



Investment Program

OFFICE OF RETIREMENT SERVICES

Annual Report on Investment Performance

Introduction

The Office of Retirement Services provides an annual report on the performance of the investment program to the Public Safety, Finance, and Strategic Support Committee (PSFSS) each year, typically in the November/December timeframe.

Presenting from the Office of Retirement Services will be:

Daryn Miller, Interim Chief Investment Officer

Roberto Pena, Chief Executive Officer

The following presentation will cover two topics:

- Overview of the Investment Strategy
- Performance and Attribution Review

Overview of the Investment Strategy

Investment Objectives

Investment objectives are stated in the Investment Policy Statement (IPS). The IPS is a Board approved document that guides the investment program

Federated

- Achieve long-term net returns in excess of the actuarial investment return while maintaining a reasonable level of investment risk
 - Plan Return > Discount Rate; Risk
- Achieve long-term net rate of return that exceeds the return of a composite benchmark of the long-term asset allocation targets
 - Plan Return > Policy Benchmark

Police & Fire

- Achieve risk-adjusted long-term net rate of return that exceeds the return of a composite benchmark of the respective long-term asset allocation targets
 - Risk-adjusted plan return > Policy Benchmark

Definitions

- **Discount Rate** (aka Assumed Rate of Return): the assumed annual rate of return used by the actuary to forecast the growth in assets
- **Plan Return**: the investment return of the Plan; calculated over different timeframes, but presented on an annualized basis
- **Policy Benchmark**: the return for each asset class in the Asset Allocation weighted by Target Asset Allocation
- **Target Asset Allocation**: (aka Strategic Asset Allocation or Asset Allocation) the asset classes and weights of each asset class in which the Plan is to invest

Investment Strategy

Equity (i.e. the stock market) is the dominate risk in most pension portfolios. In a 60/40 portfolio (60% of dollars allocated to equity and 40% allocated to fixed income), 80-90% of the risk comes from equities

The investment strategy seeks to reduce the risk of loss of plan assets and manage the risk of impacting the funded status of the plans, primarily by diversifying the portfolio.

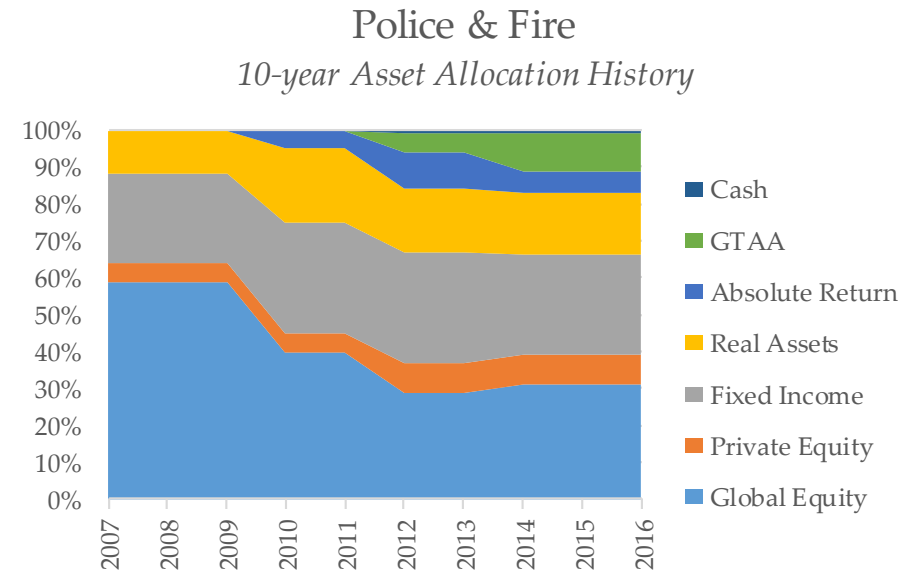
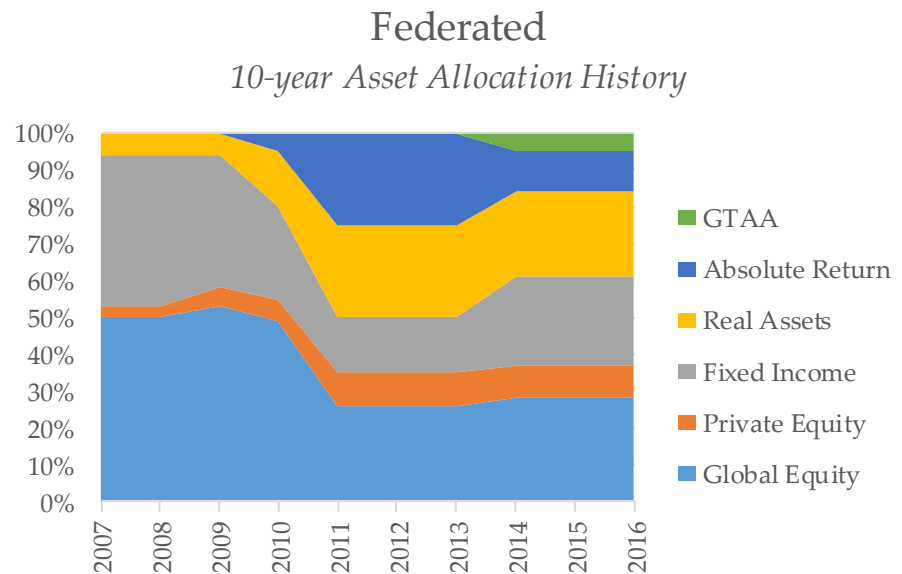
The plans seek diversification in multiple ways, including

- Asset classes
- Investment strategies (value/growth, public/private, short-term/long-term, etc.)
- Geographies

Asset Allocation

Asset allocation explains ~90% of the variability in returns over time.

- Over the past 10 years, the plans have increased diversification by reducing exposure (and risk) to equities.



Asset Allocation update

- Federated completed an Asset Allocation study in October 2017
 - Evaluation of the Healthcare Trust will occur in the January/February timeframe
- Police & Fire is working through an Asset Liability study
 - Initial presentation occurred at the November Investment Committee meeting
 - Follow-up presentation in 1Q2018

Asset Classes

- GTAA or Global Tactical Asset Allocation:** investments across different asset classes (stocks, bonds, etc..)
- Absolute Return:** primarily hedge funds
- Real Assets:** real estate, commodities, natural resources, etc.
- Fixed Income:** bonds
- Global Equity:** stocks

Performance and Attribution Review

Measures of Performance

Generally 3 broad comparisons of plan performance are cited

1. Plan performance verses policy benchmark
 - Evaluation of how well the Board's asset allocation has been executed
 - Governance model shares accountability between Board, Investment Committee and Staff

2. Policy benchmark verses discount rate (aka assumed rate of return)
 - Evaluates the success of the asset allocation in meeting the long term assumed rate of return
 - Should be evaluated over the long-term, which is a full market cycle; generally 5-7 years, although cycles have become longer and the current cycle is approaching 10 years

3. Plan performance verses peers
 - A misguided measure, because it does not influence the success or failure in payment of benefits
 - Ignores differences in actuarial assumptions, characteristic of plan liabilities, investment goals and objectives, investment strategy, and the financial position of the plan sponsor
 - A more appropriate measure would be an evaluation of Plan risk-adjusted return verses Peer risk-adjusted return

Plan Performance vs. Policy | Pensions

Federated Pension	FY 2017	FY 2016	FY 2015	FY 2015-2017 (a)
Plan Performance	7.5%	-0.7%	-1.0%	1.9%
Policy Benchmark	8.1%	1.3%	-3.3%	1.9%
Over / under performance	-0.6%	-2.0%	+2.3%	0.0%

Police & Fire Pension	FY 2017	FY 2016	FY 2015	FY 2015-2017 (a)
Plan Performance	9.7%	-0.6%	-0.8%	2.6%
Policy Benchmark	9.5%	1.0%	-1.0%	3.1%
Over / under performance	+0.2%	-1.6%	+0.2%	-0.5%

Source: Meketa performance report.
(a) Annualized returns.

Attribution 3-year (2015-2017)

Key takeaways

Federated Pension

- Manager selection was additive (+0.3%)
- Long deployment times in private asset classes detracted (-0.4%)
- Overweight to absolute return detracted (-0.1%)

Police & Fire Pension

- Manager selection detracted (-0.5%), primarily due to the real assets and GTAA allocations
- Overweight cash and absolute return each detracted (-0.1%)

Risk-Adjusted Performance vs. Policy

- As a reminder the Police & Fire IPS states the investment objective is that the risk-adjusted performance exceeds the policy benchmark
- Risk-adjusted performance is typically measured with the Sharpe Ratio (a)
- Higher Sharpe Ratios indicate more efficient risk-taking
- Sharpe Ratio comparisons add a level of complexity as differences in performance can be driven by either (1) differences in performance, (2) differences in volatility, or (3) both
- The table below, shows the risk-adjusted performance (Sharpe Ratio)

Federated Pension	FY 2017	FY 2016	FY 2015	3-year
Plan Sharpe Ratio	3.2%	-0.1%	-0.3%	0.4%
Policy Sharpe Ratio	2.3%	0.1%	-0.7%	0.3%

Police & Fire Pension	FY 2017	FY 2016	FY 2015	3-year
Plan Sharpe Ratio	4.2%	-0.1%	-0.2%	0.5%
Policy Sharpe Ratio	3.0%	0.0%	-0.2%	0.5%

Source: Meketa and NEPC performance reports.

(a) The Sharpe Ratio is $[(Return - Risk Free Rate) / Volatility]$

Plan Performance vs. Policy | Healthcare Trusts

- In fiscal year 2017 underperformance for both healthcare trusts can largely be explained by an overweight to cash and underweights to most other asset classes.
- Elevated cash levels were maintained due to the expected liquidity needs from the Voluntary Employees Beneficiary Association Plan.

Federated Healthcare Trust	FY 2017	FY 2016	FY 2015	FY 2015-2017 (a)
Plan Performance	8.7%	-2.7%	-2.7%	0.9%
Policy Benchmark	9.2%	0.7%	-3.4%	2.0%
Over / under performance	-0.5%	-3.4%	+0.7%	-1.1%

Police & Fire Healthcare Trust	FY 2017	FY 2016	FY 2015	FY 2015-2017 (a)
Plan Performance	7.0%	0.3%	-1.7%	1.8%
Policy Benchmark	9.5%	1.3%	-1.0%	3.2%
Over / under performance	-2.5%	-1.0%	-0.7%	-1.4%

Source: Meketa performance reports.
 (a) Annualized returns.

Policy Benchmark vs. Discount Rate

- Financial market volatility creates fluctuations in policy benchmark returns compared to the discount rate
- While performance should be analyzed over an entire market cycle, the last 5 years of returns are included below.

Federated	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	5-year (a)
Pension Policy Benchmark	8.1%	1.3%	-3.3%	17.0%	8.3%	6.1%
Healthcare Trust Policy Benchmark	9.2%	0.7%	-3.4%	16.8%	8.7%	6.1%
Discount Rate	6.875%	7.000%	7.000%	7.250%	7.500%	7.125%

Police & Fire	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	5-year (a)
Pension Policy Benchmark	9.5%	1.0%	-1.0%	14.6%	8.1%	6.3%
Healthcare Trust Policy Benchmark	9.5%	1.3%	-1.0%	14.3%	5.3%	5.7%
Discount Rate	6.875%	7.000%	7.000%	7.125%	7.250%	7.050%

Source: Meketa performance reports and Cheiron actuarial valuation reports. Discount rate as of each fiscal year-end.

(a) Annualized returns. The 5-year Discount Rate is the average over the 5-year period.

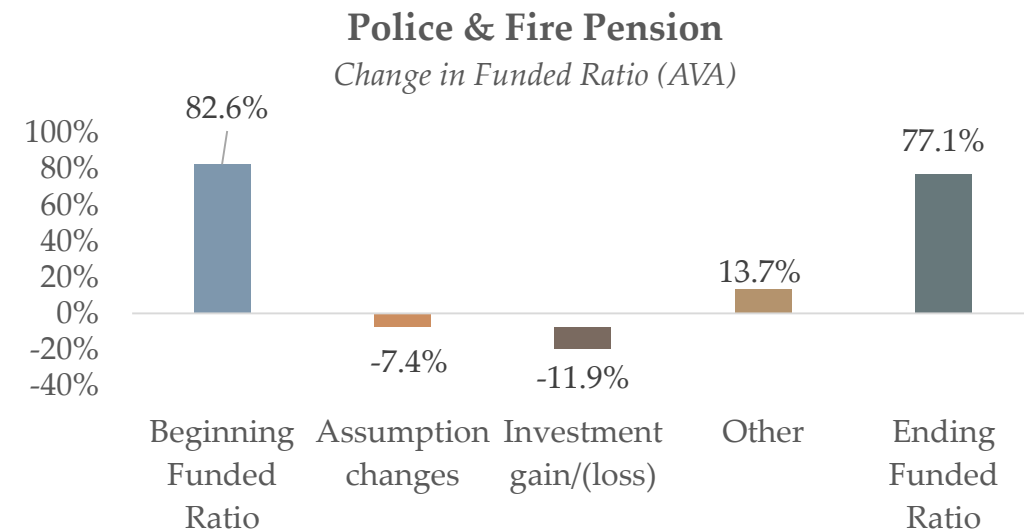
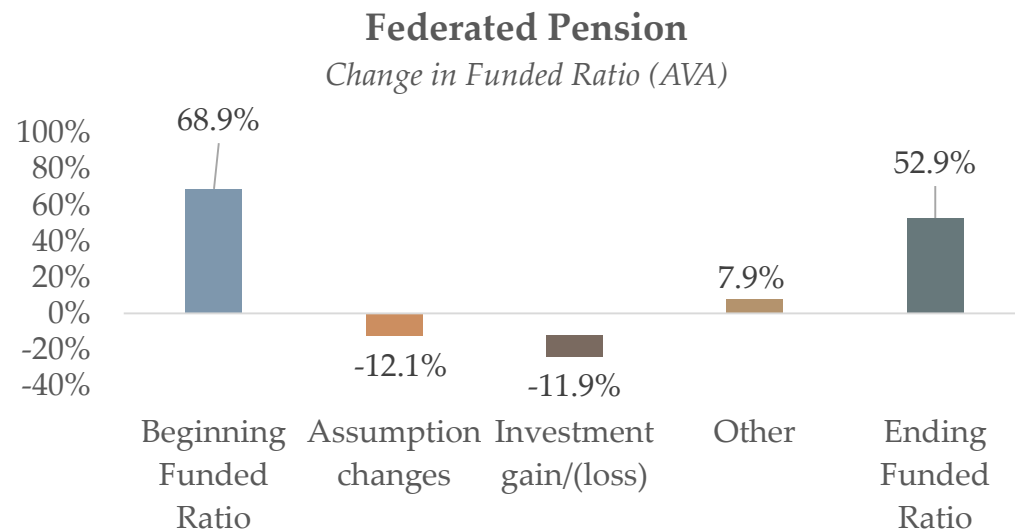
Change in Funded Ratio

The Funded Ratio reflects the amount of plan assets relative to plan liabilities

- Assets / Liabilities = Funded Ratio; 1 or 100% indicates a fully funded status
- Changes in Funded Ratio can be due to (1) changes in assets, (2) changes in liabilities, or (3) both

Over the past 7 years:

- Federated Funded Ratio (AVA) declined 16.0%, from 68.9% to 52.9%
 - Changes in assumptions, like the Discount Rate have been the largest factor in the decline in Funded Ratio
- Police & Fire Funded Ratio (AVA) declined 5.5%, from 82.6% to 77.1%
 - Investment gains/losses have had the largest impact on Funded Ratio, followed by changes in assumptions, like the Discount Rate



APPENDIX

Market Values

	Market Value	Contributions (a)	Benefits (b)	Gains/Losses	Net flows
Federated Pension	\$1,972.8	\$155.7	-\$187.8	\$146.0	\$113.9
Federated Healthcare Trust	260.4	48.7	-31.2	17.0	34.5
P&F Pension	3,293.3	157.5	-200.7	292.7	249.6
P&F Healthcare Trust	149.7	38.8	-25.0	12.5	26.3
Total	\$5,676.1	\$400.8	-\$444.7	\$468.2	\$424.3

\$ in millions; Fiscal year period; as of June 30, 2017

(a) Employee and Employer contributions

(b) Includes \$9.4 million in administrative and other expense.

Investment Team

The Investment Team consists of two groups and a total of 6 individuals

- Investment Management, 4 employees
- Investment Operations, 2 employees

Budgeted headcount for the Investment Team is 10 employees

- Staffing has not reached the budgeted level for at least 6 years
- The employee vacancy rate has averaged ~40% per year over this time

Personnel update

- Former CIO departed May 2017
- Daryn Miller has been Interim CIO since June 2017
- Recruitment for the CIO is underway; the Board is likely to make a decision in 1Q2018.
- Recruitment for an Operations Analyst has recently been completed; the individual will be joining the team in December 2017
 - Brings headcount to 7

Team Structure



[†] Recruitment recently completed. Individual will be joining the ORS Investment Team in December 2017.

Investment Management Team

Daryn Miller, CFA

Interim CIO / Senior Investment Officer

Daryn joined the Investment Program in 2011 and currently is the Interim CIO. In addition, he oversees the Absolute Return and GTAA/Opportunistic allocations as well as being responsible for the risk management initiative and rebalancing. Before building-out the Absolute Return program, Daryn managed the Global Equity asset class. Prior to joining the City of San José, Daryn spent five years with Goldman Sachs, where he was a Vice President in equity research, focusing on the healthcare services sector.

MBA, University of Southern California

BA, Vanguard University

Brian Starr, CFA

Investment Officer

Brian joined the Investment Program in 2014 and currently oversees the Global Fixed Income and Private Markets allocations. Prior to joining the City of San José, he spent three years at City and County of San Francisco, where he was an investment analyst and trader for the City's \$6 billion operational and surplus cash portfolio. Before entering the public sector, Brian worked in several investment disciplines including: investment advisory services, real estate private equity and investment banking.

MBA, EDHEC Business School

BA, University of California, Santa Barbara

Jay Kwon, CFA, CAIA

Investment Officer

Jay joined the Investment Program in 2014 and currently oversees the Public Equity and Public Real Assets allocations. Prior to joining the City of San José, he spent eleven years at Bank of New York Mellon, where he was a senior portfolio manager for derivatives-based risk hedging solutions. Before Bank of New York Mellon, Jay worked as a financial analyst from the Federal Home Loan Bank and as a research analyst for an energy and environmental economics firm.

MBA, University of Oxford

MA, California State University, East Bay

BA, Stanford University

Dhinesh Ganapathiappan, CIPM

Investment Analyst

Dhinesh joined the Investment Program in 2016 as an investment analyst. Prior to joining the City of San José, Dhinesh spent seven years with State Street, where he was an assistant vice president, providing performance, attribution, and risk consulting to institutional clients.

BA, University of California, Davis

Infrastructure

In January 2017, the Boards retained Verus Advisory as the risk advisor and selected the MSCI BarraOne risk system as part of a comprehensive risk solution

- Verus is engaging the Board in an Enterprise Risk Tolerance Assessment and is improving the dialogue around risk management
- The risk system is being implemented and Staff is reviewing preliminary risk output and developing internal risk reporting
- Work is being done to better understand the risk tolerance of the Plan Sponsor and improving collaboration with the City

The Police & Fire general investment consultant was changed in February 2017

- The Police & Fire Board retained Meketa Investment Group
- Staff knows Meketa well, as they have been the general investment consultant for the Federated System since 2009
- The prior consultant was NEPC (since 2008)

As of June 30, 2017

Fiscal Year Performance

	Fiscal 2017 (%)	Fiscal 2016 (%)	Fiscal 2015 (%)	Fiscal 2014 (%)	Fiscal 2013 (%)	Fiscal 2012 (%)	Fiscal 2011 (%)	Fiscal 2010 (%)	Fiscal 2009 (%)	Fiscal 2008 (%)
Total Fund Aggregate	7.5	-0.7	-1.0	14.2	8.0	-3.3	18.9	13.7	-17.0	-3.4
<i>San Jose FCERS Policy Benchmark</i>	8.1	1.3	-3.3	17.0	8.3	-2.4	22.0	12.1	-15.3	-3.0
<i>San Jose FCERS Custom Benchmark</i>	6.5	0.7	-1.8	13.2	8.9	-3.2	18.6	11.4	-15.3	-2.8
Total Global Equity	17.7	-4.3	0.8	22.6	17.8	-7.1	31.7	--	--	--
<i>MSCI ACWI IMI Net USD</i>	19.0	-3.9	0.8	23.4	17.1	-6.9	31.0	--	--	--
Global Equity	23.4	-2.3	--	--	--	--	--	--	--	--
<i>MSCI ACWI IMI Net USD</i>	19.0	-3.9	--	--	--	--	--	--	--	--
Artisan Global Opportunities	--	--	--	--	--	--	--	--	--	--
Artisan Global Value	23.6	-2.0	0.6	24.4	27.7	2.8	--	--	--	--
<i>MSCI ACWI Value NR USD</i>	19.0	-4.8	-3.4	22.8	17.8	-7.8	--	--	--	--
Russell Currency Hedge	--	--	--	--	--	--	--	--	--	--
US Equity	18.4	0.6	--	--	--	--	--	--	--	--
<i>Russell 3000</i>	18.5	2.1	--	--	--	--	--	--	--	--
Cove Street Small Cap Value	18.8	-2.3	-1.6	--	--	--	--	--	--	--
<i>Russell 2000 Value</i>	24.9	-2.6	0.8	--	--	--	--	--	--	--
Northern Trust Russell 1000 Index	--	--	--	--	--	--	--	--	--	--
<i>Russell 1000</i>	--	--	--	--	--	--	--	--	--	--

¹ Fiscal Year begins July 1.² Beginning in July 2012, fees are accounted for on a cash basis. Previously, fees were accounted for on an accrual basis.³ Please see the Appendix for composition of the San Jose FCERS Policy Benchmark.⁴ San Jose FCERS Custom Benchmark consists of the individual benchmarks that comprise the San Jose FCERS Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.⁵ Global Equity includes <\$0.1 million of residuals from terminated managers or previous transitions.⁵ Returns for the Equity Aggregate are gross of fees through June 2015 and net of fees thereafter.⁶ Global Equity includes a partial currency hedge initiated on August 21, 2015 of the following currencies: Australian Dollar, Canadian Dollar, Swiss Franc, Euro, British Pound Sterling, and Japanese Yen. As of the date of this report, the unrealized profit or loss was -\$0.3 mm and the total net exposure of the hedge was \$33.9 mm.

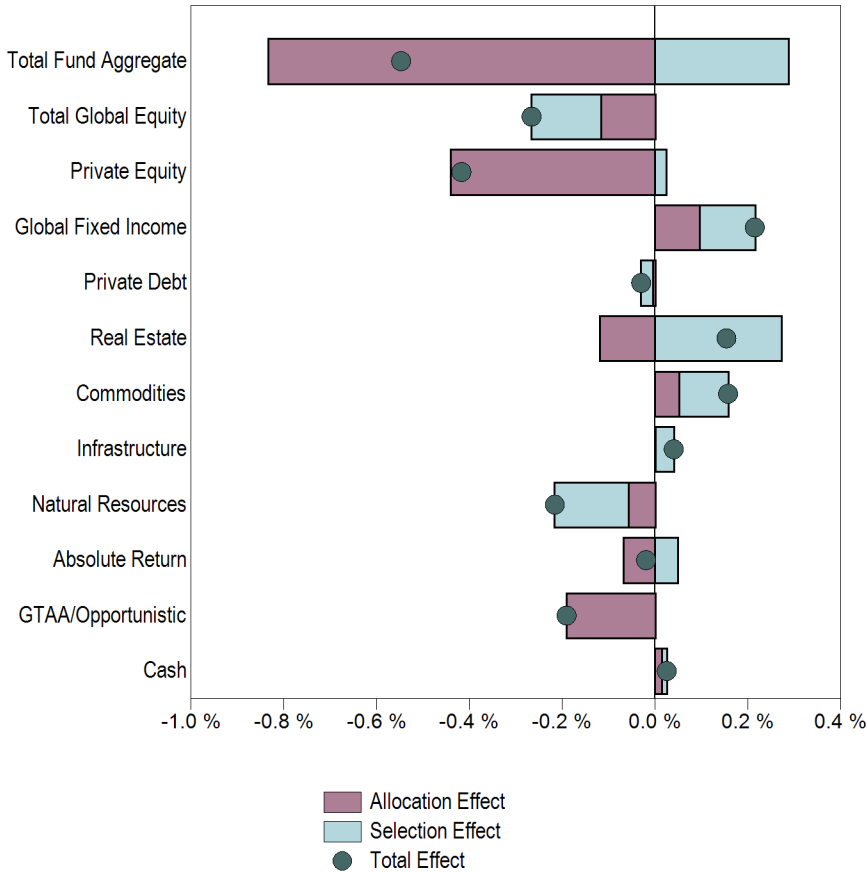
As of June 30, 2017

Asset Class Net Performance Summary

	Market Value (\$)	% of Portfolio	QTD (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Fund Aggregate	1,998,468,931	100.0	2.0	4.9	7.5	7.5	1.9	5.4	3.2	6.7	Jan-94
San Jose FCERS Policy Benchmark			2.4	5.9	8.1	8.1	1.9	6.1	3.9	7.0	Jan-94
San Jose FCERS Custom Benchmark			1.9	4.8	6.5	6.5	1.7	5.4	3.2	--	Jan-94
InvestorForce Public DB > \$1B Net Median			2.9	7.4	12.7	12.7	4.9	8.6	4.8	7.2	Jan-94
InvestorForce Public DB > \$1B Net Rank			99	98	96	96	96	94	96	74	Jan-94
Total Global Equity	682,047,414	34.1	4.6	10.6	17.7	17.7	4.3	10.4	--	8.4	May-10
MSCI ACWI IMI Net USD			4.2	11.3	19.0	19.0	4.9	10.7	--	8.4	May-10
Global Equity	213,789,559	10.7	4.9	10.6	23.4	23.4	--	--	--	9.8	Jul-15
MSCI ACWI IMI Net USD			4.2	11.3	19.0	19.0	--	--	--	7.0	Jul-15
US Equity	100,208,892	5.0	2.9	7.4	18.4	18.4	--	--	--	9.2	Jul-15
Russell 3000			3.0	8.9	18.5	18.5	--	--	--	10.0	Jul-15
International Equity	187,922,412	9.4	6.4	14.4	19.3	19.3	--	--	--	4.6	Jul-15
MSCI World ex USA			5.6	12.8	19.5	19.5	--	--	--	3.8	Jul-15
Emerging Markets Equity	91,404,252	4.6	4.7	15.0	17.7	17.7	--	--	--	2.8	Jul-15
MSCI Emerging Markets			6.3	18.4	23.7	23.7	--	--	--	4.3	Jul-15
Marketable Alternative Equity	88,722,298	4.4	2.7	5.9	7.6	7.6	--	--	--	5.3	Oct-14
HFRI Equity Hedge (Total) Index			1.9	5.9	12.1	12.1	--	--	--	3.7	Oct-14
Private Equity	56,692,993	2.8	6.5	6.6	10.3	10.3	8.6	10.8	7.7	6.7	Jan-06
Cambridge PE Composite BM			4.1	7.4	12.0	12.0	8.2	11.4	8.8	10.6	Jan-06

¹ Fiscal Year begins July 1.² Beginning in July 2012, fees are accounted for on a cash basis. Previously, fees were accounted for on an accrual basis.³ Please see the Appendix for composition of the San Jose FCERS Policy Benchmark.⁴ San Jose FCERS Custom Benchmark consists of the individual benchmarks that comprise the San Jose FCERS Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.⁵ Global Equity includes <\$0.1 million of residuals from terminated managers or previous transitions.⁵ Returns for the Equity Aggregate are gross of fees through June 2015 and net of fees thereafter.

**Attribution Effects
3 Years Ending June 30, 2017**



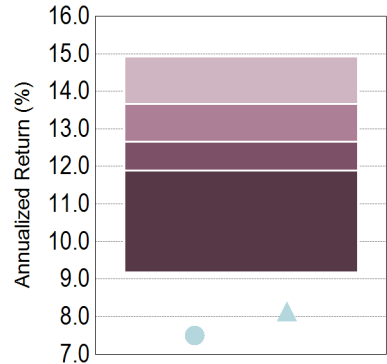
**Attribution Summary
3 Years Ending June 30, 2017**

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Total Global Equity	4.3%	4.9%	-0.5%	-0.1%	-0.1%	-0.3%
Private Equity	8.6%	8.2%	0.4%	0.0%	-0.4%	-0.4%
Global Fixed Income	1.3%	0.5%	0.8%	0.1%	0.1%	0.2%
Private Debt	3.4%	4.1%	-0.6%	0.0%	0.0%	0.0%
Real Estate	15.7%	10.2%	5.5%	0.3%	-0.1%	0.2%
Commodities	-13.6%	-14.8%	1.2%	0.1%	0.1%	0.2%
Infrastructure	3.0%	2.4%	0.6%	0.0%	0.0%	0.0%
Natural Resources	-7.4%	-4.7%	-2.7%	-0.2%	-0.1%	-0.2%
Absolute Return	2.1%	1.1%	0.9%	0.0%	-0.1%	0.0%
GTAA/Opportunistic	0.0%	2.9%	-2.9%	0.0%	-0.2%	-0.2%
Cash	0.4%	0.2%	0.2%	0.0%	0.0%	0.0%
Total	1.9%	2.4%	-0.5%	0.3%	-0.8%	-0.5%

Total Fund Risk Statistics vs. Peer Universe (Trailing 1 Year)

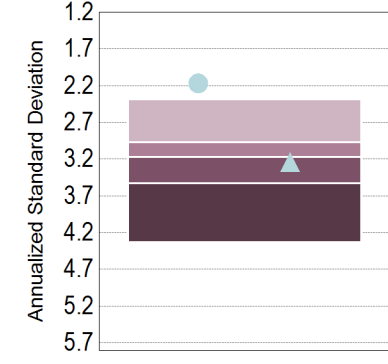
As of June 30, 2017

Annualized Return (%) vs. InvestorForce Public DB > \$1B Net



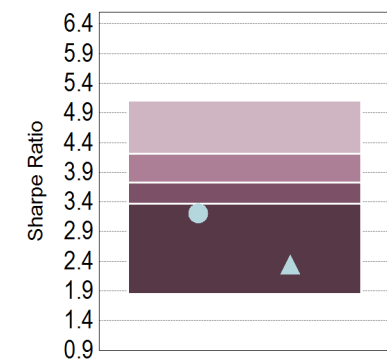
● Total Fund Aggregate	
Value	7.5
Rank	96
▲ San Jose FCERS Policy Benchmark	
Value	8.1
Rank	96
Universe	
5th %tile	14.9
25th %tile	13.7
Median	12.7
75th %tile	11.9
95th %tile	9.2

Annualized Standard Deviation vs. InvestorForce Public DB > \$1B Net



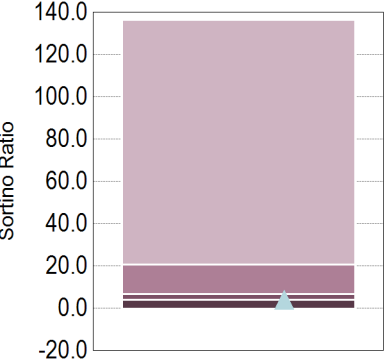
● Total Fund Aggregate	
Value	2.2
Rank	4
▲ San Jose FCERS Policy Benchmark	
Value	3.2
Rank	58
Universe	
5th %tile	2.4
25th %tile	3.0
Median	3.2
75th %tile	3.5
95th %tile	4.3

Sharpe Ratio vs. InvestorForce Public DB > \$1B Net



● Total Fund Aggregate	
Value	3.2
Rank	86
▲ San Jose FCERS Policy Benchmark	
Value	2.3
Rank	95
Universe	
5th %tile	5.1
25th %tile	4.2
Median	3.7
75th %tile	3.4
95th %tile	1.9

Sortino Ratio vs. InvestorForce Public DB > \$1B Net



● Total Fund Aggregate	
Value	--
Rank	--
▲ San Jose FCERS Policy Benchmark	
Value	3.9
Rank	81
Universe	
5th %tile	136.3
25th %tile	20.8
Median	6.9
75th %tile	4.2
95th %tile	0.0



Total Fund Aggregate

As of June 30, 2017

Fiscal Year Performance

	Fiscal 2017 (%)	Fiscal 2016 (%)	Fiscal 2015 (%)	Fiscal 2014 (%)	Fiscal 2013 (%)
Total Fund Aggregate	8.7	-2.7	-2.7	16.2	9.0
<i>Consumer Price Index</i>	1.6	1.0	0.1	2.1	1.8
<i>San Jose Healthcare Policy Benchmark</i>	9.2	0.7	-3.4	16.8	8.7
<i>San Jose Healthcare Custom Benchmark</i>	7.5	-0.7	-4.4	16.3	9.2
Total Global Equity	20.3	-5.5	1.8	23.1	19.1
<i>MSCI ACWI IMI Net USD</i>	19.0	-3.9	0.8	23.4	17.1
Global Equity	21.9	-2.8	--	--	--
<i>MSCI ACWI IMI Net USD</i>	19.0	-3.9	--	--	--
<i>Artisan Global Value</i>	21.9	-2.8	--	--	--
<i>MSCI ACWI Value NR USD</i>	19.0	-4.8	--	--	--
U.S. Equity	18.6	1.7	--	--	--
<i>Russell 3000</i>	18.5	2.1	--	--	--
<i>Northern Trust Russell 3000</i>	18.5	2.5	--	--	--
<i>Russell 3000</i>	18.5	2.1	--	--	--
<i>Cove Street Small Cap Value</i>	18.7	-1.1	--	--	--
<i>Russell 2000 Value</i>	24.9	-2.6	--	--	--

¹ Fiscal Year begins July 1.

² Please see the Appendix for composition of the San Jose Health Care 115 Trust Policy Benchmark.

³ Custom Benchmark consists of the individual benchmarks that comprise the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

⁴ Vanguard international equity strategies may temporarily differ from the benchmark due to fair value pricing. Fair value pricing is an adjustment made to prices in the index after the markets close for securities that trade on foreign exchanges.

⁵ The Vanguard Spliced Developed Markets Index reflects the performance of the MSCI EAFE Index through May 28, 2013; FTSE Developed ex North America Index through December 20, 2015; FTSE Developed All Cap ex US Transition Index thereafter. Benchmark returns are adjusted for withholding taxes.



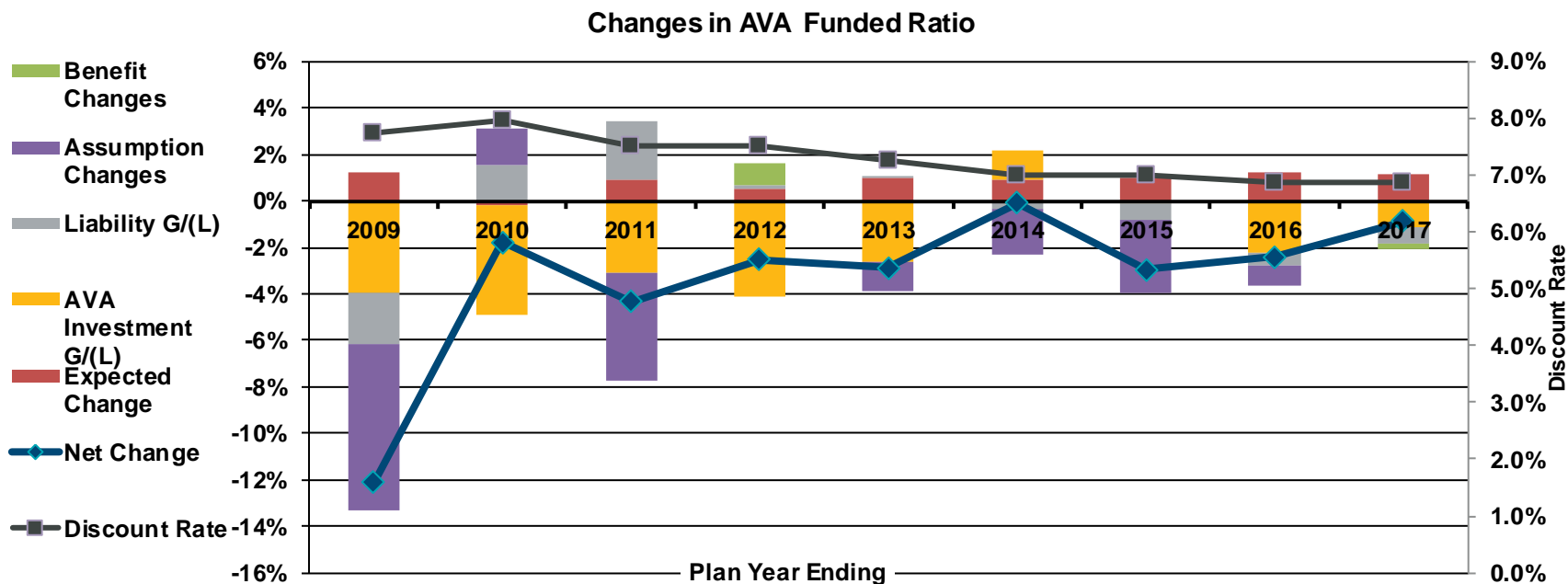
As of June 30, 2017

Asset Class Net Performance Summary

	Market Value (\$)	% of Portfolio	QTD (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Fund Aggregate	219,702,395	100.0	2.3	5.9	8.7	8.7	0.9	5.4	--	4.6	Jul-11
Consumer Price Index			0.5	1.5	1.6	1.6	0.9	1.3	--	1.4	Jul-11
San Jose Healthcare Policy Benchmark			2.8	7.1	9.2	9.2	2.0	6.1	--	4.7	Jul-11
San Jose Healthcare Custom Benchmark			2.4	6.1	7.5	7.5	0.6	5.3	--	4.7	Jul-11
InvestorForce Health & Welfare \$50mm - \$250mm Gross Median			1.8	4.3	6.3	6.3	3.8	5.2	4.9	5.3	Jul-11
InvestorForce Health & Welfare \$50mm - \$250mm Gross Rank			36	33	35	35	98	41	--	65	Jul-11
Total Global Equity	87,790,532	40.0	5.1	12.2	20.3	20.3	5.0	11.2	--	11.0	Dec-11
MSCI ACWI IMI Net USD			4.2	11.3	19.0	19.0	4.9	10.7	--	10.6	Dec-11
Global Fixed Income	53,060,787	24.2	0.7	1.5	-0.2	-0.2	1.6	1.2	--	1.8	Dec-11
BBgBarc Global Aggregate TR			2.6	4.4	-2.2	-2.2	-0.4	0.8	--	1.1	Dec-11
Real Assets	41,565,222	18.9	0.6	3.4	5.3	5.3	-8.8	-5.0	--	-6.7	Aug-11
NCREIF ODCE Equal Weighted (net)			1.5	3.1	7.2	7.2	10.7	10.8	--	11.1	Aug-11
Bloomberg Commodity Index TR USD			-3.0	-5.3	-6.5	-6.5	-14.8	-9.2	--	-10.7	Aug-11
DJ Brookfield Global Infrastructure Net TR USD			3.7	11.5	8.0	8.0	2.4	--	--	--	Aug-11
S&P Global Natural Resources Index TR USD			-0.9	2.0	15.3	15.3	-4.7	0.5	--	-2.8	Aug-11
Cash	37,285,855	17.0									
91 Day T-Bills											

¹ Fiscal Year begins July 1.² Please see the Appendix for composition of the San Jose Health Care 115 Trust Policy Benchmark.³ Custom Benchmark consists of the individual benchmarks that comprise the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

Fed Changes in AVA Funded Ratio



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Discount Rate	7.75%	7.95%	7.50%	7.50%	7.250%	7.00%	7.00%	6.875%	6.875%
Source									
Expected Increase	1.2%	-0.2%	0.9%	0.6%	1.0%	0.9%	1.0%	1.2%	1.2%
AVA Investment G/(L)	-3.9%	-4.7%	-3.1%	-4.1%	-2.6%	1.3%	-0.1%	-2.2%	-1.1%
Liability G/(L)	-2.2%	1.5%	2.5%	0.1%	0.0%	-0.3%	-0.7%	-0.5%	-0.7%
Assumption Changes	-7.2%	1.6%	-4.7%	0.0%	-1.3%	-2.0%	-3.2%	-0.9%	0.0%
Benefit Changes	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	-0.2%
Net Change	-12.1%	-1.8%	-4.3%	-2.5%	-2.9%	-0.1%	-2.9%	-2.4%	-0.9%
End of Year Funded Ratio	70.7%	68.9%	64.6%	62.1%	59.2%	59.1%	56.1%	53.7%	52.9%

As of June 30, 2017

Fiscal Year Performance

	Fiscal 2017 (%)	Fiscal 2016 (%)	Fiscal 2015 (%)	Fiscal 2014 (%)	Fiscal 2013 (%)
Total Fund	9.7	-0.6	-0.8	13.5	9.7
Policy Benchmark	9.5	1.0	-1.0	14.6	8.1
Allocation Index	9.0	0.5	-1.2	14.8	7.8
Total Global Equity Composite	19.7	-4.1	1.3	21.6	17.1
San Jose Custom Total Equity Benchmark	19.0	-3.9	0.8	23.3	17.6
Global Equity Composite	25.0	-2.0	4.5	23.0	--
MSCI ACWI IMI Net USD	19.0	-3.9	0.8	23.4	--
Artisan Global Opportunities	25.0	-1.3	8.4	22.1	--
MSCI ACWI	18.8	-3.7	0.7	22.9	--
Artisan Global Value	23.4	-2.6	0.6	24.0	--
MSCI ACWI IMI Net USD	19.0	-3.9	0.8	23.4	--
U.S. Equity Composite	18.7	1.4	7.2	25.5	27.4
Russell 3000	18.5	2.1	7.3	25.2	21.5
NT Russell 1000 Index Fund	17.9	3.0	7.6	--	--
Russell 1000	18.0	2.9	7.4	--	--
RBC Small Cap Core	20.8	-6.4	4.4	--	--
Russell 2000	24.6	-6.7	6.5	--	--
International Equity Composite	19.4	-7.6	-4.1	21.7	17.2
San Jose Custom MSCI World ex US Benchmark	19.5	-9.8	-5.6	23.6	18.6
NT Russell MSCI World ex US Index Fund	19.9	-9.5	-5.3	--	--
MSCI World ex USA	19.5	-9.8	-5.3	--	--

¹ Fiscal Year begins July 1.

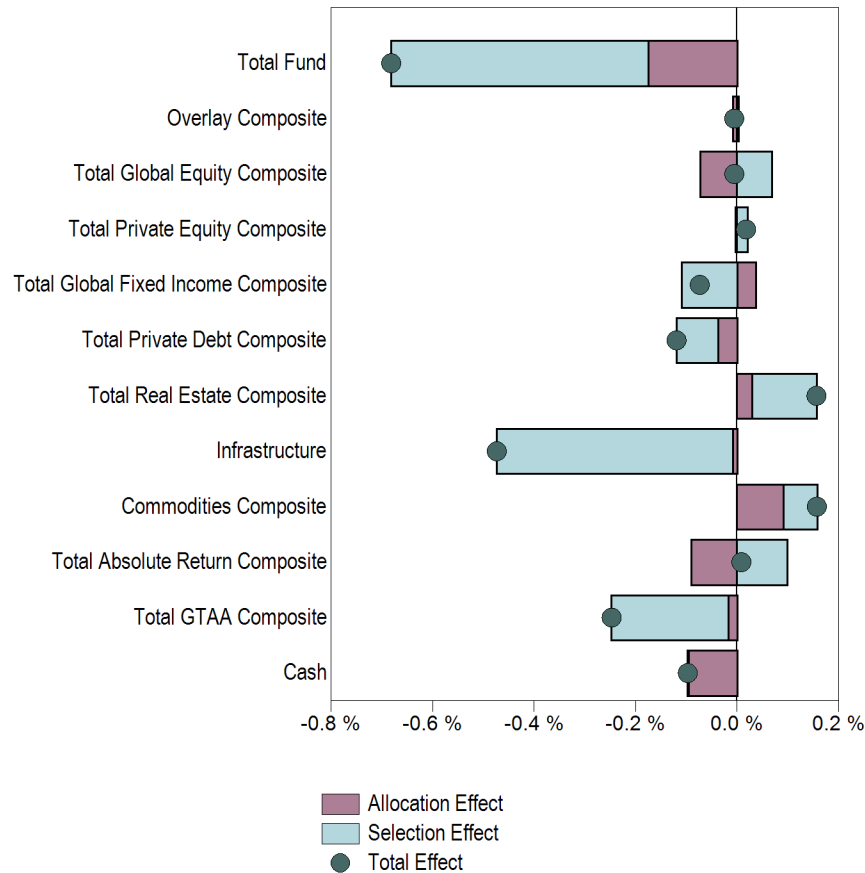
As of June 30, 2017

Trailing Net Performance

	Market Value (\$)	% of Portfolio	QTD (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Fund	3,324,779,578	100.0	2.5	5.8	9.7	9.7	2.6	6.1	3.2	8.5	Mar-71
<i>Policy Benchmark</i>			2.7	6.6	9.5	9.5	3.1	6.3	3.7	--	Mar-71
<i>Allocation Index</i>			2.3	5.7	9.0	9.0	2.7	6.0	3.6	--	Mar-71
<i>InvestorForce Public DB > \$1B Net Median</i>			2.9	7.4	12.7	12.7	4.9	8.6	4.8	--	Mar-71
<i>InvestorForce Public DB > \$1B Net Rank</i>			83	95	95	95	94	94	96	--	Mar-71
Total Global Equity Composite	1,004,322,928	30.2	5.0	11.7	19.7	19.7	5.2	10.6	--	5.5	Apr-08
<i>San Jose Custom Total Equity Benchmark</i>			4.2	11.3	19.0	19.0	4.9	10.8	--	5.7	Apr-08
<i>eA All Global Equity Net Median</i>			4.8	11.2	17.6	17.6	5.0	11.0	4.1	5.7	Apr-08
<i>eA All Global Equity Net Rank</i>			44	45	37	37	48	59	--	54	Apr-08
Global Equity Composite	259,005,681	7.8	6.2	14.1	25.0	25.0	8.6	--	--	12.3	Mar-13
<i>MSCI ACWI IMI Net USD</i>			4.2	11.3	19.0	19.0	4.9	--	--	8.9	Mar-13
<i>eA All Global Equity Net Median</i>			4.8	11.2	17.6	17.6	5.0	11.0	4.1	9.4	Mar-13
<i>eA All Global Equity Net Rank</i>			24	27	14	14	13	--	--	13	Mar-13
Artisan Global Opportunities	125,487,888	3.8	8.4	19.7	25.0	25.0	10.2	--	--	11.8	May-13
<i>MSCI ACWI</i>			4.3	11.5	18.8	18.8	4.8	--	--	7.9	May-13
<i>eA All Global Equity Net Median</i>			4.8	11.2	17.6	17.6	5.0	11.0	4.1	8.4	May-13
<i>eA All Global Equity Net Rank</i>			7	6	14	14	7	--	--	12	May-13
Artisan Global Value	134,361,612	4.0	5.7	12.1	23.4	23.4	6.5	--	--	11.4	Mar-13
<i>MSCI ACWI IMI Net USD</i>			4.2	11.3	19.0	19.0	4.9	--	--	8.9	Mar-13
<i>eA All Global Equity Net Median</i>			4.8	11.2	17.6	17.6	5.0	11.0	4.1	9.4	Mar-13
<i>eA All Global Equity Net Rank</i>			31	43	18	18	29	--	--	19	Mar-13

¹ Fiscal Year begins July 1.

**Attribution Effects
3 Years Ending June 30, 2017**



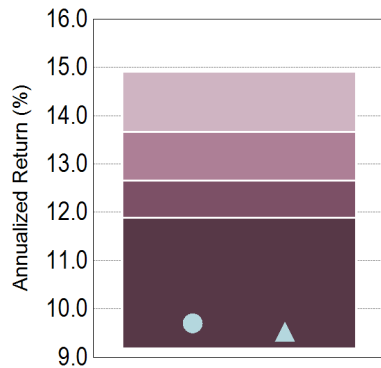
**Attribution Summary
3 Years Ending June 30, 2017**

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Overlay Composite	2.8%	3.1%	-0.3%	0.0%	0.0%	0.0%
Total Global Equity Composite	5.2%	4.9%	0.3%	0.1%	-0.1%	0.0%
Total Private Equity Composite	8.8%	8.8%	0.1%	0.0%	0.0%	0.0%
Total Global Fixed Income Composite	2.4%	2.5%	-0.1%	-0.1%	0.0%	-0.1%
Total Private Debt Composite	3.8%	4.2%	-0.4%	-0.1%	0.0%	-0.1%
Total Real Estate Composite	9.1%	7.4%	1.7%	0.1%	0.0%	0.2%
Infrastructure	-9.2%	8.4%	-17.6%	-0.5%	0.0%	-0.5%
Commodities Composite	-11.0%	-12.1%	1.1%	0.1%	0.1%	0.2%
Total Absolute Return Composite	1.2%	-0.1%	1.4%	0.1%	-0.1%	0.0%
Total GTAA Composite	0.8%	2.9%	-2.1%	-0.2%	0.0%	-0.2%
Cash	0.2%	0.2%	0.0%	0.0%	-0.1%	-0.1%
Total	2.7%	3.4%	-0.7%	-0.5%	-0.2%	-0.7%

Total Fund Risk Statistics vs. Peer Universe (Trailing 1 Year)

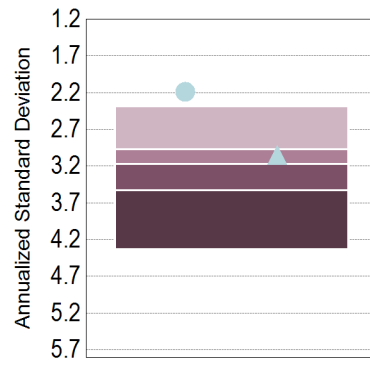
As of June 30, 2017

Annualized Return (%)
vs. InvestorForce Public DB > \$1B Net



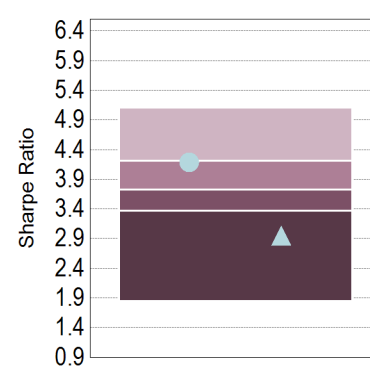
● Total Fund	
Value	9.7
Rank	95
▲ Policy Benchmark	
Value	9.5
Rank	95
Universe	
5th %tile	14.9
25th %tile	13.7
Median	12.7
75th %tile	11.9
95th %tile	9.2

Annualized Standard Deviation
vs. InvestorForce Public DB > \$1B Net



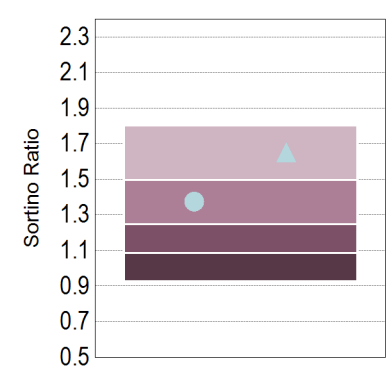
● Total Fund	
Value	2.2
Rank	5
▲ Policy Benchmark	
Value	3.0
Rank	37
Universe	
5th %tile	2.4
25th %tile	3.0
Median	3.2
75th %tile	3.5
95th %tile	4.3

Sharpe Ratio
vs. InvestorForce Public DB > \$1B Net



● Total Fund	
Value	4.2
Rank	27
▲ Policy Benchmark	
Value	3.0
Rank	89
Universe	
5th %tile	5.1
25th %tile	4.2
Median	3.7
75th %tile	3.4
95th %tile	1.9

Sortino Ratio
vs. InvestorForce Public DB > \$1B Net

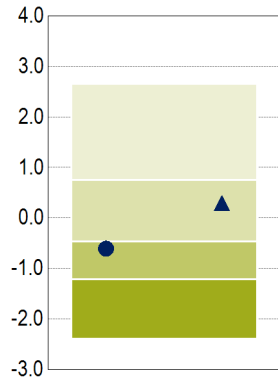


● Total Fund	
Value	1.4
Rank	37
▲ Policy Benchmark	
Value	1.7
Rank	13
Universe	
5th %tile	1.8
25th %tile	1.5
Median	1.3
75th %tile	1.1
95th %tile	0.9

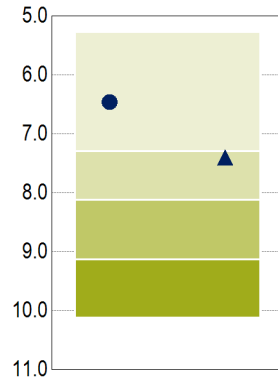
Total Fund Risk Statistics vs. Peer Universe

**Total Fund vs. InvestorForce Public DB > \$1B Net (USD)
1 Year**

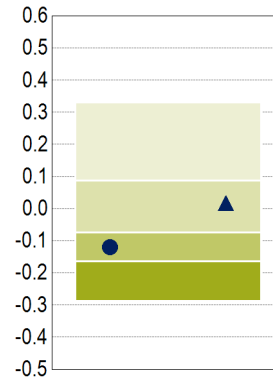
Anlzd Return



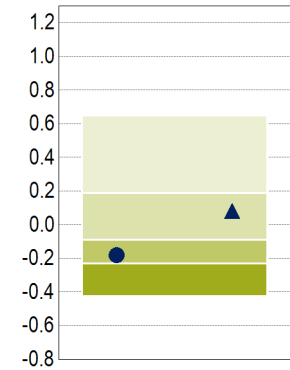
Anlzd Standard Deviation



Sharpe Ratio



Sortino Ratio



● Total Fund	
Value	-0.6
%tile	54
▲ Policy Benchmark	
Value	0.3
%tile	38
Universe	
5th %tile	2.7
25th %tile	0.8
Median	-0.5
75th %tile	-1.2
95th %tile	-2.4

● Total Fund	
Value	6.5
%tile	9
▲ Policy Benchmark	
Value	7.4
%tile	29
Universe	
5th %tile	5.3
25th %tile	7.3
Median	8.1
75th %tile	9.1
95th %tile	10.1

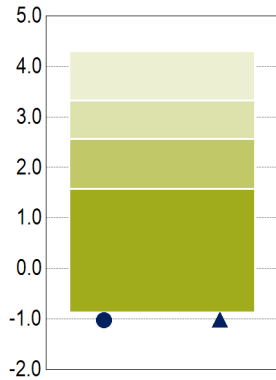
● Total Fund	
Value	-0.1
%tile	63
▲ Policy Benchmark	
Value	0.0
%tile	37
Universe	
5th %tile	0.3
25th %tile	0.1
Median	-0.1
75th %tile	-0.2
95th %tile	-0.3

● Total Fund	
Value	-0.2
%tile	66
▲ Policy Benchmark	
Value	0.1
%tile	35
Universe	
5th %tile	0.7
25th %tile	0.2
Median	-0.1
75th %tile	-0.2
95th %tile	-0.4

Total Fund Risk Statistics vs. Peer Universe

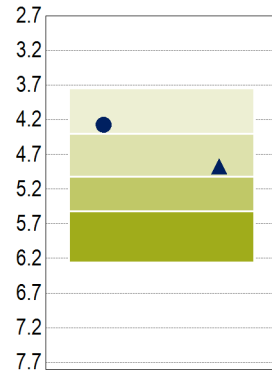
**Total Fund vs. InvestorForce Public DB > \$1B Net (USD)
1 Year**

Anlzd Return



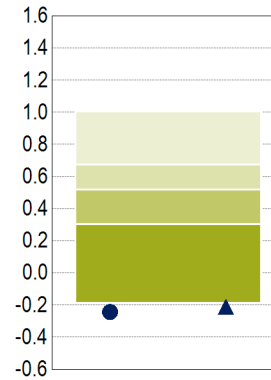
● Total Fund	
Value	-1.0
%tile	98
▲ Policy Benchmark	
Value	-1.0
%tile	98
Universe	
5th %tile	4.3
25th %tile	3.3
Median	2.6
75th %tile	1.6
95th %tile	-0.9

Anlzd Standard Deviation



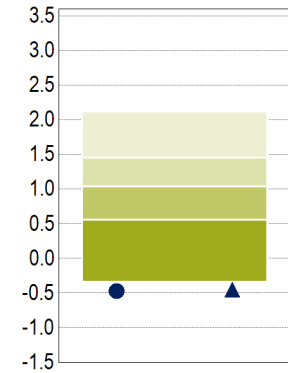
● Total Fund	
Value	4.3
%tile	22
▲ Policy Benchmark	
Value	4.9
%tile	46
Universe	
5th %tile	3.7
25th %tile	4.4
Median	5.0
75th %tile	5.5
95th %tile	6.3

Sharpe Ratio



● Total Fund	
Value	-0.2
%tile	96
▲ Policy Benchmark	
Value	-0.2
%tile	96
Universe	
5th %tile	1.0
25th %tile	0.7
Median	0.5
75th %tile	0.3
95th %tile	-0.2

Sortino Ratio



● Total Fund	
Value	-0.5
%tile	97
▲ Policy Benchmark	
Value	-0.5
%tile	96
Universe	
5th %tile	2.1
25th %tile	1.5
Median	1.0
75th %tile	0.6
95th %tile	-0.3

As of June 30, 2017

Fiscal Year Performance

	Fiscal 2017 (%)	Fiscal 2016 (%)	Fiscal 2015 (%)	Fiscal 2014 (%)	Fiscal 2013 (%)
Health Care Trust	7.0	0.3	-1.7	14.5	5.0
Policy Benchmark	9.5	1.3	-1.0	14.3	5.3
Allocation Index	7.1	2.3	0.1	14.6	5.3
Global Equity Composite	19.1	-3.3	1.2	23.6	--
MSCI ACWI IMI (Net)	19.0	-3.9	0.8	23.3	--
Vanguard Total World Stock Index Fund	19.1	-3.3	1.2	23.6	--
MSCI ACWI IMI (Net)	19.0	-3.9	0.8	23.3	--
Global Fixed Income Composite	-0.4	6.1	1.7	4.3	--
BBgBarc US Aggregate TR	-0.3	6.0	1.9	4.4	--
Vanguard Total Bond Market Index Fund	-0.4	6.1	1.7	4.3	--
BBgBarc US Aggregate TR	-0.3	6.0	1.9	4.4	--
Real Assets	-0.1	7.0	--	--	--
Real Assets Custom Benchmark	-0.4	6.3	--	--	--
Real Estate Composite	-1.9	23.9	3.8	13.4	--
MSCI US REIT Gross	-1.8	24.1	3.9	13.4	--
Vanguard REIT Index Fund	-1.9	23.9	3.8	13.4	--
MSCI US REIT	-3.1	22.4	2.7	12.0	--
Commodities Composite	1.3	-11.4	-19.7	14.0	--
Bloomberg Commodity Index TR USD	-6.5	-13.3	-23.7	8.2	--
Credit Suisse	1.3	-11.4	-19.7	13.9	--
Bloomberg Commodity Index TR USD	-6.5	-13.3	-23.7	8.2	--

¹ Fiscal Year begins July 1.

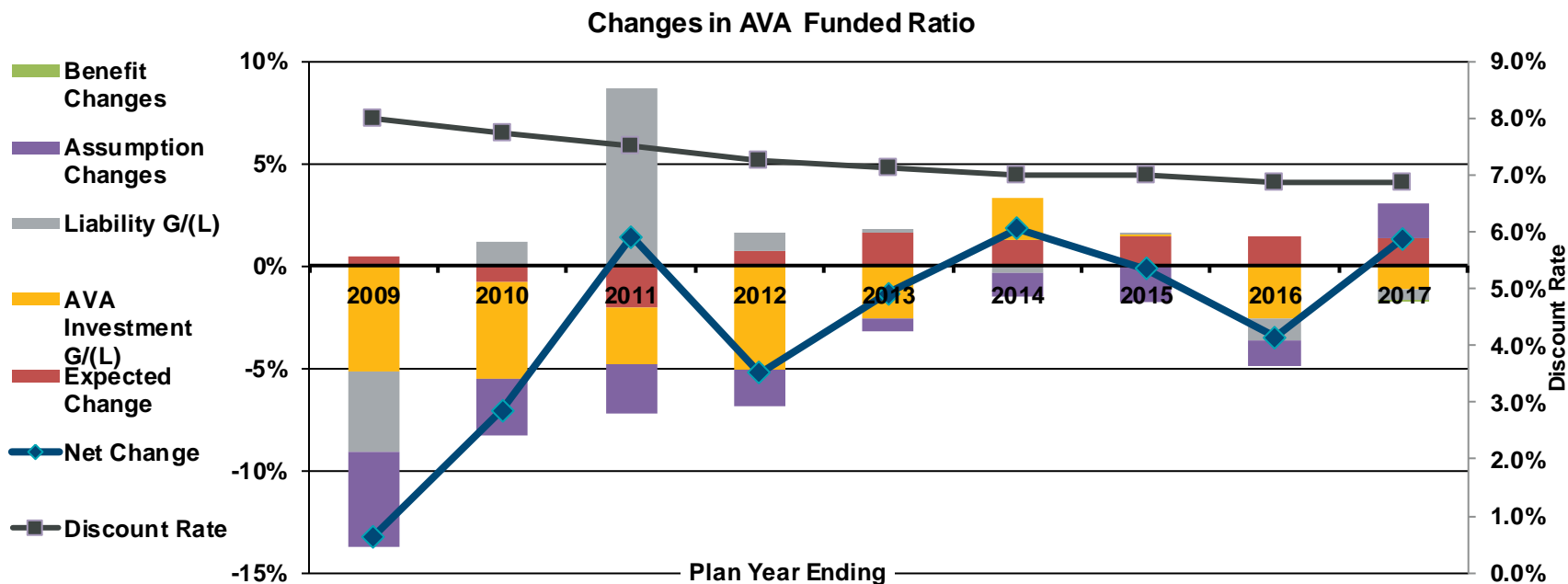
As of June 30, 2017

Asset Class Net Performance Summary

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Health Care Trust	102,937,838	100.0	2.0	7.0	7.0	1.8	4.9	--	4.9	Jul-12
Policy Benchmark			2.8	9.5	9.5	3.2	5.7	--	5.7	Jul-12
Allocation Index			1.8	7.1	7.1	3.1	5.8	--	5.8	Jul-12
InvestorForce Health & Welfare \$50mm - \$250mm Gross Median			1.8	6.3	6.3	3.8	5.2	4.9	5.2	Jul-12
InvestorForce Health & Welfare \$50mm - \$250mm Gross Rank			42	44	44	91	59	--	59	Jul-12
Global Equity Composite	33,700,142	32.7	4.3	19.1	19.1	5.2	--	--	11.0	Aug-12
MSCI ACWI IMI (Net)			4.2	19.0	19.0	4.9	--	--	10.7	Aug-12
eA All Global Equity Net Median			4.8	17.6	17.6	5.0	11.0	4.1	10.9	Aug-12
eA All Global Equity Net Rank			60	41	41	48	--	--	49	Aug-12
Global Fixed Income Composite	16,296,768	15.8	1.5	-0.4	-0.4	2.4	--	--	1.9	Aug-12
BBgBarc US Aggregate TR			1.4	-0.3	-0.3	2.5	--	--	2.0	Aug-12
eA All US Fixed Inc Net Median			1.4	0.9	0.9	2.5	2.8	4.5	2.5	Aug-12
eA All US Fixed Inc Net Rank			47	87	87	53	--	--	64	Aug-12
Real Assets	15,572,439	15.1	0.2	-0.1	-0.1	--	--	--	3.4	Jul-15
Real Assets Custom Benchmark			0.0	-0.4	-0.4	--	--	--	2.9	Jul-15
Real Estate Composite	6,981,720	6.8	1.6	-1.9	-1.9	8.1	--	--	9.0	Aug-12
MSCI US REIT Gross			1.7	-1.8	-1.8	8.2	--	--	9.1	Aug-12
eA US REIT Net Median			1.9	-1.2	-1.2	8.2	9.5	6.4	9.2	Aug-12
eA US REIT Net Rank			58	55	55	63	--	--	58	Aug-12
Commodities Composite	7,337,802	7.1	-0.6	1.3	1.3	-10.3	--	--	-7.6	Oct-12
Bloomberg Commodity Index TR USD			-3.0	-6.5	-6.5	-14.8	--	--	-11.5	Oct-12
Infrastructure Composite	1,252,917	1.2	-3.1	2.8	2.8	-9.3	--	--	-5.8	Jan-14
DJ Brookfield Global Infrastructure Net TR USD			3.7	8.0	8.0	2.4	--	--	6.6	Jan-14

¹ Fiscal Year begins July 1.

P&F Changes in AVA Funded Ratio



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Discount Rate	8.00%	7.75%	7.50%	7.25%	7.125%	7.00%	7.00%	6.875%	6.875%
<u>Source</u>									
Expected Increase	0.5%	-0.8%	-2.0%	0.7%	1.6%	1.3%	1.4%	1.4%	1.4%
AVA Investment G/(L)	-5.1%	-4.7%	-2.8%	-5.1%	-2.6%	2.1%	0.1%	-2.5%	-1.1%
Liability G/(L)	-4.0%	1.2%	8.7%	0.9%	0.2%	-0.3%	0.1%	-1.1%	-0.5%
Assumption Changes	-4.6%	-2.8%	-2.4%	-1.8%	-0.6%	-1.2%	-1.8%	-1.3%	1.7%
Benefit Changes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%
Net Change	-13.2%	-7.1%	1.4%	-5.2%	-1.3%	1.8%	-0.1%	-3.5%	1.4%
End of Year Funded Ratio	89.7%	82.6%	84.0%	78.8%	77.5%	79.3%	79.2%	75.7%	77.1%