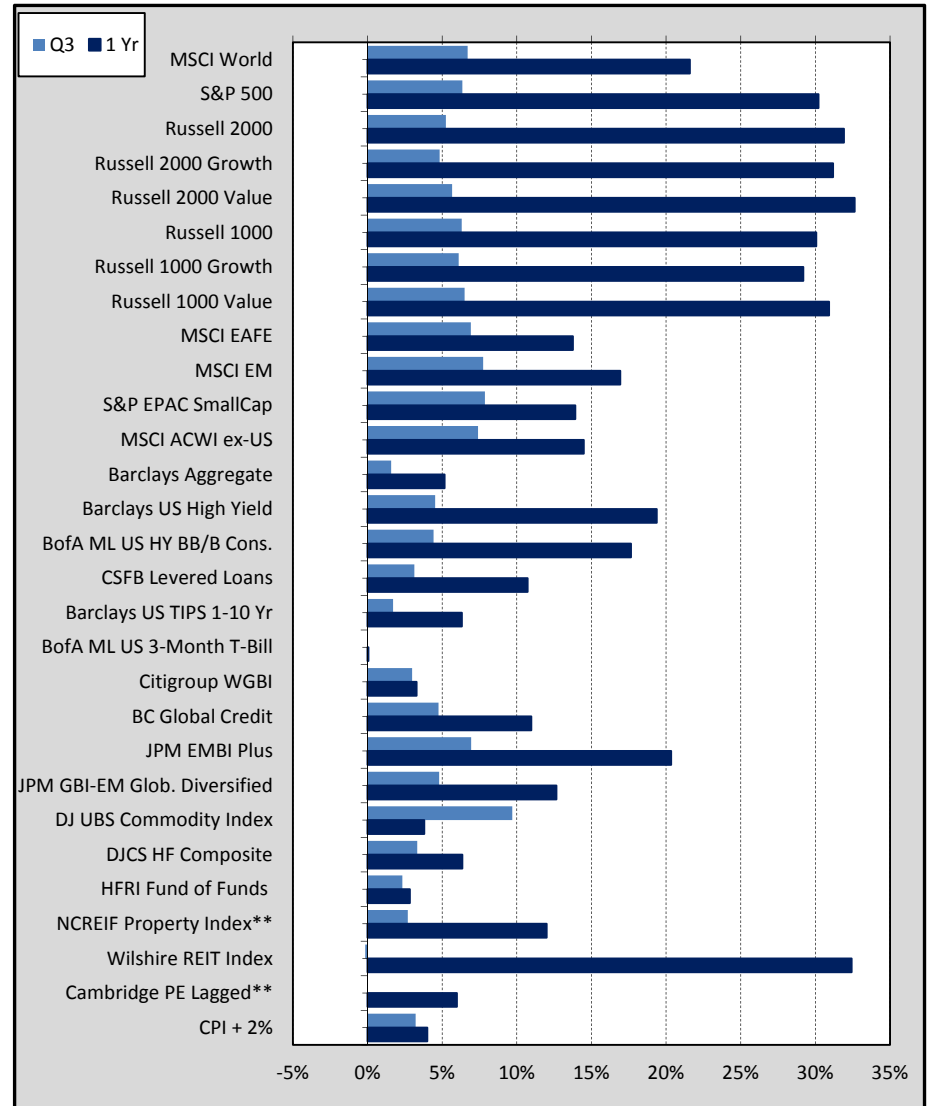


- **Annualized GDP growth came in at 2.0% in the third quarter, up from 1.3% in the second quarter.**
 - Retail sales increased to a 4.8% year-over-year growth rate in September 2012.
 - The inventory-to-sales ratio has remained mostly flat since the fourth quarter of 2010, closing at 1.28 in August 2012. Demand must contribute to further growth.
 - Corporate profits as a percent of GDP decreased marginally but are still near secular highs at 12% at Q3 end.
 - Following three months of decline, the trade deficit increased slightly for the second straight month in August.
- **The unemployment rate decreased to 7.8% in September, marking a 44-month low; U-6, a broader measure of unemployment, stayed flat at 14.7%.**
 - JP Morgan states that sustained GDP growth of 1.5% is needed for positive job creation, and closer to 3% growth is needed to decrease the unemployment rate.
- **Consumer confidence rose to its highest quarterly level since 2007 in the third quarter; the Case-Schiller Home Price Index (as of 6/30) reached its highest market since 2007.**
- **CPI increased to 2.0% at the end of September; Capacity Utilization increased slightly to 78.3% in the month.**
- **Fed Funds rate remains at 0.25% while the 10-year Treasury Yield finished September at 1.65%.**
- **Fed and European Central Bank balance sheets both decreased slightly over the course of the third quarter.**
- **Both U.S. equities and investment grade corporates appear cheap relative to long-term averages, with credit more attractively priced.**

City of San Jose Police and Fire Department Retirement Plan

3Q 2012 Market Environment Overview

		Qtr.	Ytd	1 Yr.	3 Yr.	5 Yr.	10 Yr.
World Equity Benchmarks							
MSCI World	World	6.7%	13.0%	21.6%	7.5%	-2.1%	8.0%
		Qtr.	Ytd	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity Benchmarks							
S&P 500	Large Core	6.4%	16.4%	30.2%	13.2%	1.1%	8.0%
Russell 2000	Small Core	5.3%	14.2%	31.9%	13.0%	2.2%	10.2%
Russell 2000 Growth	Small Growth	4.8%	14.1%	31.2%	14.2%	3.0%	10.5%
Russell 2000 Value	Small Value	5.7%	14.4%	32.6%	11.7%	1.3%	9.7%
Russell 1000	Large Core	6.3%	16.3%	30.1%	13.3%	1.2%	8.4%
Russell 1000 Growth	Large Growth	6.1%	16.8%	29.2%	14.7%	3.2%	8.4%
Russell 1000 Value	Large Value	6.5%	15.7%	30.9%	11.8%	-0.9%	8.2%
		Qtr.	Ytd	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l Equity Benchmarks							
MSCI EAFE	International Developed	6.9%	10.1%	13.8%	2.1%	-5.2%	8.2%
MSCI EM	Emerging Equity	7.7%	12.0%	16.9%	5.6%	-1.3%	17.0%
S&P EPAC SmallCap	Small Cap Int'l	7.9%	13.6%	13.9%	4.8%	-3.5%	11.7%
MSCI ACWI ex-US	World ex-US	7.4%	10.4%	14.5%	3.2%	-4.1%	9.8%
		Qtr.	Ytd	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Fixed Income Benchmarks							
Barclays Aggregate	Core Bonds	1.6%	4.0%	5.2%	6.2%	6.5%	5.3%
Barclays US High Yield	High Yield	4.5%	12.1%	19.4%	12.9%	9.3%	11.0%
BofA ML US HY BB/B Cons.	High Yield	4.4%	11.1%	17.7%	11.9%	8.4%	9.6%
CSFB Levered Loans	Bank Loans	3.1%	7.8%	10.7%	7.8%	4.5%	5.6%
Barclays US TIPS 1-10 Yr	Inflation	1.7%	4.6%	6.3%	7.0%	6.6%	5.7%
BofA ML US 3-Month T-Bill	Cash	0.0%	0.1%	0.1%	0.1%	0.7%	1.8%
		Qtr.	Ytd	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Global Fixed Income Benchmarks							
Citigroup WGBI	World Gov. Bonds	3.0%	3.4%	3.3%	4.3%	6.5%	6.7%
BC Global Credit	Global Bonds	4.8%	9.5%	11.0%	7.3%	6.3%	7.4%
JPM EMBI Plus	Em. Mkt. Bonds	6.9%	14.3%	20.3%	12.3%	10.3%	13.2%
JPM GBI-EM Glob. Diversified	Em. Mkt. Bonds (Local)	4.8%	12.1%	12.7%	9.4%	8.7%	N/A
		Qtr.	Ytd	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternative Benchmarks							
DJ UBS Commodity Index	Commodity	9.7%	5.6%	3.8%	5.3%	-3.0%	5.2%
DJCS HF Composite	Hedge Fund	3.3%	5.6%	6.4%	5.6%	2.3%	6.9%
HFRI Fund of Funds	Fund of Funds	2.3%	3.3%	2.8%	1.5%	-1.6%	3.6%
NCREIF Property Index**	Real Estate	2.7%	12.0%	12.0%	8.8%	2.5%	8.3%
Wilshire REIT Index	REIT	-0.2%	14.7%	32.4%	20.7%	1.7%	11.4%
Cambridge PE Lagged**	Private Equity	N/A	11.0%	6.0%	16.5%	5.3%	13.7%
CPI + 2%	Inflation/Real Assets	3.2%	3.9%	4.0%	4.4%	4.2%	4.8%



**Alternative Benchmarks NCREIF Property Index and Cambridge Private Equity are lagged by one quarter. Performance shown as of June 30, 2012.

Equities

- **Stocks got a leg-up in the third quarter thanks to collective monetary easing by central banks in the U.S. and Europe.**
- **Domestic Equity (S&P 500) trailed International Equity (MSCI ACWI ex-U.S.) in the third quarter (-1.0%).**
 - In the U.S., the S&P 500 Index posted gains of 6.4% in the third quarter, compared to losses of 2.8% in the “risk off” second quarter. Value investing generally outperformed growth strategies, and large cap stocks outperformed mid- and small cap stocks.
 - International markets posted returns of 6.9% during the quarter, as measured by the MSCI EAFE Index. This compares to losses of 7.3% in the second quarter. Returns were positive across all sectors, with the financials sector leading the pack. The information technology sector trailed behind with flat to modest returns during the quarter. Among countries, Japan was the only region in the red.
 - Emerging markets outperformed developed markets, including the U.S., in local currency terms during the quarter. They lagged the U.S. markets in dollar terms. Emerging markets rose 7.7% with gains in health care, information technology, energy and consumer discretionary stocks. The utilities sector posted negative returns of -0.4%. Within countries, India was among the strongest performers, aided by word of economic reforms designed to allow foreign investors to put money directly into retail and distribution.

Fixed Income

- **Fixed income investors ratcheted up risk taking in the third quarter on the heels of monetary easing by central banks in the U.S. and Europe. All sectors were in the black, with debt issued by emerging markets and high yield companies leading the way.**
- **The Barclays Capital Aggregate index gained 1.6% in the third quarter, though lower yielding assets such as Treasuries and agency debt ended the quarter flat. U.S. high-grade credit led investment grade sectors during the quarter, returning 3.5%.**
- **Despite the Fed’s QE3 announcement, the Treasury yield curve shifted lower (with the exception of 30-year maturities) in the quarter. At quarter-end, two-year Treasuries were yielding 0.23% and 10-year Treasuries were yielding 1.65%. 30-year yields increased 6 basis points to 2.82% at quarter end.**
- **High Yield bonds returned 4.5% during the quarter, compared to 1.8% in the prior period. Spreads continued to tighten to end the quarter, hovering near record lows at 551 basis points, compared to 615 basis points in the prior quarter and 807 basis points a year earlier.**
- **In line with investors’ demand for yield, debt issued by emerging markets rallied. USD-denominated issues got a boost as investors sought solace in the emerging markets’ higher returns and healthier economic fundamentals relative to their developed markets counterparts. USD-denominated debt return 6.9% in the quarter, compared to 2.5% in the prior quarter. Local currency issues earned 4.8% compared to -1.2% in the second quarter.**

Private Equity

- **New private equity deals declined in the third quarter amid the “bad mouthing” the sector endured in the U.S. Presidential campaign and economic turmoil in Europe. New commitments, at \$55.2 billion, fell 14% from the second quarter and 4% compared to a year ago.**
 - Still, with year-to-date commitments at \$187.1 billion, the 2012 year is on track to set a record for volume of new commitments since 2008.
- **Global private equity posted returns of -1.3% in the second quarter (the most recent period for which data are available), according to the Burgiss Group, as modest gains in the U.S. and Asia failed to offset losses in Europe. This is the second time in the last thirteen quarters that private equity has posted negative returns.**

Real Estate

- **NEPC is neutral on the U.S. core real estate market.**
 - Prospects in Europe are poorer with low core real estate yields and a weak outlook for long-term growth and demand.
- **Opportunities exist in the non-core markets in the U.S. and Europe, but financing continues to be more expensive and/or harder to obtain than in core markets.**
 - Properties are undervalued and significant capital structure distress remains.
 - Additionally, hefty near-term maturities may present additional challenges for current owners.
 - Creates two attractive strategies: recapitalization (loan-to-loan) and control (loan-to-own).
 - The opportunity within European non-core real estate is still in the infancy stages. There is a large volume of distressed assets, limited financing available, significant macroeconomic and structural uncertainty and unwinding of debt.

Commodities

- **Higher commodity prices in the third quarter helped erase the build of losses from the first half of the year. During the quarter, commodities recorded strong gains with returns of 9.7% according to the Dow Jones-UBS Commodities Index, compared to -4.6% in the prior quarter.**
 - Agricultural and natural gas markets suffered in July and August as higher temperatures threatened corn and soy bean crops. Colder weather late in the quarter sparked a higher demand for natural gas, pushing prices up nearly 18% over the quarter.
 - In the industrials metals market, lead and silver were ahead, aided by central bank stimulus, which lifted markets with a sharp rally in September.

- **Each quarter has had a unique feel in 2012**
 - First Quarter – Risky Asset Price Recovery
 - Second Quarter – Renewed Concerns in Europe/Slowing Global Growth
 - Third Quarter – Unlimited Stimulation
- **Despite volatility, asset performance has been quite strong in 2012**
 - Driven initially by valuation normalization following poor performance in 2011
 - Driven recently by global wave of stimulative policy
- **Robust risky asset returns occurring against a backdrop of continued sluggishness in economic growth**
 - Both developed and emerging markets showed signs of slowing throughout 2012
- **Recent steps by the ECB and Fed have been accommodative**
 - “Unlimited” support from Draghi and Bernanke creates a favorable environment for risky assets
- **“Risk-free” Treasury rates, a key building block to return expectations, have gone from low to lower still**
 - Financial repression – artificial lowering of interest rates across the yield curve

Looking Back - Summary

- **Despite schizophrenic nature to each quarter in 2012 risky assets have performed incredibly well through nine months**
- **Extremely accommodating monetary policy in the developed world provides momentum for continuation of optimism**
- **BUT, underlying economic fundamentals remain subdued**
 - Structural debt challenges are likely to continue to suppress economic growth
- **AND, the potential for a setback is high with major economic risks on the horizon:**
 - Europe
 - U.S. Fiscal Cliff
 - China
 - Inflation

} See Appendix for detail

- **Current optimism has led to strong capital market returns**
 - Potential to continue with momentum of monetary stimulus
- **Strong rallies across markets should not be confused with structural debt problems being solved**
 - Major global economic risks exist in the near-term
 - Many years of restructuring and deleveraging remain ahead
 - Likely to lead to continued low growth across developed countries
- **Without change to underlying fundamentals, higher near-term returns “rob from the future”**
 - Potential to place downward pressure on 2013 5-7 year Capital Market Assumptions
- **With high uncertainty and limited high return opportunities, a balanced, risk-aware approach to asset allocation remains paramount**
- **Areas of opportunity come with caveats**
 - Liquid credit markets have recovered
 - Attractive valuations have normalized
 - Non-U.S. Equities have attractive valuations
 - But are exposed to significant downside risks in Europe (Debt Crisis) and China (Hard Landing)
 - Distressed assets offer higher returns
 - Though timeline for opportunities to play out likely extends with current monetary policy

- **Diversify broadly – many global risks remain**
 - Utilize GAA strategies to take advantage of changing market opportunities and diversify quickly
 - Hedge known liabilities and uncompensated risks
- **Allocate to potentially undervalued segments of risky assets**
 - Emerging markets, particularly small cap stocks and local currency debt
 - Credit, particularly less liquid and more complex segments
 - European and other distressed markets
- **Greater utilization of passive strategies in more efficient portfolio segments (e.g. U.S. Large Cap Equities)**
- **Use active strategies to enhance returns where opportunities exist**
- **Be prepared to be dynamic**

- **Research initiatives posted to <http://www.nepc.com/research/>**
 - White Papers
 - *"When Did the Easy Solution Get So Complex? Defining and Deciphering Investment Outsourcing"* – September 2012
 - *"Assessing the Value of Multi-Strategy Fund of Hedge Funds"* – September 2012
 - *"Investing in Master Limited Partnerships: Risks and Opportunities"* – September 2012
 - *"Assessing Active vs. Passive Strategies in the Current Environment: Considering the Past to Look Forward"* – August 2012
 - Second Quarter 2012 Market Thoughts
- **Industry recognition**
 - Allan Martin, Partner and Erik Knutzen, CFA, CAIA, Chief Investment Officer
 - Recognized by aiCIO Magazine as being among the world's 25 most influential investment consultants
 - Investor Excellence award by InvestHedge – Consultant category
- **Recent events**
 - Erik Knutzen, CFA, CAIA, Chief Investment Officer
 - Featured in an interview with *aiCIO* on July 31, 2012, which discussed why investors are often wrongly focused on indexes and not capital losses
 - http://www.ai-cio.com/channel/MMEDIA/NEPC_Drawdown,_Not_Indexes.aspx

Total Fund Performance



City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Summary

	Market Value	3 Mo Rank	YTD Rank	1 Yr Rank	2 Yrs Rank	3 Yrs Rank	5 Yrs Rank	10 Yrs Rank	15 yrs Rank	20 Yrs Rank	25 Yrs Rank	Return	Since										
Total Fund	\$2,877,708,460	5.8%	2	10.7%	48	14.7%	69	7.7%	88	8.5%	82	1.6%	67	8.1%	38	6.6%	20	8.1%	27	8.7%	--	8.9%	Mar-71
<i>Policy Benchmark</i>		4.5%	72	8.8%	97	13.4%	89	8.5%	66	9.1%	60	1.4%	77	7.9%	55	6.3%	23	--	--	--	--	--	Mar-71
<i>Allocation Index</i>		4.7%	56	8.9%	97	13.3%	91	7.3%	97	8.3%	93	1.7%	65	8.2%	34	--	--	--	--	--	--	--	Mar-71
<i>60% S&P 500 / 40% BC Agg</i>		4.4%	74	11.5%	24	19.9%	1	11.1%	1	10.7%	3	3.7%	5	7.2%	92	5.6%	68	7.9%	43	8.9%	--	--	Mar-71
<i>ICC Public DB > \$1B Median</i>		4.7%		10.6%		15.7%		8.8%		9.5%		2.1%		8.0%		6.0%		7.9%		--		--	Mar-71

Over the one-year period ending September 30, 2012, the Fund experienced a net investment gain of \$372.1 million, which includes a net investment gain of \$158.6 million during the third calendar quarter. Assets increased from \$2.6 billion twelve months ago to \$2.9 billion on September 30, 2012, with \$54.3 million in net distributions during the year.

Over the past five years, the Fund returned 1.6% per annum, outperforming the policy benchmark by 0.2% and ranking in the 67th percentile of the ICC Public Funds > \$1 Billion universe. The Fund's volatility was 12.4%, which ranks in the 60th percentile of its peers over this period. The Fund's risk-adjusted performance, as measured by the Sharpe Ratio, ranks in the 68th percentile of its peers.

Over the past three years, the Fund returned 8.5% per annum, trailing the policy benchmark by 0.6% and ranking in the 82nd percentile of its peer group. Over the past three years, in what has been a highly volatile "risk on/risk off market", the Fund has reduced its volatility on both an absolute and relative basis, resulting in a three-year Sharpe Ratio of 1.0, which ranks in the 52nd percentile.

Over the past year, the Fund returned 14.7%, outperforming the policy benchmark by 1.3% and ranking in the 69th percentile of its peer group. The Fund's volatility over the last year was 9.2%, ranking in the 71st percentile of its peer group, resulting in a Sharpe Ratio of 1.6, which ranks in the 97th percentile.

The Fund's allocation to real estate was below its lower policy range as of September 30, 2012.

5 Years Ending September 30, 2012

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	1.6%	67	12.4%	60	0.1	68	0.2	69
Policy Benchmark	1.4%	77	11.8%	41	0.1	73	0.1	71
60% S&P 500 / 40% BC Agg	3.7%	5	11.7%	40	0.3	5	0.4	6
ICC Public DB > \$1B Median	2.1%	--	12.1%	--	0.1	--	0.2	--

3 Years Ending September 30, 2012

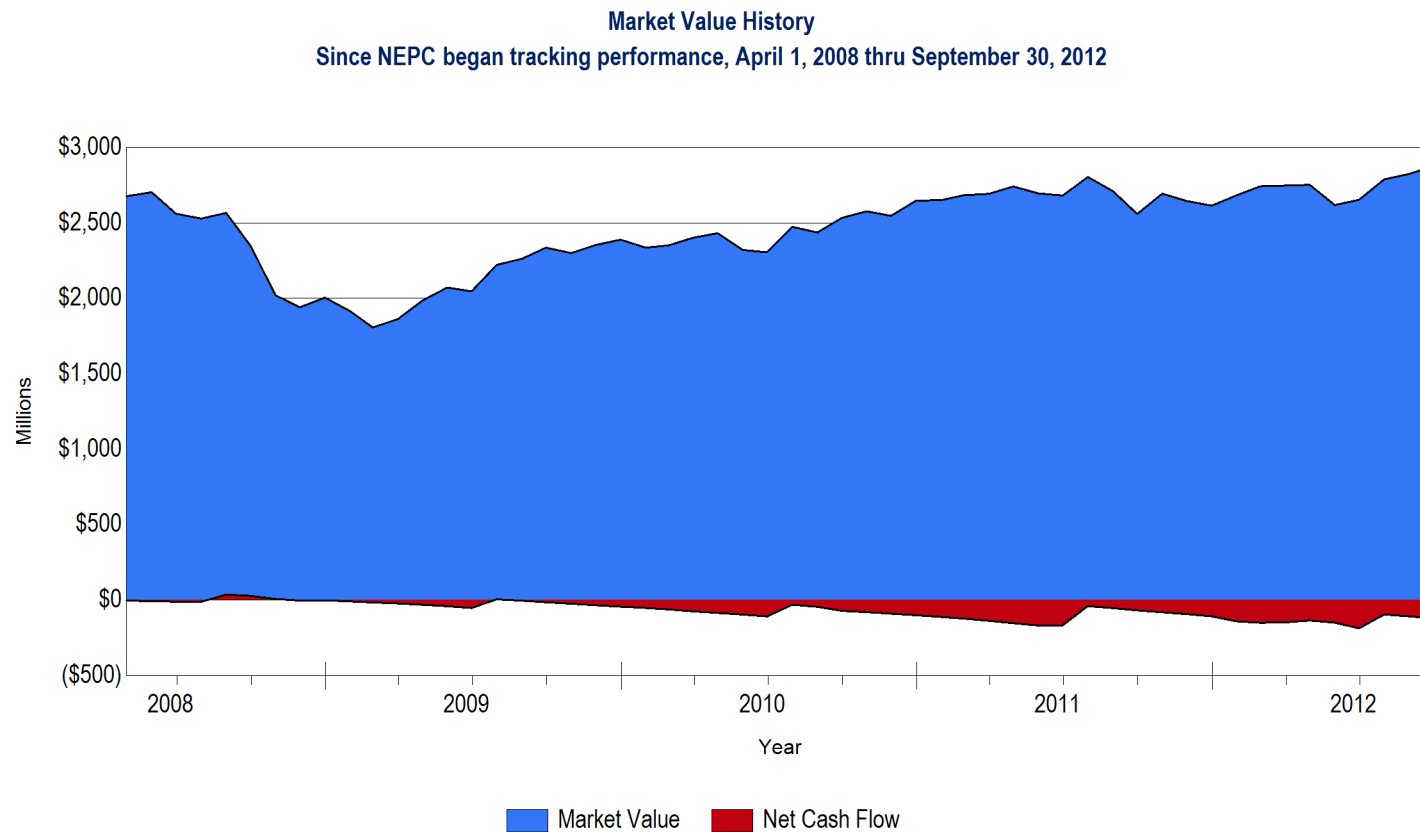
	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	8.5%	82	8.8%	37	1.0	52	1.5	55
Policy Benchmark	9.1%	60	8.6%	30	1.0	36	1.7	23
60% S&P 500 / 40% BC Agg	10.7%	3	9.0%	43	1.2	14	2.1	9
ICC Public DB > \$1B Median	9.5%	--	9.2%	--	1.0	--	1.6	--

1 Year Ending September 30, 2012

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	14.7%	69	9.2%	71	1.6	97	2.3	48
Policy Benchmark	13.4%	89	8.5%	48	1.6	98	2.1	59
60% S&P 500 / 40% BC Agg	19.9%	1	8.0%	31	2.5	2	2.6	26
ICC Public DB > \$1B Median	15.7%	--	8.6%	--	1.8	--	2.2	--

City of San Jose Police and Fire Department Retirement Plan

Total Fund Asset Growth Summary



Sources of Portfolio Growth	Last Three Months	Year-To-Date	One Year	Three Years	Inputted Date 4/1/08
Beginning Market Value	\$2,654,365,686	\$2,615,156,201	\$2,559,880,556	\$2,337,460,359	\$2,583,363,926
Net Additions/Withdrawals	\$64,774,137	-\$15,032,615	-\$54,250,174	-\$107,869,916	-\$123,042,750
Investment Earnings	\$158,568,637	\$277,584,874	\$372,078,079	\$648,118,017	\$417,387,284
Ending Market Value	\$2,877,708,460	\$2,877,708,460	\$2,877,708,460	\$2,877,708,460	\$2,877,708,460

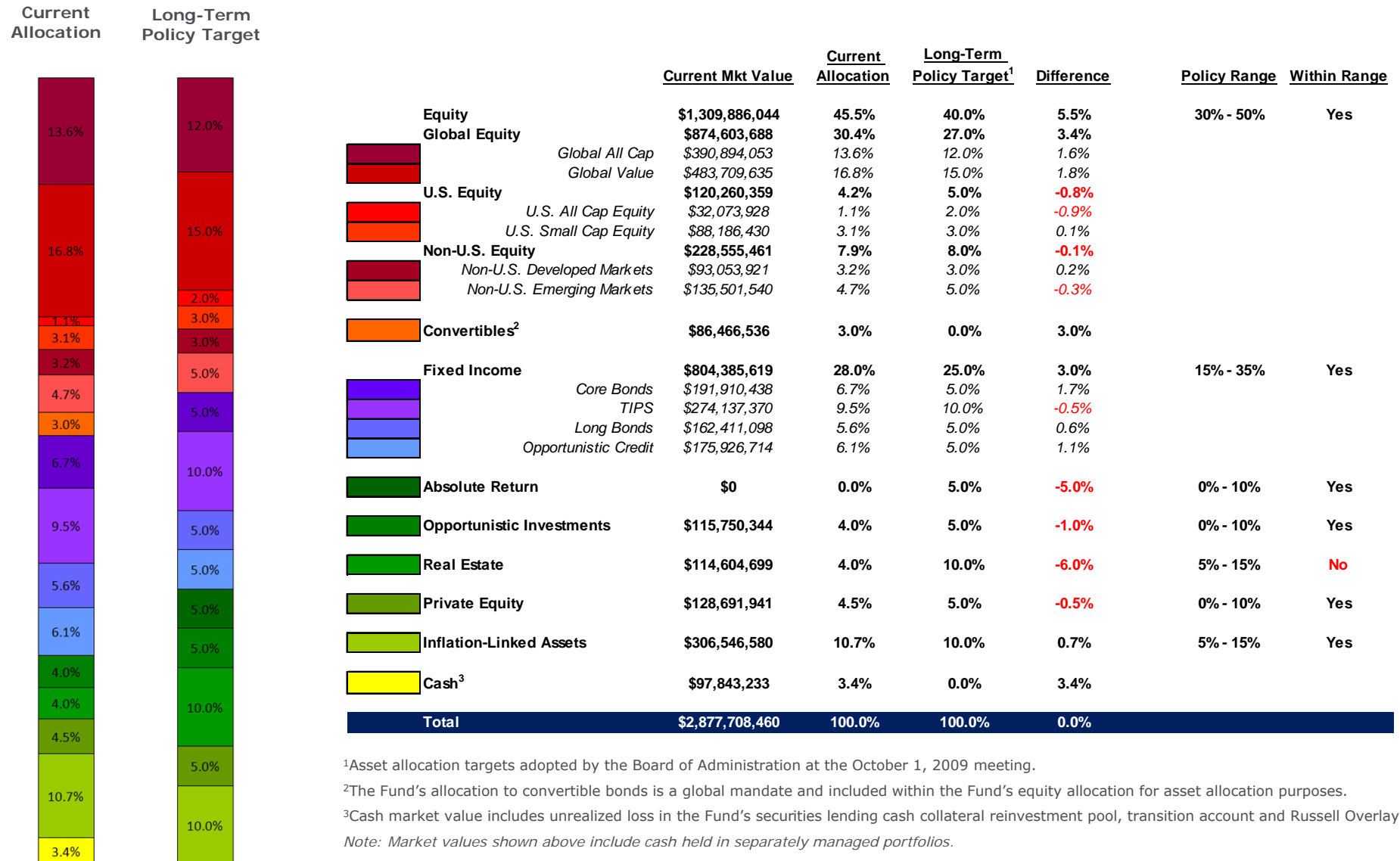


NEPC, LLC

September 30, 2012

City of San Jose Police and Fire Department Retirement Plan

Total Fund Asset Allocation vs. Policy Targets



Asset Allocation – Beginning of the Quarter

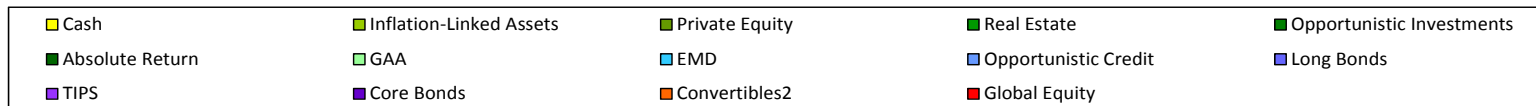
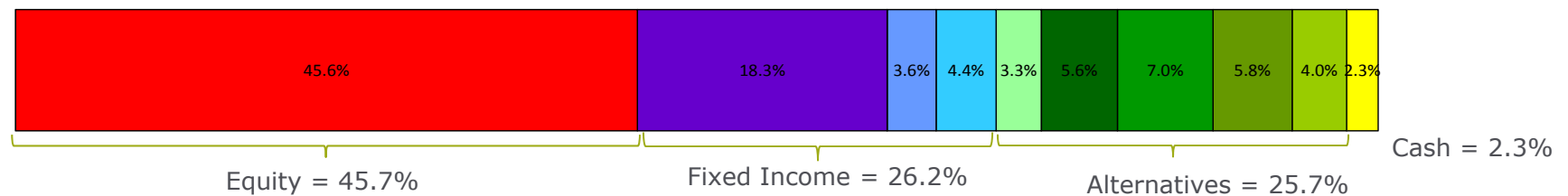
Long-Term Policy Target



Actual Asset Allocation



Average Asset Allocation of Public Funds > \$1 Billion



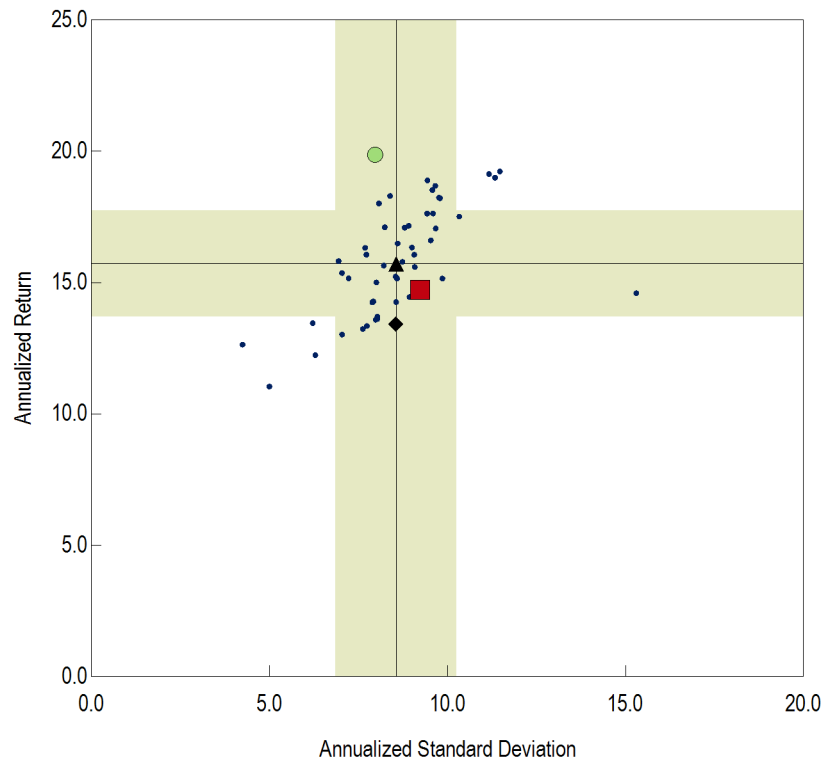
Note: Allocations shown above include cash held in separately managed portfolios.

Totals may not add to 100% due to rounding.

City of San Jose Police and Fire Department Retirement Plan

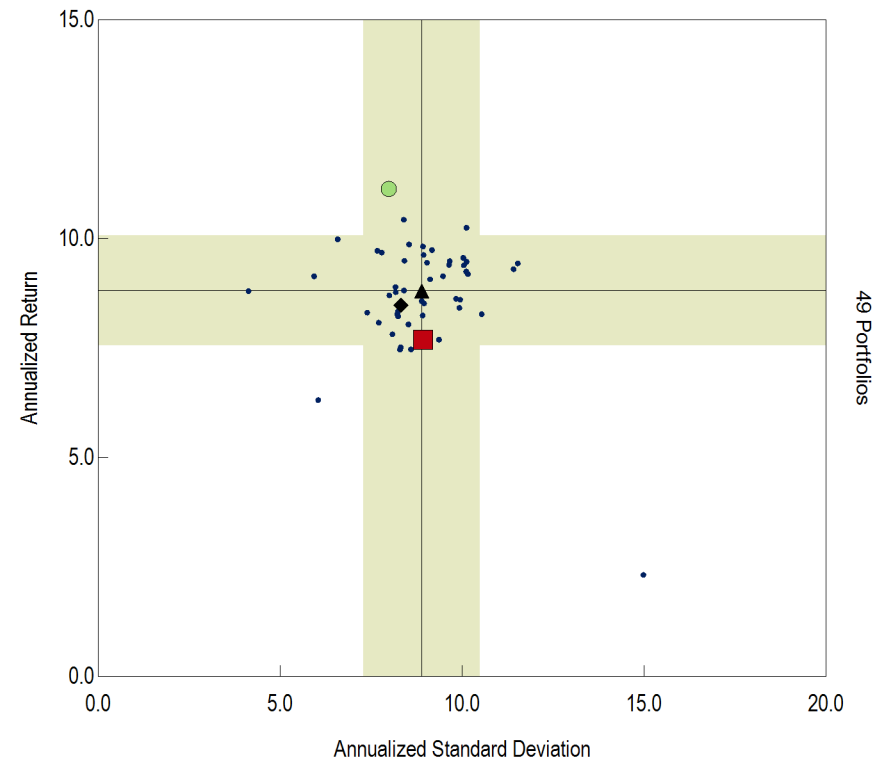
Total Fund Risk/Return

1 Year Ending September 30, 2012



- Total Fund
- ◆ Policy Benchmark
- 60% S&P 500 / 40% BC Agg
- ▲ Universe Median
- 68% Confidence Interval
- ICC Public DB > \$1B

2 Years Ending September 30, 2012

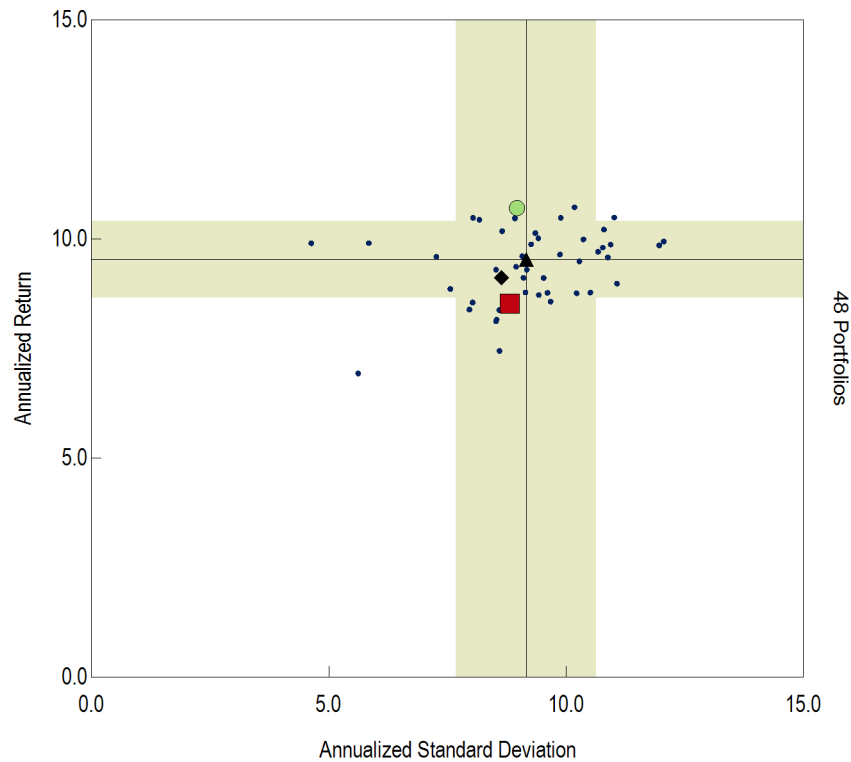


- Total Fund
- ◆ Policy Benchmark
- 60% S&P 500 / 40% BC Agg
- ▲ Universe Median
- 68% Confidence Interval
- ICC Public DB > \$1B

City of San Jose Police and Fire Department Retirement Plan

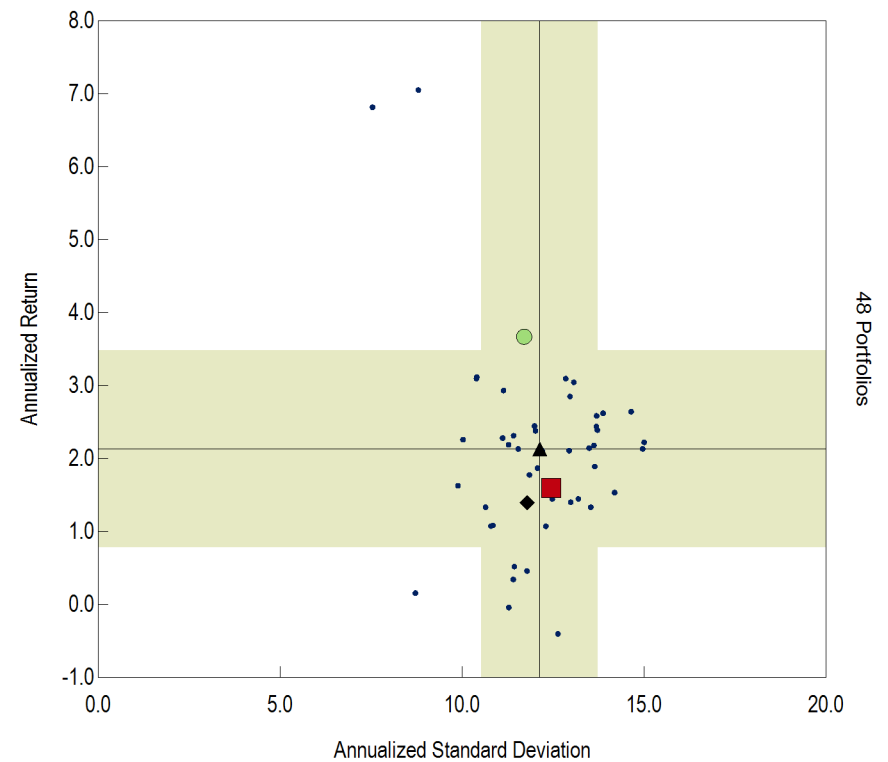
Total Fund Risk/Return

3 Years Ending September 30, 2012



- Total Fund
- ◆ Policy Benchmark
- 60% S&P 500 / 40% BC Agg
- ▲ Universe Median
- 68% Confidence Interval
- ICC Public DB > \$1B

5 Years Ending September 30, 2012

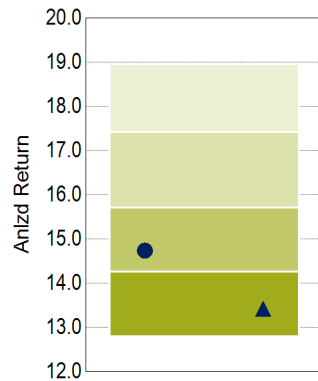


- Total Fund
- ◆ Policy Benchmark
- 60% S&P 500 / 40% BC Agg
- ▲ Universe Median
- 68% Confidence Interval
- ICC Public DB > \$1B

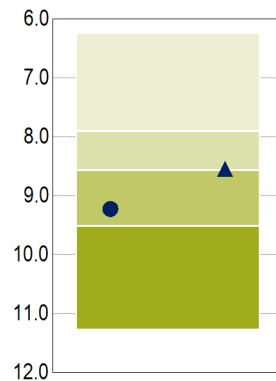
Total Fund Risk Statistics vs. Peer Universe

Total Fund vs. ICC Public DB > \$1B 1 Year

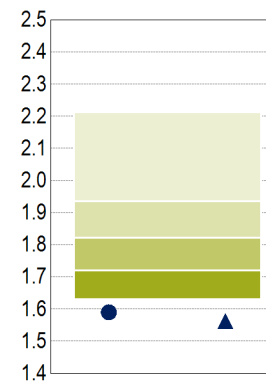
Anlzd Return



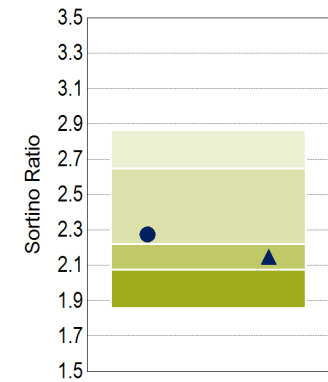
Anlzd Standard Deviation



Sharpe Ratio



Sortino Ratio



● Total Fund	
Value	14.7
%tile	69
▲ Policy Benchmark	
Value	13.4
%tile	89
Universe	
5th %tile	18.9
25th %tile	17.4
Median	15.7
75th %tile	14.3
95th %tile	12.8

● Total Fund	
Value	9.2
%tile	71
▲ Policy Benchmark	
Value	8.5
%tile	48
Universe	
5th %tile	6.2
25th %tile	7.9
Median	8.6
75th %tile	9.5
95th %tile	11.3

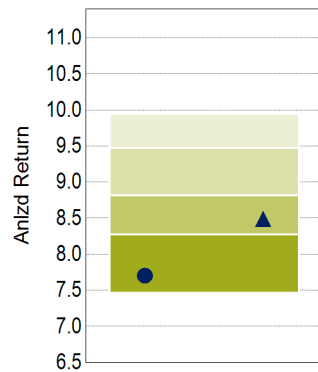
● Total Fund	
Value	1.6
%tile	97
▲ Policy Benchmark	
Value	1.6
%tile	98
Universe	
5th %tile	2.2
25th %tile	1.9
Median	1.8
75th %tile	1.7
95th %tile	1.6

● Total Fund	
Value	2.3
%tile	48
▲ Policy Benchmark	
Value	2.1
%tile	59
Universe	
5th %tile	2.9
25th %tile	2.7
Median	2.2
75th %tile	2.1
95th %tile	1.9

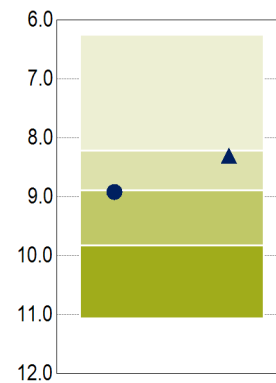
Total Fund Risk Statistics vs. Peer Universe

Total Fund vs. ICC Public DB > \$1B 2 Years

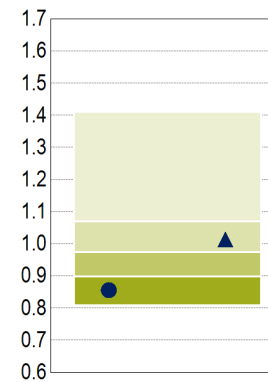
Anlzd Return



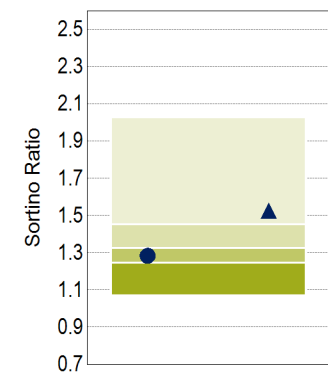
Anlzd Standard Deviation



Sharpe Ratio



Sortino Ratio



● Total Fund
Value 7.7
%tile 88
▲ Policy Benchmark
Value 8.5
%tile 66

Universe
5th %tile 9.9
25th %tile 9.5
Median 8.8
75th %tile 8.3
95th %tile 7.5

● Total Fund
Value 8.9
%tile 56
▲ Policy Benchmark
Value 8.3
%tile 34

Universe
5th %tile 6.3
25th %tile 8.2
Median 8.9
75th %tile 9.8
95th %tile 11.1

● Total Fund
Value 0.9
%tile 88
▲ Policy Benchmark
Value 1.0
%tile 40

Universe
5th %tile 1.4
25th %tile 1.1
Median 1.0
75th %tile 0.9
95th %tile 0.8

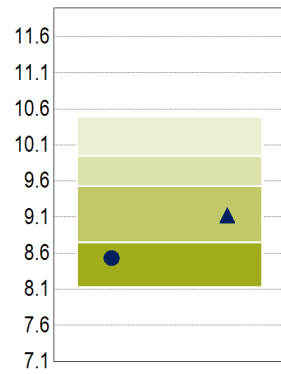
● Total Fund
Value 1.3
%tile 57
▲ Policy Benchmark
Value 1.5
%tile 17

Universe
5th %tile 2.0
25th %tile 1.5
Median 1.3
75th %tile 1.2
95th %tile 1.1

Total Fund Risk Statistics vs. Peer Universe

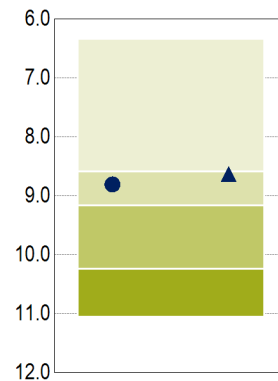
Total Fund vs. ICC Public DB > \$1B 3 Years

Anlzd Return



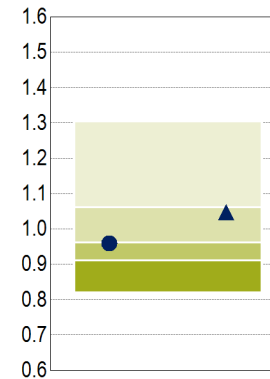
● Total Fund	
Value	8.5
%tile	82
▲ Policy Benchmark	
Value	9.1
%tile	60
Universe	
5th %tile	10.5
25th %tile	10.0
Median	9.5
75th %tile	8.8
95th %tile	8.1

Anlzd Standard Deviation



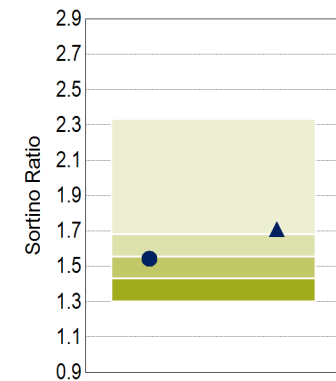
● Total Fund	
Value	8.8
%tile	37
▲ Policy Benchmark	
Value	8.6
%tile	30
Universe	
5th %tile	6.3
25th %tile	8.6
Median	9.2
75th %tile	10.2
95th %tile	11.1

Sharpe Ratio



● Total Fund	
Value	1.0
%tile	52
▲ Policy Benchmark	
Value	1.0
%tile	36
Universe	
5th %tile	1.3
25th %tile	1.1
Median	1.0
75th %tile	0.9
95th %tile	0.8

Sortino Ratio

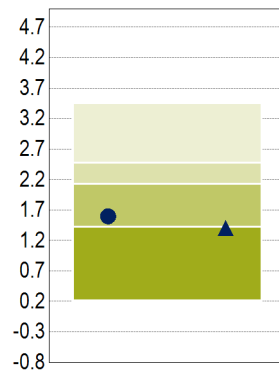


● Total Fund	
Value	1.5
%tile	55
▲ Policy Benchmark	
Value	1.7
%tile	23
Universe	
5th %tile	2.3
25th %tile	1.7
Median	1.6
75th %tile	1.4
95th %tile	1.3

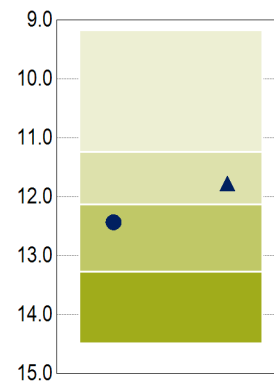
Total Fund Risk Statistics vs. Peer Universe

Total Fund vs. ICC Public DB > \$1B 5 Years

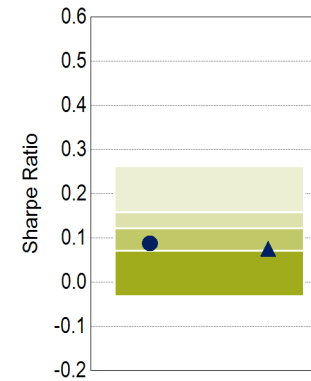
Anlzd Return



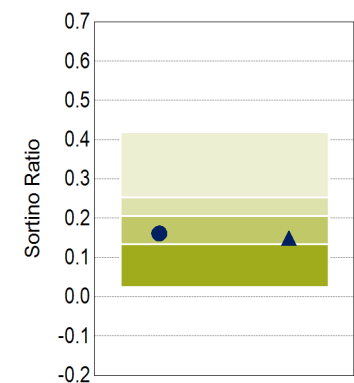
Anlzd Standard Deviation



Sharpe Ratio



Sortino Ratio



● Total Fund	
Value	1.6
%tile	67
▲ Policy Benchmark	
Value	1.4
%tile	77
Universe	
5th %tile	3.5
25th %tile	2.5
Median	2.1
75th %tile	1.4
95th %tile	0.2

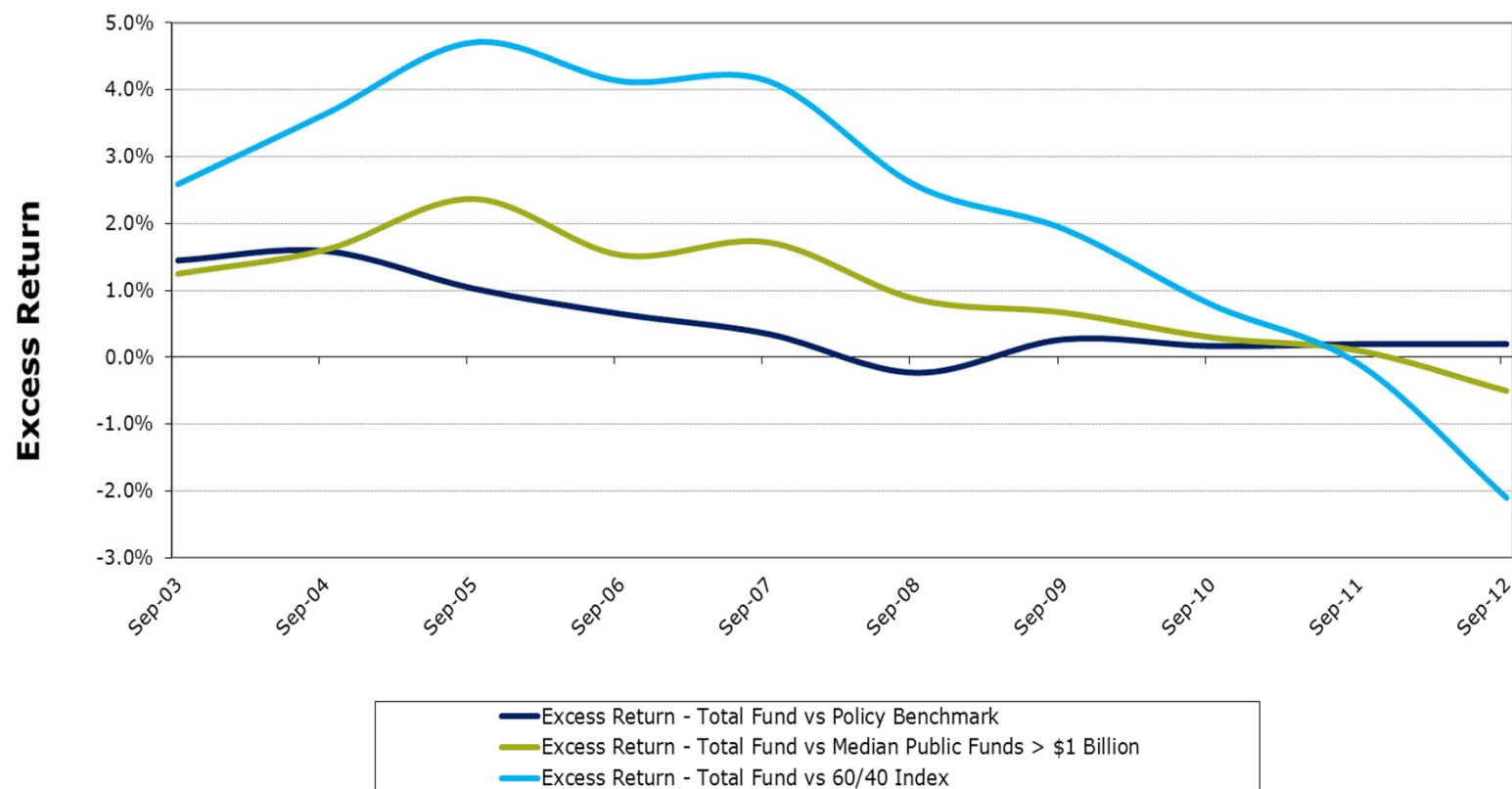
● Total Fund	
Value	12.4
%tile	60
▲ Policy Benchmark	
Value	11.8
%tile	41
Universe	
5th %tile	9.2
25th %tile	11.2
Median	12.1
75th %tile	13.3
95th %tile	14.5

● Total Fund	
Value	0.1
%tile	68
▲ Policy Benchmark	
Value	0.1
%tile	73
Universe	
5th %tile	0.3
25th %tile	0.2
Median	0.1
75th %tile	0.1
95th %tile	0.0

● Total Fund	
Value	0.2
%tile	69
▲ Policy Benchmark	
Value	0.1
%tile	71
Universe	
5th %tile	0.4
25th %tile	0.3
Median	0.2
75th %tile	0.1
95th %tile	0.0

City of San Jose Police and Fire Department Retirement Plan

Total Fund Rolling 5-Year Excess Returns



Note: Excess return vs. Public Funds > \$1 Billion from 2005 – present. Excess return vs. Public Funds prior to 2004.

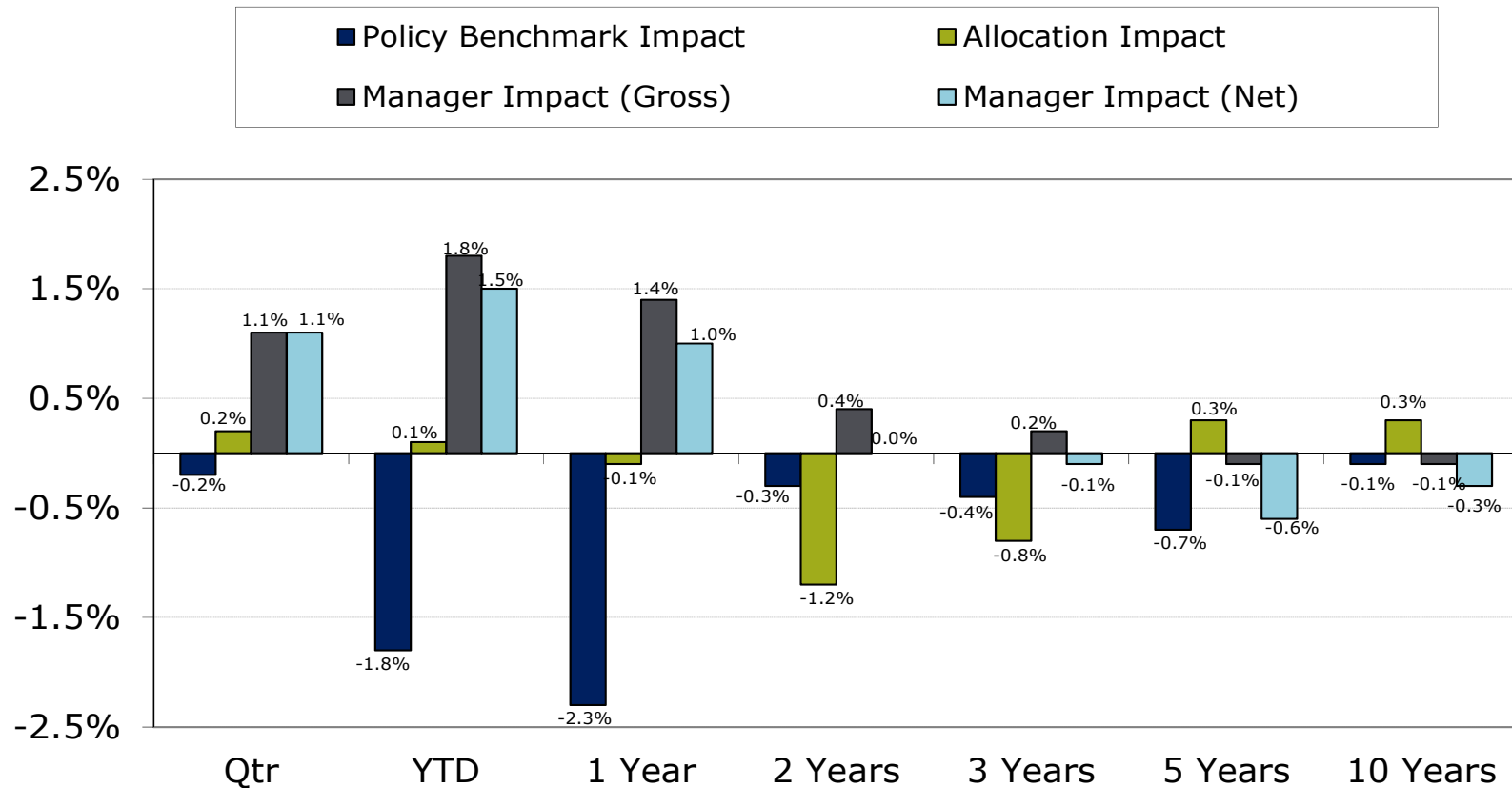
Returns are gross of fees.



NEPC, LLC

September 30, 2012

Total Fund Performance Attribution



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

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

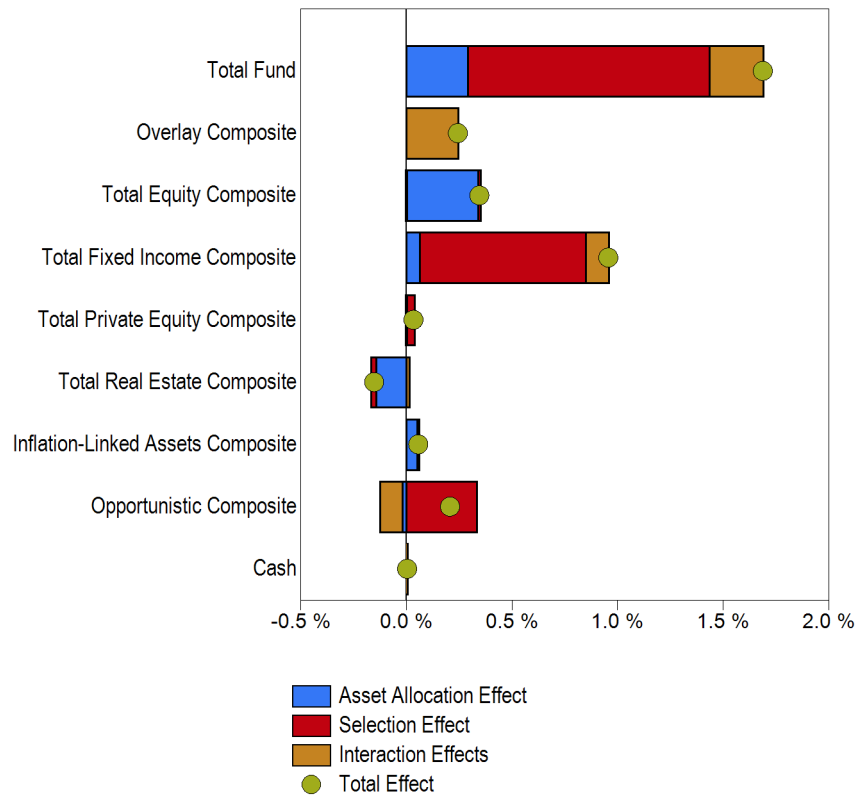
Manager Impact: The Composite is calculated by multiplying the actual asset class weights times the actual manager return. The allocation index is then subtracted from the Composite. The result, manager impact, measures the contribution of active management.

Note: Returns are gross of fees.

City of San Jose Police and Fire Department Retirement Plan

Total Fund Attribution Analysis

Attribution Effects Relative to Policy Benchmark
3 Months Ending September 30, 2012



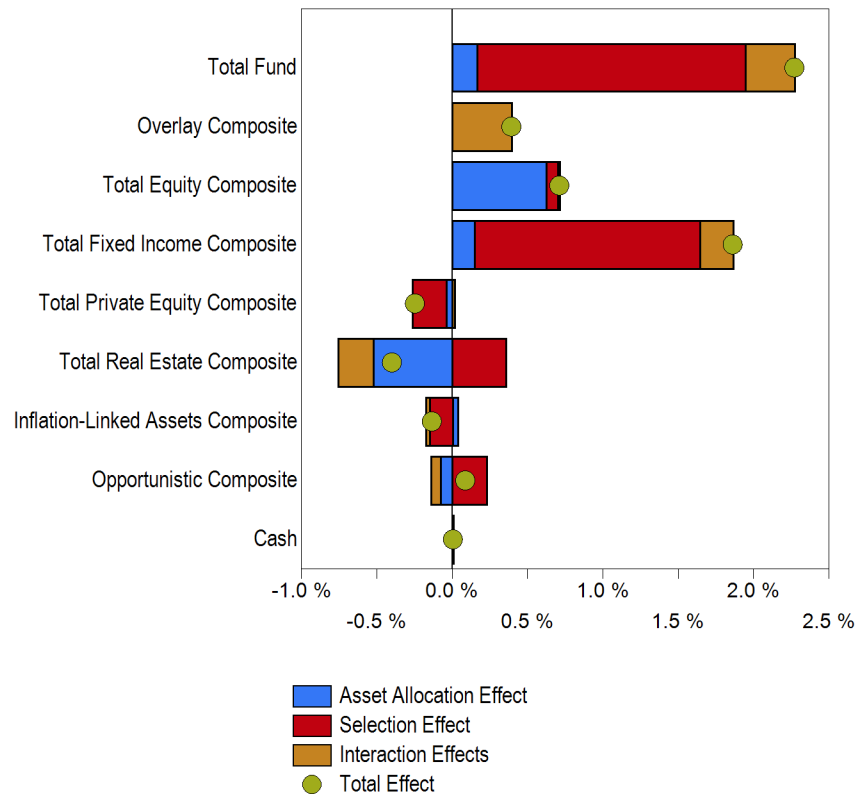
Attribution Summary
3 Months Ending September 30, 2012

	Actual Return	Target Return	Relative Return	Selection Effect	Asset Allocation Effect	Interaction Effects	Total Effects
Overlay Composite	19.9%	0.0%	19.9%	0.0%	0.0%	0.2%	0.2%
Total Equity Composite	6.9%	6.8%	0.0%	0.0%	0.3%	0.0%	0.3%
Total Fixed Income Composite	4.7%	1.6%	3.1%	0.8%	0.1%	0.1%	1.0%
Total Private Equity Composite	0.6%	-0.1%	0.7%	0.0%	0.0%	0.0%	0.0%
Total Real Estate Composite	2.1%	2.3%	-0.2%	0.0%	-0.1%	0.0%	-0.2%
Inflation-Linked Assets Composite	7.4%	7.3%	0.0%	0.0%	0.1%	0.0%	0.1%
Opportunistic Composite	7.9%	1.3%	6.6%	0.3%	0.0%	-0.1%	0.2%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	5.8%	4.1%	1.7%	1.1%	0.3%	0.3%	1.7%

City of San Jose Police and Fire Department Retirement Plan

Total Fund Attribution Analysis

Attribution Effects Relative to Policy Benchmark
9 Months Ending September 30, 2012



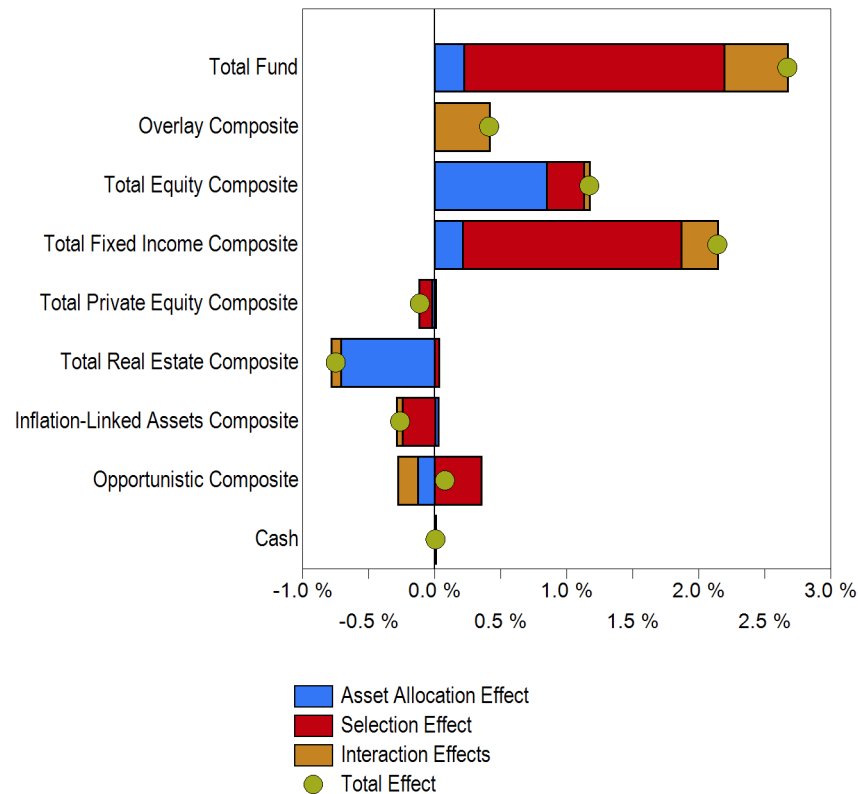
Attribution Summary
9 Months Ending September 30, 2012

	Actual Return	Target Return	Relative Return	Selection Effect	Asset Allocation Effect	Interaction Effects	Total Effects
Overlay Composite	49.9%	0.1%	49.8%	0.0%	0.0%	0.4%	0.4%
Total Equity Composite	13.1%	12.9%	0.2%	0.1%	0.6%	0.0%	0.7%
Total Fixed Income Composite	9.9%	4.0%	5.9%	1.5%	0.1%	0.2%	1.9%
Total Private Equity Composite	6.7%	10.9%	-4.2%	-0.2%	0.0%	0.0%	-0.2%
Total Real Estate Composite	11.3%	7.8%	3.5%	0.4%	-0.5%	-0.2%	-0.4%
Inflation-Linked Assets Composite	3.0%	4.4%	-1.4%	-0.2%	0.0%	0.0%	-0.1%
Opportunistic Composite	8.4%	4.1%	4.3%	0.2%	-0.1%	-0.1%	0.1%
Cash	0.2%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%
Total	10.6%	8.3%	2.3%	1.8%	0.2%	0.3%	2.3%

City of San Jose Police and Fire Department Retirement Plan

Total Fund Attribution Analysis

Attribution Effects Relative to Policy Benchmark
1 Year Ending September 30, 2012



Attribution Summary
1 Year Ending September 30, 2012

	Actual Return	Target Return	Relative Return	Selection Effect	Asset Allocation Effect	Interaction Effects	Total Effects
Overlay Composite	62.3%	0.1%	62.3%	0.0%	0.0%	0.4%	0.4%
Total Equity Composite	21.8%	21.0%	0.8%	0.3%	0.8%	0.0%	1.2%
Total Fixed Income Composite	11.6%	5.2%	6.5%	1.7%	0.2%	0.3%	2.1%
Total Private Equity Composite	4.4%	5.9%	-1.5%	-0.1%	0.0%	0.0%	-0.1%
Total Real Estate Composite	11.3%	11.0%	0.3%	0.0%	-0.7%	-0.1%	-0.8%
Inflation-Linked Assets Composite	1.2%	3.5%	-2.3%	-0.2%	0.0%	0.0%	-0.3%
Opportunistic Composite	12.3%	5.5%	6.7%	0.4%	-0.1%	-0.1%	0.1%
Cash	0.2%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%
Total	14.5%	11.8%	2.7%	2.0%	0.2%	0.5%	2.7%

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Fund	2,877,708,460	100.0	5.8	2	10.7	48	14.7	69	7.7	88	8.5	82	1.6	67	5.1	59	8.1	38	8.9	Mar-71
Policy Benchmark			<u>4.5</u>	72	<u>8.8</u>	97	<u>13.4</u>	89	<u>8.5</u>	66	<u>9.1</u>	60	<u>1.4</u>	77	<u>5.0</u>	61	<u>7.9</u>	55	--	Mar-71
Over/Under			1.3		1.9		1.3		-0.8		-0.6		0.2		0.1		0.2			
Allocation Index			4.7	56	8.9	97	13.3	91	7.3	97	8.3	93	1.7	65	5.3	42	8.2	34	--	Mar-71
60% S&P 500 / 40% BC Agg			4.4	74	11.5	24	19.9	1	11.1	1	10.7	3	3.7	5	5.4	30	7.2	92	--	Mar-71
ICC Public DB > \$1B Median			4.7		10.6		15.7		8.8		9.5		2.1		5.2		8.0		--	Mar-71
Total Fund Ex Overlay	2,836,391,439	98.6	5.6	--	10.3	--	14.4	--	7.5	--	8.4	--	1.5	--	5.0	--	8.1	--	8.9	Mar-71
Total Equity Composite¹	1,309,886,044	45.5	6.9	49	13.1	55	21.8	54	7.5	57	8.6	54	--	--	--	--	--	--	1.7	Apr-08
MSCI ACWI (Net)			<u>6.8</u>	49	<u>12.9</u>	59	<u>21.0</u>	60	<u>6.6</u>	65	<u>7.2</u>	72	<u>-2.1</u>	74	<u>3.6</u>	79	<u>8.6</u>	82	<u>0.2</u>	Apr-08
Over/Under			0.1		0.2		0.8		0.9		1.4								1.5	
eA All Global Equity Gross Median			6.8		13.4		22.1		8.1		8.9		-0.7		5.0		10.3		1.9	Apr-08
Global Equity Composite	874,603,688	30.4	7.2	38	14.4	39	--	--	--	--	--	--	--	--	--	--	--	--	14.4	Jan-12
MSCI ACWI (Net)			<u>6.8</u>	49	<u>12.9</u>	59	<u>21.0</u>	60	<u>6.6</u>	65	<u>7.2</u>	72	<u>-2.1</u>	74	<u>3.6</u>	79	<u>8.6</u>	82	<u>12.9</u>	Jan-12
Over/Under			0.4		1.5														1.5	
eA All Global Equity Gross Median			6.8		13.4		22.1		8.1		8.9		-0.7		5.0		10.3		13.4	Jan-12
Russell MSCI ACWI	390,894,053	13.6	6.9	46	14.9	36	--	--	--	--	--	--	--	--	--	--	--	--	14.9	Jan-12
MSCI ACWI (Net)			<u>6.8</u>	49	<u>12.9</u>	59	<u>21.0</u>	60	<u>6.6</u>	65	<u>7.2</u>	72	<u>-2.1</u>	74	<u>3.6</u>	79	<u>8.6</u>	82	<u>12.9</u>	Jan-12
Over/Under			0.1		2.0														2.0	
eA All Global Equity Gross Median			6.8		13.4		22.1		8.1		8.9		-0.7		5.0		10.3		13.4	Jan-12
Russell MSCI ACWI Value	483,709,635	16.8	7.5	31	14.1	42	--	--	--	--	--	--	--	--	--	--	--	--	14.1	Jan-12
MSCI ACWI Value (Net)			<u>6.6</u>	53	<u>11.5</u>	73	<u>19.5</u>	70	<u>5.5</u>	72	<u>5.4</u>	87	<u>-3.3</u>	86	<u>2.8</u>	88	<u>8.8</u>	80	<u>11.5</u>	Jan-12
Over/Under			0.9		2.6														2.6	
eA All Global Equity Gross Median			6.8		13.4		22.1		8.1		8.9		-0.7		5.0		10.3		13.4	Jan-12

1 - Total Equity Composite includes \$832,698 of residual cash remaining in terminated manager accounts.

Note: Performance shown is gross of fees.



NEPC, LLC

September 30, 2012

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total U.S. Equity Composite (1)	120,260,359	4.2	7.1	21	14.7	49	29.3	50	13.9	47	12.5	63	0.9	74	4.1	80	8.5	77	8.2	Jun-95
Russell 3000			6.2	42	16.1	33	30.2	41	14.4	42	13.3	52	1.3	68	4.6	70	8.5	77	8.0	Jun-95
Over/Under			0.9		-1.4		-0.9		-0.5		-0.8		-0.4		-0.5		0.0		0.2	
eA All US Equity Gross Median			5.9		14.6		29.2		13.6		13.4		2.4		5.5		10.0		9.8	Jun-95
Rhumbline Russell 3000	32,047,188	1.1	6.2	44	15.9	36	--	--	--	--	--	--	--	--	--	--	--	--	16.9	Dec-11
Russell 3000			6.2	42	16.1	33	30.2	41	14.4	42	13.3	52	1.3	68	4.6	70	8.5	77	17.1	Dec-11
Over/Under			0.0		-0.2														-0.2	
eA All US Equity Gross Median			5.9		14.6		29.2		13.6		13.4		2.4		5.5		10.0		15.0	Dec-11
RS Investments	88,186,430	3.1	7.5	15	14.9	34	29.8	58	12.7	50	--	--	--	--	--	--	--	--	13.3	Aug-10
Russell 2000 Value			5.7	47	14.4	35	32.6	38	11.7	65	11.7	77	1.3	86	3.7	87	9.7	88	11.9	Aug-10
Over/Under			1.8		0.5		-2.8		1.0										1.4	
eA US Small Cap Value Equity Gross Median			5.4		12.8		30.8		12.7		13.3		3.5		6.1		11.6		13.4	Aug-10
Total International Equity Composite (2)	228,555,461	7.9	6.6	71	11.4	62	17.1	68	1.1	84	4.5	74	-3.2	65	4.4	50	11.3	58	9.5	Jun-95
MSCI AC WORLD ex US (NET)			7.4	49	10.4	79	14.5	86	1.0	84	3.2	86	-4.1	82	3.3	81	9.8	85	--	Jun-95
Over/Under			-0.8		1.0		2.6		0.1		1.3		0.9		1.1		1.5			
eA ACWI ex-US All Cap Equity Gross Median			7.4		12.6		18.3		3.8		6.5		-2.6		4.3		11.5		8.7	Jun-95
Developed International Equity Composite (2)	93,053,921	3.2	7.9	41	12.5	52	20.1	21	4.5	41	6.0	37	-3.1	43	4.0	43	10.1	45	8.3	Jun-95
MSCI EAFE (Net)			6.9	70	10.1	78	13.8	80	1.5	81	2.1	88	-5.2	80	1.8	86	8.2	86	4.2	Jun-95
Over/Under			1.0		2.4		6.3		3.0		3.9		2.1		2.2		1.9		4.1	
eA All EAFE Equity Gross Median			7.6		12.6		16.9		3.8		4.9		-3.6		3.5		10.0		7.3	Jun-95
Russell MSCI EAFE + CAD Small Cap	92,247,963	3.2	7.9	70	12.7	84	--	--	--	--	--	--	--	--	--	--	--	--	10.9	Dec-11
MSCI EAFE + CAD Small Cap (Net)			8.6	58	12.1	88	12.8	89	3.2	87	5.7	79	-2.6	59	2.9	79	11.5	86	9.9	Dec-11
Over/Under			-0.7		0.6														1.0	
eA EAFE Small Cap Equity Gross Median			8.8		16.2		17.4		6.3		8.3		-2.5		4.8		13.6		14.2	Dec-11

1 - Total U.S. Equity Composite includes \$26,740 in residual cash remaining in terminated manager accounts.

2 - Total International Equity and Developed International Equity Composites include \$805,956 of residual cash remaining in terminated manager accounts.

Note: Performance shown is gross of fees.



NEPC, LLC

September 30, 2012

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Emerging Markets Equity Composite	135,501,540	4.7	5.8	91	10.6	75	15.1	74	-3.9	81	3.3	83	-1.5	68	7.4	85	16.3	88	14.5	Sep-01
MSCI Emg Mkts Free (Net)			<u>7.7</u>	45	<u>12.0</u>	63	<u>16.9</u>	62	<u>-1.0</u>	57	<u>5.6</u>	64	<u>-1.3</u>	61	<u>8.6</u>	62	<u>17.0</u>	76	<u>14.3</u>	Sep-01
Over/Under			-1.9		-1.4		-1.8		-2.9		-2.3		-0.2		-1.2		-0.7		0.2	
eA Emg Mkts Equity Gross Median			7.7		13.0		18.1		-0.3		6.7		-0.6		9.6		18.3		15.8	Sep-01
Russell Emerging Markets	135,501,540	4.7	5.8	91	10.6	75	--	--	--	--	--	--	--	--	--	--	--	--	1.2	Nov-11
MSCI Emg Mkts Free (Net)			<u>7.7</u>	45	<u>12.0</u>	63	<u>16.9</u>	62	<u>-1.0</u>	57	<u>5.6</u>	64	<u>-1.3</u>	61	<u>8.6</u>	62	<u>17.0</u>	76	<u>3.3</u>	Nov-11
Over/Under			-1.9		-1.4														-2.1	
eA Emg Mkts Equity Gross Median			7.7		13.0		18.1		-0.3		6.7		-0.6		9.6		18.3		4.8	Nov-11
Convertible Bonds (1)																				
Calamos	86,466,536	3.0	3.3	--	3.8	--	6.6	--	4.1	--	6.3	--	--	--	--	--	--	--	7.1	Sep-09
BofAML Global 300 Convertible Index LOC			<u>4.0</u>	--	<u>10.0</u>	--	<u>12.8</u>	--	<u>4.6</u>	--	<u>6.5</u>	--	<u>1.7</u>	--	<u>4.7</u>	--	<u>6.0</u>	--	<u>7.4</u>	Sep-09
Over/Under			-0.7		-6.2		-6.2		-0.5		-0.2								-0.3	

1 - The Fund's allocation to convertible bonds is a global mandate and included within the Fund's equity allocation for asset allocation and performance reporting purposes.

Effective January 2010, NEPC uses manager provided data to calculate performance due to inconsistent pricing of securities at the Fund's custodian bank.

Note: Performance shown is gross of fees.



NEPC, LLC

September 30, 2012

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Fixed Income Composite(1)	804,385,619	28.0	4.7	9	9.9	19	11.6	24	9.3	22	9.8	26	--	--	--	--	--	--	9.3	Apr-08
Barclays Aggregate			<u>1.6</u>	70	<u>4.0</u>	70	<u>5.2</u>	71	<u>5.2</u>	62	<u>6.2</u>	62	<u>6.5</u>	59	<u>5.9</u>	61	<u>5.3</u>	62	<u>6.1</u>	Apr-08
Over/Under			3.1		5.9		6.4		4.1		3.6								3.2	
eA All US Fixed Inc Gross Median			2.1		5.5		7.0		5.9		7.1		6.9		6.2		5.7		6.7	Apr-08
Domestic Core Fixed Income Composite (1)	191,910,438	6.7	1.9	68	5.0	66	6.5	56	6.6	22	7.2	44	6.6	81	6.0	81	6.0	36	6.4	Jun-95
Barclays Aggregate			<u>1.6</u>	87	<u>4.0</u>	90	<u>5.2</u>	89	<u>5.2</u>	83	<u>6.2</u>	83	<u>6.5</u>	83	<u>5.9</u>	84	<u>5.3</u>	88	<u>6.3</u>	Jun-95
Over/Under			0.3		1.0		1.3		1.4		1.0		0.1		0.1		0.7		0.1	
eA US Core Fixed Inc Gross Median			2.2		5.5		6.7		6.0		7.1		7.2		6.5		5.8		6.7	Jun-95
Seix Core Fixed Income	191,837,654	6.7	1.9	70	5.0	67	6.5	56	6.6	22	7.4	35	8.0	16	7.0	18	6.5	10	6.9	Oct-99
Barclays Aggregate			<u>1.6</u>	87	<u>4.0</u>	90	<u>5.2</u>	89	<u>5.2</u>	83	<u>6.2</u>	83	<u>6.5</u>	83	<u>5.9</u>	84	<u>5.3</u>	88	<u>6.3</u>	Oct-99
Over/Under			0.3		1.0		1.3		1.4		1.2		1.5		1.1		1.2		0.6	
eA US Core Fixed Inc Gross Median			2.2		5.5		6.7		6.0		7.1		7.2		6.5		5.8		6.7	Oct-99
TIPS																				
Treasury Inflation Protected Securities (TIPS)	274,137,370	9.5	1.7	--	4.1	--	5.9	--	6.9	--	--	--	--	--	--	--	--	--	8.0	Jan-10
Domestic Long Duration Fixed Income																				
Income Research	162,411,098	5.6	4.4	34	10.3	47	13.5	45	12.9	37	13.5	44	12.6	37	9.8	38	--	--	9.3	Jan-05
Barclays LT Govt/Credit			<u>3.1</u>	84	<u>8.3</u>	88	<u>11.1</u>	84	<u>11.9</u>	80	<u>12.5</u>	79	<u>10.9</u>	89	<u>8.6</u>	88	<u>8.1</u>	83	<u>8.4</u>	Jan-05
Over/Under			1.3		2.0		2.4		1.0		1.0		1.7		1.2				0.9	
eA US Long Duration Fixed Inc Gross Median			4.0		10.1		13.3		12.5		13.3		11.9		9.4		9.1		9.0	Jan-05

1 - Total Fixed Income and Core Fixed Income Composites include \$72,783 of illiquid securities remaining as a result of the termination of Western Asset Management Co. (WAMCO) during the asset allocation transition that occurred in December 2009.

Note: Performance shown is gross of fees.



NEPC, LLC

September 30, 2012

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Credit Composite	175,926,714	6.1	13.6	--	27.7	--	27.6	--	12.8	--	13.7	--	--	--	--	--	--	--	11.6	Jul-08
50% DLJ Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index			<u>3.8</u>	--	<u>9.5</u>	--	<u>14.2</u>	--	<u>8.0</u>	--	<u>9.8</u>	--	<u>6.5</u>	--	<u>6.3</u>	--	<u>7.6</u>	--	<u>8.0</u>	Jul-08
Over/Under			9.8		18.2		13.4		4.8		3.9								3.6	
BofA Merrill Lynch US High Yield BB-B Rated Constrained Index			<u>4.4</u>	--	<u>11.2</u>	--	<u>17.7</u>	--	<u>9.5</u>	--	<u>11.9</u>	--	<u>8.4</u>	--	<u>7.9</u>	--	<u>9.6</u>	--	<u>10.2</u>	Jul-08
Domestic Credit Composite	41,560,743	1.4	3.1	--	8.6	--	11.9	--	7.1	--	8.8	--	--	--	--	--	--	--	10.9	Apr-09
50% DLJ Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index			<u>3.8</u>	--	<u>9.5</u>	--	<u>14.2</u>	--	<u>8.0</u>	--	<u>9.8</u>	--	<u>6.5</u>	--	<u>6.3</u>	--	<u>7.6</u>	--	<u>17.0</u>	Apr-09
Over/Under			-0.7		-0.9		-2.3		-0.9		-1.0								-6.1	
BofA Merrill Lynch US High Yield BB-B Rated Constrained Index			<u>4.4</u>	--	<u>11.2</u>	--	<u>17.7</u>	--	<u>9.5</u>	--	<u>11.9</u>	--	<u>8.4</u>	--	<u>7.9</u>	--	<u>9.6</u>	--	<u>19.0</u>	Apr-09
Seix	14,029,645	0.5	<u>2.3</u>	--	<u>5.7</u>	--	<u>6.3</u>	--	<u>4.2</u>	--	<u>5.1</u>	--	--	--	--	--	--	--	<u>6.9</u>	Apr-09
DLJ Leveraged Loan Index			<u>3.1</u>	--	<u>7.8</u>	--	<u>10.7</u>	--	<u>6.5</u>	--	<u>7.8</u>	--	<u>4.5</u>	--	<u>4.7</u>	--	<u>5.6</u>	--	<u>12.9</u>	Apr-09
Over/Under			-0.8		-2.1		-4.4		-2.3		-2.7								-6.0	
Mackay Shields	27,531,098	1.0	<u>3.5</u>	--	<u>10.3</u>	--	<u>15.6</u>	--	<u>9.0</u>	--	<u>11.5</u>	--	--	--	--	--	--	--	<u>14.6</u>	Apr-09
BofA Merrill Lynch US High Yield BB-B Rated			<u>4.5</u>	--	<u>11.3</u>	--	<u>17.8</u>	--	<u>9.6</u>	--	<u>12.0</u>	--	<u>8.3</u>	--	<u>8.0</u>	--	<u>9.7</u>	--	<u>16.6</u>	Apr-09
Over/Under			-1.0		-1.0		-2.2		-0.6		-0.5								-2.0	
Opportunistic Credit Composite	134,365,971	4.7	17.3	--	35.7	--	32.6	--	14.0	--	16.0	--	--	--	--	--	--	--	16.5	Jul-08
50% DLJ Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index			<u>3.8</u>	--	<u>9.5</u>	--	<u>14.2</u>	--	<u>8.0</u>	--	<u>9.8</u>	--	<u>6.5</u>	--	<u>6.3</u>	--	<u>7.6</u>	--	<u>8.0</u>	Jul-08
Over/Under			13.5		26.2		18.4		6.0		6.2								8.5	
BofA Merrill Lynch US High Yield BB-B Rated Constrained Index			<u>4.4</u>	--	<u>11.2</u>	--	<u>17.7</u>	--	<u>9.5</u>	--	<u>11.9</u>	--	<u>8.4</u>	--	<u>7.9</u>	--	<u>9.6</u>	--	<u>10.2</u>	Jul-08
Pimco Disco II	134,365,971	4.7	<u>17.3</u>	--	<u>35.7</u>	--	<u>36.9</u>	--	--	--	--	--	--	--	--	--	--	--	<u>36.9</u>	Nov-11
BofA Merrill Lynch US High Yield BB-B Rated Constrained Index			<u>4.4</u>	--	<u>11.2</u>	--	<u>17.7</u>	--	<u>9.5</u>	--	<u>11.9</u>	--	<u>8.4</u>	--	<u>7.9</u>	--	<u>9.6</u>	--	<u>11.7</u>	Nov-11
Over/Under			12.9		24.5		19.2												25.2	

Note: Performance shown is gross of fees.



NEPC, LLC

September 30, 2012

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Private Equity Composite	128,691,941	4.5	0.6	--	6.7	--	4.4	--	9.5	--	12.3	--	7.3	--	8.1	--	--	--	8.1	Oct-05
Cambridge PE 1 Qtr Lag			<u>-0.1</u>	--	<u>10.9</u>	--	<u>5.9</u>	--	<u>15.1</u>	--	<u>16.4</u>	--	<u>5.3</u>	--	<u>12.1</u>	--	<u>13.7</u>	--	<u>12.1</u>	Oct-05
Over/Under			0.7		-4.2		-1.5		-5.6		-4.1		2.0		-4.0				-4.0	
Venture Economics All Private Equity Lag			0.0	--	10.1	--	5.4	--	13.7	--	15.2	--	4.8	--	10.2	--	10.9	--	10.2	Oct-05
Total Real Estate Composite	114,604,699	4.0	2.1	--	11.3	--	11.3	--	11.4	--	9.2	--	2.8	--	6.2	--	6.3	--	8.0	Jun-95
NCREIF Property Index			<u>2.3</u>	--	<u>7.8</u>	--	<u>11.0</u>	--	<u>13.5</u>	--	<u>10.9</u>	--	<u>2.3</u>	--	<u>6.4</u>	--	<u>8.3</u>	--	<u>9.5</u>	Jun-95
Over/Under			-0.2		3.5		0.3		-2.1		-1.7		0.5		-0.2		-2.0		-1.5	
American Realty/Kennedy Combined	19,868,973	0.7	0.0	--	12.2	--	9.9	--	10.8	--	8.7	--	4.5	--	8.6	--	--	--	9.1	Oct-03
NCREIF Property Index			<u>2.3</u>	--	<u>7.8</u>	--	<u>11.0</u>	--	<u>13.5</u>	--	<u>10.9</u>	--	<u>2.3</u>	--	<u>6.4</u>	--	<u>8.3</u>	--	<u>8.4</u>	Oct-03
Over/Under			-2.3		4.4		-1.1		-2.7		-2.2		2.2		2.2				0.7	
American Realty Core Realty Fund	94,735,726	3.3	2.6	--	9.6	--	12.6	--	--	--	--	--	--	--	--	--	--	--	11.6	Sep-11
NCREIF Property Index			<u>2.3</u>	--	<u>7.8</u>	--	<u>11.0</u>	--	<u>13.5</u>	--	<u>10.9</u>	--	<u>2.3</u>	--	<u>6.4</u>	--	<u>8.3</u>	--	<u>13.5</u>	Sep-11
Over/Under			0.3		1.8		1.6												-1.9	
Inflation-Linked Assets Composite	306,546,580	10.7	7.4	--	3.0	--	1.2	--	3.9	--	--	--	--	--	--	--	--	--	3.3	Jan-10
Custom Commodity Risk Parity Index			<u>7.3</u>	--	<u>4.4</u>	--	<u>3.5</u>	--	--	--	--	--	--	--	--	--	--	--	--	Jan-10
Over/Under			0.1		-1.4		-2.3													
Dow Jones-UBS Commodity Index TR			9.7	--	5.6	--	6.0	--	3.0	--	5.3	--	-3.0	--	-0.9	--	5.2	--	2.5	Jan-10
Credit Suisse	172,041,162	6.0	7.7	--	5.1	--	4.1	--	--	--	--	--	--	--	--	--	--	--	-4.9	Apr-11
Custom Commodity Risk Parity Index			<u>7.3</u>	--	<u>4.4</u>	--	<u>3.5</u>	--	--	--	--	--	--	--	--	--	--	--	<u>-5.4</u>	Apr-11
Over/Under			0.4		0.7		0.6												0.5	
Dow Jones-UBS Commodity Index TR			9.7	--	5.6	--	6.0	--	3.0	--	5.3	--	-3.0	--	-0.9	--	5.2	--	-8.4	Apr-11
First Quadrant	134,505,418	4.7	6.9	--	0.5	--	-2.2	--	--	--	--	--	--	--	--	--	--	--	-7.5	Apr-11
Custom Commodity Risk Parity Index			<u>7.3</u>	--	<u>4.4</u>	--	<u>3.5</u>	--	--	--	--	--	--	--	--	--	--	--	<u>-5.4</u>	Apr-11
Over/Under			-0.4		-3.9		-5.7												-2.1	
Dow Jones-UBS Commodity Index TR			9.7	--	5.6	--	6.0	--	3.0	--	5.3	--	-3.0	--	-0.9	--	5.2	--	-8.4	Apr-11

Note: Performance shown is net of fees.



NEPC, LLC

September 30, 2012

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Opportunistic Composite	115,750,344	4.0	7.9	--	8.4	--	12.3	--	--	--	--	--	--	--	--	--	--	--	7.4	Nov-10
3 Months LIBOR + 5%			<u>1.3</u>	--	<u>4.1</u>	--	<u>5.5</u>	--	<u>5.4</u>	--	<u>5.4</u>	--	<u>6.2</u>	--	<u>7.4</u>	--	<u>7.3</u>	--	<u>5.4</u>	Nov-10
Over/Under			6.6		4.3		6.8												2.0	
White Oak	32,498,671	1.1	7.9	--	5.7	--	4.4	--	--	--	--	--	--	--	--	--	--	--	3.9	Nov-10
3 Months LIBOR + 5%			<u>1.3</u>	--	<u>4.1</u>	--	<u>5.5</u>	--	<u>5.4</u>	--	<u>5.4</u>	--	<u>6.2</u>	--	<u>7.4</u>	--	<u>7.3</u>	--	<u>5.4</u>	Nov-10
Over/Under			6.6		1.6		-1.1												-1.5	
GSO	37,625,520	1.3	7.0	--	12.0	--	32.3	--	--	--	--	--	--	--	--	--	--	--	22.8	Dec-10
3 Months LIBOR + 5%			<u>1.3</u>	--	<u>4.1</u>	--	<u>5.5</u>	--	<u>5.4</u>	--	<u>5.4</u>	--	<u>6.2</u>	--	<u>7.4</u>	--	<u>7.3</u>	--	<u>5.4</u>	Dec-10
Over/Under			5.7		7.9		26.8												17.4	
Medley Capital	45,626,153	1.6	9.5	--	8.5	--	10.6	--	--	--	--	--	--	--	--	--	--	--	6.0	Mar-11
3 Months LIBOR + 5%			<u>1.3</u>	--	<u>4.1</u>	--	<u>5.5</u>	--	<u>5.4</u>	--	<u>5.4</u>	--	<u>6.2</u>	--	<u>7.4</u>	--	<u>7.3</u>	--	<u>5.4</u>	Mar-11
Over/Under			8.2		4.4		5.1												0.6	
Cash (1)																				
Cash	57,927,072	2.0	0.0	--	0.2	--	0.2	--	0.3	--	1.1	--	6.1	--	12.1	--	12.7	--	--	Jul-02
91 Day T-Bills			<u>0.0</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.5</u>	--	<u>1.7</u>	--	<u>1.7</u>	--	<u>1.7</u>	Jul-02
Over/Under			0.0		0.1		0.1		0.2		1.0		5.6		10.4		11.0			

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

Note: Performance shown for all strategies except for cash is net of fees.

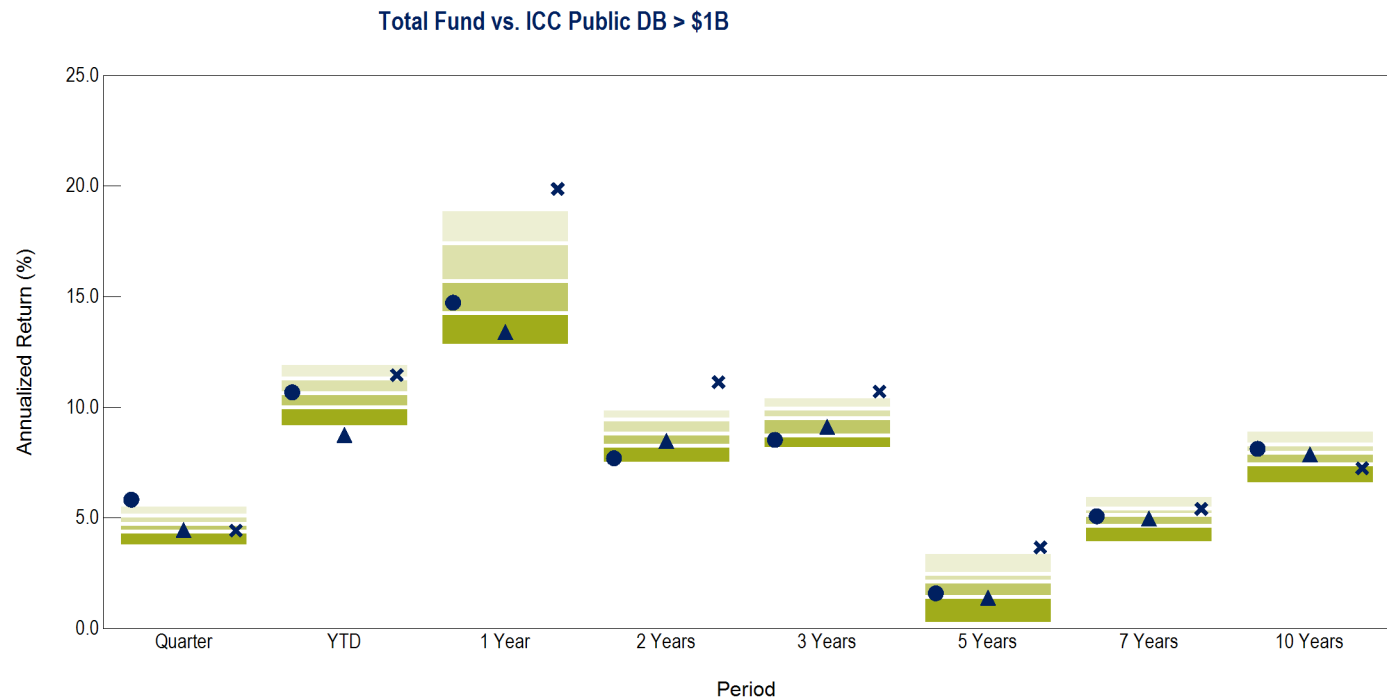


NEPC, LLC

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City of San Jose Police and Fire Department Retirement Plan

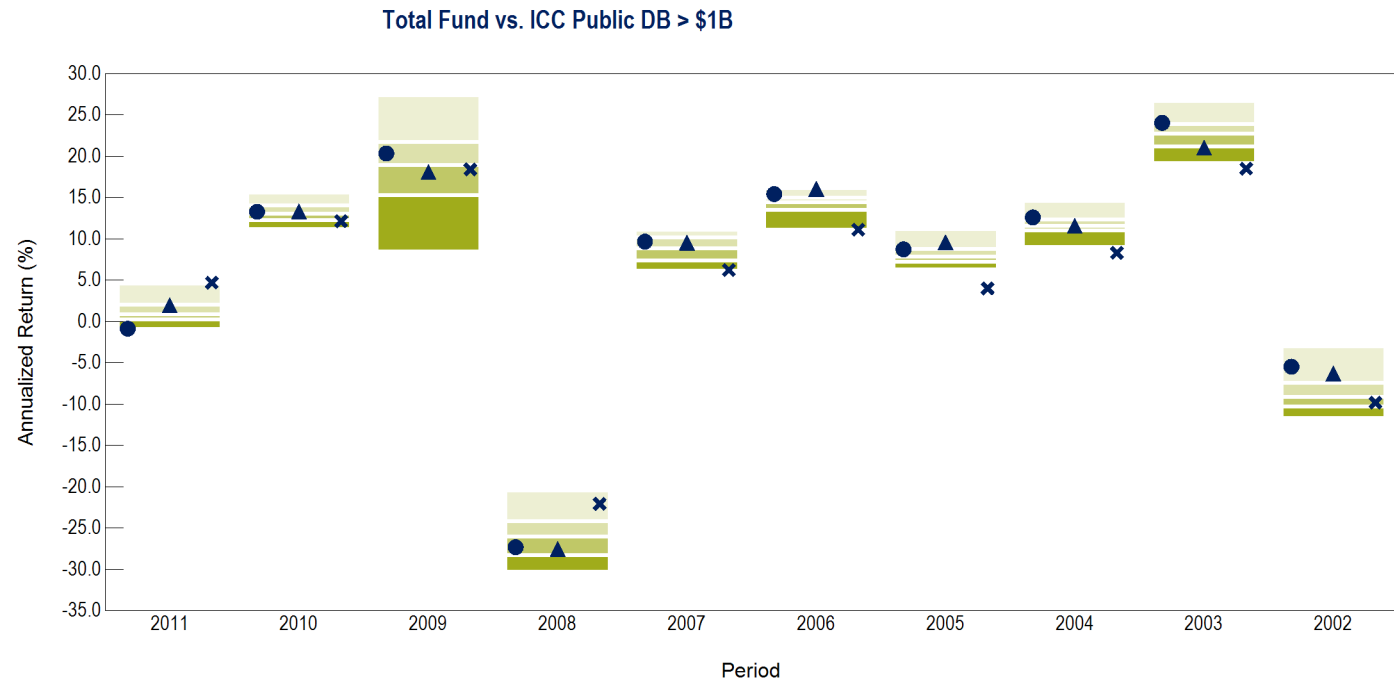
Total Fund Return Summary vs. Peer Universe



		Return (Rank)															
5th Percentile		5.6	12.0	18.9	9.9	10.5	3.5	6.0	9.0								
25th Percentile		5.1	11.3	17.4	9.5	10.0	2.5	5.4	8.3								
Median		4.7	10.6	15.7	8.8	9.5	2.1	5.2	8.0								
75th Percentile		4.4	10.0	14.3	8.3	8.8	1.4	4.7	7.4								
95th Percentile		3.7	9.1	12.8	7.5	8.1	0.2	3.9	6.6								
# of Portfolios		50	50	50	49	48	48	48	46								
●	Total Fund	5.8	(2)	10.7	(48)	14.7	(69)	7.7	(88)	8.5	(82)	1.6	(67)	5.1	(59)	8.1	(38)
▲	Policy Benchmark	4.5	(72)	8.8	(97)	13.4	(89)	8.5	(66)	9.1	(60)	1.4	(77)	5.0	(61)	7.9	(55)
×	60% S&P 500 / 40% BC Agg	4.4	(74)	11.5	(24)	19.9	(1)	11.1	(1)	10.7	(3)	3.7	(5)	5.4	(30)	7.2	(92)

City of San Jose Police and Fire Department Retirement Plan

Total Fund Return Summary vs. Peer Universe



	Return (Rank)									
5th Percentile	4.5	15.6	27.3	-20.5	11.0	16.1	11.1	14.6	26.7	-3.0
25th Percentile	2.1	14.1	21.8	-24.1	10.2	15.0	8.8	12.4	23.9	-7.4
Median	0.9	13.1	19.0	-26.0	8.9	14.4	7.9	11.6	22.8	-9.1
75th Percentile	0.3	12.3	15.3	-28.3	7.4	13.5	7.3	11.1	21.2	-10.3
95th Percentile	-0.8	11.2	8.5	-30.3	6.2	11.2	6.3	9.0	19.2	-11.6
# of Portfolios	65	64	64	64	64	64	63	63	63	64
● Total Fund	-0.9 (96)	13.3 (47)	20.3 (38)	-27.3 (68)	9.7 (40)	15.4 (16)	8.7 (32)	12.6 (19)	24.0 (24)	-5.5 (12)
▲ Policy Benchmark	2.0 (28)	13.3 (47)	18.1 (59)	-27.5 (70)	9.5 (41)	16.1 (6)	9.6 (17)	11.6 (54)	21.0 (80)	-6.3 (14)
× 60% S&P 500 / 40% BC Agg	4.7 (5)	12.1 (81)	18.4 (58)	-22.1 (10)	6.2 (95)	11.1 (96)	4.0 (99)	8.3 (99)	18.5 (96)	-9.8 (71)

Manager Summary

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

NEPC Focused Placement List (FPL) Strategies are those strategies that have been vetted by the respective research analyst/consultant and NEPC's Due Diligence Committee, and subsequently approved for broad application across NEPC's client base. FPL strategies represent the highest conviction managers with whom we have thoroughly reviewed and believe have investment theses that present a competitive advantage in their respective areas of opportunity. Note that NEPC does not receive any compensation from investment managers as a result of their inclusion on our FPL, nor does inclusion on the FPL guarantee that the investment manager will ultimately be awarded a mandate with an NEPC client. FPLs are continuously monitored throughout the year, and officially updated once per year.

City of San Jose Police and Fire Department Retirement Plan

Manager Summary

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	NEPC DD Recommendation	Comments
Artisan Partners	Global Equities	Y	--	NO ACTION	Global Opps Strategy - NEPC FPL Strategy; Allocations have not yet been funded; No Action Recommended
RS Investments	U.S. Small Cap Equities	--	--	--	
Calamos	Convertible Bonds	Y	--	HOLD	Strategy is Closed to New Investors; No Action Recommended
TPG	Private Equity (Distressed)	--	--	--	NEPC FPL Strategy
Crescent Capital	Private Equity (Mezzanine)	Y	--	NO ACTION	NEPC FPL Strategy; No Action Recommended
Siguler Guff	Private Equity (Distressed)	--	--	--	NEPC FPL Strategy
Pantheon	Private Equity (Fund of Funds)	--	--	--	
Portfolio Advisors	Private Equity (Venture, Buyout, Special Situations)	--	--	--	
HarbourVest	Private Equity (Venture, Buyout)				
Seix	Core Plus Fixed Income; Bank Debt/High Yield	--	--	--	
IR&M	Long Duration Fixed Income	--	--	--	
Mackay Shields	High Yield/Bank Debt	--	--	--	NEPC FPL Strategy
PIMCO	Distressed Senior Credit II	--	--	--	
Marathon	Opportunistic Credit (European Distressed)	--	--	--	NEPC FPL Strategy
White Oak	Opportunistic Credit (Direct Lending)	--	--	--	
GSO	Opportunistic Credit (Direct Lending)	--	--	--	
Medley	Opportunistic Credit (Direct Lending)	--	--	--	
American Realty	Real Estate	--	--	--	
First Quadrant	Commodities	--	--	--	
Credit Suisse	Commodities	--	--	--	
PIMCO	Global Asset Allocation	--	--	--	NEPC FPL Strategy; Allocation has not yet been funded
GMO	Global Asset Allocation	--	--	--	Allocation has not yet been funded
Standard Life	Global Asset Allocation	--	--	--	Allocation has not yet been funded

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

Manager Summary

Changes/Announcements

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

Artisan Partners

- On November 1, 2012, Artisan announced that Artisan Partners Asset Management has filed a registration statement on Form S-1 with the SEC for a proposed initial public offering of Class A common stock. Artisan Partners LP will be the company's primary operating entity upon completion of the initial public offering.
- This is not all that surprising as Artisan originally filed for an initial public offering in 2011, but later withdrew it due to market conditions.
- San Jose P&F recently approved a \$50 M investment in two Artisan strategies - Global Value and Global Opportunities.
- **NO ACTION is recommended.**

Calamos Advisors

- On August 23, 2012, Calamos announced that Nick Calamos, Chief Investment Officer, was leaving the firm to pursue personal interests. At the same time, Calamos announced the acquisition of Black Capital, LLC and the appointment of Gary Black to Global Co-Chief Investment Officer replacing Nick Calamos.
- Nick Calamos has been with the firm for 28 years, and his uncle, John Calamos Sr., is the founder, Chairman, CEO and Co-CIO. Nick has been transitioning his duties dating back to March 2009 when he gave up management of the research team and control of the individual stock selection, risk allocation and portfolio construction of the firm's global equity strategies to Jeff Scudieri. Since that time, Nick has worked with John to set the firm's top down views and identify secular themes. He will stay on at the firm through the remainder of the year, and there are no plans for him to sell any of his equity in the firm. Nick will also continue to serve as a member of the firm's Board of Directors.
- Gary Black is a long tenured investor that was a protégé of Lew Sanders at AllianceBernstein before leaving to improve Janus's research efforts and later starting a long/short hedge fund. We believe Gary will be an agent of change at Calamos and is keenly focused on product development as well as evaluating the existing product line up and investment teams.
- This is a significant change for Calamos and marks a change in the future direction of the business. Once the firm's global equity and convertibles product lines closed, there was really no longer an engine for growth within the firm. Calamos has selectively expanded its product lines throughout the years, and the addition of Black Capital expands Calamos' existing capabilities in alternative strategies, and follows the recent addition of an investment team focused on value equities.
- **HOLD status is recommended. We do not recommend any action as a result of this announcement.**

Manager Summary

Changes/Announcements

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

Crescent Capital

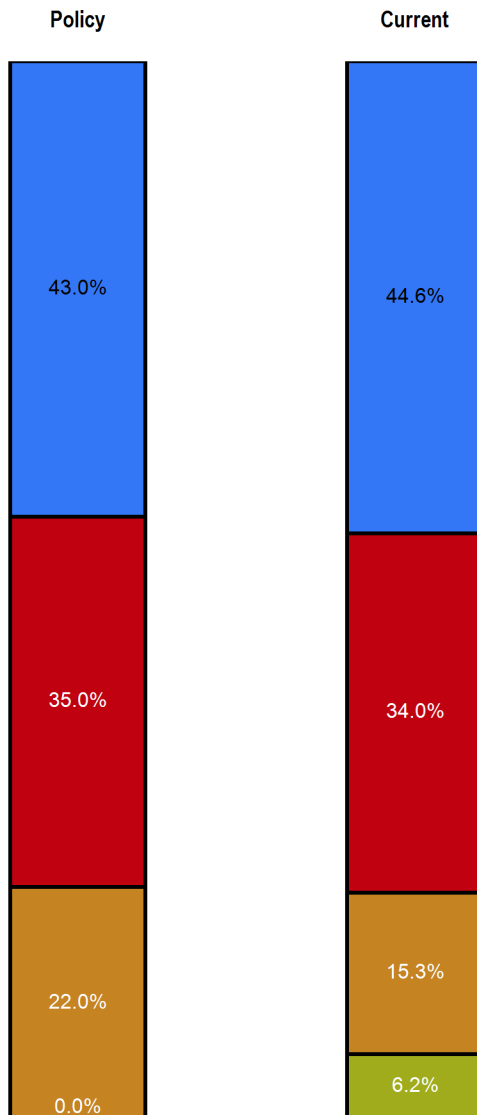
- In early October 2012, Crescent Capital notified NEPC that Patrick Turner, a Managing Director on the mezzanine team, has taken a leave of absence from the firm for personal reasons. The leave does not trigger key man provisions and should not be of significant concern to investors.
- Patrick is one of seven investment professionals named in the Fund VI key man provision, which is triggered if four of the seven named investment professionals depart. Similarly, the departure does not trigger a key man provision in Funds IV or V, which are outside of their investment period.
- Crescent is a very flat organization with a large team that includes more than twenty investment professionals. Coverage of key private equity sponsors are handled by multiple professionals. We believe this team approach provides the team the ability to easily cover for the departure of a single investment professional.
- San Jose P&F invested \$20 M in Crescent Capital Mezzanine Fund V.
- ***NO ACTION is recommended.***

HealthCare Plan Performance



City of San Jose Police and Fire Department Health Care Fund

Total Fund Asset Allocation vs. Policy Targets



Asset Allocation vs. Target

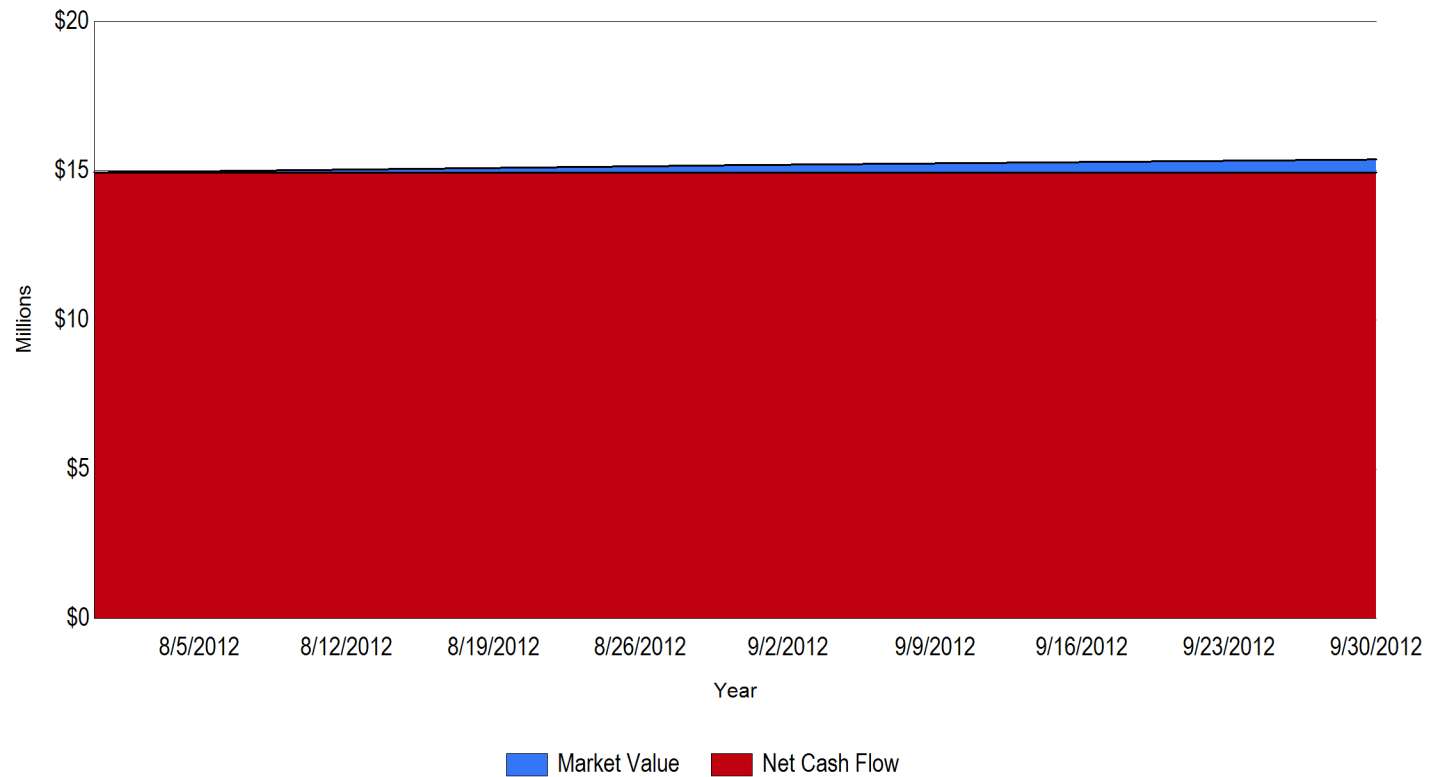
	Current	Policy	Current	Difference *	Policy Range	Within Range
Equities	\$6,851,652	43.0%	44.6%	1.6%	25.0% - 50.0%	Yes
Fixed Income	\$5,222,618	35.0%	34.0%	-1.0%	20.0% - 40.0%	Yes
Inflation-Linked	\$2,353,592	22.0%	15.3%	-6.7%	12.0% - 25.0%	Yes
Cash	\$946,846	0.0%	6.2%	6.2%	0.0% - 5.0%	No
Total	\$15,374,708	100.0%	100.0%			

*Difference between Policy and Current Allocation

City of San Jose Police and Fire Department Health Care Fund

Total Fund Asset Growth Summary

3 Months Ending September 30, 2012



Sources of Portfolio Growth

	Last Three Months
Beginning Market Value	\$0
Net Additions/Withdrawals	\$14,935,384
Investment Earnings	\$439,324
Ending Market Value	\$15,374,708



NEPC, LLC

September 30, 2012

City of San Jose Police and Fire Department Health Care Fund

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	4 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
HealthCare Total Fund	15,374,708	100.0	2.4	59	--	--	--	--	--	--	--	--	--	--	2.4	Jul-12
Policy Benchmark			<u>2.9</u>	46	--	--	--	--	--	--	--	--	--	--	<u>2.9</u>	Jul-12
Over/Under			-0.5												-0.5	
Allocation Index			--	--	--	--	--	--	--	--	--	--	--	--	--	Jul-12
IF Health & Welfare Gross Median			2.7		6.4		9.5		6.6		4.2		5.2		2.7	Jul-12
Equity Composite	6,851,652	44.6	--	--	--	--	--	--	--	--	--	--	--	--	5.9	Aug-12
Vanguard Total Stock Market Index Institutional	6,851,652	44.6	6.7	30	--	--	--	--	--	--	--	--	--	--	5.9	Aug-12
MSCI ACWI IMI (Net)			<u>6.8</u>	27	<u>13.0</u>	68	<u>21.1</u>	93	<u>5.8</u>	88	<u>-1.7</u>	95	<u>9.0</u>	66	<u>5.6</u>	Aug-12
Over/Under			-0.1												0.3	
eA All US Equity Gross Median			5.9		14.6		29.2		8.6		2.4		10.0		5.5	Aug-12
Fixed Income Composite	5,222,618	34.0	--	--	--	--	--	--	--	--	--	--	--	--	0.2	Aug-12
Vanguard Total Bond Market Index Fund Institutional	5,222,618	34.0	1.6	70	--	--	--	--	--	--	--	--	--	--	0.2	Aug-12
Barclays Aggregate			<u>1.6</u>	70	<u>4.0</u>	70	<u>5.2</u>	71	<u>7.3</u>	65	<u>6.5</u>	59	<u>5.3</u>	62	<u>0.2</u>	Aug-12
Over/Under			0.0												0.0	
eA All US Fixed Inc Gross Median			2.1		5.5		7.0		8.3		6.9		5.7		0.6	Aug-12
Inflation-Linked Composite	2,353,592	15.3	--	--	--	--	--	--	--	--	--	--	--	--	-1.9	Aug-12
Real Estate Composite	1,463,592	9.5	--	--	--	--	--	--	--	--	--	--	--	--	-1.9	Aug-12
Vanguard REIT Index Fund Signal	1,463,592	9.5	0.0	58	--	--	--	--	--	--	--	--	--	--	-1.9	Aug-12
MSCI US REIT Gross			<u>0.0</u>	58	<u>14.9</u>	54	<u>32.4</u>	72	<u>5.9</u>	87	<u>2.1</u>	84	--	--	<u>-1.9</u>	Aug-12
Over/Under			0.0												0.0	
eA US REIT Gross Median			0.2		15.0		33.3		7.3		3.5		13.1		-1.8	Aug-12
Commodities Composite	890,000	5.8	--	--	--	--	--	--	--	--	--	--	--	--	0.0	Sep-12
First Quadrant	890,000	5.8	--	--	--	--	--	--	--	--	--	--	--	--	0.0	Sep-12
Custom Commodity Risk Parity Index			<u>7.3</u>	--	<u>4.4</u>	--	<u>3.5</u>	--	--	--	--	--	--	--	<u>2.2</u>	Sep-12
Over/Under															-2.2	
Cash	946,846	6.2	0.0	--	--	--	--	--	--	--	--	--	--	--	0.0	Jul-12
Cash	946,846	6.2	0.0	--	--	--	--	--	--	--	--	--	--	--	0.0	Jul-12
91 Day T-Bills			<u>0.0</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.5</u>	--	<u>1.7</u>	--	<u>0.0</u>	Jul-12
Over/Under			0.0												0.0	

Note: Performance shown is gross of fees.

Appendix: Net of Fees Performance - Pension



City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail (Net of Fee)

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Fund	2,877,708,460	100.0	5.8	10.4	14.3	7.3	8.2	1.1	4.5	7.9	8.6	Mar-71
Policy Benchmark			<u>4.5</u>	<u>8.8</u>	<u>13.4</u>	<u>8.5</u>	<u>9.1</u>	<u>1.4</u>	<u>5.0</u>	<u>7.9</u>	--	Mar-71
Over/Under			1.3	1.6	0.9	-1.2	-0.9	-0.3	-0.5	0.0		
Allocation Index			4.7	8.9	13.3	7.3	8.3	1.7	5.3	8.2	--	Mar-71
60% S&P 500 / 40% BC Agg			4.4	11.5	19.9	11.1	10.7	3.7	5.4	7.2	--	Mar-71
Total Fund Ex Overlay	2,836,391,439	98.6	5.6	10.0	14.0	7.2	8.1	1.0	4.5	7.9	8.6	Mar-71
Total Equity Composite	1,309,886,044	45.5	6.8	13.0	21.6	7.2	8.3	--	--	--	1.4	Apr-08
MSCI ACWI (Net)			<u>6.8</u>	<u>12.9</u>	<u>21.0</u>	<u>6.6</u>	<u>7.2</u>	<u>-2.1</u>	<u>3.6</u>	<u>8.6</u>	<u>0.2</u>	Apr-08
Over/Under			0.0	0.1	0.6	0.6	1.1				1.2	
Global Equity Composite	874,603,688	30.4	7.2	14.4	--	--	--	--	--	--	14.4	Jan-12
MSCI ACWI (Net)			<u>6.8</u>	<u>12.9</u>	<u>21.0</u>	<u>6.6</u>	<u>7.2</u>	<u>-2.1</u>	<u>3.6</u>	<u>8.6</u>	<u>12.9</u>	Jan-12
Over/Under			0.4	1.5							1.5	
Russell MSCI ACWI	390,894,053	13.6	6.9	14.8	--	--	--	--	--	--	14.8	Jan-12
MSCI ACWI (Net)			<u>6.8</u>	<u>12.9</u>	<u>21.0</u>	<u>6.6</u>	<u>7.2</u>	<u>-2.1</u>	<u>3.6</u>	<u>8.6</u>	<u>12.9</u>	Jan-12
Over/Under			0.1	1.9							1.9	
Russell MSCI ACWI Value	483,709,635	16.8	7.5	14.0	--	--	--	--	--	--	14.0	Jan-12
MSCI ACWI Value (Net)			<u>6.6</u>	<u>11.5</u>	<u>19.5</u>	<u>5.5</u>	<u>5.4</u>	<u>-3.3</u>	<u>2.8</u>	<u>8.8</u>	<u>11.5</u>	Jan-12
Over/Under			0.9	2.5							2.5	
Total U.S. Equity Composite	120,260,359	4.2	7.0	14.3	28.8	13.5	12.3	0.6	3.8	8.2	3.5	Jun-95
Russell 3000			<u>6.2</u>	<u>16.1</u>	<u>30.2</u>	<u>14.4</u>	<u>13.3</u>	<u>1.3</u>	<u>4.6</u>	<u>8.5</u>	<u>8.0</u>	Jun-95
Over/Under			0.8	-1.8	-1.4	-0.9	-1.0	-0.7	-0.8	-0.3	-4.5	
Rhumbline Russell 3000	32,047,188	1.1	6.2	15.9	--	--	--	--	--	--	16.9	Dec-11
Russell 3000			<u>6.2</u>	<u>16.1</u>	<u>30.2</u>	<u>14.4</u>	<u>13.3</u>	<u>1.3</u>	<u>4.6</u>	<u>8.5</u>	<u>17.1</u>	Dec-11
Over/Under			0.0	-0.2							-0.2	
RS Investments	88,186,430	3.1	7.3	14.3	29.0	12.0	--	--	--	--	12.6	Aug-10
Russell 2000 Value			<u>5.7</u>	<u>14.4</u>	<u>32.6</u>	<u>11.7</u>	<u>11.7</u>	<u>1.3</u>	<u>3.7</u>	<u>9.7</u>	<u>11.9</u>	Aug-10
Over/Under			1.6	-0.1	-3.6	0.3					0.7	

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail (Net of Fee)

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total International Equity Composite	228,555,461	7.9	6.6	11.3	17.0	0.7	4.0	-3.8	3.8	10.6	4.8	Jun-95
<i>MSCI AC WORLD ex US (Net)</i>			<u>7.4</u>	<u>10.4</u>	<u>14.5</u>	<u>1.0</u>	<u>3.2</u>	<u>-4.1</u>	<u>3.3</u>	<u>9.8</u>	--	<i>Jun-95</i>
Over/Under			-0.8	0.9	2.5	-0.3	0.8	0.3	0.5	0.8		
Developed International Equity Composite	93,053,921	3.2	7.9	12.5	20.0	4.1	5.6	-3.6	3.5	9.5	4.1	Jun-95
<i>MSCI EAFE (Net)</i>			<u>6.9</u>	<u>10.1</u>	<u>13.8</u>	<u>1.5</u>	<u>2.1</u>	<u>-5.2</u>	<u>1.8</u>	<u>8.2</u>	<u>4.2</u>	<i>Jun-95</i>
Over/Under			1.0	2.4	6.2	2.6	3.5	1.6	1.7	1.3	-0.1	
Russell MSCI EAFE + CAD Small Cap	92,247,963	3.2	7.9	12.7	--	--	--	--	--	--	10.9	Dec-11
<i>MSCI EAFE + CAD Small Cap (Net)</i>			<u>8.6</u>	<u>12.1</u>	<u>12.8</u>	<u>3.2</u>	<u>5.7</u>	<u>-2.6</u>	<u>2.9</u>	<u>11.5</u>	<u>9.9</u>	<i>Dec-11</i>
Over/Under			-0.7	0.6							1.0	
Emerging Markets Equity Composite	135,501,540	4.7	5.8	10.5	14.9	-4.5	2.6	-2.3	6.5	15.2	12.1	Sep-01
<i>MSCI Emg Mkts Free (Net)</i>			<u>7.7</u>	<u>12.0</u>	<u>16.9</u>	<u>-1.0</u>	<u>5.6</u>	<u>-1.3</u>	<u>8.6</u>	<u>17.0</u>	<u>14.3</u>	<i>Sep-01</i>
Over/Under			-1.9	-1.5	-2.0	-3.5	-3.0	-1.0	-2.1	-1.8	-2.2	
Russell Emerging Markets	135,501,540	4.7	5.8	10.5	--	--	--	--	--	--	1.2	Nov-11
<i>MSCI Emg Mkts Free (Net)</i>			<u>7.7</u>	<u>12.0</u>	<u>16.9</u>	<u>-1.0</u>	<u>5.6</u>	<u>-1.3</u>	<u>8.6</u>	<u>17.0</u>	<u>3.3</u>	<i>Nov-11</i>
Over/Under			-1.9	-1.5							-2.1	
Convertible Bonds												
Calamos	86,466,536	3.0	3.2	3.4	6.0	3.7	5.9	--	--	--	6.7	Sep-09
<i>BofAML Global 300 Convertible Index LOC</i>			<u>4.0</u>	<u>10.0</u>	<u>12.8</u>	<u>4.6</u>	<u>6.5</u>	<u>1.7</u>	<u>4.7</u>	<u>6.0</u>	<u>7.4</u>	<i>Sep-09</i>
Over/Under			-0.8	-6.6	-6.8	-0.9	-0.6				-0.7	

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail (Net of Fee)

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Fixed Income Composite	804,385,619	28.0	4.6	9.7	11.3	9.0	9.6	--	--	--	9.0	Apr-08
<i>Barclays Aggregate</i>			<u>1.6</u>	<u>4.0</u>	<u>5.2</u>	<u>5.2</u>	<u>6.2</u>	<u>6.5</u>	<u>5.9</u>	<u>5.3</u>	<u>6.1</u>	<i>Apr-08</i>
Over/Under			3.0	5.7	6.1	3.8	3.4				2.9	
Domestic Core Fixed Income Composite	191,910,438	6.7	1.9	4.9	6.4	6.5	7.1	6.5	5.8	5.8	3.5	Jun-95
<i>Barclays Aggregate</i>			<u>1.6</u>	<u>4.0</u>	<u>5.2</u>	<u>5.2</u>	<u>6.2</u>	<u>6.5</u>	<u>5.9</u>	<u>5.3</u>	<u>6.3</u>	<i>Jun-95</i>
Over/Under			0.3	0.9	1.2	1.3	0.9	0.0	-0.1	0.5	-2.8	
Seix Core Fixed Income	191,837,654	6.7	1.9	4.9	6.4	6.5	7.3	7.9	6.9	6.4	6.7	Oct-99
<i>Barclays Aggregate</i>			<u>1.6</u>	<u>4.0</u>	<u>5.2</u>	<u>5.2</u>	<u>6.2</u>	<u>6.5</u>	<u>5.9</u>	<u>5.3</u>	<u>6.3</u>	<i>Oct-99</i>
Over/Under			0.3	0.9	1.2	1.3	1.1	1.4	1.0	1.1	0.4	
TIPS												
Treasury Inflation Protected Securities (TIPS)	274,137,370	9.5	1.7	4.1	5.8	6.9	--	--	--	--	7.9	Jan-10
Domestic Long Duration Fixed Income												
Income Research	162,411,098	5.6	4.4	10.1	13.2	12.6	13.2	12.3	9.5	--	9.0	Jan-05
<i>Barclays LT Govt/Credit</i>			<u>3.1</u>	<u>8.3</u>	<u>11.1</u>	<u>11.9</u>	<u>12.5</u>	<u>10.9</u>	<u>8.6</u>	<u>8.1</u>	<u>8.4</u>	<i>Jan-05</i>
Over/Under			1.3	1.8	2.1	0.7	0.7	1.4	0.9		0.6	

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail (Net of Fee)

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Credit Composite	175,926,714	6.1	13.4	26.9	26.5	12.0	13.0	--	--	--	10.8	Jul-08
50% DLJ Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index			<u>3.8</u>	<u>9.5</u>	<u>14.2</u>	<u>8.0</u>	<u>9.8</u>	<u>6.5</u>	<u>6.3</u>	<u>7.6</u>	<u>8.0</u>	Jul-08
Over/Under			9.6	17.4	12.3	4.0	3.2				2.8	
BofA Merrill Lynch US High Yield BB-B Rated Constrained Index			<u>4.4</u>	<u>11.2</u>	<u>17.7</u>	<u>9.5</u>	<u>11.9</u>	<u>8.4</u>	<u>7.9</u>	<u>9.6</u>	<u>10.2</u>	Jul-08
Domestic Credit Composite	41,560,743	1.4	3.0	8.3	11.5	6.7	8.4	--	--	--	10.6	Apr-09
50% DLJ Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index			<u>3.8</u>	<u>9.5</u>	<u>14.2</u>	<u>8.0</u>	<u>9.8</u>	<u>6.5</u>	<u>6.3</u>	<u>7.6</u>	<u>17.0</u>	Apr-09
Over/Under			-0.8	-1.2	-2.7	-1.3	-1.4				-6.4	
BofA Merrill Lynch US High Yield BB-B Rated Constrained Index			<u>4.4</u>	<u>11.2</u>	<u>17.7</u>	<u>9.5</u>	<u>11.9</u>	<u>8.4</u>	<u>7.9</u>	<u>9.6</u>	<u>19.0</u>	Apr-09
Seix	14,029,645	0.5	<u>2.3</u>	<u>5.5</u>	<u>6.1</u>	<u>3.9</u>	<u>4.9</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6.6</u>	Apr-09
DLJ Leveraged Loan Index			<u>3.1</u>	<u>7.8</u>	<u>10.7</u>	<u>6.5</u>	<u>7.8</u>	<u>4.5</u>	<u>4.7</u>	<u>5.6</u>	<u>12.9</u>	Apr-09
Over/Under			-0.8	-2.3	-4.6	-2.6	-2.9				-6.3	
Mackay Shields	27,531,098	1.0	<u>3.4</u>	<u>9.9</u>	<u>15.1</u>	<u>8.5</u>	<u>11.1</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>14.3</u>	Apr-09
BofA Merrill Lynch US High Yield BB-B Rated Over/Under			<u>4.5</u>	<u>11.3</u>	<u>17.8</u>	<u>9.6</u>	<u>12.0</u>	<u>8.3</u>	<u>8.0</u>	<u>9.7</u>	<u>16.6</u>	Apr-09
			-1.1	-1.4	-2.7	-1.1	-0.9				-2.3	
Opportunistic Credit Composite	134,365,971	4.7	17.1	34.5	31.2	12.9	14.9	--	--	--	15.5	Jul-08
50% DLJ Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index			<u>3.8</u>	<u>9.5</u>	<u>14.2</u>	<u>8.0</u>	<u>9.8</u>	<u>6.5</u>	<u>6.3</u>	<u>7.6</u>	<u>8.0</u>	Jul-08
Over/Under			13.3	25.0	17.0	4.9	5.1				7.5	
BofA Merrill Lynch US High Yield BB-B Rated Constrained Index			<u>4.4</u>	<u>11.2</u>	<u>17.7</u>	<u>9.5</u>	<u>11.9</u>	<u>8.4</u>	<u>7.9</u>	<u>9.6</u>	<u>10.2</u>	Jul-08
Pimco Disco II	134,365,971	4.7	<u>17.1</u>	<u>34.7</u>	<u>35.7</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>35.7</u>	Nov-11
BofA Merrill Lynch US High Yield BB-B Rated Constrained Index			<u>4.4</u>	<u>11.2</u>	<u>17.7</u>	<u>9.5</u>	<u>11.9</u>	<u>8.4</u>	<u>7.9</u>	<u>9.6</u>	<u>11.7</u>	Nov-11
Over/Under			12.7	23.5	18.0						24.0	

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail (Net of Fee)

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Private Equity Composite	128,691,941	4.5	0.5	6.2	3.6	8.7	11.4	4.0	2.8	--	2.8	Oct-05
Cambridge PE 1 Qtr Lag			<u>-0.1</u>	<u>10.9</u>	<u>5.9</u>	<u>15.1</u>	<u>16.4</u>	<u>5.3</u>	<u>12.1</u>	<u>13.7</u>	<u>12.1</u>	Oct-05
Over/Under			0.6	-4.7	-2.3	-6.4	-5.0	-1.3	-9.3		-9.3	
Venture Economics All Private Equity Lag			0.0	10.1	5.4	13.7	15.2	4.8	10.2	10.9	10.2	Oct-05
Total Real Estate Composite	114,604,699	4.0	2.0	10.5	10.3	10.5	8.5	1.7	1.2	0.8	0.5	Jun-95
NCREIF Property Index			<u>2.3</u>	<u>7.8</u>	<u>11.0</u>	<u>13.5</u>	<u>10.9</u>	<u>2.3</u>	<u>6.4</u>	<u>8.3</u>	<u>9.5</u>	Jun-95
Over/Under			-0.3	2.7	-0.7	-3.0	-2.4	-0.6	-5.2	-7.5	-9.0	
American Realty/Kennedy Combined	19,868,973	0.7	0.0	11.7	9.3	10.1	8.2	4.0	8.1	--	8.5	Oct-03
NCREIF Property Index			<u>2.3</u>	<u>7.8</u>	<u>11.0</u>	<u>13.5</u>	<u>10.9</u>	<u>2.3</u>	<u>6.4</u>	<u>8.3</u>	<u>8.4</u>	Oct-03
Over/Under			-2.3	3.9	-1.7	-3.4	-2.7	1.7	1.7		0.1	
American Realty Core Realty Fund	94,735,726	3.3	2.4	8.8	11.5	--	--	--	--	--	10.6	Sep-11
NCREIF Property Index			<u>2.3</u>	<u>7.8</u>	<u>11.0</u>	<u>13.5</u>	<u>10.9</u>	<u>2.3</u>	<u>6.4</u>	<u>8.3</u>	<u>13.5</u>	Sep-11
Over/Under			0.1	1.0	0.5						-2.9	
Inflation-Linked Assets Composite	306,546,580	10.7	7.4	2.6	0.8	3.6	--	--	--	--	3.1	Jan-10
Custom Commodity Risk Parity Index			<u>7.3</u>	<u>4.4</u>	<u>3.5</u>	--	--	--	--	--	--	Jan-10
Over/Under			0.1	-1.8	-2.7							
Dow Jones-UBS Commodity Index TR			9.7	5.6	6.0	3.0	5.3	-3.0	-0.9	5.2	2.5	Jan-10
Credit Suisse	172,041,162	6.0	7.7	4.6	3.5	--	--	--	--	--	-5.3	Apr-11
Custom Commodity Risk Parity Index			<u>7.3</u>	<u>4.4</u>	<u>3.5</u>	--	--	--	--	--	-5.4	Apr-11
Over/Under			0.4	0.2	0.0						0.1	
Dow Jones-UBS Commodity Index TR			9.7	5.6	6.0	3.0	5.3	-3.0	-0.9	5.2	-8.4	Apr-11
First Quadrant	134,505,418	4.7	6.9	0.3	-2.5	--	--	--	--	--	-7.8	Apr-11
Custom Commodity Risk Parity Index			<u>7.3</u>	<u>4.4</u>	<u>3.5</u>	--	--	--	--	--	-5.4	Apr-11
Over/Under			-0.4	-4.1	-6.0						-2.4	
Dow Jones-UBS Commodity Index TR			9.7	5.6	6.0	3.0	5.3	-3.0	-0.9	5.2	-8.4	Apr-11

City of San Jose Police and Fire Department Retirement Plan

Total Fund Performance Detail (Net of Fee)

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
Opportunistic Composite	115,750,344	4.0	7.7	6.8	10.0	--	--	--	--	--	5.8	Nov-10
3 Months LIBOR + 5%			<u>1.3</u>	<u>4.1</u>	<u>5.5</u>	<u>5.4</u>	<u>5.4</u>	<u>6.2</u>	<u>7.4</u>	<u>7.3</u>	<u>5.4</u>	Nov-10
Over/Under			6.4	2.7	4.5						0.4	
White Oak	32,498,671	1.1	7.6	4.2	1.6	--	--	--	--	--	1.5	Nov-10
3 Months LIBOR + 5%			<u>1.3</u>	<u>4.1</u>	<u>5.5</u>	<u>5.4</u>	<u>5.4</u>	<u>6.2</u>	<u>7.4</u>	<u>7.3</u>	<u>5.4</u>	Nov-10
Over/Under			6.3	0.1	-3.9						-3.9	
GSO	37,625,520	1.3	7.0	12.0	32.3	--	--	--	--	--	22.8	Dec-10
3 Months LIBOR + 5%			<u>1.3</u>	<u>4.1</u>	<u>5.5</u>	<u>5.4</u>	<u>5.4</u>	<u>6.2</u>	<u>7.4</u>	<u>7.3</u>	<u>5.4</u>	Dec-10
Over/Under			5.7	7.9	26.8						17.4	
Medley Capital	45,626,153	1.6	9.1	6.7	8.5	--	--	--	--	--	4.5	Mar-11
3 Months LIBOR + 5%			<u>1.3</u>	<u>4.1</u>	<u>5.5</u>	<u>5.4</u>	<u>5.4</u>	<u>6.2</u>	<u>7.4</u>	<u>7.3</u>	<u>5.4</u>	Mar-11
Over/Under			7.8	2.6	3.0						-0.9	
Cash												
Cash	57,927,072	2.0	0.0	0.2	0.2	0.3	1.1	6.5	12.4	12.6	--	Jul-02
91 Day T-Bills			<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.5</u>	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	Jul-02
Over/Under			0.0	0.1	0.1	0.2	1.0	6.0	10.7	10.9		

Appendix: Net of Fees Performance - HealthCare



City of San Jose Police and Fire Department Health Care Fund

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
HealthCare Total Fund	15,374,708	100.0	2.4	--	--	--	--	--	2.4	Jul-12
Policy Benchmark			<u>2.9</u>	--	--	--	--	--	<u>2.9</u>	Jul-12
Over/Under			-0.5						-0.5	
Allocation Index			--	--	--	--	--	--	--	Jul-12
Equity Composite	6,851,652	44.6	--	--	--	--	--	--	5.8	Aug-12
Vanguard Total Stock Market Index Institutional	6,851,652	44.6	6.7	--	--	--	--	--	5.8	Aug-12
MSCI ACWI IMI (Net)			<u>6.8</u>	<u>13.0</u>	<u>21.1</u>	<u>7.6</u>	<u>-1.7</u>	<u>9.0</u>	<u>5.6</u>	Aug-12
Over/Under			-0.1						0.2	
Fixed Income Composite	5,222,618	34.0	--	--	--	--	--	--	0.2	Aug-12
Vanguard Total Bond Market Index Fund Institutional	5,222,618	34.0	1.6	--	--	--	--	--	0.2	Aug-12
Barclays Aggregate			<u>1.6</u>	<u>4.0</u>	<u>5.2</u>	<u>6.2</u>	<u>6.5</u>	<u>5.3</u>	<u>0.2</u>	Aug-12
Over/Under			0.0						0.0	
Inflation-Linked Composite	2,353,592	15.3	--	--	--	--	--	--	-1.9	Aug-12
Real Estate Composite	1,463,592	9.5	--	--	--	--	--	--	-2.0	Aug-12
Vanguard REIT Index Fund Signal	1,463,592	9.5	0.0	--	--	--	--	--	-2.0	Aug-12
MSCI US REIT Gross			<u>0.0</u>	<u>14.9</u>	<u>32.4</u>	<u>20.5</u>	<u>2.1</u>	--	<u>-1.9</u>	Aug-12
Over/Under			0.0						-0.1	
Commodities Composite	890,000	5.8	--	--	--	--	--	--	0.0	Sep-12
First Quadrant	890,000	5.8	--	--	--	--	--	--	0.0	Sep-12
Custom Commodity Risk Parity Index			<u>7.3</u>	<u>4.4</u>	<u>3.5</u>	--	--	--	<u>2.2</u>	Sep-12
Over/Under									-2.2	
Cash	946,846	6.2	0.0	--	--	--	--	--	0.0	Jul-12
Cash	946,846	6.2	0.0	--	--	--	--	--	0.0	Jul-12
91 Day T-Bills			<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.5</u>	<u>1.7</u>	<u>0.0</u>	Jul-12
Over/Under			0.0						0.0	

Note: Performance shown is net of fees.



NEPC, LLC

September 30, 2012

Appendix: Policy Benchmark History



Policy Benchmark History

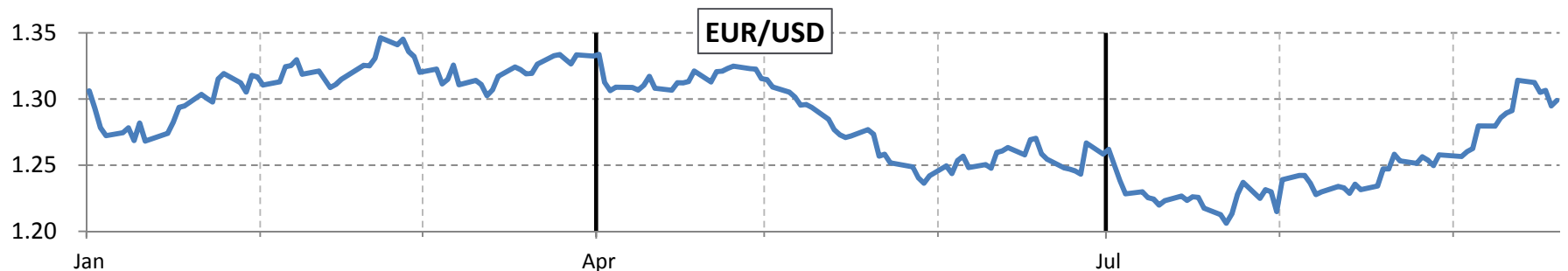
- **6/1/95 – 9/30/01** – 35% S&P 500/10% MSCI EAFE/35% BC Aggregate/10% Citigroup WGBI/10% NCREIF Property
- **10/1/01 – 12/31/04** – 35% S&P 500/15% MSCI EAFE/5% MSCI Emg Mkts/28% BC Aggregate/5% Citigroup WGBI/12% NCREIF Property
- **1/1/05 – 3/31/08** – 34% S&P 500/20% MSCI EAFE/5% MSCI Emg Mkts/20% BC Aggregate/4% BC Long Gov't/Credit/12% NCREIF Property/5% Russell 2000
- **4/1/08 – 6/30/08** – 29% S&P 500/5% Russell 2000/20% MSCI EAFE/5% MSCI Emg Mkts/20% BC Aggregate/4% BC Long Gov't/Credit/12% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)
- **7/1/08 – 12/31/09** – 22% S&P 500/5% Russell 2000/17% MSCI EAFE/5% MSCI Emg Mkts/18% BC Aggregate/5% ML US HY BB-B Constrained/10% NCREIF Property/8% Cambridge Private Equity (lagged 1 quarter)/5% DJ/UBS Commodities Index/5% HFRI FoF: Conservative
- **1/1/10 – 3/31/11** – 18% Russell 1000/5% Russell 2000/12% MSCI EAFE/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% DJ/UBS Commodities Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%
- **4/1/11 – 12/31/2011** – 18% Russell 1000/5% Russell 2000/12% MSCI EAFE/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% San Jose P&F Custom Commodity Risk Parity Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%
- **1/1/12 – Present** – 12% MSCI All Country World Index/15% MSCI All Country World Index Value/2% Russell 3000/3% Russell 2000/3% MSCI EAFE + CAD Small Cap/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% San Jose P&F Custom Commodity Risk Parity Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%

Appendix: Market Environment



A Timeline of the European Debt Crisis in 2012

Q1	<ul style="list-style-type: none"> • Positive momentum from leadership changes (Italy, Greece) and Long-Term Refinancing Operations (LTRO) carry over to new year <ul style="list-style-type: none"> – Spreads narrow and equities rally • Ratings agencies downgrade many European nations • Private holders of Greek debt “agree” to restructuring
Q2	<ul style="list-style-type: none"> • Francoise Hollande wins French presidency amidst wave of socialist support <ul style="list-style-type: none"> – Fears of a Greek exit from the Eurozone begin to rise under Socialist party pressure but elections tilt towards New Democracy party with goal of staying in EU • Spain gets a €100 billion EU bailout • Cyprus gets a bailout • Peripheral spreads soar • EU leaders meet at the end of June <ul style="list-style-type: none"> – Announce a broadening of ESM usage and early sketches of banking union
Q3	<ul style="list-style-type: none"> • Mario Draghi (ECB President) pledges to do “whatever it takes” • ECB announces plan of unlimited bond purchasing program (with conditionality) • German constitutional court rules in favor of ESM • ECB provides more details on “Single Supervisory Mechanism” for banks



Source: St. Louis Fed

- **Tremendous progress made in developing a long-term path toward sustainability of the European Union, driving a rally in risky assets**
 - Commitment of monetary support to allow peripheral countries access to debt markets
 - Continued transfers from “haves” to “have nots”
 - Outline of banking union
- **Is it enough?**
 - Funding gaps are still enormous compared to size of current bailout facilities (ESM/EFSF)
- **How will peripheral countries handle austerity as part of monetary support?**
 - ECB bond purchases come with conditionality
- **What political challenges lie ahead?**
 - Will Germany continue to risk its credit rating in unending support of the Euro?
 - Will other European countries (from periphery to France) sacrifice some sovereignty?
- **“Kick the can” remains the working path**
 - But risks of Eurozone breakup are likely to persist through the ebbs and flows of the news cycle
 - Highly likely that further developments will mirror volatility of last few years
 - Timeline for European distressed assets opportunity likely gets extended with more good news

- **On December 31, 2012, a number of provisions related to tax relief, unemployment and health benefits, and discretionary government spending are scheduled to expire**
 - Bush Tax Cuts
 - Social Security Payroll Tax
 - Emergency Unemployment Benefits
 - Reductions in Medicare payments & new healthcare taxes
- **Estimates of the impact of these cuts range, but are expected to create several percentage points of drag on GDP**
 - At a time of low growth and continued deleveraging
- **Congress expected to address this following November elections and before year-end**
 - In recess until after elections – nothing will happen before then
- **Potential Outcomes**
 - Do Nothing – reduces budget deficit but causes fiscal tightening, dragging down economic growth
 - If market/economic drawdown is severe, could see a quick reactive deal put together to extend
 - **Near-term Extension – push deadline beyond January inauguration to get past potential decision paralysis of potential “lame duck” session**
 - Extend and cut elsewhere – neutral on policy
 - Unclear what economic implications would be since what would be cut instead is unknown
 - Medium/Long-term Extension – avoids fiscal tightening but creates long-term sustainability issues for budget/deficit

- **The U.S. Fiscal Cliff is a major economic issue, likely to push the U.S. into recession if not modified**
 - Major revenue and spending cuts
 - Drag on GDP growth
- **With recent stimulation, capital markets have charged forward with an implicit assumption that catastrophe will be avoided**
- **The most likely outcome appears to be a short-term extension (3-24 months?) to push the decision past the January inauguration**
 - The presidential election is unlikely to have a major impact on the outcome
 - Congress is in recess and will not address this during potential “lame duck” session
- **BUT...never underestimate the potential for political brinkmanship to erode any opportunity for compromise**
- **If current policies are extended, broader cooperation still needs to take place to get the U.S. budget on a path to long-term sustainability**

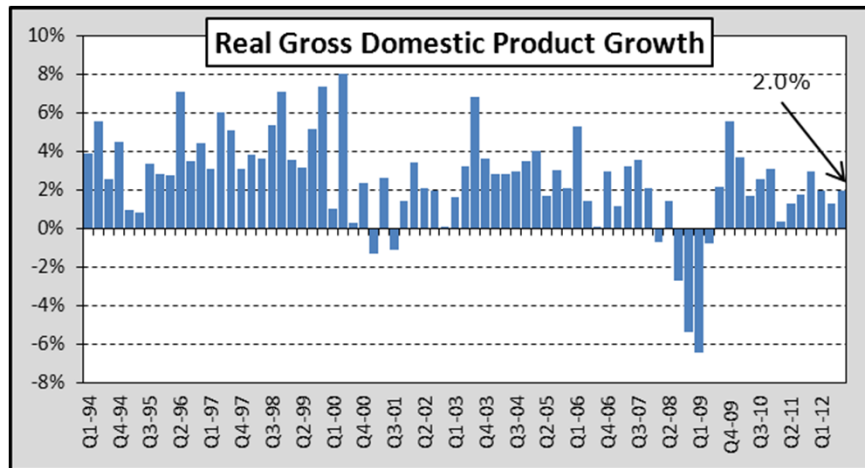
- **Strong Chinese growth over the last 10 plus years has been a key component of emerging market equity returns**
 - Export growth and infrastructure/real estate expansion have led the surge
 - Developed world deleveraging places strain on many of these growth drivers going forward
- **Reports of a “Hard Landing” in China driven by concerns of an overexpansion tied to easy credit in the last few years**
 - China represents 11% of global GDP, second only to the U.S.
 - Impact of slowdown is even more critical today than historically
 - Growth expectations hovering around 8% currently, some perceive 7% or lower as the threshold for the “hard landing”
- **Political events loom in the near-term**
 - Once-a-decade leadership transition expected to take place in coming months
 - Recent news of a regional spat with Japan over disputed territorial claims
- **Some positive factors today:**
 - Strong central bank balance sheet
 - Trade surplus
 - Room for easing
 - Moderate inflation
 - Decent valuation metrics

- **Uncertainty in China is higher today**
 - Headwinds from slowing growth
 - Currency appreciation leading to slightly lower labor competitiveness
 - Regime change
 - Dispute with Japan
- **But, positives remain**
 - 8% growth still stronger than rest of world
 - Valuations look attractive relative to history
 - Inflation low – Both Headline and Core CPI around 2%
 - Policy makers have some latitude to ease policy
 - New political regime likely to want to please
 - Strong balance sheet
- **The Asset Allocation Committee plans to validate our expectations for emerging economies driving global growth in light of these concerns**
 - Today we maintain expectations that Emerging economies are in a fundamentally better position than Developed economies as the creditor nations

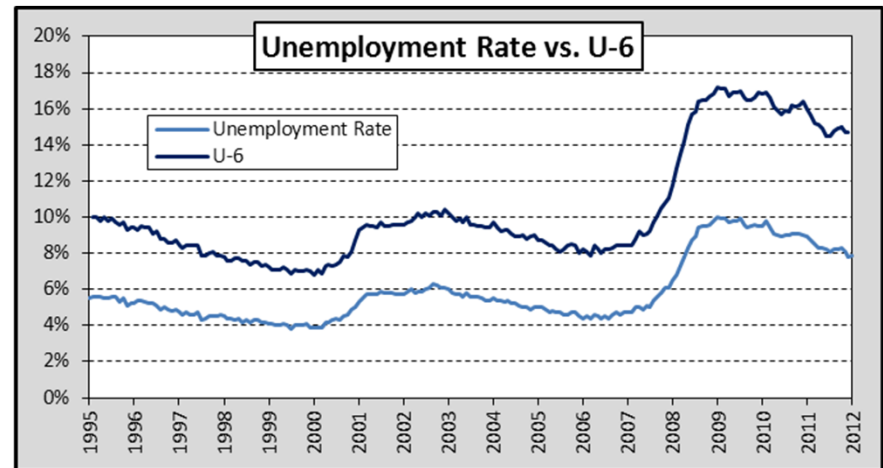
- **There continues to be relatively limited risk of higher inflation in the near term**
 - Expansion of central bank balance sheets is a reaction to low growth and deflationary pressures
 - The inflationary impact of this expansion only offsets that deflationary trend, and thus is unlikely to lead to high inflation
- **Commodity prices will likely lead to some increase in inflation**
- **Risks of higher long-term inflation have increased**
 - Higher commodity prices
 - Unlimited pledge of Quantitative Easing by the Fed and bond purchases by the ECB
- **The Asset Allocation Committee will be carefully evaluating our inflation outlook and its impact on our asset class assumptions over the coming months**

City of San Jose Police and Fire Department Retirement Plan

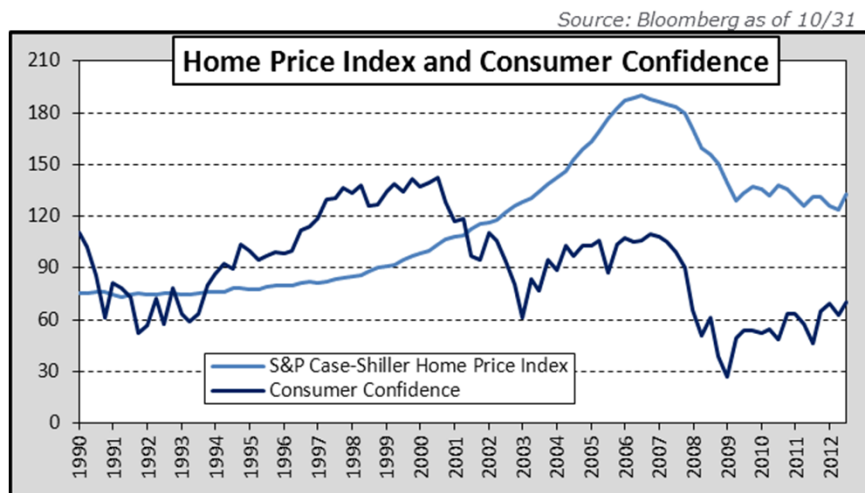
US Economic Environment



Third quarter GDP growth came in at 2.0%; following second quarter GDP growth which had been revised down to 1.3%

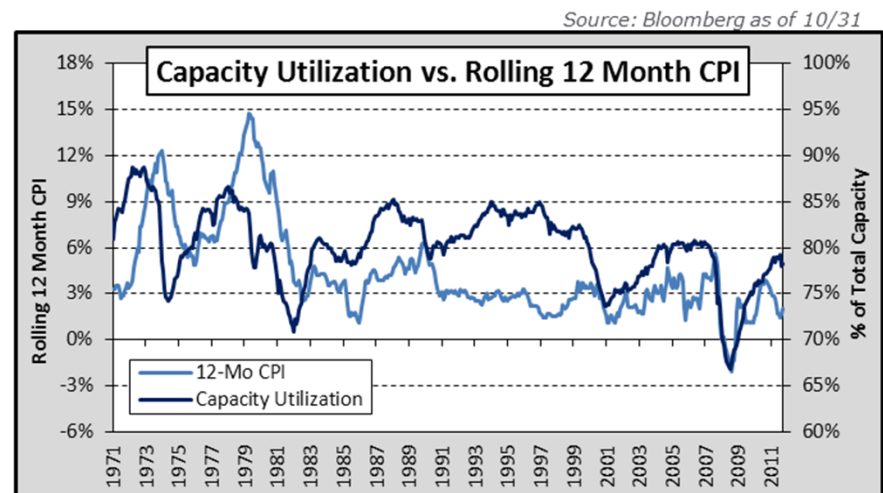


Unemployment increased marginally to 7.9% in October; while U-6 decreased to 14.6%



Consumer confidence rose to its highest quarterly level in Q3; the Case-Shiller home price index (as of 6/30) reached its highest mark since 2007

Source: Bloomberg as of 9/30

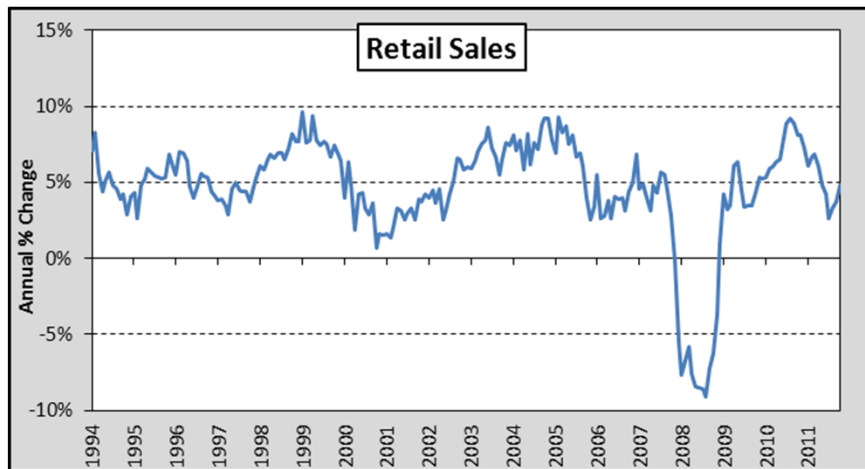


Rolling 12 month CPI increased to 2.0% at September end; capacity utilization increased slightly to 78.3% in the month

Source: Bloomberg as of 9/30

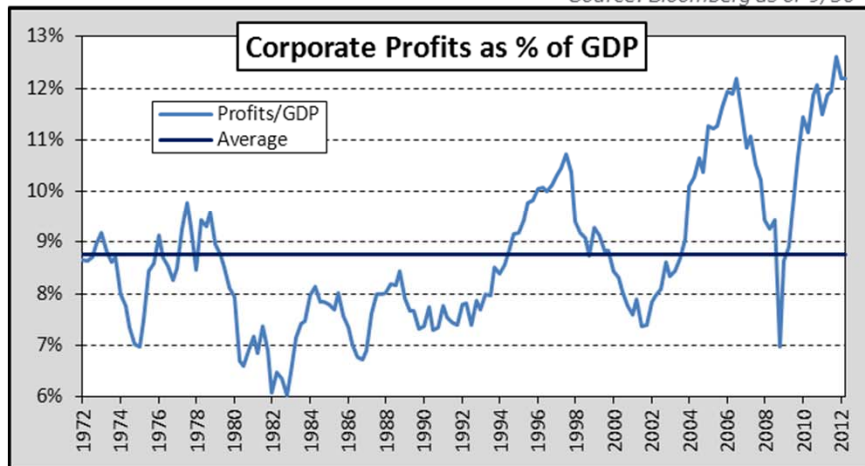
City of San Jose Police and Fire Department Retirement Plan

Components of GDP



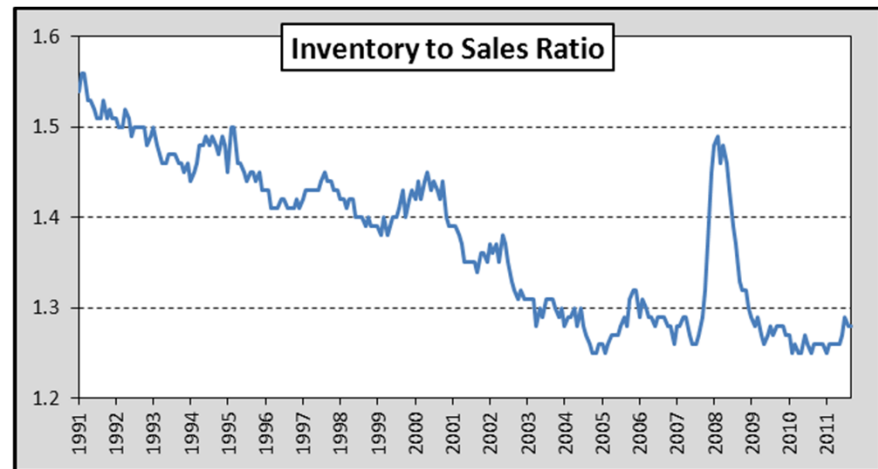
Retail sales increased to a 4.8% year-over-year growth rate in September

Source: Bloomberg as of 9/30



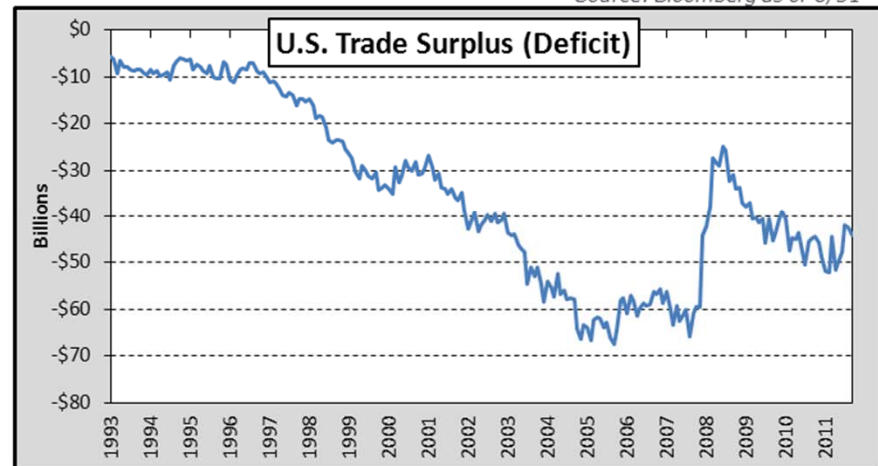
Corporate Profits as a percent of GDP decreased marginally but were still near secular highs above 12% at Q3 end

Source: Bloomberg as of 9/30



The inventory-to-sales ratio has remained mostly flat since the fourth quarter of 2010 - closing at 1.28 in August

Source: Bloomberg as of 8/31

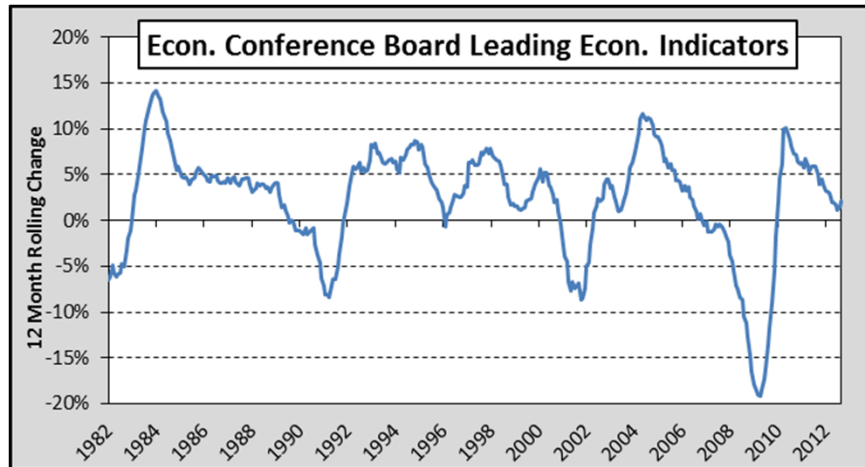


Following three months of decline, the trade deficit increased slightly for the second straight month in August

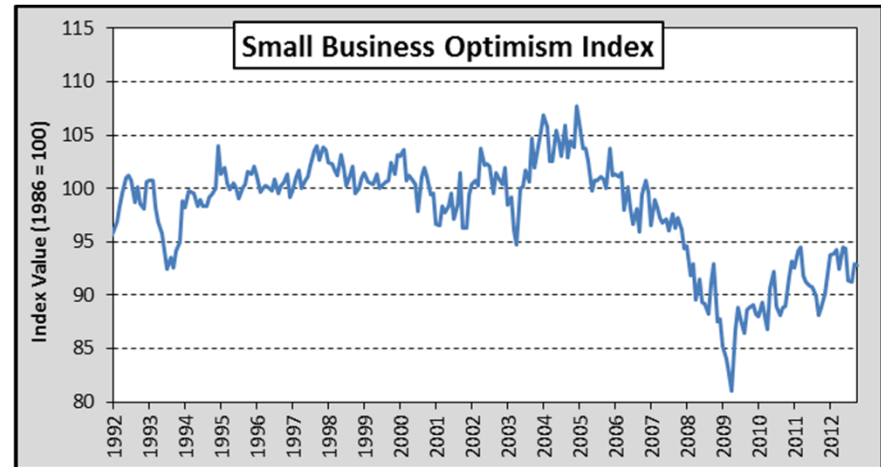
Source: Bloomberg as of 8/31

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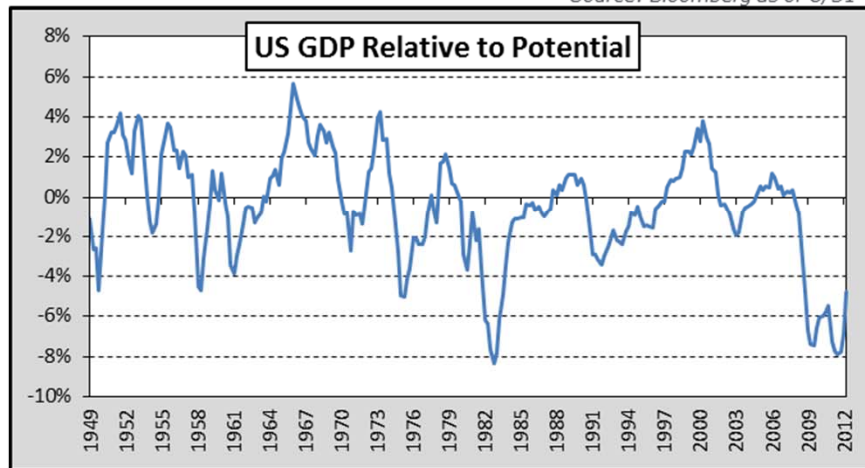
Key Economic Indicators



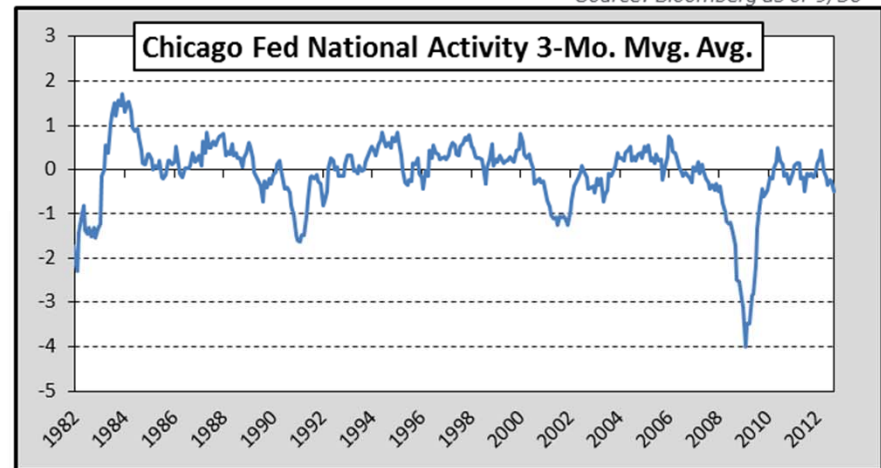
The rolling percentage change in the Leading Economic Indicators index increased to 2.13% in August



The small business optimism index fell by 0.1 points in September



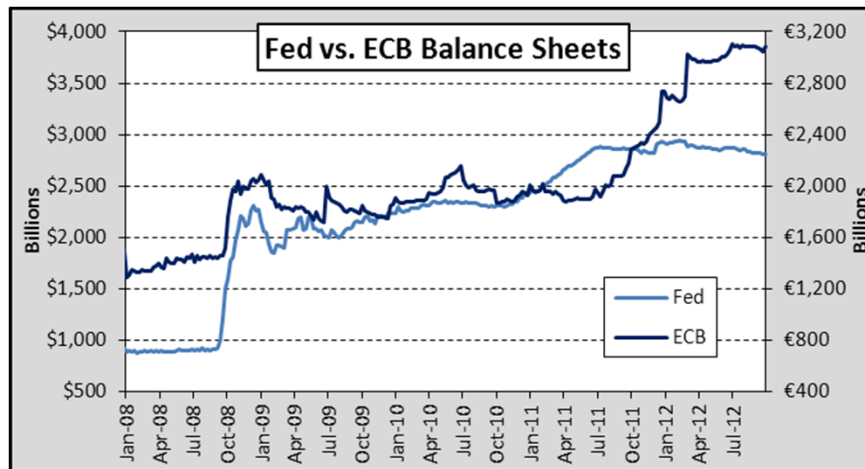
US GDP relative to potential GDP increased in the first quarter of 2012 but remained below the historical average



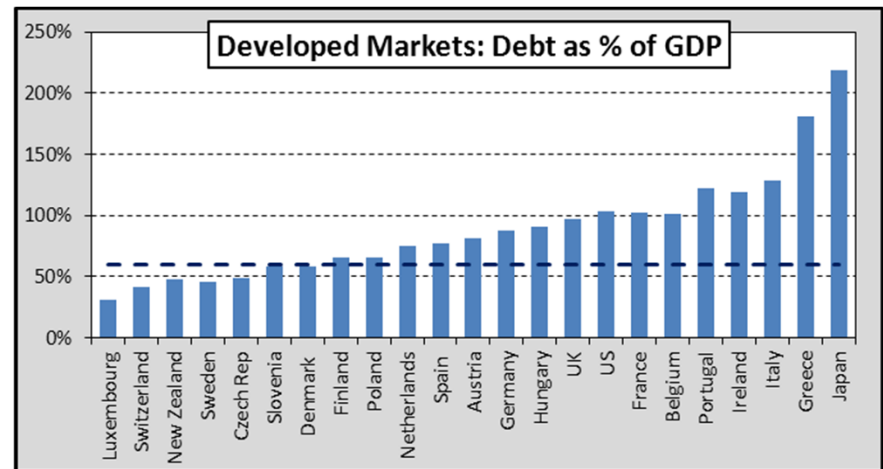
Chicago Fed National Activity 3 Month moving average decreased through August

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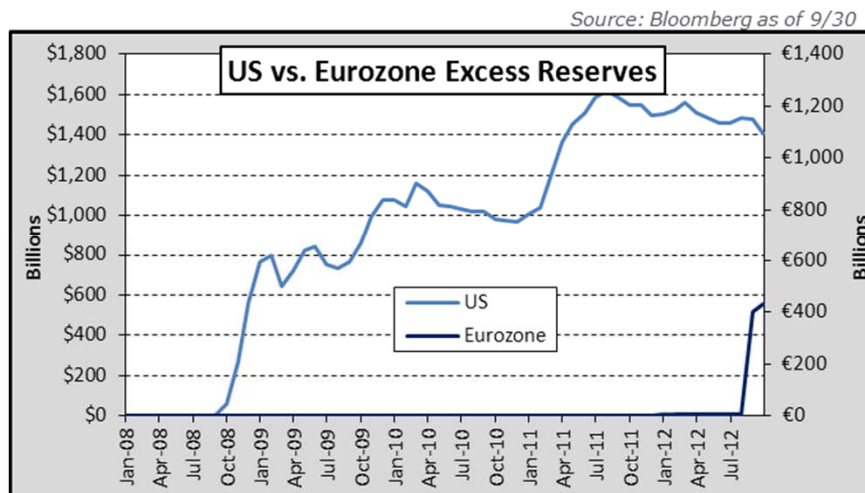
Economic Environment – Banks, Debt, and Valuations



Federal Reserve and European Central Bank balance sheets both decreased slightly over the third quarter

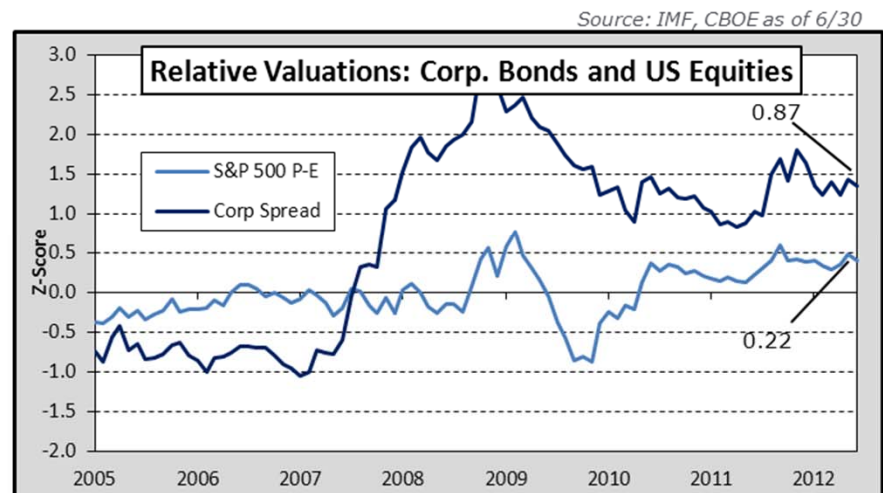


Many developed nations are at or approaching unsustainable debt levels



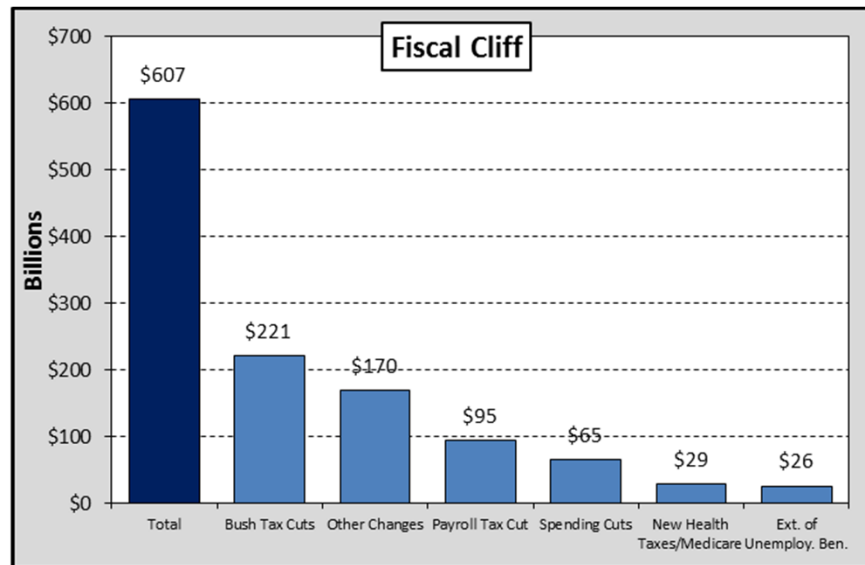
Eurozone excess reserves spiked drastically in August and September; while excess reserves in the US continued a slow descent from 2011 highs

Source: Bloomberg as of 9/30

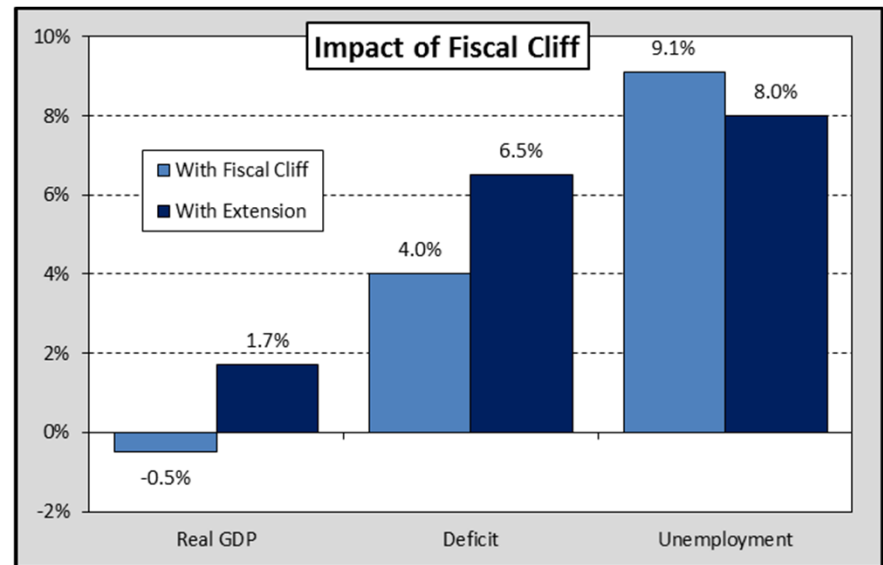


Both US stocks and investment grade corporate bonds appear cheap relative to long-term averages, with credit more attractively priced

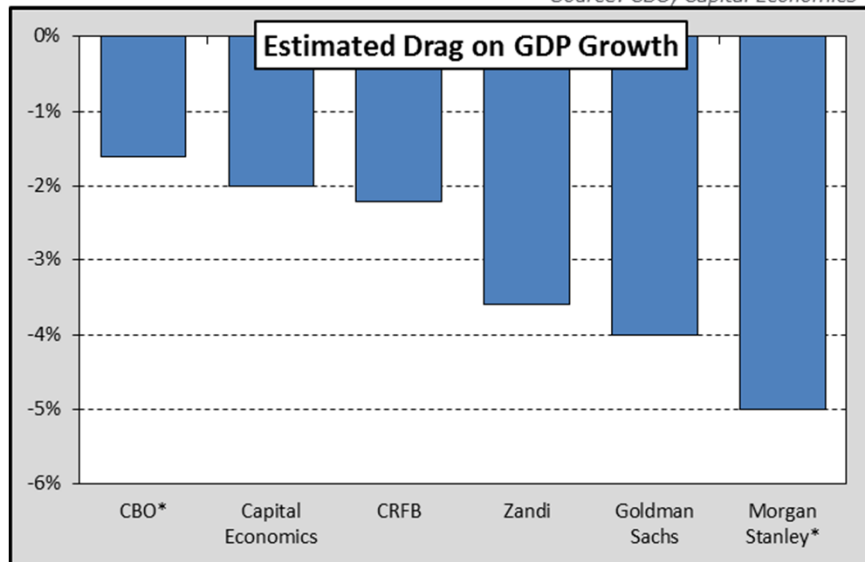
Source: Barclays as of 9/30



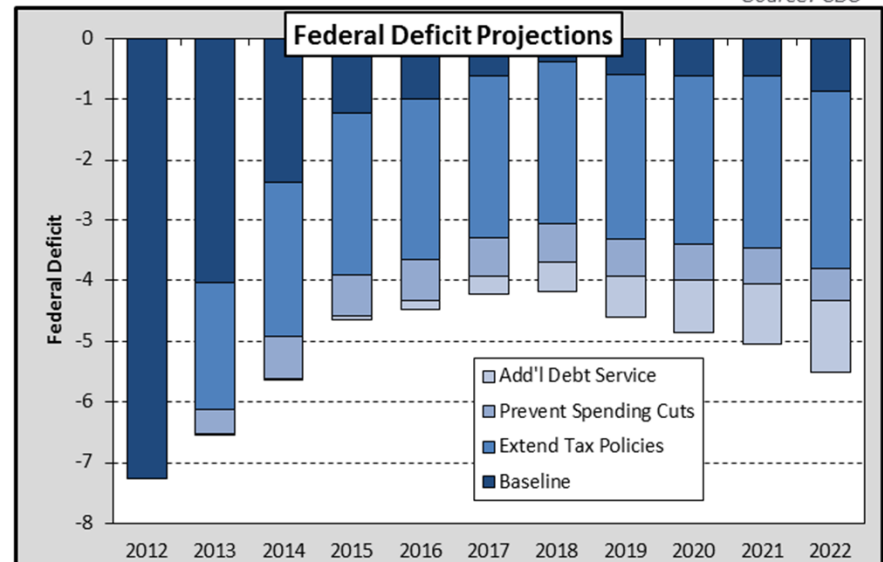
Source: CBO, Capital Economics



Source: CBO

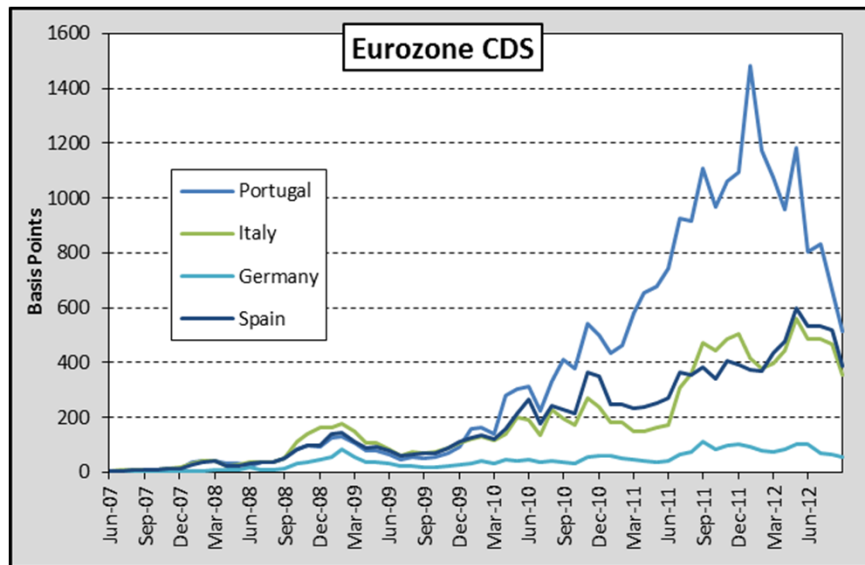


*Shown as the midpoint of a range; Source: CRFB, Capital Economics

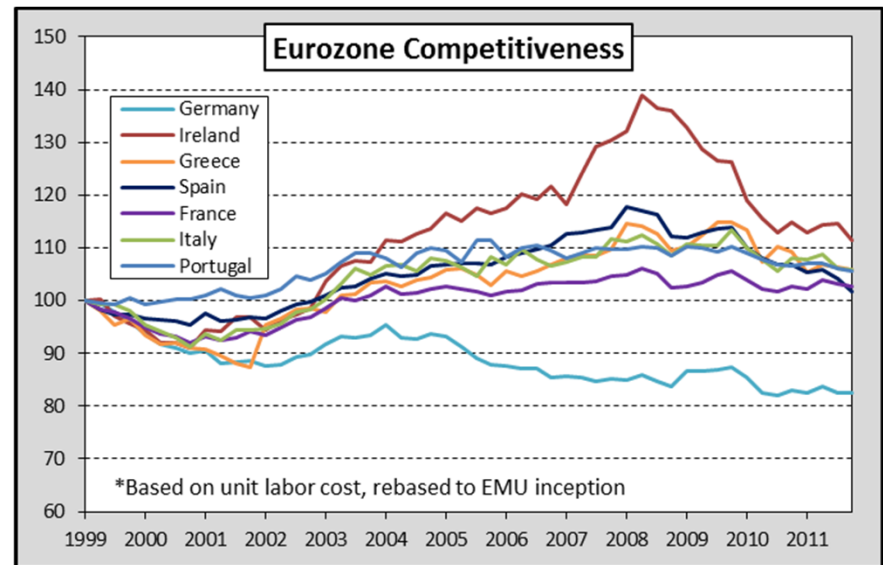


Source: CBO

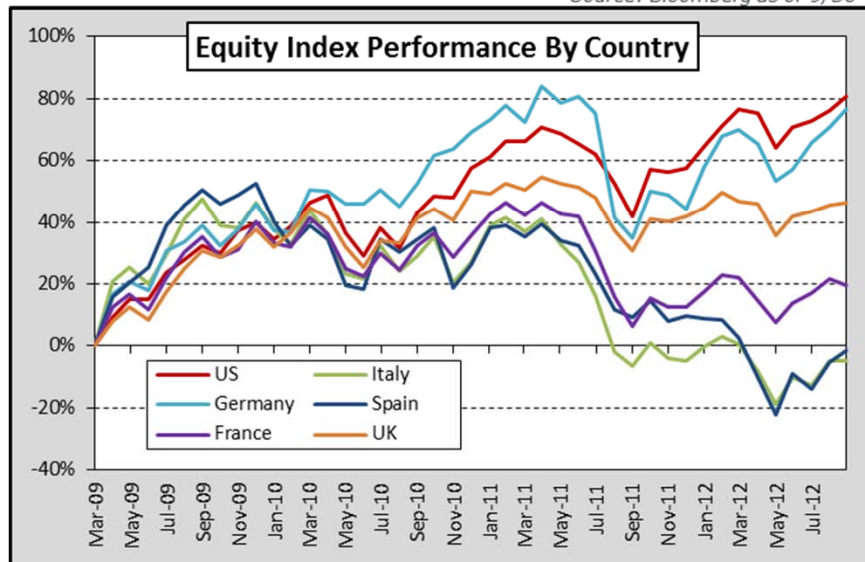
Eurozone Economic Environment



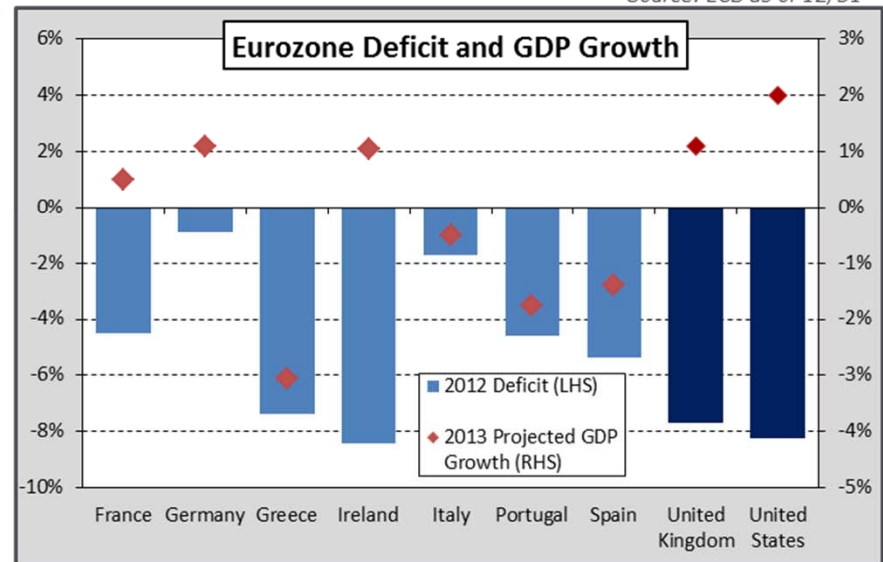
Source: Bloomberg as of 9/30



Source: ECB as of 12/31



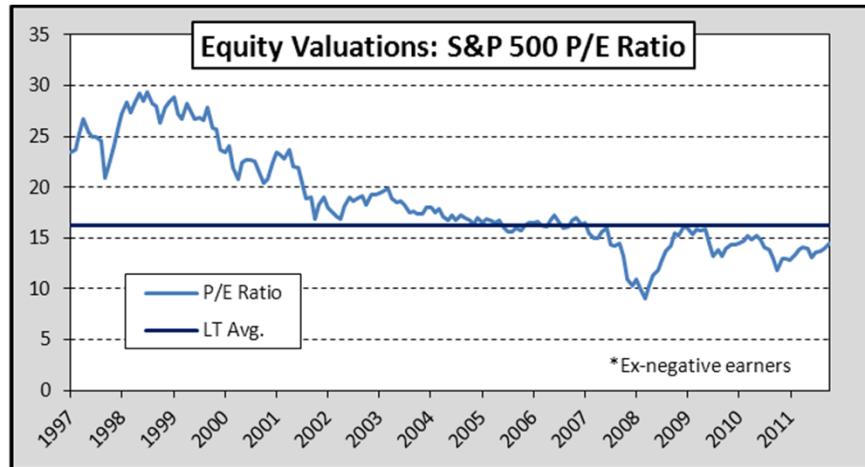
Source: Bloomberg as of 9/30



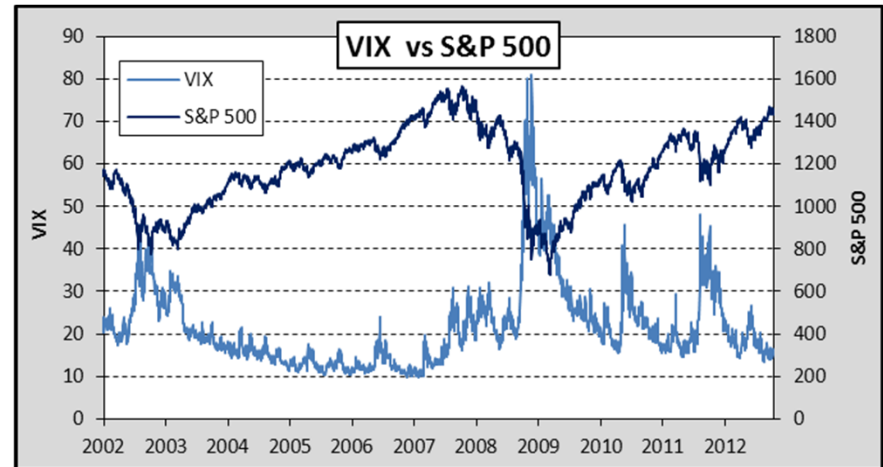
Source: OECD, Bloomberg as of 9/30 *Projected deficit as of 7/7/2012

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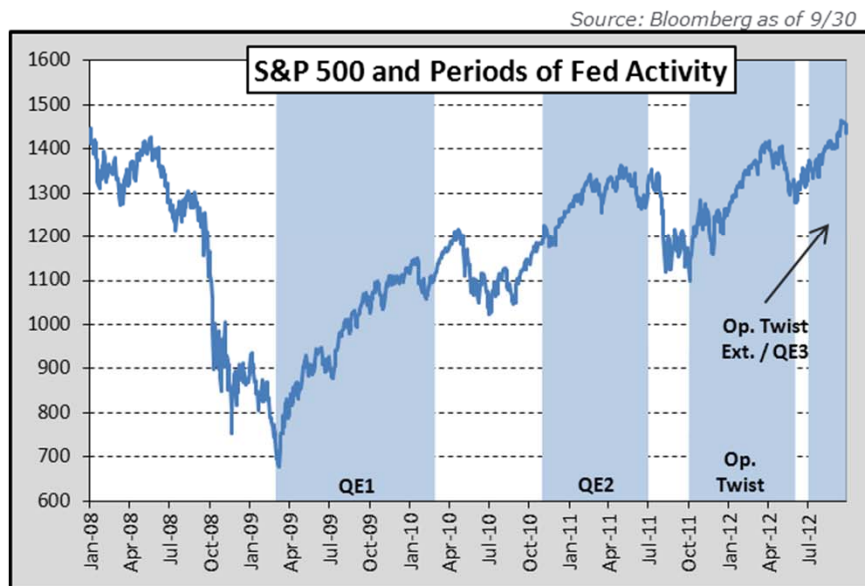
Market Environment – U.S. Equity



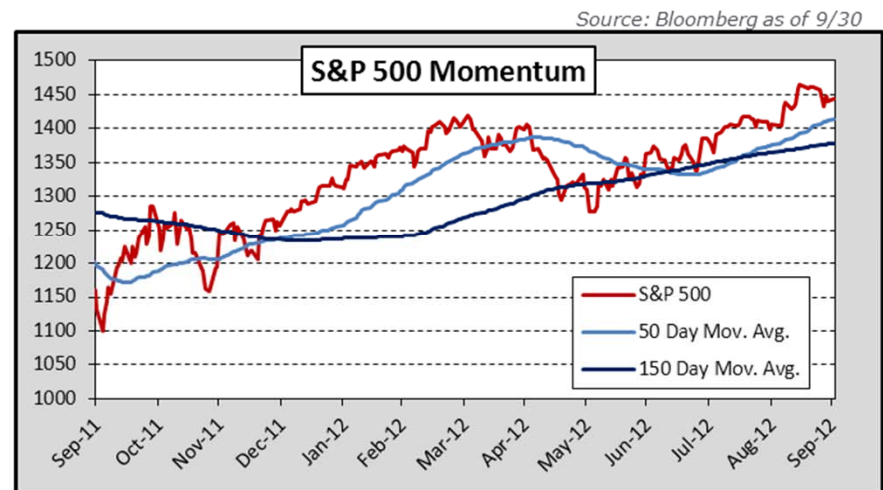
S&P valuations remain below the long-term average



The VIX dropped 10.0% in the month of September, while the S&P 500 rose 2.4%



Source: Bloomberg as of 9/30

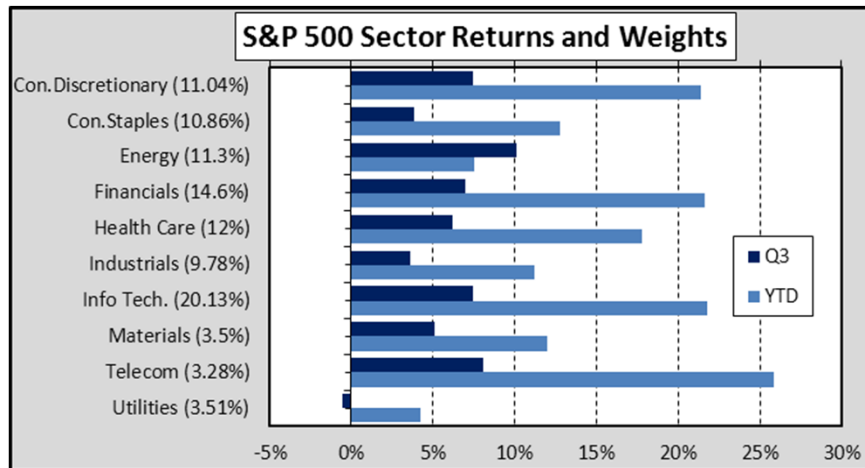


The S&P 500's 50-day moving average remained above its 150-day moving average in September

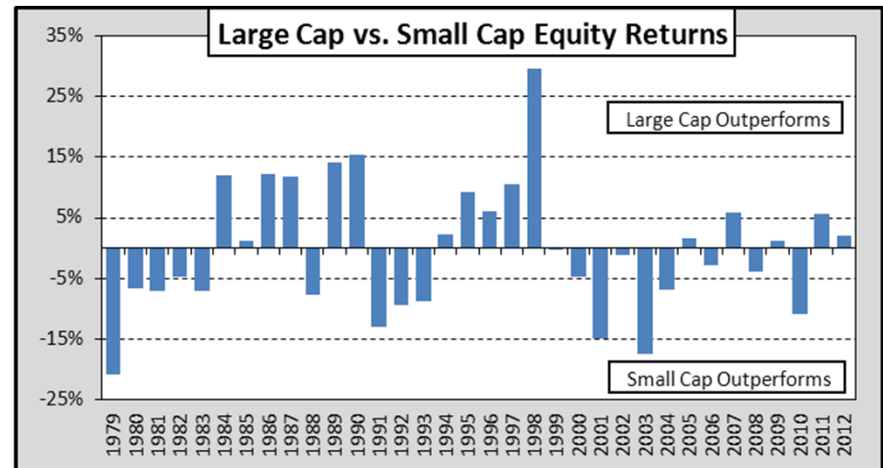
Source: Bloomberg as of 9/30

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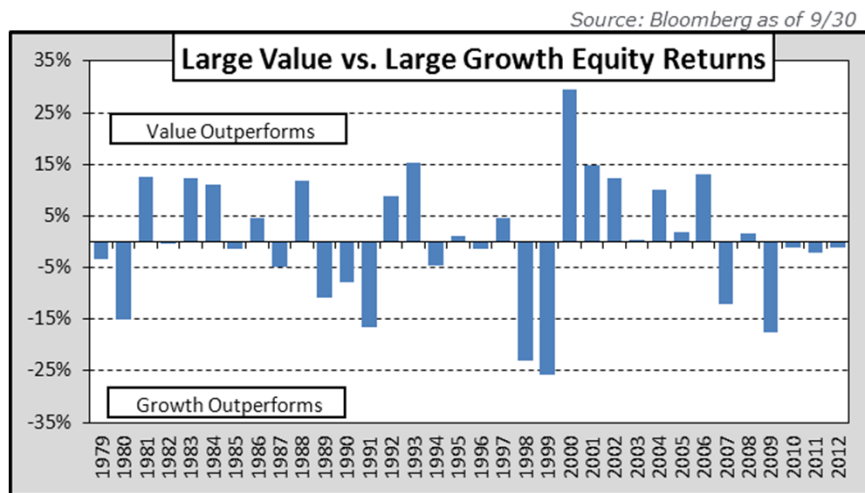
U.S. Stock Market Performance



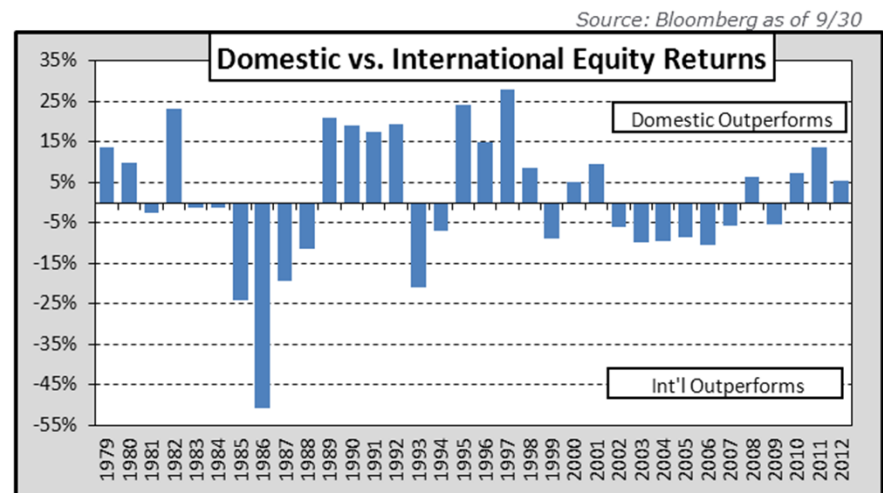
Telecom leads all sectors YTD, while utilities are lagging significantly through September



Large cap has outperformed small cap in 2012



Growth stocks have outperformed value in 2012



Domestic equity has outperformed international equity in 2012

Source: Bloomberg as of 9/30

Source: Bloomberg as of 9/30

City of San Jose Police and Fire Department Retirement Plan

Non-U.S. Stock Performance

Developed Market Equity Returns (U.S. Dollars)

	YTD	Q3	1 Yr.	3 Yr. Ann.
Europe ex UK	8.5%	9.4%	11.9%	-3.4%
United Kingdom	7.1%	6.0%	15.9%	4.1%
Japan	0.1%	-1.8%	-4.0%	-2.5%
Pacific Ex Japan	13.4%	9.5%	19.3%	3.9%
Canada	6.6%	9.8%	11.4%	4.2%
USA	14.5%	5.8%	27.2%	12.2%

US Dollar Return vs. Major Foreign Currencies

(Negative = Dollar Depreciates, Positive = Dollar Appreciates)

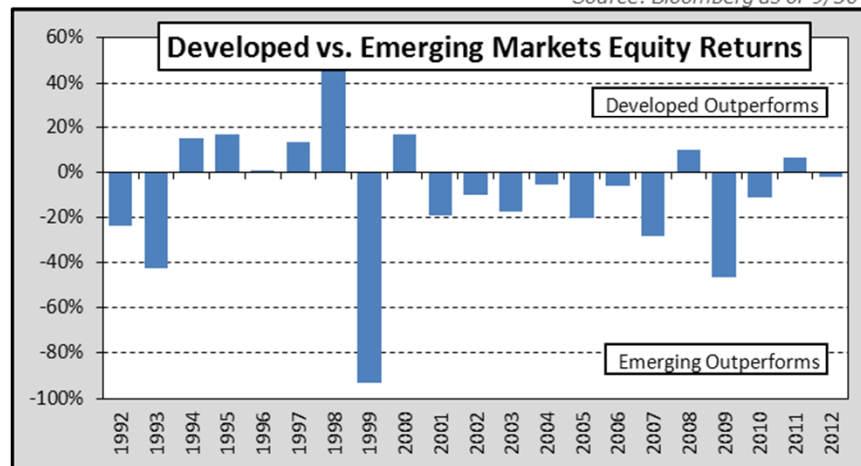
	YTD	Q3	1 Yr.	3 Yr. Ann.
Euro	0.8%	-1.5%	4.0%	4.1%
Japanese Yen	1.3%	-2.4%	1.2%	-5.0%
British Pound	-4.0%	-2.9%	-3.7%	-0.4%
Canada	-3.9%	-3.4%	-6.8%	-2.9%
Australia	-1.7%	-1.4%	-7.4%	-5.9%

Currency Impact on Developed Mkt. Returns

(Negative = Currency Hurt, Positive = Currency Helped)

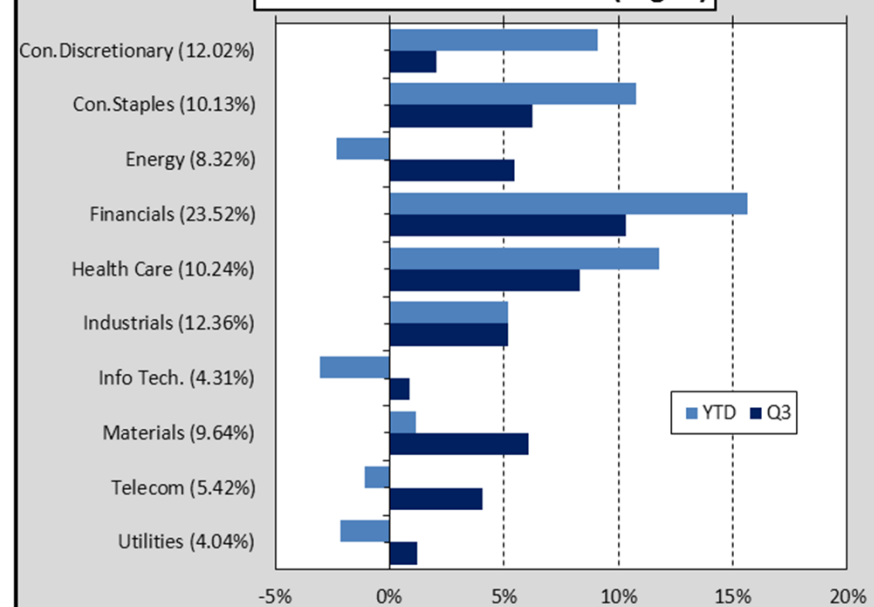
	YTD	Q3	1 Yr.	3 Yr. Ann.
MSCI EAFE (Local)	9.1%	4.7%	13.5%	1.3%
MSCI EAFE (USD)	10.1%	6.9%	13.8%	2.2%
Currency Impact	1.0%	2.3%	0.2%	0.9%

Source: Bloomberg as of 9/30

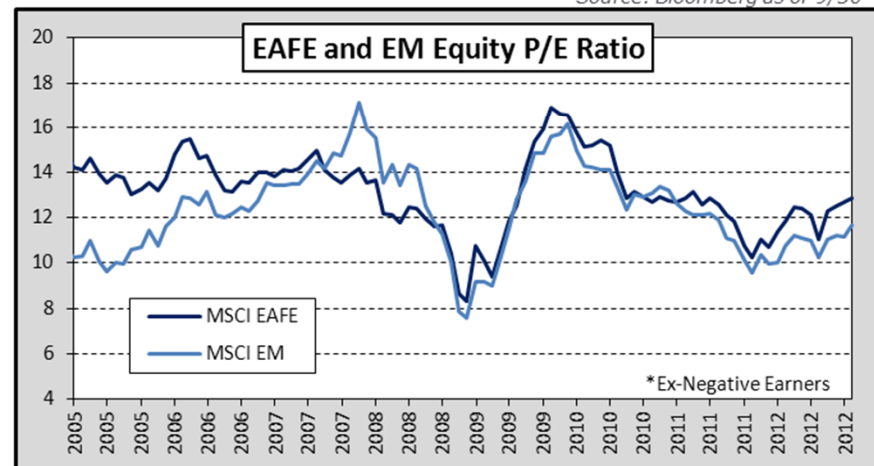


Source: Bloomberg as of 9/30

MSCI EAFE Sector Returns (Wgts.)

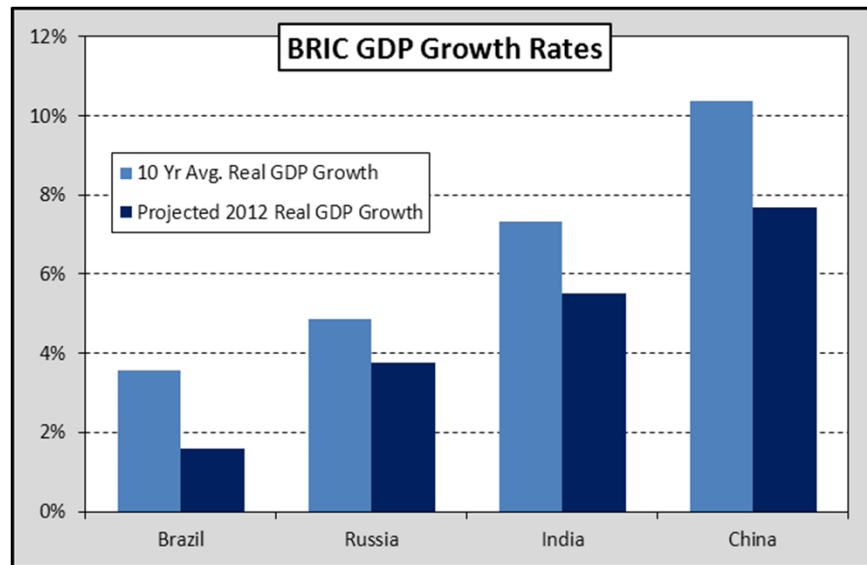


Source: Bloomberg as of 9/30

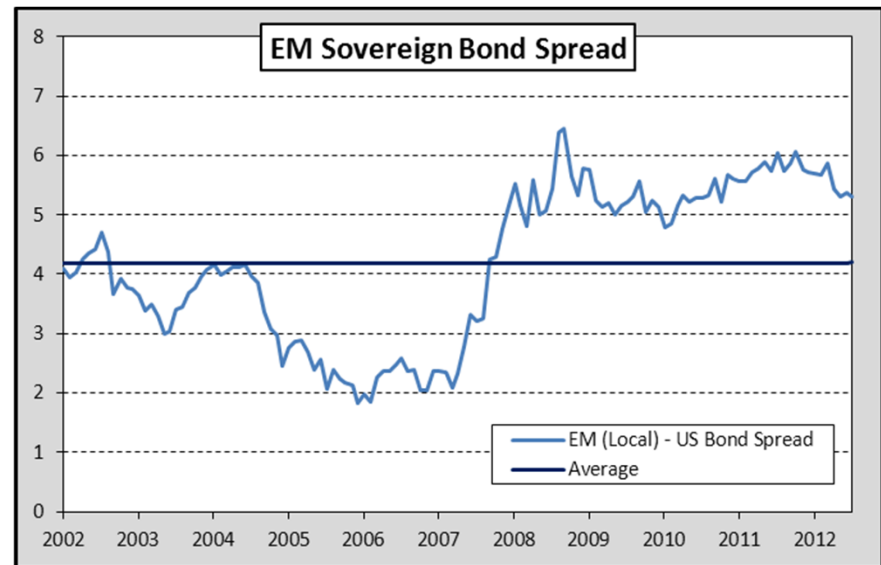


Source: Bloomberg as of 9/30

Emerging Markets



Source: Bloomberg as of 9/30



Source: Bloomberg as of 9/30

Emerging Markets Valuation		
	MSCI EM	MSCI EM Small Cap
PE Ratio	12.57	24.96
PE Historical Avg	15.78	21.90
PB Ratio	1.60	1.17
Historical Avg	1.56	1.20
PS Ratio	1.04	0.67
Historical Avg	1.04	1.22

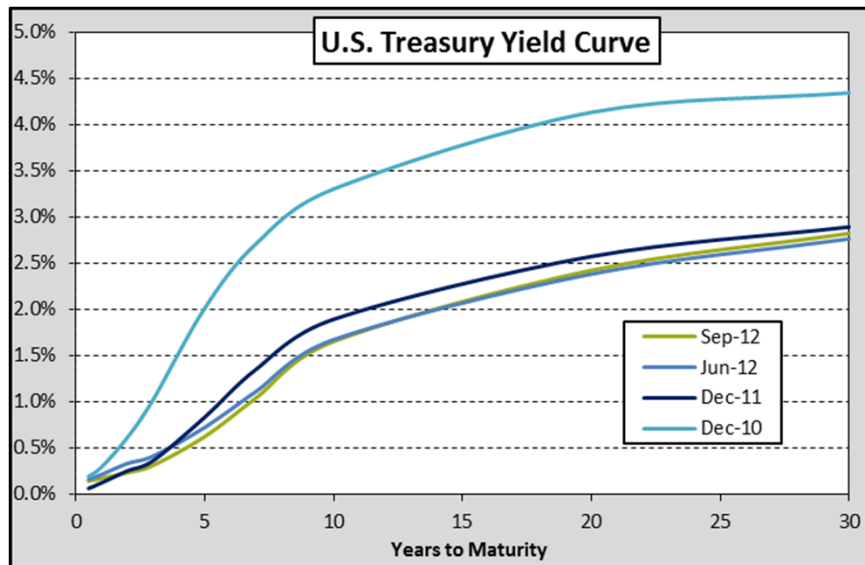
- Emerging market P/E ratios are below historical averages; while P/B and P/S ratios are closely in line with the average
- EM Small Cap P/E ratios are above historical averages; while the P/S ratios remain below

Source: Bloomberg as of 9/30

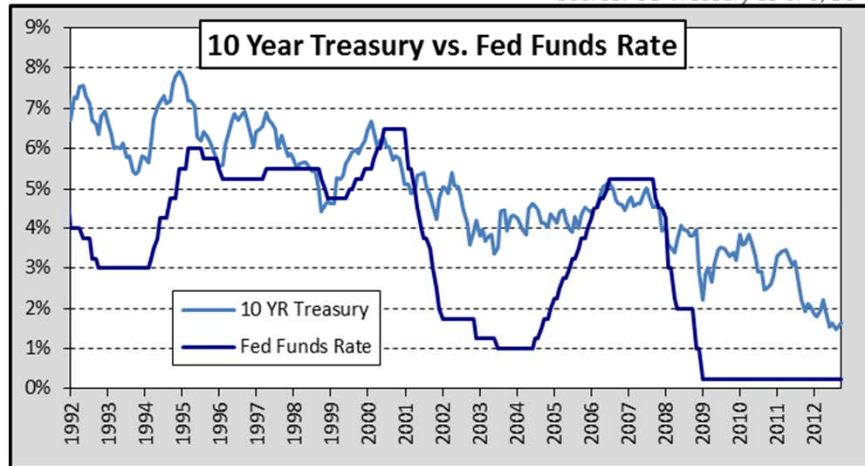
US Dollar Return vs. Major EM Currencies				
(Negative = Dollar Depreciates, Positive = Dollar Appreciates)				
	YTD	Q3	1 Yr.	3 Yr. Ann.
Brazilian Real	8.0%	0.8%	7.3%	4.3%
Russian Ruble	-3.2%	-3.8%	-3.5%	1.2%
Indian Rupee	-0.5%	-4.7%	7.4%	3.0%
Chinese Renminbi	-0.2%	-1.1%	-1.6%	-2.9%
Singapore Dollar	-0.7%	-0.2%	-0.9%	-0.9%
Hungarian Forint	-9.7%	-1.8%	1.1%	5.7%
Turkish Lira	-5.2%	-0.8%	-3.5%	5.8%
Mexican Peso	-8.5%	-3.9%	-8.1%	-1.7%
So. African Rand	2.8%	1.8%	2.6%	3.2%
So. Korean Won	-4.3%	-2.5%	-6.4%	-1.9%

Source: Bloomberg as of 9/30

Interest Rates

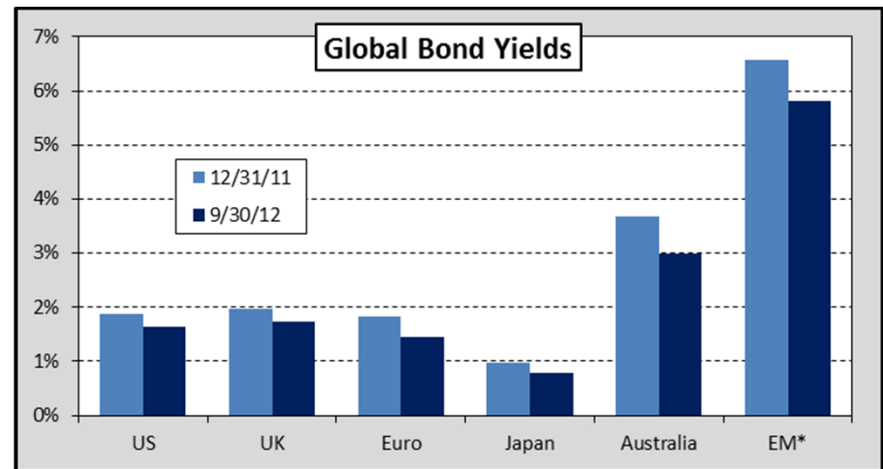


Source: US Treasury as of 9/30



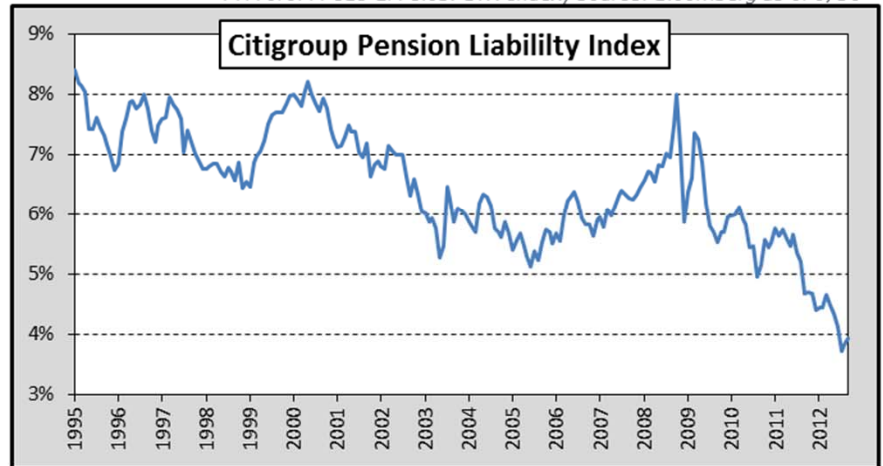
Fed Funds rate remained at 0.25% while the 10 Yr. Treasury Yield finished September at 1.63%

Source: Bloomberg as of 9/30



Bond yields across the globe have mostly fallen YTD

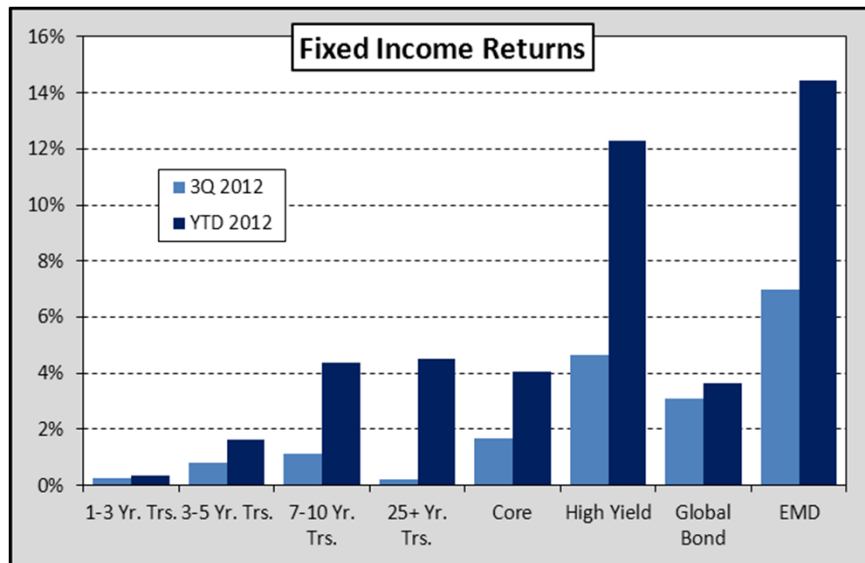
*YTM of JPM GBI-EM Glob. Div. Index; Source: Bloomberg as of 9/30



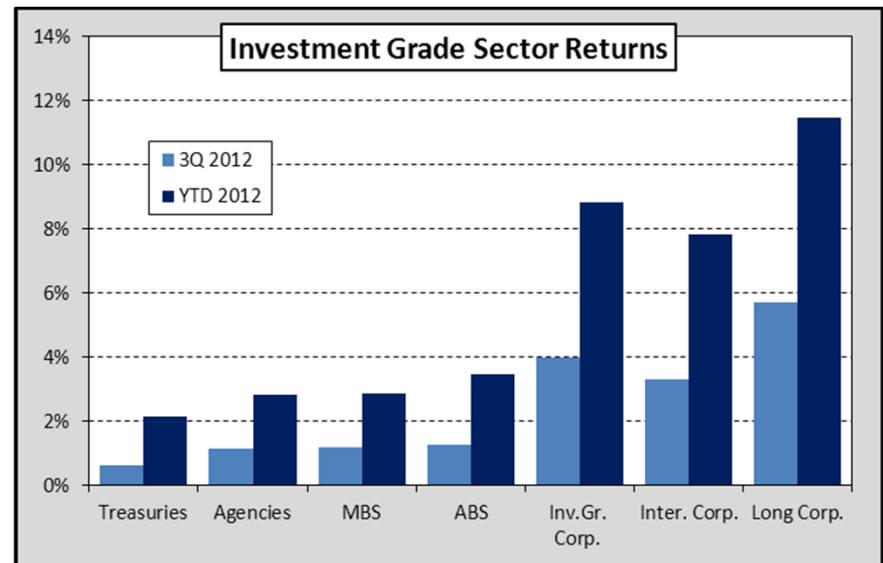
Citi Pension Discount rate rose to 3.94% in September; marking two months of increases after three consecutive months of record lows

Source: Citigroup as of 8/31

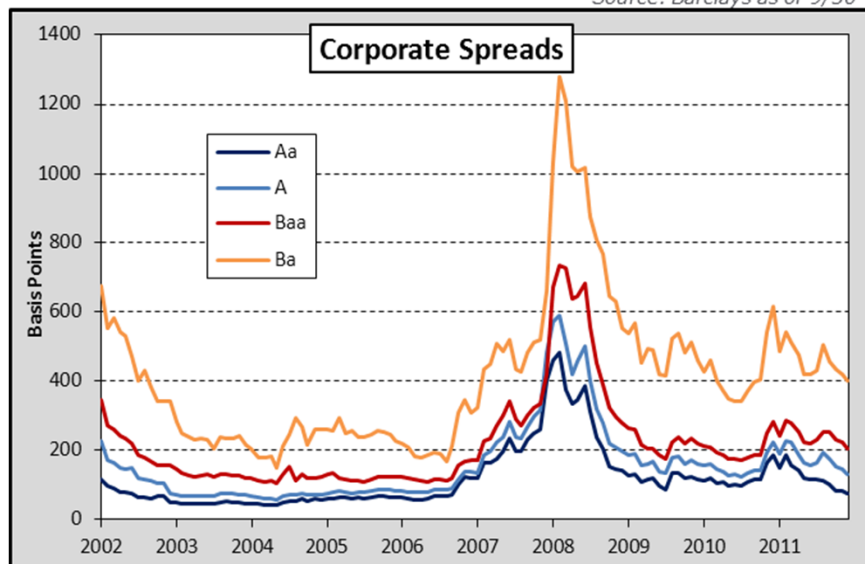
Fixed Income Performance



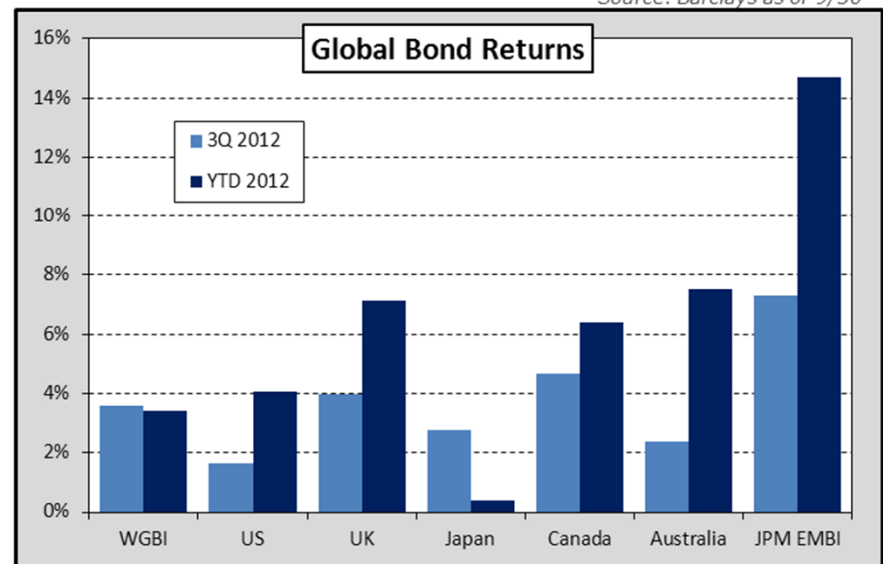
Source: Barclays as of 9/30



Source: Barclays as of 9/30

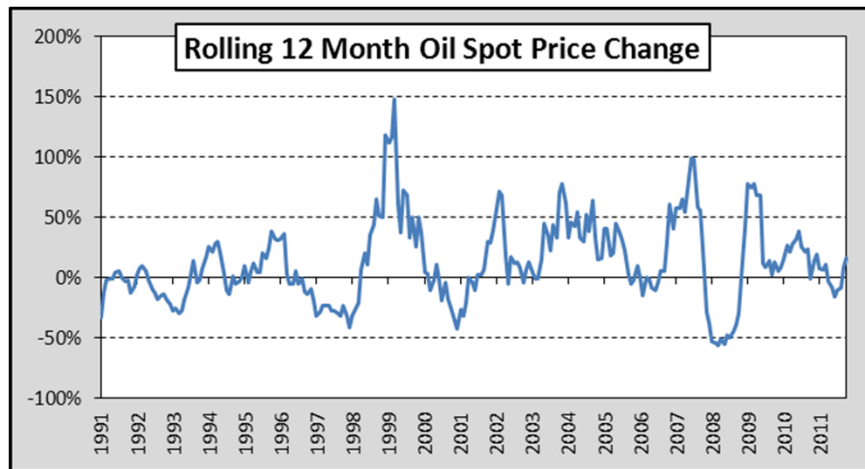


Source: Barclays as of 9/30

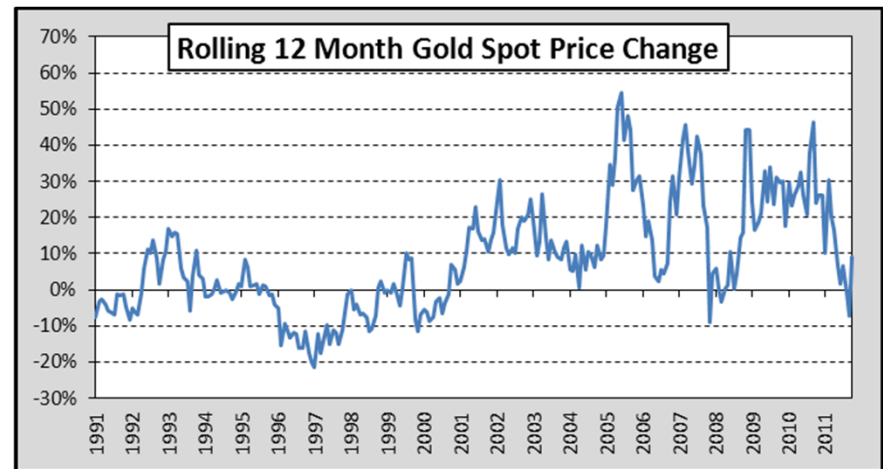


Source: Barclays as of 9/30

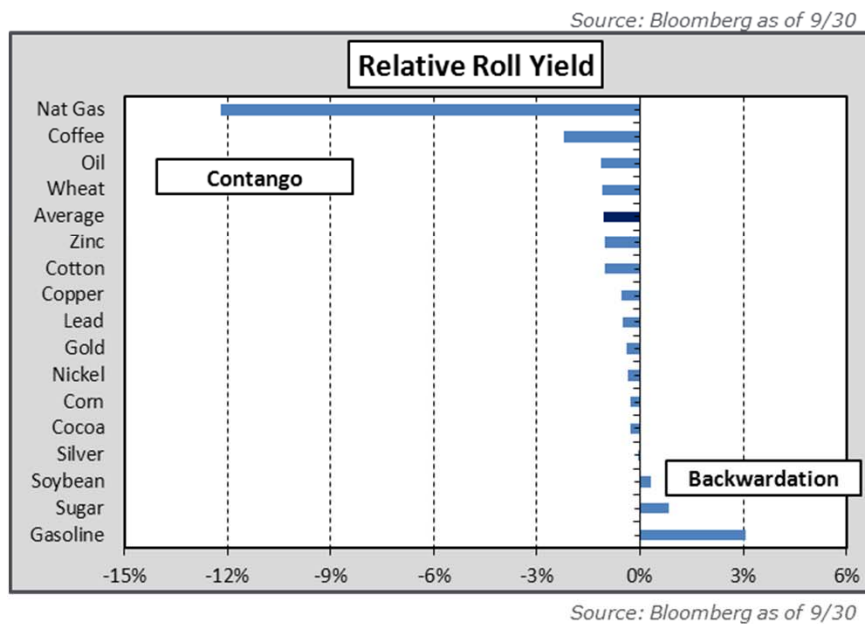
Commodities



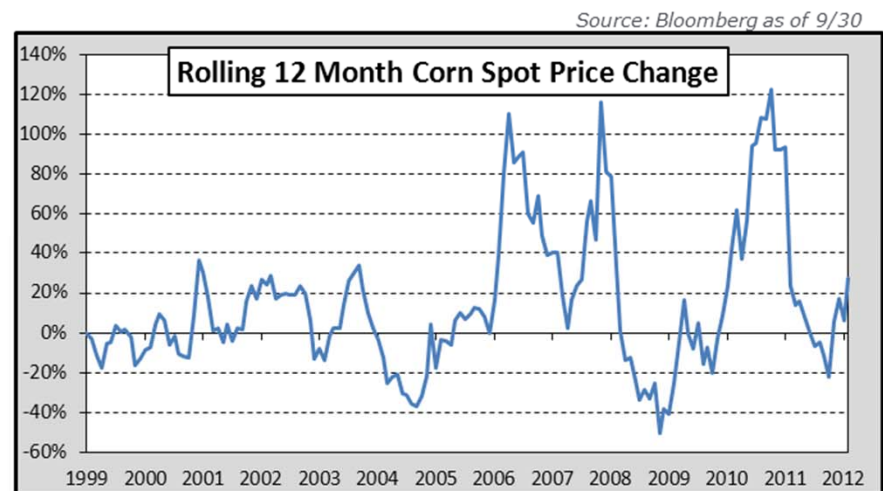
Oil prices finished September at \$92.19 per barrel



Gold prices finished September at \$1,772 per ounce



Source: Bloomberg as of 9/30



Corn prices finished September \$7.28 per bushel

Source: Bloomberg as of 9/30

Information Disclosure

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