

# Wilshire Consulting

*Executive Summary of Performance  
Prepared for Tacoma Employees' Retirement System  
Fourth Quarter 2010*



1299 OCEAN AVENUE, SUITE 700  
SANTA MONICA, CA 90401  
T.310.451.3051 F.310.458.6936



## Capital Market Overview

The U.S. stock market ended 2010 with strong gains, building upon the rally that began in September and besting most other broad public securities markets for the year. U.S. stocks overcame multiple headwinds along the way, including an economy undergoing a spotty recovery from recession, a domestic real estate market that is still struggling to find a solid bottom, and stubbornly high domestic unemployment. U.S. real GDP growth picked up somewhat to an annual rate of 2.3% in the third quarter, versus the 1.7% annual rate seen in the second quarter. However, residential real estate markets are experiencing a slowdown; the Standard & Poor's Case-Schiller 20-City Home Price Index has displayed price drops for the last four reporting months (July through October 2010), bringing its trailing twelve-month return ending October 31, 2010 to 0.80%. The official U.S. unemployment rate dropped 0.4% to 9.4% at year-end 2010, with the economy adding 1.1 million jobs over the year; an estimated 384,000 jobs were added in the fourth quarter alone (source: Bureau of Labor Statistics). Consumer-level inflation as measured by the Consumer Price Index (All Urban Consumers) picked up slightly in the fourth quarter with a rise of 0.34%, compared to the 0.22% increase in the third quarter. However, the 1.50% inflation rate for calendar 2010 is markedly lower than the 2.72% figure seen in 2009. Some of the inflationary pressure in the fourth quarter can be traced to surging energy commodity prices; crude oil jumped 14.27% to \$91.38 per barrel, while natural gas rose 13.82% to \$4.405 per million BTU. For the year, in contrast, oil's 15.15% rise, primarily fueled by late-year speculation in the futures markets, was offset by natural gas' 20.92% plunge, due to lower demand and discovery of vast new sources. Yet again, the Federal Reserve held past on their target Federal Funds rate range of 0.0-0.25% in response to the sluggish pace of the economic recovery. Additionally, the Fed announced a second round of quantitative easing (dubbed QE2), i.e., a buyback of Treasury debt to generate liquidity and economic activity. In response to QE2 and general profit-taking at year-end, long-term Treasury yields nudged up over the fourth quarter; nevertheless, Treasury yields were uniformly lower at year-end 2010 than at year-end 2009. Global equity markets outperformed fixed income for the fourth quarter and year, despite continued economic troubles in the European Community.

### U.S. Equity Market

The U.S. stock market's fourth quarter rally solidified gains for broad indexes. The Standard & Poor's 500 Index returned 10.76% for the fourth quarter and 15.05% for calendar 2010, but the Wilshire 5000 Total Market Index bested the S&P 500 with returns of 11.59% and 17.16% for the quarter and year, respectively. This marks two consecutive years of gains for the broad market, following the Wilshire 5000's 28.30% performance for calendar 2009. Small capitalization stocks surged during the quarter, as the Wilshire U.S. Small Cap Index jumped 16.32% versus a more than respectable 11.01% for the Wilshire U.S. Large Cap Index. Small caps were up an impressive 28.94% in 2010, nearly doubling up a 15.83% return for larger companies. Growth stocks outpaced value shares within large caps during the quarter (Wilshire U.S. Large Growth, 11.60%; Wilshire U.S. Large Value, 10.41%), narrowing the value group's advantage for the year (Wilshire U.S. Large Growth, 15.02%; Wilshire U.S. Large Value, 16.56%). The Wilshire U.S. Small Growth Index was the best performer among the four major style segments over both the quarter and year, posting returns of 16.66% and 31.08%, respectively. Wilshire 5000 sector performance (GICS classification) in the fourth quarter was, as in the third quarter, uniformly positive. Energy and Materials shares led the pack with returns of 22.31% and 20.02% respectively.



Utilities, with a 2.25% return for the quarter, were the laggards of the Wilshire 5000; Health Care shares were other notable underperformers, as these stocks were unable to overcome concerns over the looming impact of federal healthcare reform in the United States. Interestingly, Real Estate-related securities continued to outpace the U.S. residential real estate market's slump; the Wilshire U.S. Real Estate Securities Index returned 8.18% in the fourth quarter, capping a remarkable 29.12% run-up for all of 2010.

### **Fixed Income Market**

The fourth quarter of 2010, as noted above, found the U.S. Treasury yield curve moving upward from its levels on September 30, ending the quarter somewhat higher, but still well below the levels seen on December 31, 2009. Investor rotation into equities and higher-yielding debt instruments certainly contributed to the fourth quarter yield movement. The yield on two-year Treasuries rose 18 basis points over the fourth quarter to 0.60%, while that of thirty-year Treasuries jumped 64 bps to 4.37%, resulting in a markedly steeper yield curve overall. Nonetheless, the curve flattened from its December 31, 2009 structure; two-year yields dropped 56 bps while thirty-year yields slid only 27 bps. For the quarter, short-term Treasuries (Barclays 1-3 Year U.S. Treasury, 0.15%) outperformed long-term paper (Barclays U.S. Long Treasury, 8.16%); for the year, the reverse was the case, unsurprisingly (Barclays U.S. 1-3 Year Treasury, 2.39%; Barclays U.S. Long Treasury, 9.37%). Credits outperformed government-related paper, as investors continued to seek out higher yield in the current low-interest-rate market environment (Barclays U.S. Credit, 1.86% fourth quarter, 8.46% year; Barclays U.S. Government, 2.34% fourth quarter, 5.52% year). The lower duration of mortgage-backed securities allowed this sector to lead other U.S. investment-grade issuance in the fourth quarter, while lagging the other broad sectors for the year (Barclays U.S. MBS, 0.24% fourth quarter, 5.37% year). High yield speculative-grade bonds once again led U.S. bond markets for the quarter and year; over those periods the Barclays High Yield Index returned 3.22% and 15.11% respectively, easily besting the Barclays U.S. Aggregate's 1.30% and 6.54% respective returns.

### **Non-U.S. Markets**

Global stock markets ended 2010 on generally positive notes, despite economic and socio-political turmoil in several European countries, currency-tightening policies in China and a near-constant undercurrent of worries over the potential for a double-dip recession in the United States. The MSCI All Country World Index ex-U.S. (net dividends) returned 5.88% for the fourth quarter and 7.64% for the year in local currency terms; the U.S. dollar's overall weakness against major world currencies resulted in stronger return when converted to U.S. dollar terms (MSCI ACWI ex-U.S., 7.20% fourth quarter, 11.15% year). Developed markets overall posted solid gains (MSCI EAFE net, local currency: 5.62% fourth quarter 4.82% year; USD terms: 6.61% fourth quarter, 7.75% year), with Germany underpinning the Eurozone economies and counterbalancing losses in the troubled PIIGS countries (Portugal, Ireland, Italy, Greece and Spain), where financial company stocks took a severe thrashing (MSCI Europe, net, local currency terms: 4.98% fourth quarter, 6.84% year). Developed Pacific region stock market performance was held back for the year in local currency terms by Japan's relatively lackluster returns for the year (MSCI Pacific, net, local currency terms: 6.91% fourth quarter, 2.07% year); however, thanks to the Euro's weakness against the US dollar, the developed Pacific region's stock markets (MSCI Pacific, net, USD terms: 10.64% fourth quarter, 15.92% year) outpaced those of developed Europe in dollar-converted



terms (MSCI Europe, net, USD terms: 4.50% fourth quarter, 3.88% year). Emerging market stocks returned strong performance for 2010, besting developed market equities (MSCI Emerging Markets, net, local currency terms: 5.74% fourth quarter, 14.10% year; USD terms: 7.34% fourth quarter, 18.87% year). Global bond markets in the fourth quarter were impacted by profit-taking, general market rotation back into equities, and the unfolding sovereign debt crisis in Europe. However, Currency movements improved performance for U.S. dollar-based investors for the quarter and year (Barclays Global Aggregate ex-U.S.: dollar-hedged, 1.83% fourth quarter, 3.28% year; unhedged, 2.30% fourth quarter, 11.81% year).



## Summary of Index Returns

For Periods Ended December 31, 2010

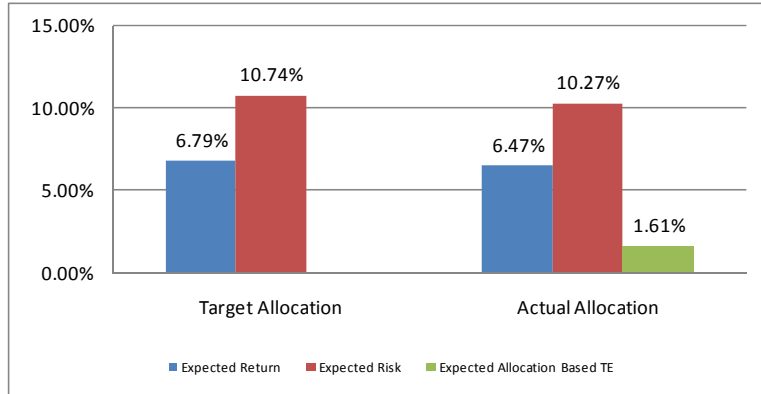
	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
<b>Domestic Equity</b>					
Standard & Poor's 500	10.76%	15.05%	-2.87%	2.29%	1.41%
Wilshire 5000	11.59	17.16	-1.92	2.90	2.50
Wilshire 4500	15.31	28.43	2.37	5.44	6.15
Wilshire Large Cap	11.01	15.83	-2.61	2.59	1.80
Wilshire Small Cap	16.32	28.94	4.40	6.29	8.04
Wilshire Micro Cap	17.43	28.24	1.36	1.82	10.44
<b>Domestic Equity</b>					
Wilshire Large Value	10.41%	16.56%	-4.75%	1.41%	3.09%
Wilshire Large Growth	11.60	15.02	-0.53	3.57	0.37
Wilshire Mid Value	11.59	22.67	2.26	4.08	7.02
Wilshire Mid Growth	16.15	27.61	4.46	7.18	6.30
Wilshire Small Value	15.98	26.76	4.81	5.79	9.69
Wilshire Small Growth	16.66	31.08	4.07	6.75	6.03
<b>International Equity</b>					
MSCI All World ex U.S. (USD)	7.20%	11.15%	-5.03%	4.82%	5.54%
MSCI All World ex U.S. (local currency)	6.03	7.79	-5.67	1.48	--
MSCI EAFE	6.61	7.75	-7.01	2.46	3.50
MSCI Europe	4.50	3.88	-8.90	2.85	3.26
MSCI Pacific	10.64	15.92	-2.91	1.57	3.98
MSCI EMF Index	7.34	18.87	-0.32	12.78	15.89
<b>Domestic Fixed Income</b>					
Barclays Aggregate Bond	-1.30%	6.54%	3.91%	5.80%	5.84%
Barclays Credit	-1.86	8.46	6.85	5.98	6.54
Barclays Mortgage	0.24	5.36	6.52	6.34	5.89
Barclays Treasury	-2.64	5.88	5.11	5.47	5.42
Citigroup High Yield Cash Pay	3.13	14.24	9.60	8.43	8.80
Barclays US TIPS	-0.65	6.31	4.97	5.33	7.02
91-Day Treasury Bill	0.04	0.13	0.79	2.42	2.39
<b>International Fixed Income</b>					
Citigroup Non-U.S. Gov. Bond	-1.45%	5.21%	6.54%	7.59%	7.42%
Citigroup World Gov. Bond	-1.76	5.17	6.15	7.08	7.00
Citigroup Hedged Non-U.S. Gov.	-2.05	2.48	4.26	4.15	4.64
<b>Currency*</b>					
Euro vs. \$	-1.73%	-6.50%	-2.83%	2.61%	3.63%
Yen vs. \$	3.00	14.78	11.26	7.79	3.48
Pound vs. \$	-0.64	-3.05	-7.69	-1.83	0.47
<b>Real Estate</b>					
Wilshire REIT Index	7.87%	28.60%	0.18%	2.42%	10.47%
Wilshire RESI	8.18	29.12	0.12	2.32	10.34
NCREIF Property Index	4.62	13.11	-4.18	3.51	7.38

\*Positive values indicate dollar depreciation.



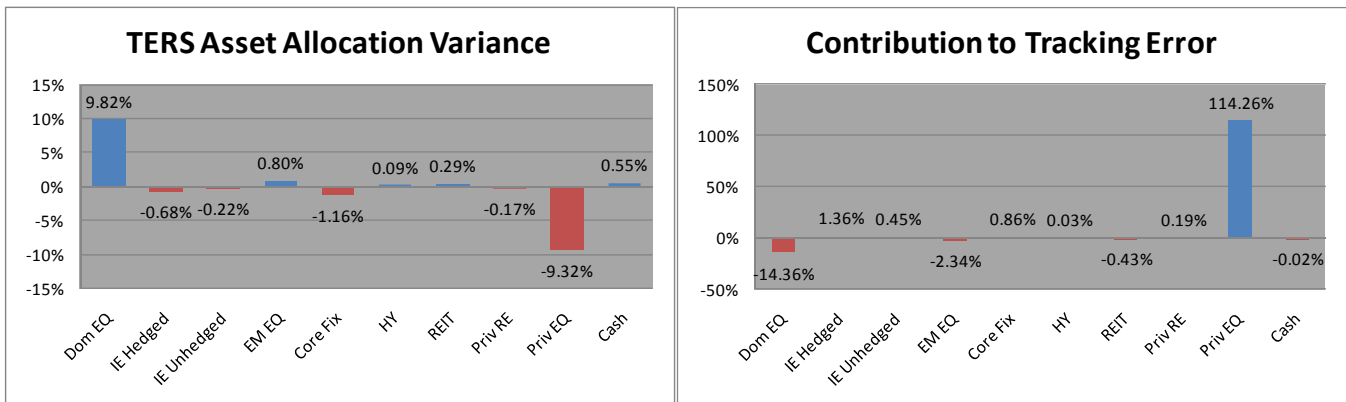
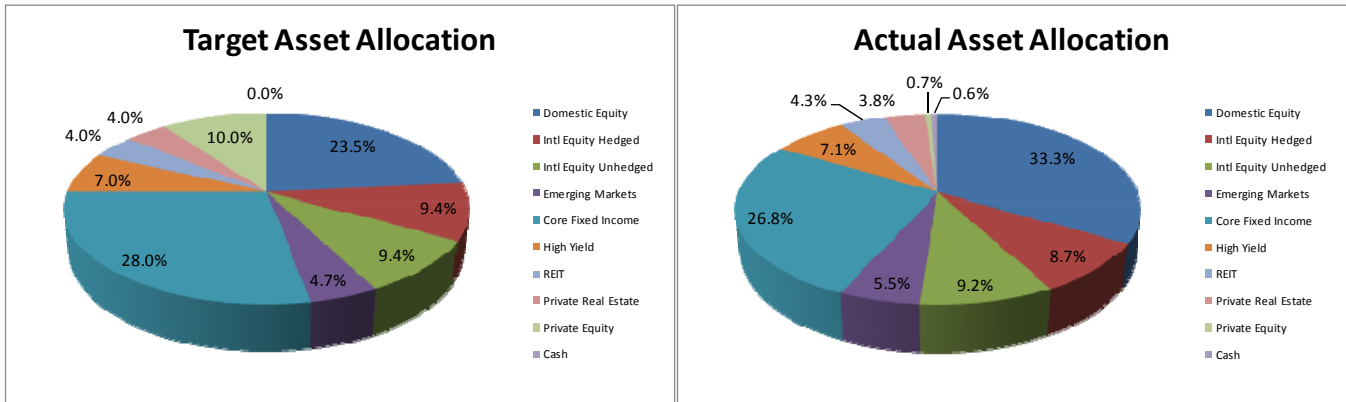
## Total Fund Overview

### Expected Return and Risk



- Using Wilshire's 2011 Asset Class Assumptions, the Tacoma Employees' Retirement System ("TERS, the System")'s expected return based on its actual asset allocation is currently slightly lower than the expected return based on its target allocation. However, given the current asset allocation level, the System's calculated expected volatility is also lower than that based on its target allocation.

### Total Fund Asset Allocation



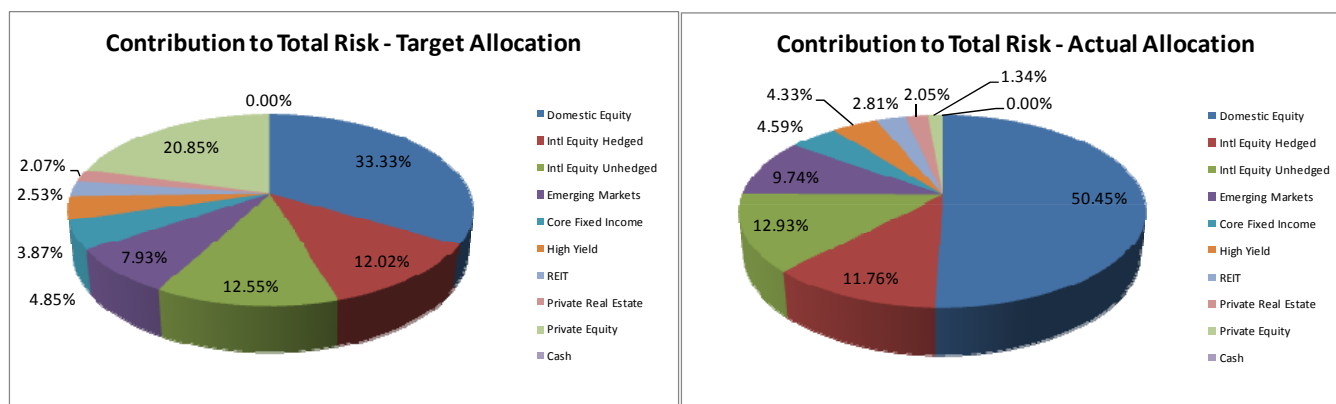


## Total Fund Overview (Continued)

### Total Fund Asset Allocation (Continued)

- ◆ At the end of the quarter, the System's actual asset allocation was overweight in total domestic equity (+9.8%), high yield (+0.1%), total real estate (+0.1%) and cash (+0.6%) while underweight in total international equity (-0.1%), core fixed income (-1.2%), and private equity (-9.3%) relative to its asset allocation policy.

### Contribution to Total Risk based on Wilshire's Asset Class Assumptions



- ◆ TERS' domestic equity investments are currently the biggest contributor to its total volatility (at 50.5% based on actual allocation as of December 31). This is primarily attributed to the ramp-up process of the System's new private equity allocation, as most of the capital earmarked for private equity investments have yet to be called down from the S&P 500 parking fund.

### Asset Growth

	Beg. Mkt	Net	Net	Invest.	Invest.	End. Mkt	Total
(\$Mil.)	Value	Contrib.	Distrib.	Fees	Gain/Loss	Value	Return
1Q09	767.4	9.8	-19.0	-0.2	-56.2	701.7	-7.43%
2Q09	701.7	13.0	-12.2	-0.4	103.6	805.6	14.71%
3Q09	805.6	8.6	-12.1	-0.6	117.1	918.7	14.48%
4Q09	918.7	14.0	-13.9	-0.6	42.4	960.6	4.55%
1Q10	960.6	9.1	-15.1	-0.7	48.3	1,002.2	5.00%
2Q10	1,002.2	12.0	-15.9	-0.7	-55.3	942.3	-5.59%
3Q10	942.3	12.7	-15.0	-0.7	86.0	1,025.4	9.07%
4Q10	1,025.4	19.1	-22.5	-0.7	60.0	1,081.3	5.78%

- ◆ As of December 31, 2010, the System's market value was approximately \$1.081 billion, which represented an increase of \$56 million from the beginning of the quarter. The change in market value consisted of \$19 million in net contributions, \$23 million in net distribution and administrative fees, \$0.7 million in investment fees, and \$60 million in net investment gains.



## Total Fund Overview (Continued)

### Asset Class Performance

	Performance (%)					
	Quarter	1-year	3-year	5-year	10-year	15-year
<b>Total Fund</b>	<b>5.78</b>	<b>14.37</b>	<b>0.02</b>	<b>4.29</b>	<b>5.95</b>	<b>7.57</b>
Policy Benchmark <sup>1</sup>	5.60	12.78	-0.05	3.90	5.00	7.17
Actuarial Rate	1.88	7.75	7.75	7.75	7.80	7.66
Policy Expected Return	2.04	8.40	8.40	8.40	8.40	8.76
U.S. Equity	11.62	17.30	-2.88	2.50	3.38	7.06
International Equity	7.01	10.73	-8.66	2.38	2.96	4.12
Total Fixed Income	0.10	11.30	8.59	7.79	6.85	6.64
Core Fixed Income	-0.52	11.30	8.64	7.94	6.91	6.67
High Yield	2.51	12.44	7.68	7.15	--	--
Real Estate	5.22	28.35	-3.89	0.13	9.43	8.90
Private Equity	10.57	15.44	--	--	--	--
Cash	3.87	20.36	-0.58	1.58	1.98	2.88
S&P 500 Index	10.76	15.05	-2.87	2.29	1.41	6.77
Russell 3000 Index	11.60	16.93	-2.02	2.74	2.16	7.00
Wilshire 5000 Index	11.59	17.16	-1.92	2.90	2.50	7.03
MSCI ACWI x US Index	7.20	11.15	-5.03	4.82	5.54	--
Barclays Aggregate Bond Inde	-1.30	6.54	5.91	5.80	5.84	6.04
Merrill Lynch HY BB/B Constr.	2.40	14.26	8.57	7.61	7.95	--
Wilshire REIT Index	7.87	28.60	0.18	2.42	10.47	10.87
91-Day Treasury Bill	0.04	0.13	0.79	2.42	2.39	3.38

- ◆ The System followed up third quarter's strong showing with another respectable performance, by gaining 5.8% for the fourth quarter, and finished the year with a 14.4% return. Both figures beat its asset allocation policy benchmark, which returned 5.6% and 12.8% for the same periods, respectively. Over the long-term, TERS' track record also compared favorably to its policy benchmark, outperforming in all measured periods shown. The System's returns have beaten its actuarial rate of return over the quarter and one-year period, but continued to lag over the three-, five-, ten- and fifteen-year marks.

<sup>1</sup> Starting 2Q09, the international equity custom benchmark changed from MSCI ACWI x-US to 40% MSCI EAFE/40% MSCI EAFE Currency Hedged/20% MSCI Emerging Markets. Current Total Fund Policy Benchmark is 23.5% Russell 3000, 23.5% international equity custom benchmark, 28% Barclays Aggregate, 7% Merrill Lynch High Yield BB/B Constrained, 4% Wilshire REIT, 4% NCREIF Property Index, 10% private equity custom benchmark.





## Total Fund Overview (Continued)

### Total Fund Attribution

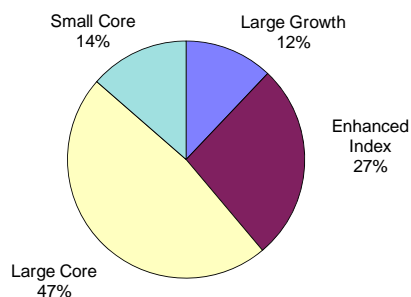
	Total Fund Return Contribution (%)			
	<u>Strategic Policy</u>	<u>Actual Allocation</u>	<u>Active Mgmt</u>	<u>Actual Return</u>
U.S. Equity	2.73	-0.12	0.01	2.61
International Equity	1.49	-0.07	0.15	1.57
Core Fixed Income	-0.36	-0.01	0.22	-0.15
High Yield	0.17	0.01	0.01	0.18
Real Estate	0.50	0.05	-0.09	0.46
Cash	0.00	0.00	0.00	0.00
Private Equity	1.09	0.05	-0.03	1.10
<b>Total Fund</b>	<b>5.60</b>	<b>-0.08</b>	<b>0.25</b>	<b>5.78</b>

- ◆ The total fund attribution table above displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
  - Strategic Policy: The policy return for each of the asset classes.
  - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to fixed income was lower than the policy allocation). A positive number would indicate the overweight or underweight helped performance and vice versa.
  - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the domestic equity segment outperformed the policy index, the S&P 500, during the quarter).
  - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
  
- ◆ Per Wilshire's attribution model, TERS beat its asset allocation policy this quarter with the help of outperformance produced by its portfolios. The System's asset allocation effect was slightly negative given that the Plan was underweight in U.S. equity and international equity, which were among the best returning asset classes, for most of the quarter. However, the core fixed income and international equity composites generated strong relative outperformance that was more than enough to offset the negative allocation impact.

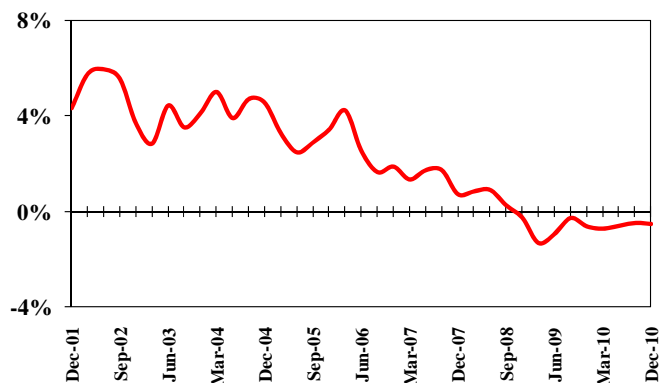


## Domestic Equity Overview

### Domestic Equity Structure



### Total Domestic Equity vs. S&P 500 Rolling 3-Year Excess Return



## Composite

	Assets		Performance (%)			
	(\$Millions)	Quarter	1-year	3-year	5-year	10-year
<b>Domestic Equity</b>	257.2	11.62	17.30	-2.88	2.50	3.38
Custom Benchmark <sup>2</sup>		11.60	16.93	-2.34	2.63	1.58
Value Added vs Index		0.02	0.37	-0.54	-0.13	1.80
Wilshire 5000 Index		11.59	17.16	-1.92	2.90	2.50
S&P 500 Index		10.76	15.05	-2.87	2.29	1.41
Russell 3000 Index		11.60	16.93	-2.02	2.74	2.16

## Managers

	Assets (\$Millions)	Performance (%)					Inception Date
		Quarter	1-year	3-year	5-year		
<b>Large Cap Core - Passive</b>							
Northern Trust S&P 500 Composite	122.3	10.74	15.04	-2.87	2.27	9.14	12/90
S&P 500 Index		10.76	15.05	-2.87	2.29	9.14	12/90
Index Tracking Error		-0.02	-0.01	0.00	-0.02	0.00	
<b>Large Cap Growth - Passive</b>							
Northern Trust Large Cap Growth	31.0	11.81	16.89	--	--	34.42	3/09
Russell 1000 Growth Index		11.84	16.72	--	--	34.06	3/09
Index Tracking Error		-0.03	0.17	--	--	0.36	
<b>Small Cap Core - Passive</b>							
Northern Trust Small Cap Core	34.9	16.27	27.09	2.43	4.58	10.94	12/90
Russell 2000 Index		16.25	26.85	2.22	4.47	10.84	12/90
Index Tracking Error		0.02	0.24	0.21	0.11	0.10	

<sup>2</sup> Domestic Equity Composite Custom Benchmark: 1/2010-current, Russell 3000. 10/1984-12/2009, S&P 500.



## Domestic Equity Overview (Continued)

### Managers

	Assets (\$Millions)	Performance (%)					Date
		Quarter	1-year	3-year	5-year	Inception	
<b>Enhanced Index</b>							
INTECH	30.2	9.92	15.08	-3.17	--	-1.28	3/07
S&P 500 Index		10.76	15.05	-2.87	--	-1.06	3/07
Value Added vs Benchmark		-0.84	0.03	-0.30	--	-0.22	
S&P 500 Index+ 1%		11.01	16.05	-1.87	--	-0.06	3/07
Value Added vs Objective		-1.09	-0.97	-1.30	--	-1.22	
Research Affiliates	38.7	11.59	18.59	-1.85	--	-0.87	3/07
S&P 500 Index		10.76	15.05	-2.87	--	-1.06	3/07
Value Added vs Benchmark		0.83	3.54	1.02	--	0.19	
S&P 500 Index+ 1%		11.01	16.05	-1.87	--	-0.06	3/07
Value Added vs Objective		0.58	2.54	0.02	--	-0.81	

- ◆ Following a strong 3Q, TERS' domestic equity composite enjoyed another solid quarter by posting a 11.6% 4Q gain, matching its custom policy benchmark, currently the Russell 3000 Index. The System's specific small cap exposure continued to add value, as small cap issues again outpaced large cap stocks during the fourth quarter, while INTECH, one of the two enhanced index managers, did not perform well and was a detractor. Over the long term, the domestic equity composite has outperformed its custom benchmark over the one-year, ten-year and since-inception periods.
- ◆ Northern Trust manages four U.S. equity index funds for the System, including two large cap core funds (one participates in security lending while the other one does not; they are grouped into the S&P 500 Composite), a large cap growth fund, and a small cap core fund, designed to track the S&P 500 Index, the Russell 1000 Growth Index, and the Russell 2000 Index, respectively. The large core composite and the large growth fund slightly trailed their respective benchmarks for the quarter, while the small core fund produced a small positive tracking error. All funds continue to track closely to their benchmarks over longer-term periods.
- ◆ INTECH, one of the enhanced index managers funded in 2007, generated a return of 9.9% and underperformed its benchmark, the S&P 500 Index and its performance objective, benchmark + 1%. INTECH continued to add value through positive issue selection, as many of its larger holdings in Consumer Staples (Sara Lee Corp, 0.7% weight, +31.4% return; Estee Lauder Companies Inc, 0.5% weight, +28.9% return) and Consumer Discretionary (Ford Motor Company, 0.6% weight, +37.2% return; Limited Brands Inc, 0.6% weight, +26.1% return) did well during 4Q. However, the fund's sector allocation impact was negative and more than offset the stock selection gains: it was notably overweight in Utilities (5.4% vs. 3.7%) and underweight in Energy (8.1% vs. 10.9%), the worst and best performing sectors this quarter. Over the three-year and since inception periods, INTECH has underperformed both of its benchmark and performance objective.



## **Domestic Equity Overview (Continued)**

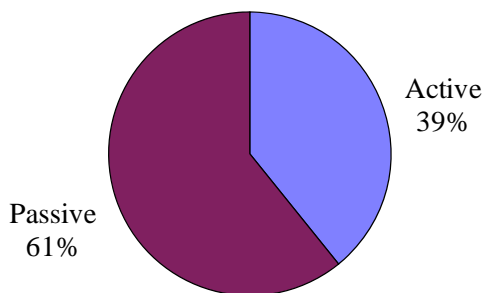
### **Managers**

- ◆ Research Affiliates (RAFI), the larger of the two enhanced index portfolios, returned 11.6% for the quarter and beat its benchmark, the S&P 500 Index, as well as its performance objective, benchmark + 1%. Sector weightings produced a small but positive effect, as RAFI maintained a much smaller-than-benchmark exposure in Health Care (8.8% vs. 11.6%), which was the second lowest returning sector during 4Q. Positive stock selection was the primary driver to this quarter's outperformance; among the top performing holdings for the quarter included oil refiner Western Refining Inc (+101.9%), battery manufacturer Exide Technologies (+96.5%), and staffing services provider SFN Group (+62.4%). Over all measured periods shown, Research Affiliates' track record has done well against the S&P 500, although it is still trailing its performance objective since inception.

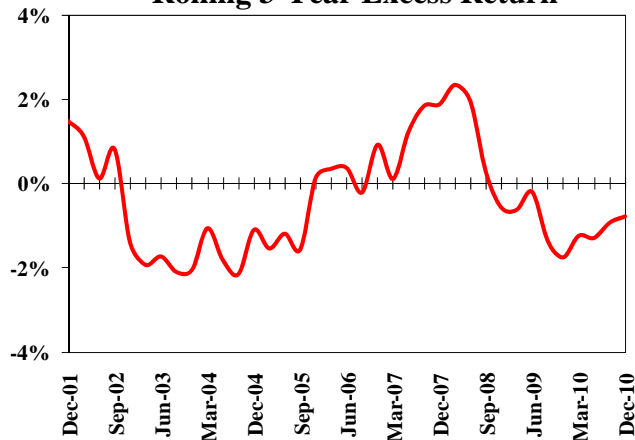


## International Equity Overview

### International Equity Structure



### Total Int'l Equity vs. MSCI EAFE Index Rolling 3-Year Excess Return



## Composite

	Assets	Performance (%)				
	(\$Millions)	Quarter	1-year	3-year	5-year	10-year
<b>International Equity (hedged)</b>	253.0	7.01	10.73	-8.66	2.38	2.96
Custom Benchmark <sup>3</sup>		6.32	8.02	-7.87	2.87	3.71
Value Added vs Benchmark		0.69	2.71	-0.79	-0.49	-0.75
<b>International Equity (Un-hedged)</b>		7.40	11.80	-7.13	3.40	3.47

## Managers

	Assets (\$Millions)	Performance (%)					Inception Date
		Quarter	1-year	3-year	5-year		
<b>Passive</b>							
Northern Trust EAFE Index Fund	95.9	6.68	7.94	--	--	33.49	3/09
MSCI EAFE Index		6.61	7.75	--	--	33.12	3/09
Index Tracking Error		0.07	0.19	--	--	0.37	
Northern Trust EAFE Index (Hedged)		5.65	5.13	--	--	22.78	3/09
MSCI EAFE Hedged		5.36	2.84	--	--	21.04	3/09
Index Tracking Error		0.29	2.29	--	--	1.74	
Northern Trust EM Index Fund	59.5	7.25	18.33	--	--	52.49	3/09
MSCI Emerging Markets Index		7.34	18.87	--	--	52.88	3/09
Index Tracking Error		-0.09	-0.54	--	--	-0.39	

<sup>3</sup> International Equity Composite Custom Benchmark: 4/2009-current, 40% MSCI EAFE Index/40% MSCI EAFE Index Currency Hedged/20% MSCI EM Index. 4/2006-3/2009, MSCI ACWI x-US Index. 4/1988-3/2006, MSCI EAFE Index.



## International Equity Overview (Continued)

### Managers

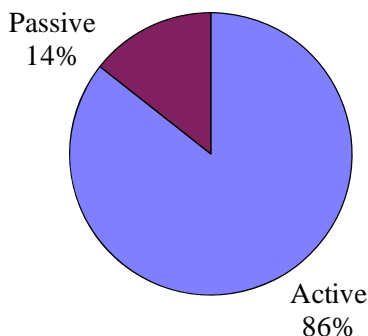
	Assets (\$Millions)	Performance (%)					Date
		Quarter	1-year	3-year	5-year	Inception	
<b>Active</b>							
TT International	99.2	8.19	12.43	-8.10	2.93	4.24	3/99
MSCI EAFE Index		6.61	7.75	-7.01	2.46	3.61	3/99
Value Added vs Benchmark		1.58	4.68	-1.09	0.47	0.63	
MSCI EAFE Index + 2.6%		7.26	10.35	-4.41	5.06	6.21	3/99
Value Added vs Objective		0.93	2.08	-3.69	-2.13	-1.97	

- ◆ TERS' international equity composite, which is 40% hedged, generated a return of 7.0% for the fourth quarter and performed better than its custom benchmark, 40% MSCI EAFE/40% MSCI EAFE Hedged/20% MSCI Emerging Markets. The un-hedged version of the international equity composite returned 7.4% for the same period. The System's emerging markets exposure continued to make positive contribution, with this segment again reported gains that outpaced the developed countries. The active EAFE portfolio also performed well in 4Q and contributed positively. Over the long-term, the international equity composite's one-year track record beat its custom benchmark, but has otherwise underperformed for all measured periods.
- ◆ TT International, the System's active EAFE manager, returned 8.2% for the quarter and outperformed its benchmark, the MSCI EAFE Index, and its performance objective, benchmark + 2.6%. Country weightings made the biggest contribution to this quarter's outperformance, primarily due to the portfolio's smaller-than-benchmark exposure to the "PIGS" nations (Portugal, Italy, Greece, and Spain), the worst performing countries which investors shunned due to renewed sovereign debt concerns. In addition, sector positioning also added value, as TT was notably overweight in some of the highest returning sectors in 4Q, including Materials (by 3%), Industrials (by 8%) and Consumer Discretionary (by 9%). TT's portfolio has added value relative to its benchmark over the one-year, five-year and since-inception marks, but continued to lag behind its performance objective over the longer-term periods.
- ◆ The System transitioned from a single international equity allocation to have separate EAFE and emerging markets mandates at the beginning of 2009. The move was part of the effort aimed to reduce home country bias by adopting a global equity approach. The System selected the Northern Trust EAFE Index Fund and the Northern Trust Emerging Markets Index Fund to achieve this exposure; they are managed against the MSCI EAFE Index and the MSCI EM Index, respectively. For the quarter ending December 31, the EAFE fund produced a positive tracking error and continued to add value over the long term. The Emerging Markets fund slightly lagged its benchmark for the quarter and has done so since inception.

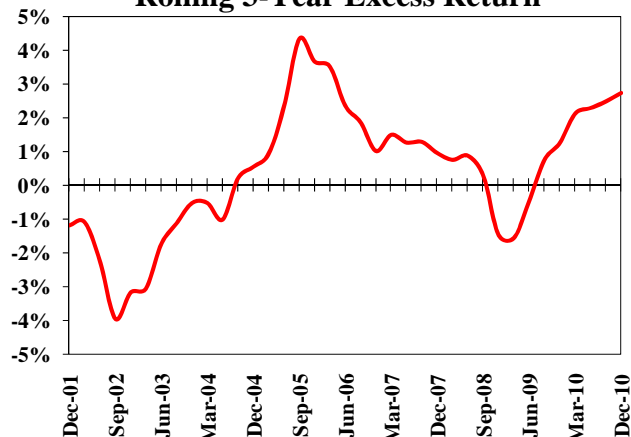


## Fixed Income Overview

### Core Fixed Income Structure



### Core Fixed Income vs. Barclays Aggregate Rolling 3-Year Excess Return



## Composite

	Assets		Performance (%)			
	(\$Millions)	Quarter	1-year	3-year	5-year	10-year
<b>Core Fixed Income</b>	290.2	-0.52	11.30	8.64	7.94	6.91
Barclays Aggregate Bond Index		-1.30	6.54	5.91	5.80	5.84
Value Added vs Index		0.78	4.76	2.73	2.14	1.07
Citigroup LPF Index		-3.17	8.98	7.09	6.44	6.81

## Managers

	Assets (\$Millions)	Performance (%)					Inception Date
		Quarter	1-year	3-year	5-year		
<b>Metropolitan West</b>	248.7	-0.39	11.55	8.73	7.99	7.26	3/02
Barclays Aggregate Bond Index		-1.30	6.54	5.91	5.80	5.70	3/02
Value Added vs Benchmark		0.91	5.01	2.82	2.19	1.56	
Barclays Aggregate + 0.75%		-1.11	7.29	6.66	6.55	6.45	3/02
Value Added vs Objective		0.72	4.26	2.07	1.44	0.81	
<b>BlackRock US Debt Index Fund</b>	41.5	-1.28	--	--	--	1.18	6/10
Barclays Aggregate Bond Index		-1.30	--	--	--	1.15	6/10
Index Tracking Error		0.02	--	--	--	0.03	



## Fixed Income Overview (Continued)

### Managers

- ◆ TERS' core fixed income composite generated a return of -0.5% during the fourth quarter and outperformed relative to its benchmark, the Barclays Aggregate Bond Index, which was -1.3%. The core fixed income composite has also outperformed over all longer periods shown.
- ◆ Metropolitan West, the System's core fixed income manager, was modestly down -0.4% for the quarter, but performed better than its benchmark, the Barclays Aggregate Bond Index, and its performance objective, benchmark + 0.75%. According to Wilshire's attribution, sector positioning was this quarter's primary contributor, where MetWest was meaningfully underweight in governments/agencies (32% portfolio vs. 43% benchmark) while overweight in credit issues (35% portfolio vs. 7% benchmark). The allocation variance added value as most non-government segments, particularly corporate (lead by better earnings reports) and mortgage securities (as fundamentals stabilized), outperformed Treasuries during the fourth quarter. Over the long term, MetWest has beat the Barclays Aggregate Bond Index and its performance objective for all measured periods.
- ◆ For risk-control purposes, the System added a passive fixed income fund to the core fixed income composite in 2010. The fund is managed by BlackRock and is indexed against the Barclays Aggregate Bond Index. The BlackRock index fund mirrored its benchmark during 4Q and is performing in line with expectations.





## Fixed Income Overview (Continued)

### Composite

	Assets		Performance (%)			
	(\$Millions)	Quarter	1-year	3-year	5-year	10-year
<b>High Yield</b>	76.6	2.51	12.44	7.68	7.15	--
Custom Benchmark <sup>4</sup>		2.40	14.26	9.83	8.64	--
Value Added vs Index		0.11	-1.82	-2.15	-1.49	--
Merrill Lynch HY BB/B Constrained		2.40	14.26	8.57	7.61	7.95
Merrill Lynch High Yield Master II		3.07	15.19	10.13	8.81	8.60

### Managers

	Assets (\$Millions)	Performance (%)					Inception	Date
		Quarter	1-year	3-year	5-year			
Post Advisory Group	76.6	2.51	12.44	7.68	7.15	7.03	9/05	
Custom Benchmark <sup>4</sup>		2.40	14.26	9.83	8.64	8.34	9/05	
Value Added vs Benchmark		0.11	-1.82	-2.15	-1.49	-1.31		
Benchmark + 1.75%		2.84	16.01	11.58	10.39	10.09	9/05	
Value Added vs Objective		-0.33	-3.57	-3.90	-3.24	-3.06		

- ◆ Post Advisory Group, the Plan's high yield manager, generated a 2.5% return for the quarter and performed slightly better than its custom benchmark, currently Merrill Lynch High Yield BB/B Constrained Index (2.4%), but trailed its performance objective, benchmark + 1.75%. The portfolio's duration positioning detracted from overall performance: Post held a lower-than-benchmark effective duration (4.0 years Post vs. 4.7 years benchmark), which worked against it as spread relative to Treasury yields continued to shrink, boosted by better-than-forecast economic indicators. However, most of the duration positioning impact was mitigated by favorable portfolio holdings performance in general. Post's portfolio benefited from having a lower-than-benchmark average quality rating (B rating Post vs. BB rating benchmark) in 4Q, a period where risk assets did well and lower rated bonds outperformed (Merrill Lynch HY B Index, 3.3% vs. Merrill Lynch HY BB Index, 1.6%). Over the one-year and longer term periods, Post's track record continued to trail its custom benchmark and performance objective.

<sup>4</sup> High Yield Composite Custom Benchmark: 1/2010-current, Merrill Lynch High Yield BB/B Constrained Index. 10/2005-12/2009, Merrill Lynch High Yield Master II.



## Real Estate Overview

### Composite

	Assets	Performance (%)				
	(\$Millions)	Quarter	1-year	3-year	5-year	10-year
<b>Real Estate</b>	87.9	5.22	28.35	-3.89	0.13	9.43
Custom Benchmark <sup>5</sup>		6.25	26.66	-0.32	2.11	10.31
Value Added vs Index		-1.03	1.69	-3.57	-1.98	-0.88
Wilshire Real Estate Securities Index		8.18	29.12	0.12	2.32	10.34
NCREIF Property Index		4.62	13.11	-4.18	3.51	7.38

### Managers

	Assets (\$Millions)	Performance (%)					
		Quarter	1-year	3-year	5-year	Inception	Date
Adelante Capital Management	46.4	6.59	30.02	-3.48	0.39	8.53	12/97
Wilshire REIT Index		7.87	28.60	0.18	2.42	8.44	12/97
Value Added vs Benchmark		-1.28	1.42	-3.66	-2.03	0.09	
Wilshire REIT Index + 1%		8.12	29.60	1.18	3.42	9.44	12/97
Value Added vs Objective		-1.53	0.42	-4.66	-3.03	-0.91	
INVESCO Core Real Estate-USA, LLC	41.4	3.61	--	--	--	3.61	9/10

- ◆ The System's real estate composite returned 5.2% during the quarter and trailed its custom benchmark, currently 50% NCREIF Property Index/50% Wilshire REIT Index. While the composite's one-year return beat the custom benchmark, it has otherwise underperformed over all longer periods measured.
- ◆ Starting October 1<sup>st</sup>, the real estate composite received some notable rebalancing that Wilshire would like to outline here: Aimed at further enhancing the Plan's overall risk/return profile, the Board approved the addition of a private real estate fund to complement the existing public REIT portfolio and selected INVESCO Core Real Estate-USA LLC, which was funded at the beginning of the fourth quarter. The System is targeting an allocation split of 50/50 between the public and private real estate investments, and Wilshire will continue to monitor these portfolio's on-going performance.
- ◆ Adelante Capital, the System's real estate securities manager, reported a respectable return of 6.6% for the quarter, but underperformed the Wilshire REIT Index and its performance objective, benchmark + 1%. This quarter's underperformance can primarily be attributed to poor individual holdings performance. Among the top losers that weighed on the portfolio's return included integrated real estate investment trust Vornado Realty Trust (6.5% weight, -1.9% return), senior housing/long-term care properties REIT Nationwide Health Properties (3.4% weight, -4.7% return), and data center operator CoreSite Realty Corporation (0.5% weight, -16.0% return). Adelante's track record has beaten the Wilshire REIT Index over the one-year and since-inception periods, but continued to trail its performance objective over most measured periods.

<sup>5</sup> Real Estate Composite Custom Benchmark: 10/2010-current, 50% NCREIF Property Index and 50% Wilshire REIT Index. 4/1988-9/2010, 100% Wilshire REIT Index.



## Private Equity Overview

### Composite

	Assets		Performance (%)			
	(\$Millions)	Quarter	1-year	3-year	5-year	10-year
<b>Private Equity</b>	110.4	10.57	15.44	--	--	--
Custom Benchmark <sup>6</sup>		10.89	14.87	--	--	--
Value Added vs Index		-0.32	0.57	--	--	--

### Funds

	Assets (\$Millions)	Performance (%)					Inception	Date
		Quarter	1-year	3-year	5-year			
<b>Private Equity Parking Fund</b>								
Northern Trust Large Cap Core	103.0	10.76	15.10	--	--	32.74	3/09	
S&P 500 Index		10.76	15.05	--	--	32.43	3/09	
Value Added vs Index		0.00	0.05	--	--	0.31		
<b>Private Equity Investments<sup>7</sup></b>								
HarbourVest Dover Street VII	7.2	7.67	25.82	--	--	10.99	3/09	
Capital Commitment	20.0							
Contributions Since Inception	6.4							
Cumulative Distributions	0.3							
Unfunded Capital Commitment	13.6							
Investment Multiple	1.2							
HarbourVest Int'l Private Equity Part VI	0.2	1.75	--	--	--	-15.63	6/10	
Capital Commitment	7.3							
Contributions Since Inception	0.3							
Cumulative Distributions	0.0							
Unfunded Capital Commitment	7.1							
Investment Multiple	0.7							
Pantheon Global Secondary IV	--	--	--	--	--	--		

<sup>6</sup> Private Equity Composite Custom Benchmark: dynamically calculated based on the actual weights of the private equity investments and the private equity source fund. To coincide with private equity investments reporting, 1-quarter lagged market values are used for the private equity component in the custom benchmark calculation.

<sup>7</sup> Performance, fund size, and capital called down for private equity investments are presented on a 1-quarter lag basis.



## **Private Equity Overview (Continued)**

### **Funds**

- ◆ Based on asset allocation policy adopted in 2008, the System started a Private Equity investment program during 1Q 2009. The Plan selected HarbourVest and Pantheon to be the first managers for this program and will use the existing Northern Trust Large Cap Core Fund as the source of funds for future capital calls. Wilshire will continue to report on HarbourVest and Pantheon as these funds deploy called down capital.
- ◆ The Private Equity Composite produced a return of 10.6% and modestly lagged behind its custom benchmark for the fourth quarter (10.9%). The “parking fund” for future private equity investments, the Northern Trust Large Cap Core Fund, returned 10.8% and matched the S&P 500 Index for the quarter. Since inception (3/09), the fund continues to add value relative to the S&P 500 Index.



## Tacoma Historical Investment Performance Periods Ending December 31, 2010

Total Fund							
	<u>Quarter</u>	<u>1-year</u>	<u>3-year</u>	<u>5-year</u>	<u>10-year</u>	<u>Inception</u>	<u>Date</u>
<b>Total Fund</b>	<b>5.78</b>	<b>14.37</b>	<b>0.02</b>	<b>4.29</b>	<b>5.95</b>	<b>9.35</b>	6/79
Policy Return	5.60	12.78	-0.05	3.90	5.00	--	6/79
Domestic Equity							
<b>Total Domestic Equity</b>	11.62	17.30	-2.88	2.50	3.38	10.90	9/84
Northern Trust S&P 500 Composite	10.74	15.04	-2.87	2.27	1.42	9.14	12/90
S&P 500 Index	10.76	15.05	-2.87	2.29	1.41	9.14	12/90
Northern Trust Russell 1000 Growth	11.81	16.89	--	--	--	34.42	3/09
Russell 1000 Growth Index	11.84	16.72	--	--	--	34.06	3/09
Northern Trust Small Cap Core	16.27	27.09	2.43	4.58	6.41	10.94	12/90
Russell 2000 Index	16.25	26.85	2.22	4.47	6.33	10.84	12/90
INTECH	9.92	15.08	-3.17	--	--	-1.28	3/07
S&P 500 Index	10.76	15.05	-2.87	--	--	-1.06	3/07
S&P 500 Index + 1%	11.01	16.05	-1.87	--	--	-0.06	3/07
Research Affiliates	11.59	18.59	-1.85	--	--	-0.87	3/07
S&P 500 Index	10.76	15.05	-2.87	--	--	-1.06	3/07
S&P 500 Index + 1%	11.01	16.05	-1.87	--	--	-0.06	3/07
S&P 500 Index	10.76	15.05	-2.87	2.29	1.41	10.68	9/84
Wilshire 5000 Index	11.59	17.16	-1.92	2.90	2.50	10.58	9/84
Russell 3000 Index	11.60	16.93	-2.02	2.74	2.16	10.63	9/84
International Equity							
<b>Total International Equity (Hedged)</b>	7.01	10.73	-8.66	2.38	2.96	4.75	3/88
Northern Trust EAFE Index Fund	6.68	7.94	--	--	--	33.49	3/09
MSCI EAFE Index	6.61	7.75	--	--	--	33.12	3/09
Northern Trust EM Index Fund	7.25	18.33	--	--	--	52.49	3/09
MSCI Emerging Markets Index	7.34	18.87	--	--	--	52.88	3/09
TT International	8.19	12.43	-8.10	2.93	2.23	4.24	3/99
MSCI EAFE Index	6.61	7.75	-7.01	2.46	3.50	3.61	3/99
MSCI EAFE Index + 2.6%	7.26	10.35	-4.41	5.06	6.10	6.21	3/99
MSCI EAFE Index	6.61	7.75	-7.01	2.46	3.50	4.85	3/88
MSCI Emerging Markets Index	7.34	18.87	-0.32	12.78	15.89	--	3/88
Core Fixed Income							
<b>Total Core Fixed Income</b>	-0.52	11.30	8.64	7.94	6.91	10.05	9/81
Metropolitan West	-0.39	11.55	8.73	7.99	--	7.26	3/02
Barclays Aggregate Bond Index	-1.30	6.54	5.91	5.80	--	5.70	3/02
Barclays Aggregate Bond + 0.75%	-1.11	7.29	6.66	6.55	--	6.45	3/02
BlackRock US Debt Index Fund	-1.28	--	--	--	--	1.18	6/10
Barclays Aggregate Bond Index	-1.30	--	--	--	--	1.15	6/10
Barclays Aggregate Bond Index	-1.30	6.54	5.91	5.80	5.84	9.31	9/81



## Tacoma Historical Investment Performance (Continued)

### Periods Ending December 31, 2010

High Yield							
	<u>Quarter</u>	<u>1-year</u>	<u>3-year</u>	<u>5-year</u>	<u>10-year</u>	<u>Inception</u>	<u>Date</u>
<b>Total High Yield</b>	2.51	12.44	7.68	7.15	--	7.03	9/05
Post Advisory Group	2.51	12.44	7.68	7.15	--	7.03	9/05
Custom Benchmark	2.40	14.26	9.83	8.64	--	8.34	9/05
Custom Benchmark + 1.75%	2.84	16.01	11.58	10.39	--	10.09	9/05
ML High Yield BB/B Constrained	2.40	14.26	8.57	7.61	--	7.44	9/05
ML High Yield Master II	3.07	15.19	10.13	8.81	--	8.51	9/05
Real Estate							
<b>Total Real Estate</b>	5.22	28.35	-3.89	0.13	9.43	4.98	3/88
Adelante Capital Management	6.59	30.02	-3.48	0.39	9.58	8.53	12/97
Wilshire REIT Index	7.87	28.60	0.18	2.42	10.47	8.44	12/97
Wilshire REIT Index + 1%	8.12	29.60	1.18	3.42	11.47	9.44	12/97
INVESCO Core Real Estate-USA, LLC	3.61	--	--	--	--	3.61	9/10
Wilshire REIT Index	7.87	28.60	0.18	2.42	10.47	9.20	3/88
Wilshire RE Securities Index	8.18	29.12	0.12	2.32	10.34	8.18	3/88
NCREIF Property Index	4.62	13.11	-4.18	3.51	7.38	6.97	3/88
Private Equity							
<b>Total Private Equity</b>	10.57	15.44	--	--	--	32.34	3/09
Northern Trust S&P 500	10.76	15.10	--	--	--	32.74	3/09
S&P 500 Index	10.76	15.05	--	--	--	32.43	3/09
HarbourVest Dover Street VII	7.67	25.82	--	--	--	10.99	3/09
HarbourVest Int'l Private Equity VI	1.75	--	--	--	--	-15.63	6/10
Pantheon Ventures	--	--	--	--	--	--	

**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** Adelante Capital Management

**Date:** January 24, 2011

**Time Period:** Quarter Ended December 31, 2010

Please check one of the following:

The portfolio referenced above was in compliance with its investment guidelines over the time period stated above.

The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

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\_\_\_\_\_

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\_\_\_\_\_

**Yes** The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

**No** According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is YES**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed: 

Name (typed): Mark A. Hoopes

Date: January 24, 2011

**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** INTECH (Enhanced Indexing)

**Date:** January 11, 2011

**Time Period:** Quarter Ended December 31, 2010

Please check one of the following:

The portfolio referenced above was in compliance with its investment guidelines over the time period stated above.

The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

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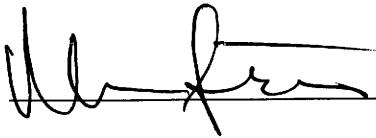
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The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is YES**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed:   
Name (typed): Marc Stewart  
Date: January 11, 2011



**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** Metropolitan West Asset Management

**Date:** January 26, 2011

**Time Period:** Quarter Ended December 31, 2010

Please check one of the following:

Yes The portfolio referenced above was in compliance with its investment guidelines over the time period stated above, subject to the following disclosure.

*One security in the portfolio was downgraded below the minimum "B" quality required for purchase, identified as SAMI 2007-AR6 A1 (86364RAA7). Importantly, this security was added to the portfolio at ratings which were in accordance with the minimum "B" rating required for purchase. MetWest maintains the current investment view that the issue holds fundamental value in excess of current price, and as such intends to hold these securities until such time that prices are in closer alignment with that assessment of value.*

     The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

Yes The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

No According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is yes**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed: *Patrick Moore*

Name (typed): Patrick Moore

Date: January 27, 2011

**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** Post Advisory Group

**Date:** January 13, 2011

**Time Period:** Quarter ended December 31, 2010

Please check one of the following:

**YES** The portfolio referenced above was in compliance with its investment guidelines over the time period stated above.

The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

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**YES** The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

**NO** According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is YES**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed: 

Name (typed): Allan, Schweitzer

Date: 01/13/2010

**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** TT International Investment Management

**Date:** 24<sup>th</sup> January 2011

**Time Period:** Quarter ended 31 December 2010

Please check one of the following:

The portfolio referenced above was in compliance with its investment guidelines over the time period stated above.

**No** The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

\_\_\_\_\_

\_\_\_\_\_

The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

**No** According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is YES**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed:



Name (typed): Kai Chew

Date: 24<sup>th</sup> January 2011

**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** Northern Trust (EAFE Index Fund)

**Date:** \_\_\_\_\_

**Time Period:** Quarter Ended December 31, 2010

Please check one of the following:

The portfolio referenced above was in compliance with its investment guidelines over the time period stated above.

The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is YES**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed: \_\_\_\_\_

Name (typed): RICHARD L. CLARK\_\_\_\_\_

Date: DECEMBER 31, 2010\_\_\_\_\_

**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** Northern Trust (Emerging Markets Index Fund)

**Date:** \_\_\_\_\_

**Time Period:** Quarter Ended December 31, 2010

Please check one of the following:

The portfolio referenced above was in compliance with its investment guidelines over the time period stated above.

The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is YES**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed: \_\_\_\_\_

Name (typed): RICHARD L. CLARK \_\_\_\_\_

Date: DECEMBER 31, 2010 \_\_\_\_\_

**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** Northern Trust (Russell 1000 Growth)

**Date:** \_\_\_\_\_

**Time Period:** Quarter Ended December 31, 2010

Please check one of the following:

The portfolio referenced above was in compliance with its investment guidelines over the time period stated above.

The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is YES**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed: \_\_\_\_\_

Name (typed): RICHARD L. CLARK\_\_\_\_\_

Date: DECMEBER 31, 2010\_\_\_\_\_

**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** Northern Trust (Russell 2000)

**Date:** \_\_\_\_\_

**Time Period:** Quarter Ended December 31, 2010

Please check one of the following:

The portfolio referenced above was in compliance with its investment guidelines over the time period stated above.

The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is YES**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed: \_\_\_\_\_

Name (typed): RICHARD L. CLARK\_\_\_\_\_

Date: DECEMBER 31, 2010\_\_\_\_\_

**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** Northern Trust (S&P 500)

**Date:** \_\_\_\_\_

**Time Period:** Quarter Ended December 31, 2010

Please check one of the following:

The portfolio referenced above was in compliance with its investment guidelines over the time period stated above.

The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is YES**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed: \_\_\_\_\_

Name (typed): RICHARD L. CLARK \_\_\_\_\_

Date: DECEMBER 31, 2010 \_\_\_\_\_



**Manager Guideline Compliance Affirmation**

**Client:** Tacoma Employees' Retirement System

**Manager:** Research Affiliate (Enhanced Indexing)

**Date:** January 31, 2011

**Time Period:** Quarter Ended December 31, 2010

Please check one of the following:

The portfolio referenced above was in compliance with its investment guidelines over the time period stated above.

The portfolio referenced above was not in compliance with its investment guidelines over the time period stated above. The following describes in detail the nature of the noncompliance and quantifies any economic harm to the portfolio as a result of this noncompliance:

There were no material compliance matters during the time period stated above.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The firm is currently in full compliance with the SEC. If the SEC has issued any disciplinary actions against the firm during the time period stated above, please provide detailed explanation in Exhibit A.

According to the firm's knowledge, have any holdings, whose securities are held by the portfolio referenced above, failed to timely file any reports to stay in compliance with the Sarbanes-Oxley Act? **If the answer is YES**, please check the box at the beginning of this paragraph and provide the company name and information regarding the late-filing report in Exhibit B.

Signed: 

Name (typed): Daniel M. Harkins  
Chief Legal and Compliance Officer  
Associate Director, Investment Operations

Date: January 31, 2011