



*Tacoma Employees' Retirement System
Executive Summary of Performance
Fourth Quarter 2011*

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Numbers in Context

Wilshire recently conducted a survey of investment managers with multi-currency products to better understand market perception on several key issues related to the European market environment. The following 3 slides summarize our findings. A full summary is available from Wilshire Consulting.

Respondents expect nearly 50% likelihood that the euro continues in its current structure

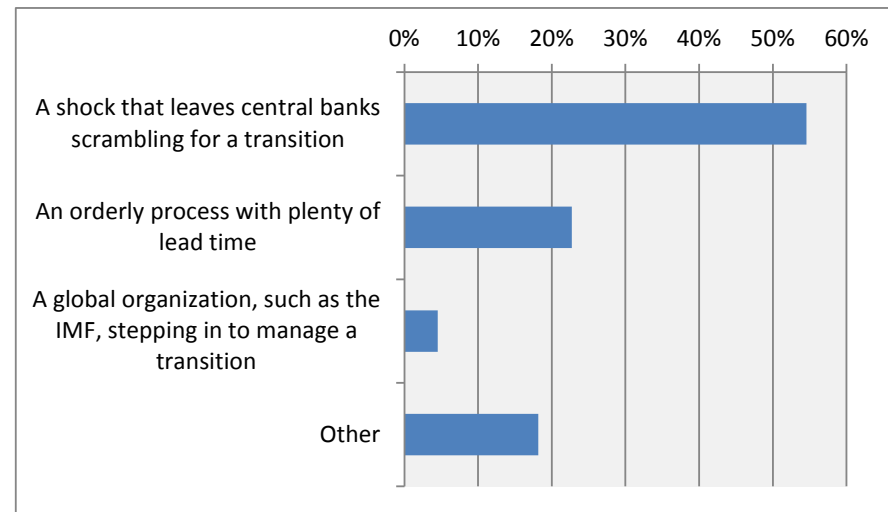
Next is a 37% probability that a few of the weaker nations are removed from the euro

Question: What probability do you place on the following independent scenarios (over the next 5 years)?

	Min	Avg	Med	Max
The euro continues in its current form/membership	0%	48%	48%	90%
The euro currency completely dissolves	0%	8%	10%	20%
A few countries are taken off the euro (assume these are the weakest members economically, i.e. Greece, Portugal)	3%	37%	30%	90%
Most of the countries are taken off the euro (only the strongest remain, i.e. Germany, France)	0%	13%	10%	40%

55% of respondents believe that any structural change would be the result of an unexpected shock

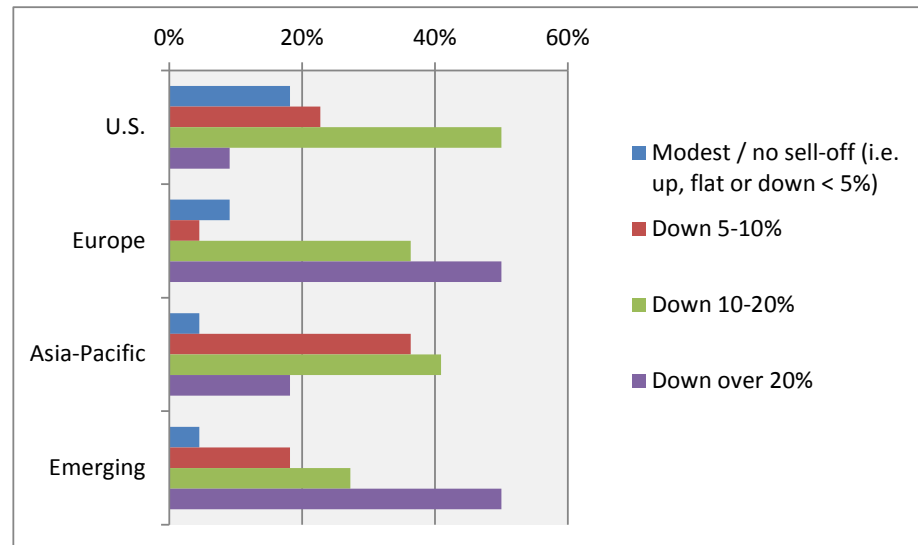
Question: Should the euro dissolve to any degree, how do you see it happening?



Within Europe and EM, the most likely expectation was for a bear market sell-off

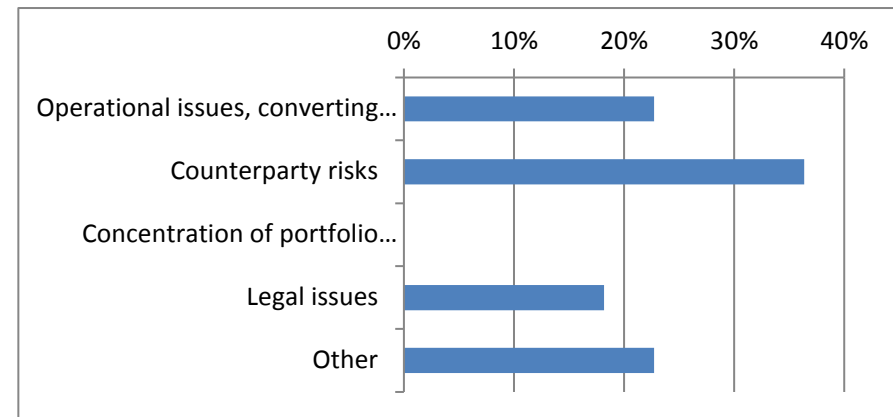
Question: What sort of short-term market sell-off in the following equity markets would you expect with any official break in the current euro structure?

A severe sell-off was the least likely expectation in U.S. markets, with only 9% of respondents expecting such an outcome



Biggest concern of managers should the euro collapse is counterparty risks

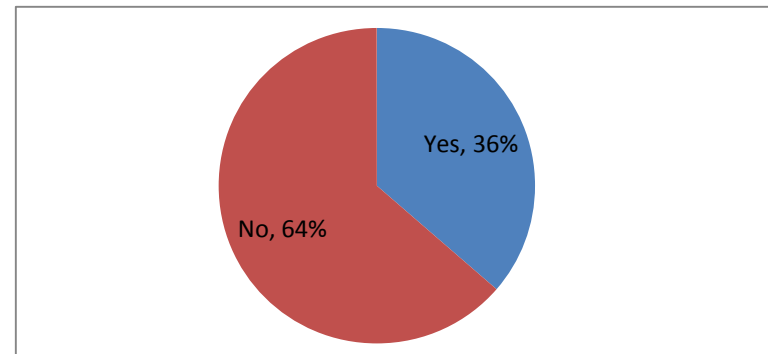
Question: Other than the market's reaction, what do you see as the biggest risk of a euro collapse?



Changes being considered:

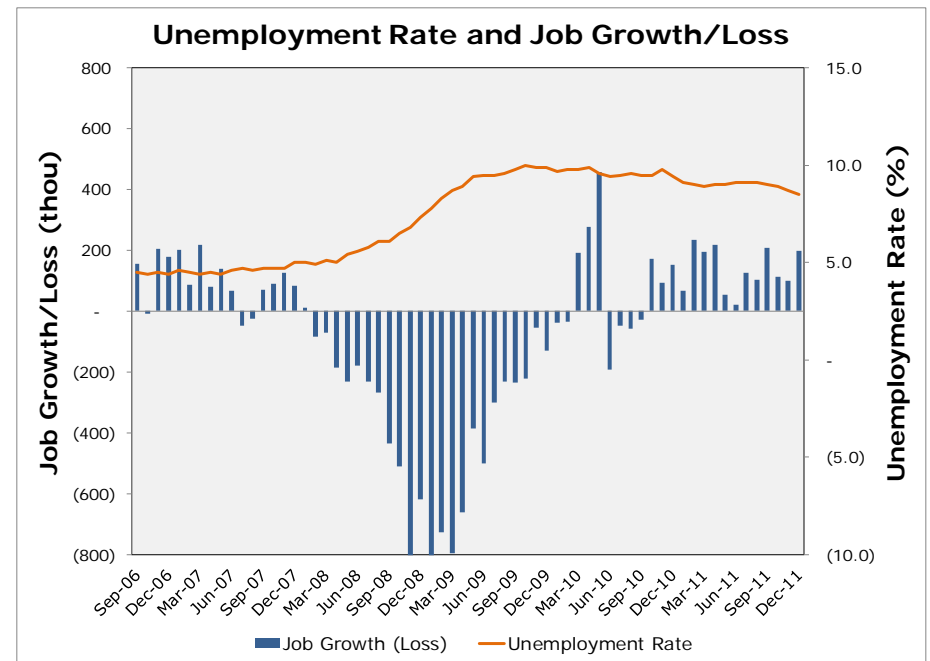
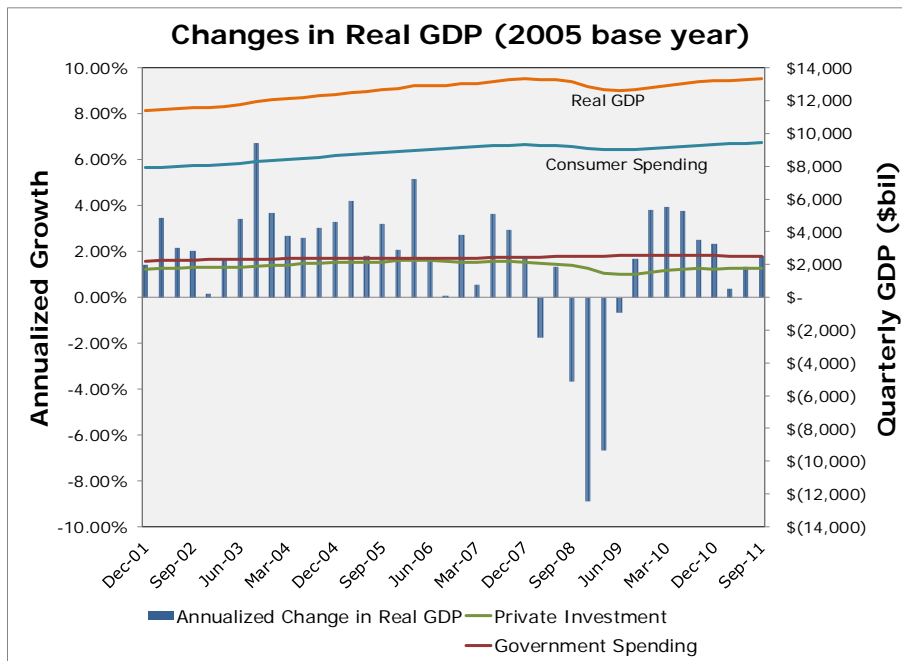
- Reexamining risk management tools
- Evaluating sovereign credit risk
- Euro corporations looking to refinance in the U.S.
- Adjusting to client guidelines that reduce euro exposure
- Increase portfolio stress testing

Question: Are you contemplating or already introducing changes to the portfolio management process as a result of the current questions surrounding the euro?



December 31, 2011	Key Economic Indicators			
CPI (all items) Seasonally adjusted	Monthly Change		Cumulative Change	
	Dec-11	0.0	3-Month	-0.1
	Nov-11	0.0	12-Month	3.0
	Oct-11	-0.1	10-Yr Annual	2.5
Breakeven Inflation	10-Year	2.0		
Consumer Sentiment Unv. of Michigan Survey	Dec-11	69.9		
	Nov-11	64.1		
	1-Yr Ago	74.5	10-Yr Avg	80.3
Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx	Dec-11	53.9	Change in Manufacturing Sector	
	Nov-11	52.7	>50	Expansion
	1-Yr Avg	55.3	<50	Contraction

Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.

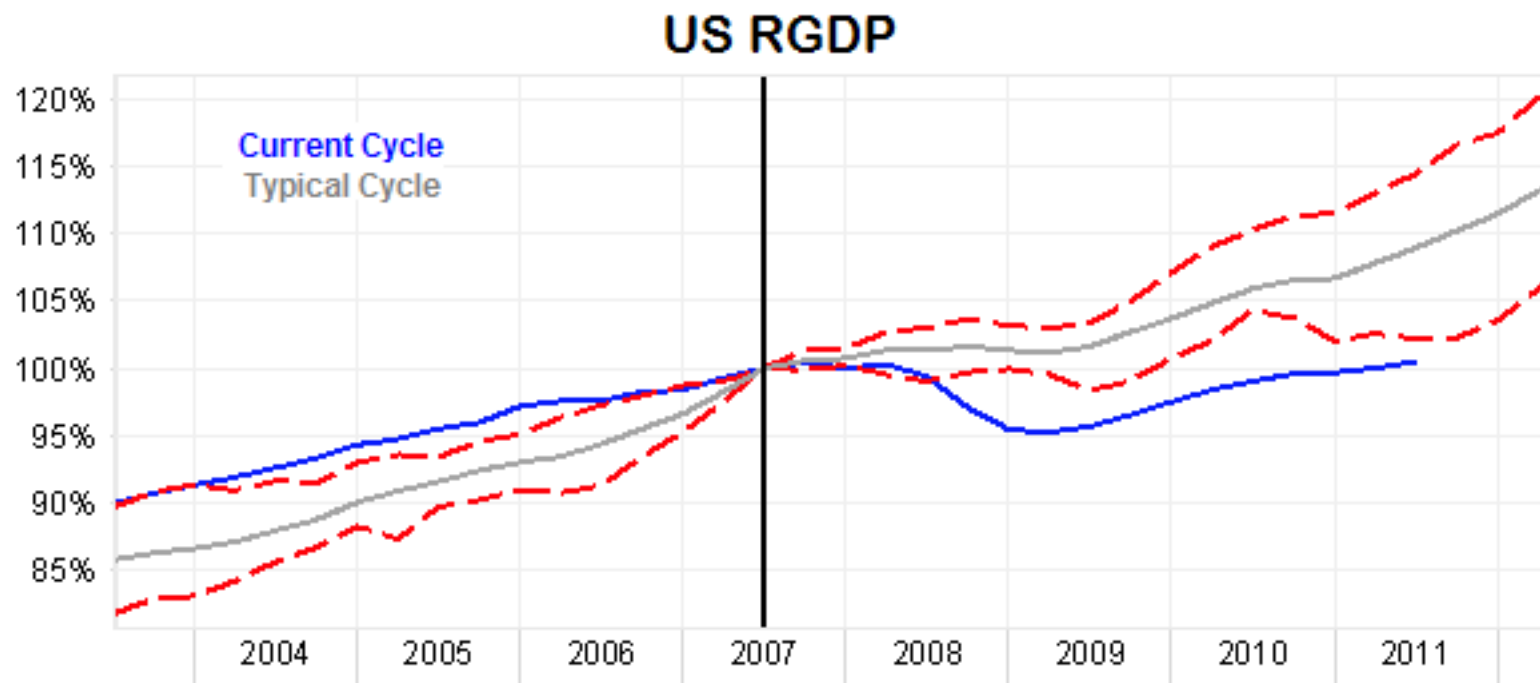


Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital

Deleveraging Cycle

The next 4 slides compare certain economic factors throughout the current recovery (in blue) versus the average cycle during the last 50 years (in gray). The red dotted lines provide a sense of the historical range of outcomes.

Fall in real GDP has been much larger with a slower recovery



Data sources: Bridgewater Associates

Deleveraging Cycle



HH Debt (% GDP)

After a typical recession, debt-financed spending supports a recovery

Today, household debt is 15%-points lower than the height of the previous cycle

2005

HH Wealth (% GDP)

Decrease in household wealth has been severe, particularly with respect to homes and equities

2005

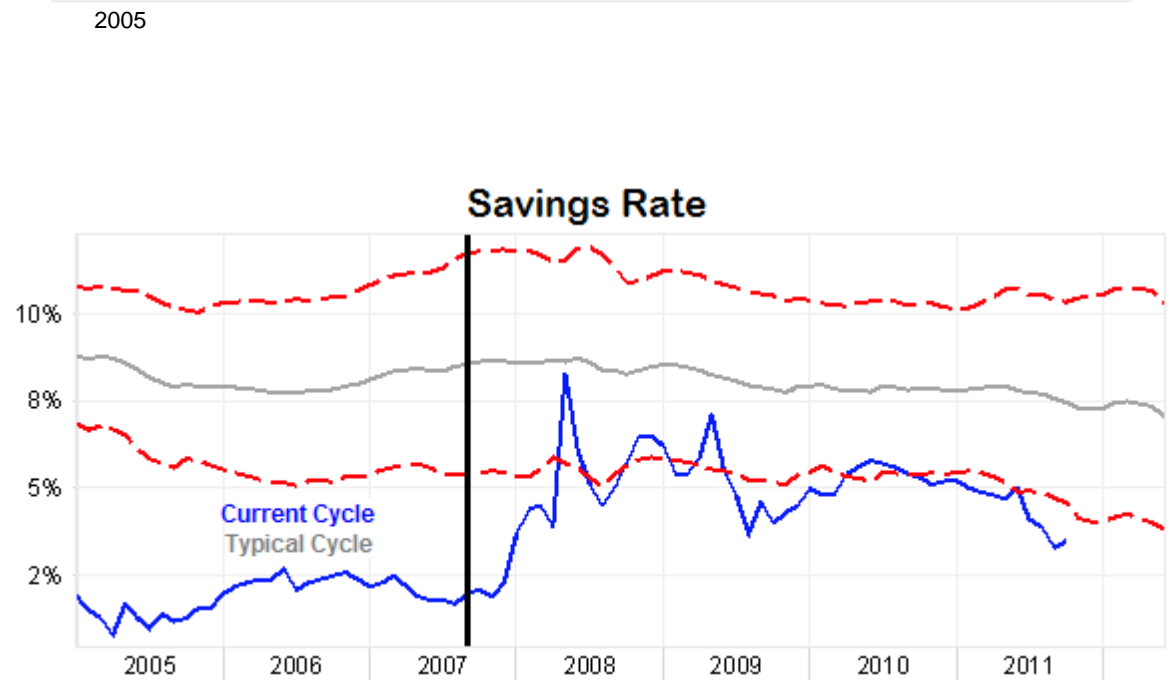
Data sources: Bridgewater Associates

Deleveraging Cycle

Leverage increased dramatically as asset prices fell faster than debt levels were cut

HH Leverage (Debt % Net Wealth)

Savings increased despite low rates – although the rate is still lower than typical cycles



Data sources: Bridgewater Associates

Deleveraging Cycle



Unemployment has been much more depressed

Unemployment Rate (inverted)

2005

Consumer confidence is also much worse than a typical cycle

Consumer Confidence

2005

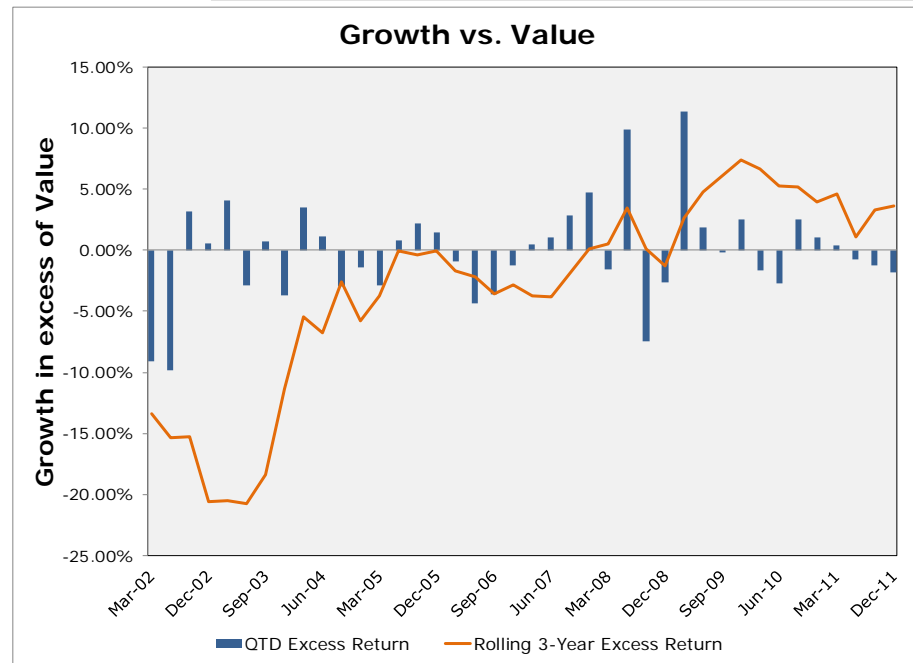
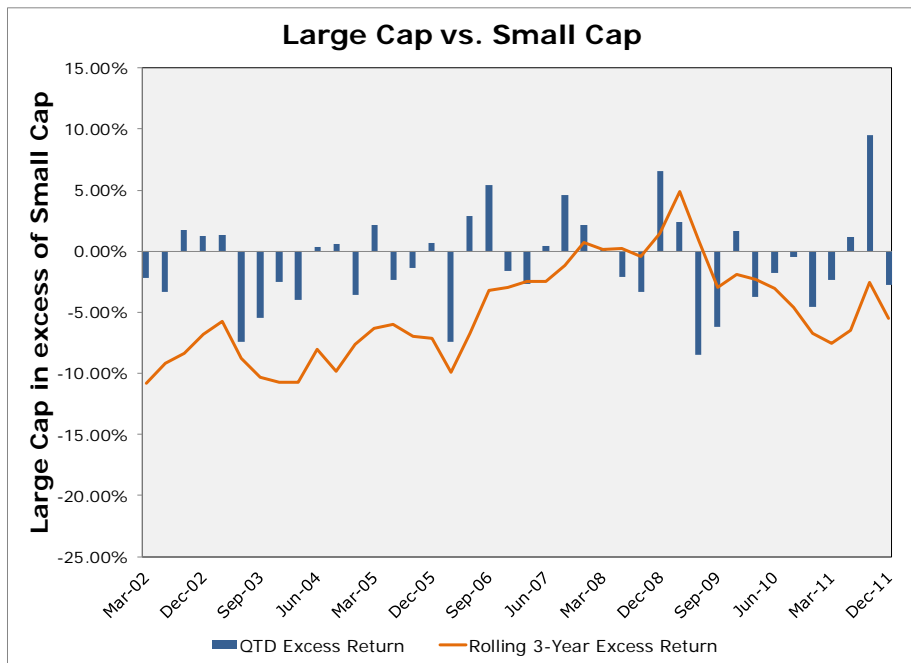
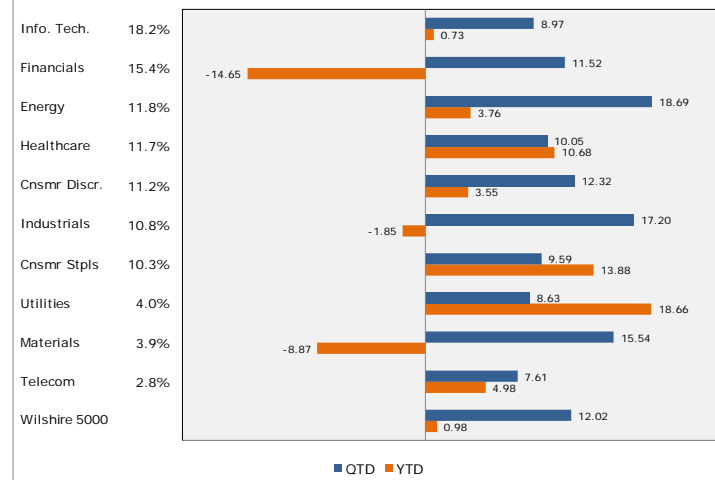
Data sources: Bridgewater Associates

U.S. Capital Markets: Equity



December 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	12.0	1.0	1.0	14.9	0.1	3.8
Wilshire U.S. Large Cap	11.7	1.6	1.6	14.2	0.0	3.4
Wilshire U.S. Small Cap	14.9	-3.4	-3.4	20.9	2.3	7.3
Wilshire U.S. Large Growth	10.7	-0.7	-0.7	16.1	1.6	2.6
Wilshire U.S. Large Value	12.7	3.7	3.7	12.3	-1.8	4.0
Wilshire U.S. Small Growth	13.6	-1.6	-1.6	23.6	3.7	6.7
Wilshire U.S. Small Value	16.1	-5.3	-5.3	18.1	0.9	7.8
Wilshire REIT Index	15.4	9.2	9.2	21.8	-2.0	10.2
MSCI USA Minimum Volatility Index	10.4	12.0	12.0	14.4	2.5	4.0
FTSE RAFI U.S. 1000 Index	12.4	0.1	0.1	19.5	1.1	n.a.

Wilshire 5000 Sector Weight & Return (%)

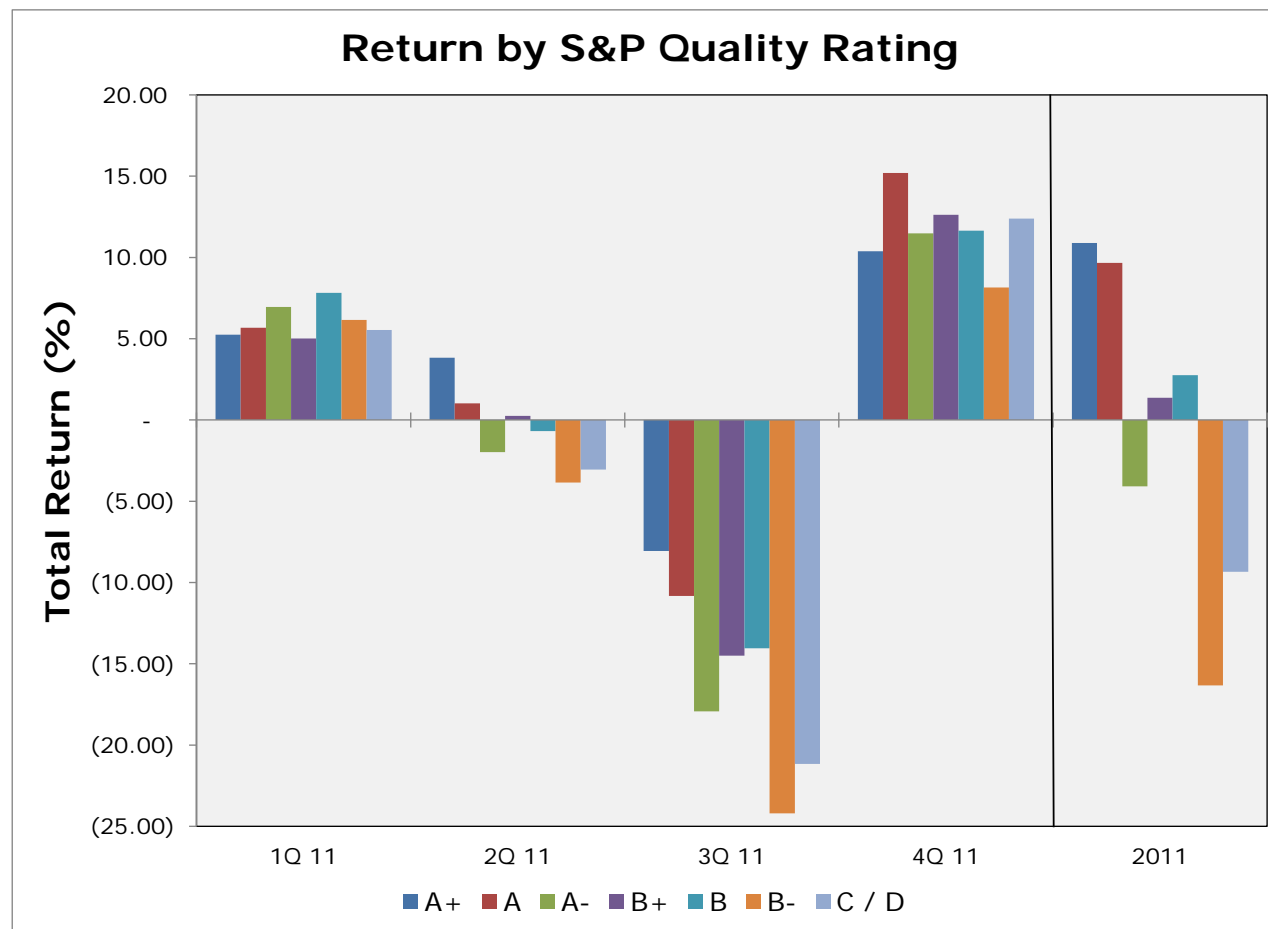


Data sources: Wilshire Compass, Wilshire Atlas

Returns by Quality Segment



Of the stocks included in the exhibit, A+ and A rated companies represent 5% of the universe by count and 25-30% of the total market value in each quarter

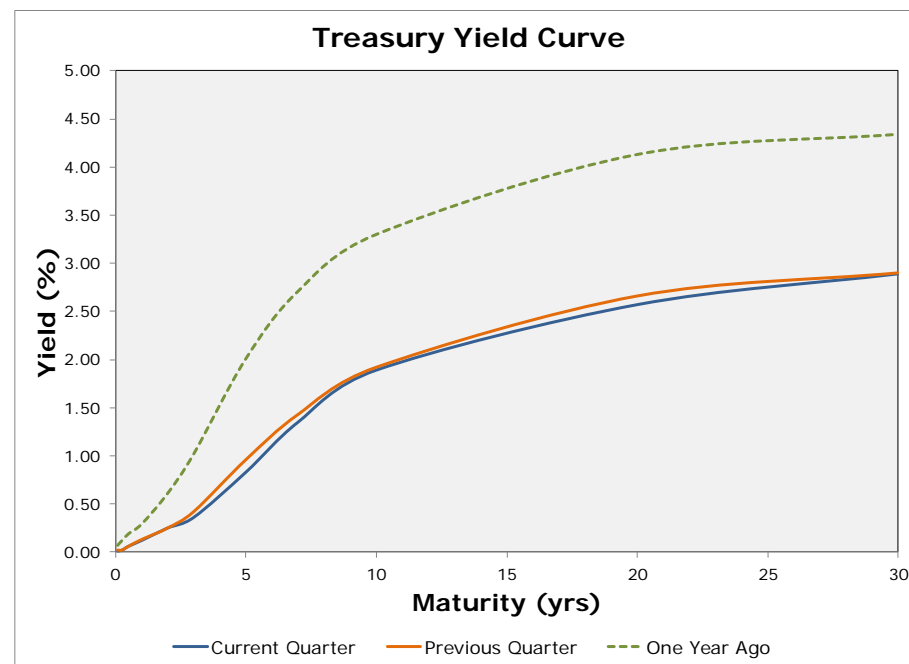
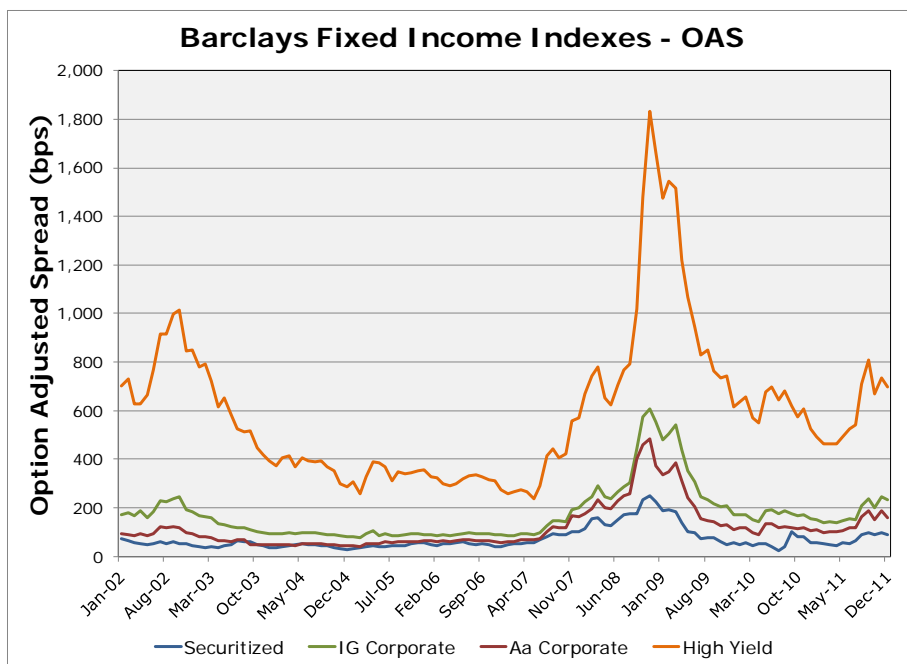


Data sources: Wilshire Atlas

U.S. Capital Markets: Fixed Income



December 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	1.1	7.8	7.8	6.8	6.5	5.8
Barclays Treasury Index	0.9	9.8	9.8	3.9	6.8	5.7
Barclays Govt-Related Index	0.7	6.7	6.7	4.7	6.1	5.5
Barclays Securitized Index	1.0	6.2	6.2	6.8	6.4	5.6
Barclays Corporate IG Index	1.9	8.1	8.1	11.8	6.8	6.4
Barclays LT Govt/Credit Index	2.6	22.5	22.5	11.2	9.7	8.5
Barclays Long-Term Treasury Index	1.9	29.9	29.9	7.4	11.0	8.9
Barclays U.S. TIPS Index	2.7	13.6	13.6	10.4	8.0	7.6
Barclays High Yield Index	6.5	5.0	5.0	24.1	7.5	8.9
Treasury Bills	0.0	0.1	0.1	0.1	1.5	2.0

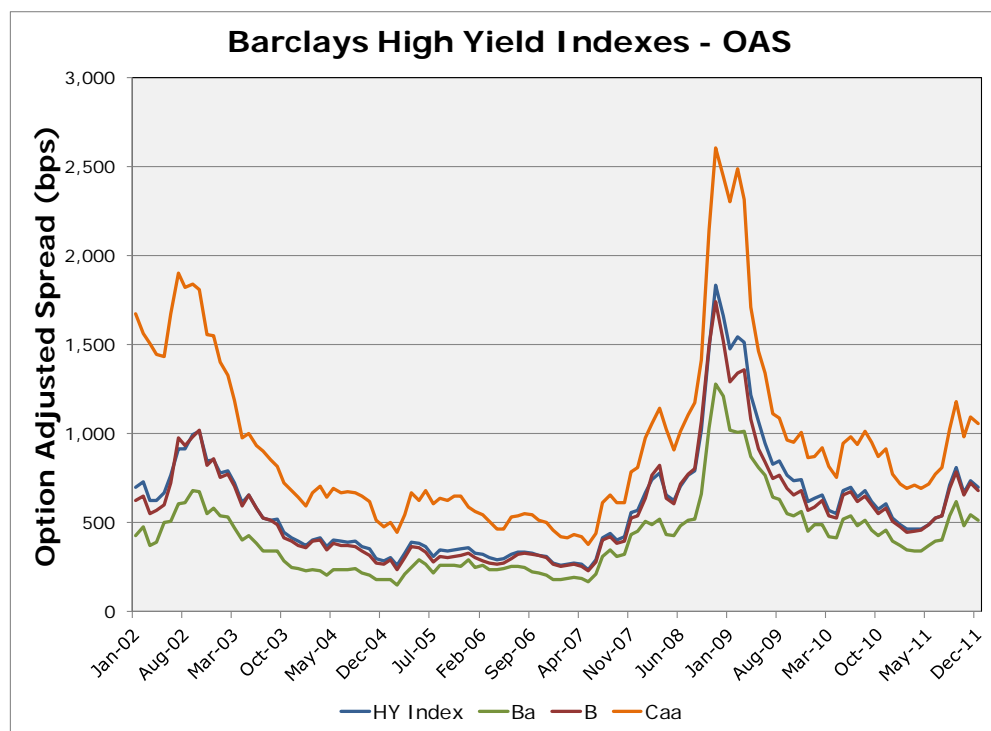


Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury

High Yield by Quality



December 31, 2011	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	6.5	5.0	5.0	24.1
Quality Distribution					
Ba U.S. High Yield	40.1%	5.6	6.8	6.8	21.4
B U.S. High Yield	43.3%	6.4	5.4	5.4	20.2
Caa U.S. High Yield	14.5%	8.4	1.2	1.2	31.0
Ca to D U.S. High Yield	1.9%	10.5	-12.4	-12.4	39.6
Non-Rated U.S. High Yield	0.2%	9.0	6.8	6.8	14.8



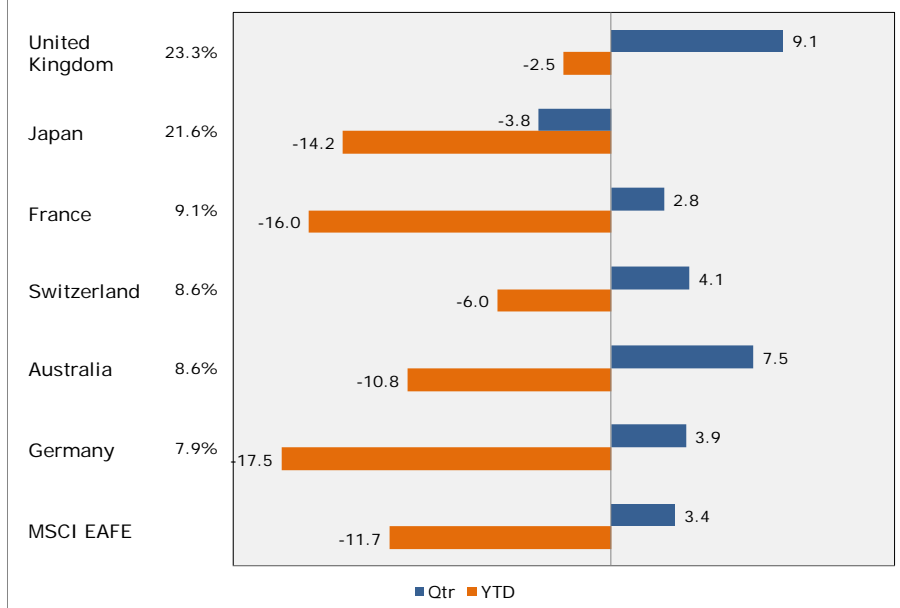
Data sources: Barclays Capital

Non-U.S. Capital Markets

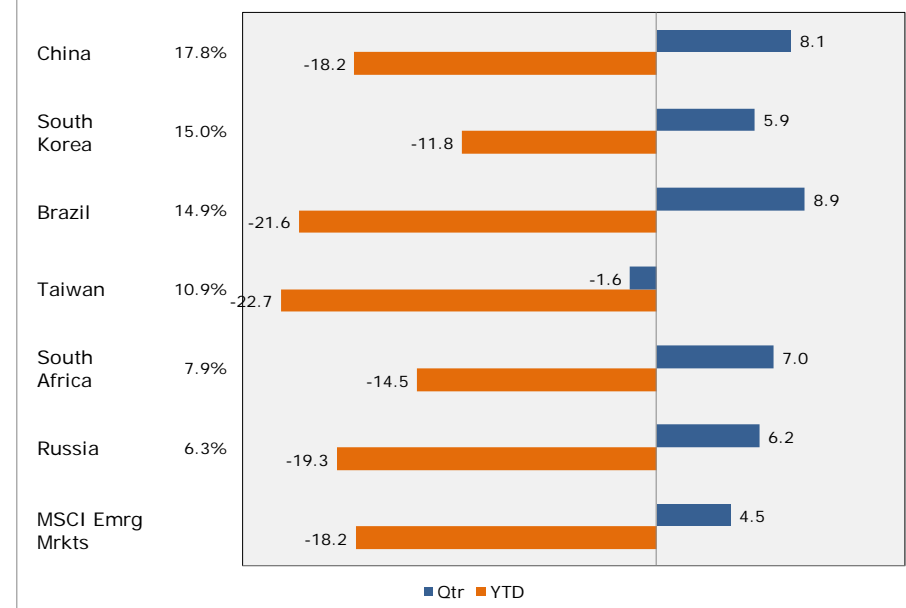


December 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	3.8	-13.3	-13.3	11.2	-2.5	6.8
MSCI EAFE (\$g)	3.4	-11.7	-11.7	8.2	-4.3	5.1
MSCI Emerging Markets (\$g)	4.5	-18.2	-18.2	20.4	2.7	14.2
MSCI Frontier Markets (\$g)	-1.9	-18.4	-18.4	5.3	-5.3	n.a.
MSCI EAFE Minimum Volatility Idx	1.7	-0.3	-0.3	8.4	0.5	9.8
FTSE RAFI Developed ex-US Index	2.8	-14.3	-14.3	9.9	-3.2	n.a.
JPM Non US Global Bond	-0.2	5.9	5.9	5.5	7.8	8.6
JPM Non US Global Bond Hedged	0.8	6.0	6.0	3.9	4.9	4.7
JPM EMBI Global	5.1	8.5	8.5	15.9	8.1	11.0
Euro vs. Dollar	-3.2	-3.2	-3.2	-2.3	-0.4	3.8
Yen vs. Dollar	0.2	5.4	5.4	5.6	9.1	5.5
Pound vs. Dollar	-0.2	-0.7	-0.7	2.6	-4.5	0.6

MSCI EAFE: Largest Countries and Return



MSCI EM: Largest Countries and Return



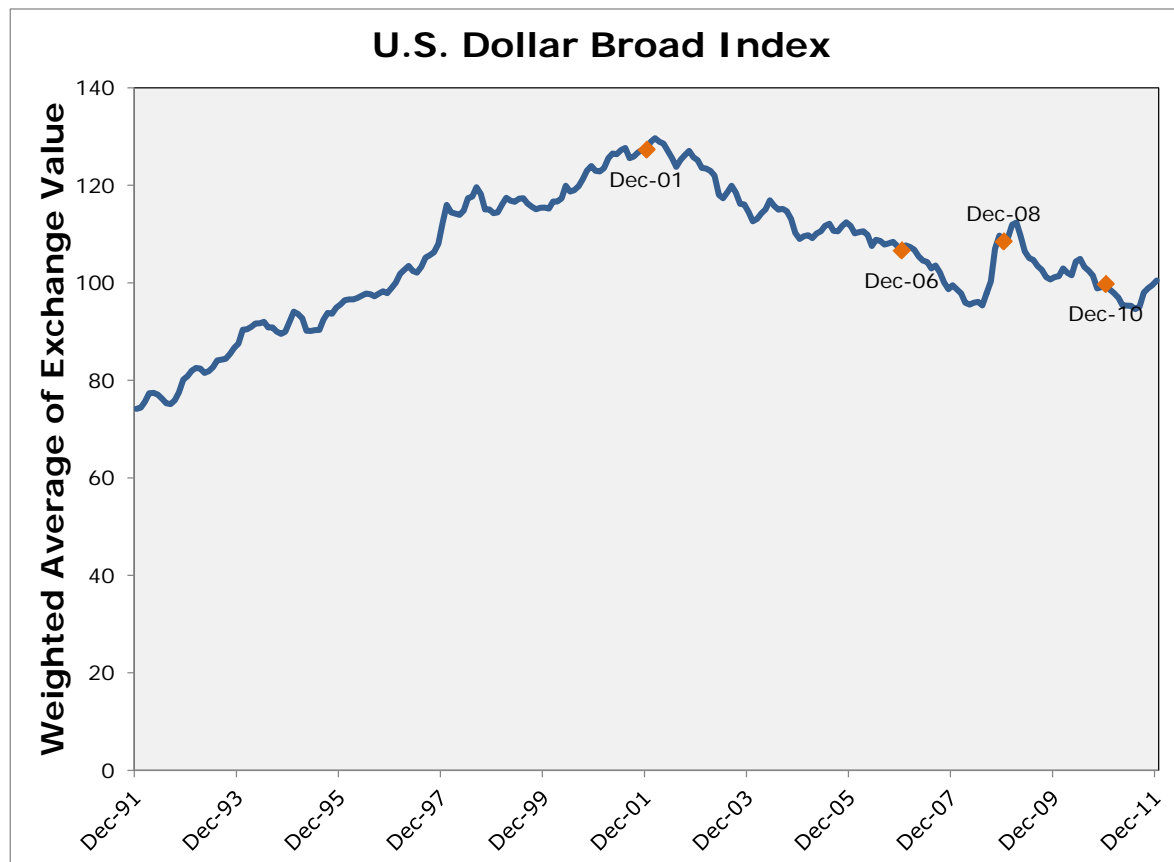
Data sources: Wilshire Compass, MSCI Barra

Currency Effects



U.S. Dollar has been generally falling in value versus a broad basket of currencies since February, 2002

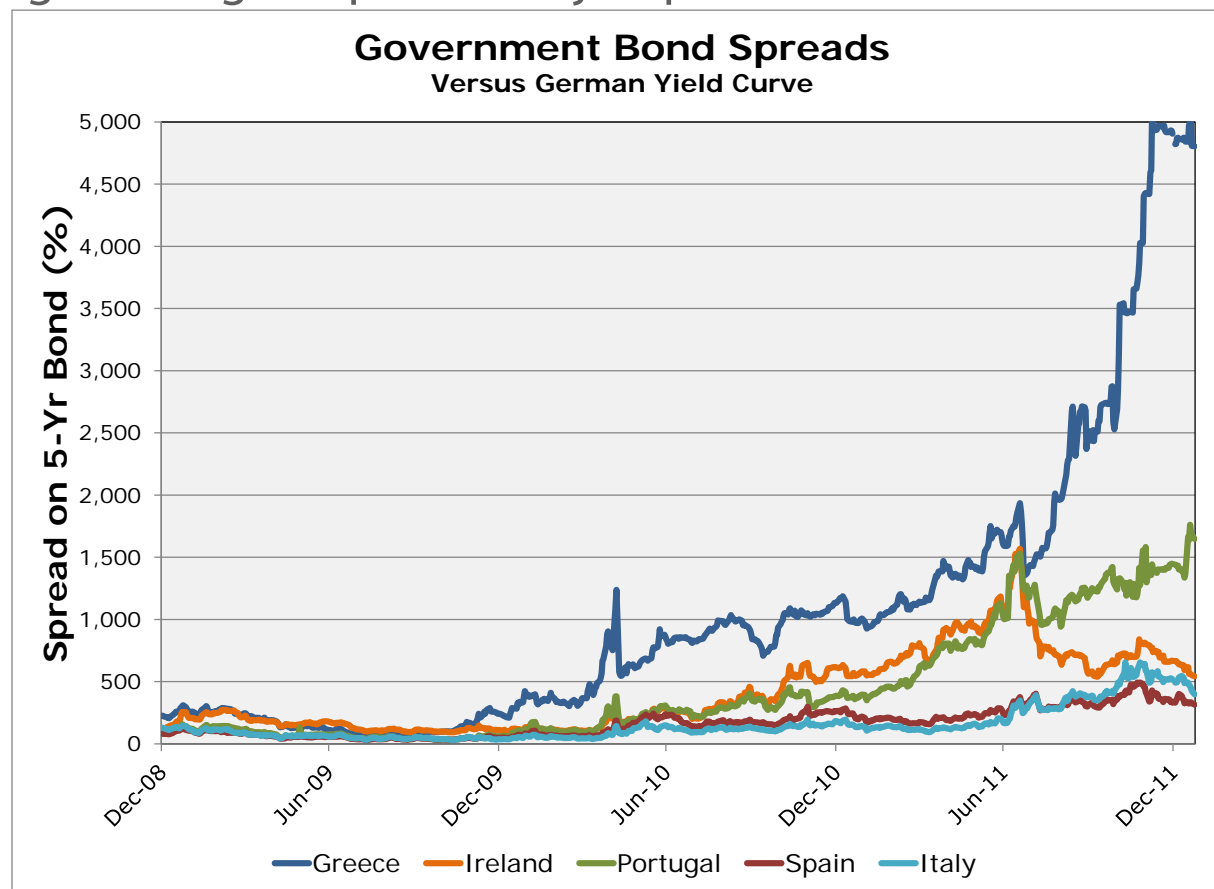
December 31, 2011	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (g) in US\$	-13.3	11.2	-2.5	6.8
MSCI ACWI ex-US (g) in Local Currency	-11.8	8.1	-4.0	3.0
Arithmetic Difference	-1.6	3.1	1.5	3.7



Data sources: Federal Reserve, Wilshire Compass

Sell-off in shorter-term Greek bonds due to possibility of default or forgiveness

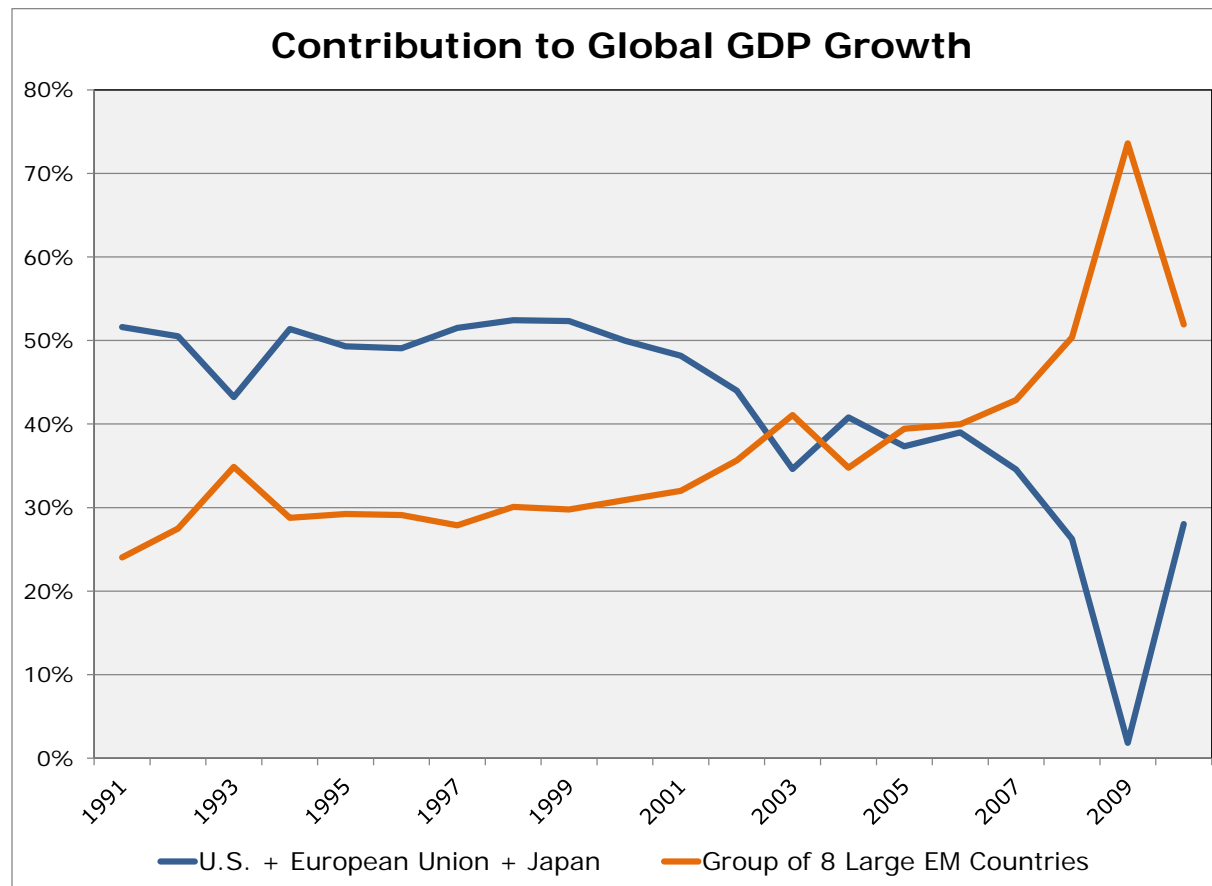
Little movement from sovereign debt downgrades in January of France, Italy and Spain – although Portugal's spread has jumped



Data sources: Barclays Capital

Emerging Markets Growth

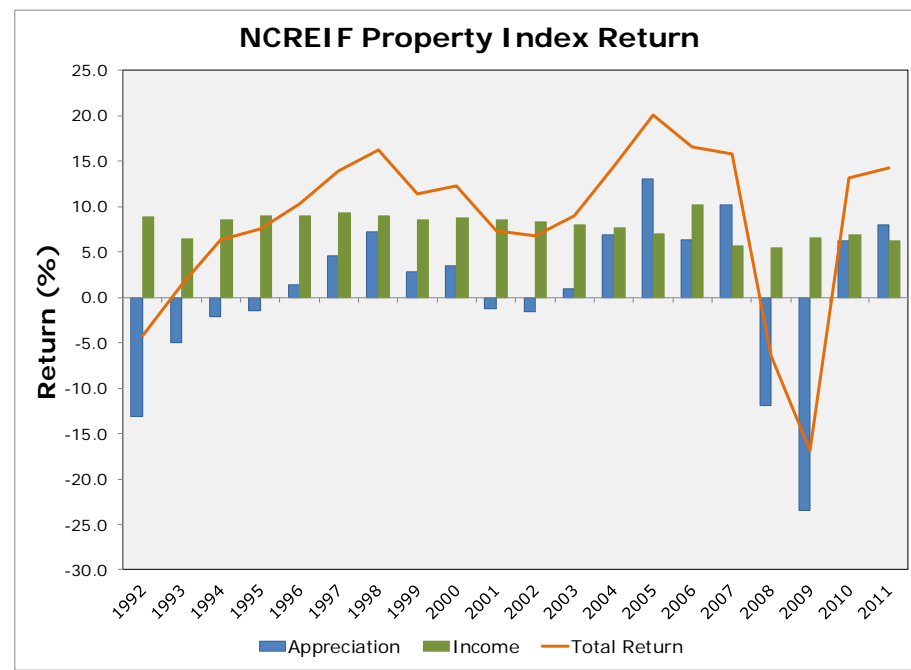
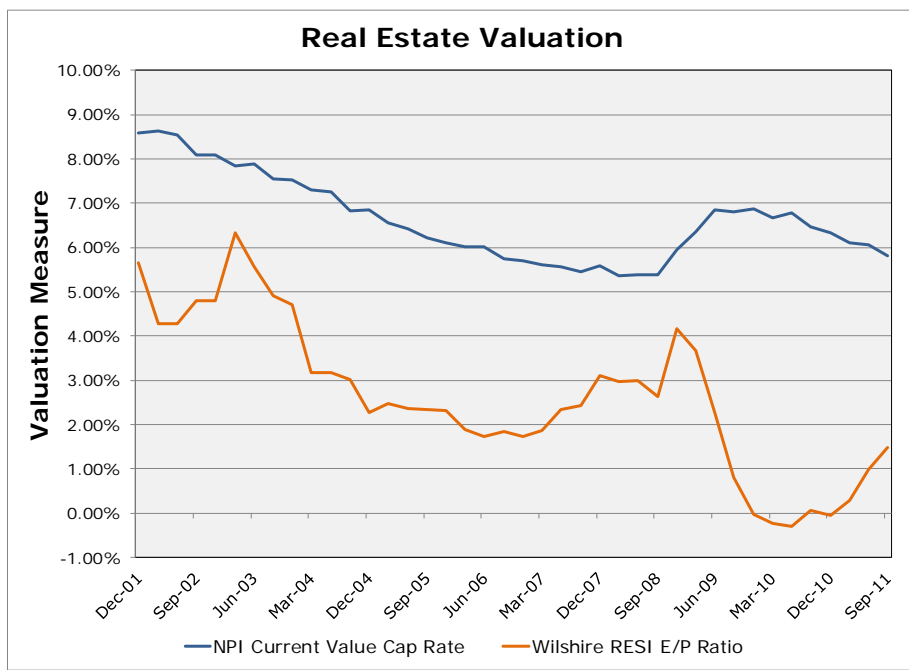
Considering only economies that are expanding during various periods, emerging market countries have become a larger driver of global growth than developed countries



Data sources: The World Bank

December 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	2.7	13.6	13.6	10.4	8.0	7.6
Dow Jones UBS Commodity Index	0.3	-13.3	-13.3	6.4	-2.1	6.6
Global Public Real Estate*	9.8	3.3	3.3	19.9	-3.2	10.5
NCREIF Property Index	3.0	14.3	14.3	2.4	3.1	8.1
NCREIF Timberland Index	0.5	1.6	1.6	-1.2	4.6	7.6
Alerian MLP Index (Oil & Gas)	16.3	13.9	13.9	39.7	14.2	15.5

* Wilshire Global Real Estate Securities from December 2001 to December, 2004. Wilshire Global REITs from 2004 to present.



Data sources: Wilshire Compass, National Council of Real Estate Investment Fiduciaries

Asset Class Performance



Annual Asset Class Returns - Best to Worst

2007	2008	2009	2010	2011
Emrg Mrkts 39.8%	Core Bond 5.2%	Emrg Mrkts 79.0%	REITs 28.6%	U.S. TIPS 13.6%
Commodities 16.2%	T-Bills 2.0%	High Yield 58.2%	Emrg Mrkts 19.2%	REITs 9.2%
U.S. TIPS 11.6%	U.S. TIPS -2.3%	Developed 32.5%	U.S. Equity 17.2%	Core Bond 7.8%
Developed 11.6%	High Yield -26.2%	REITs 28.6%	Commodities 16.8%	High Yield 5.0%
Core Bond 7.0%	Commodities -35.6%	U.S. Equity 28.3%	High Yield 15.1%	U.S. Equity 1.0%
U.S. Equity 5.6%	U.S. Equity -37.2%	Commodities 18.9%	Developed 8.2%	T-Bills 0.1%
T-Bills 5.0%	REITs -39.2%	U.S. TIPS 11.4%	Core Bond 6.5%	Developed -11.7%
High Yield 1.9%	Developed -43.1%	Core Bond 5.9%	U.S. TIPS 6.3%	Commodities -13.3%
REITs -17.5%	Emrg Mrkts -53.2%	T-Bills 0.2%	T-Bills 0.1%	Emrg Mrkts -18.2%

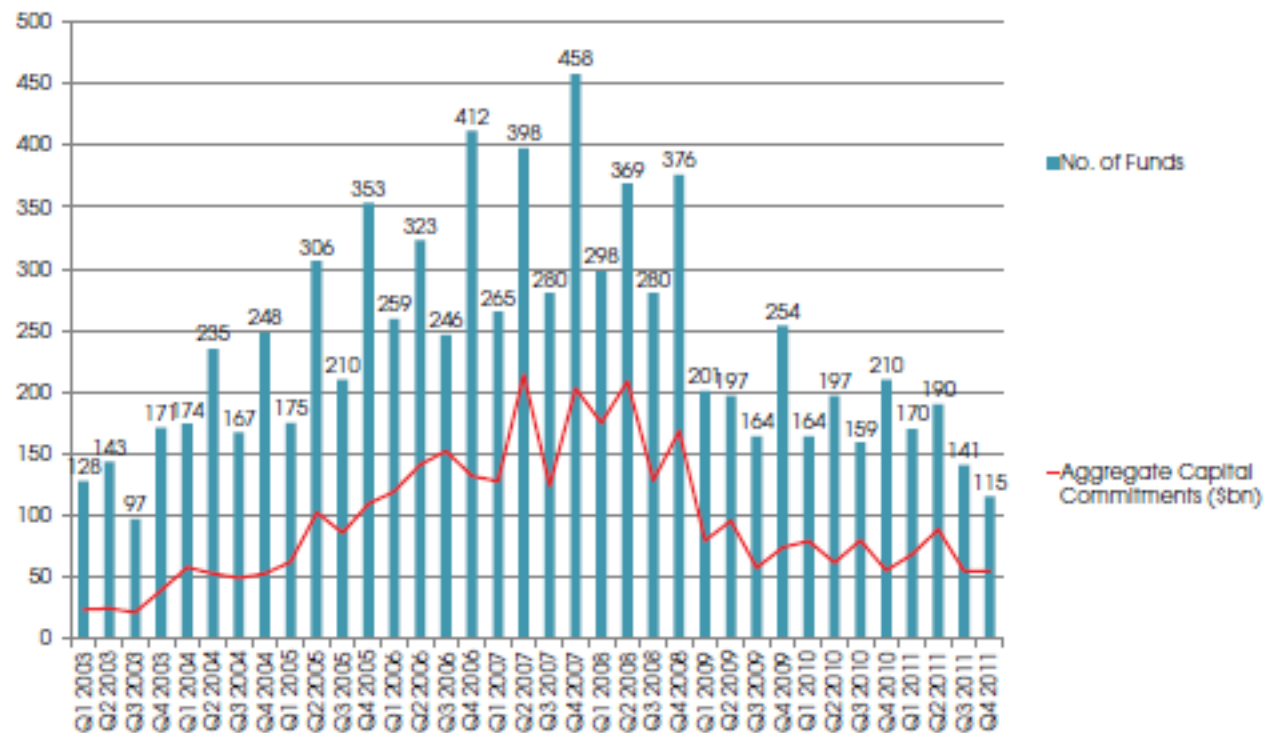
Annualized
5-Year

2007-2011
U.S. TIPS 8.0%
High Yield 7.5%
Core Bond 6.5%
Emrg Mrkts 2.7%
T-Bills 1.5%
U.S. Equity 0.1%
REITs -2.0%
Commodities -2.1%
Developed -4.3%

Data sources: Wilshire Compass

Note: Developed asset class is developed markets ex-U.S., ex-Canada.

Fig. 1: Quarterly Private Equity Fundraising Breakdown, 2003 - 2011

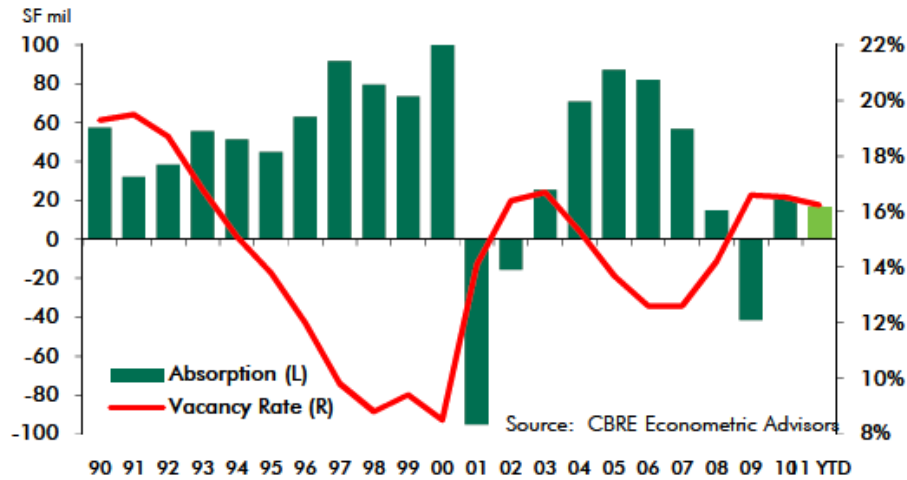


Source: Preqin

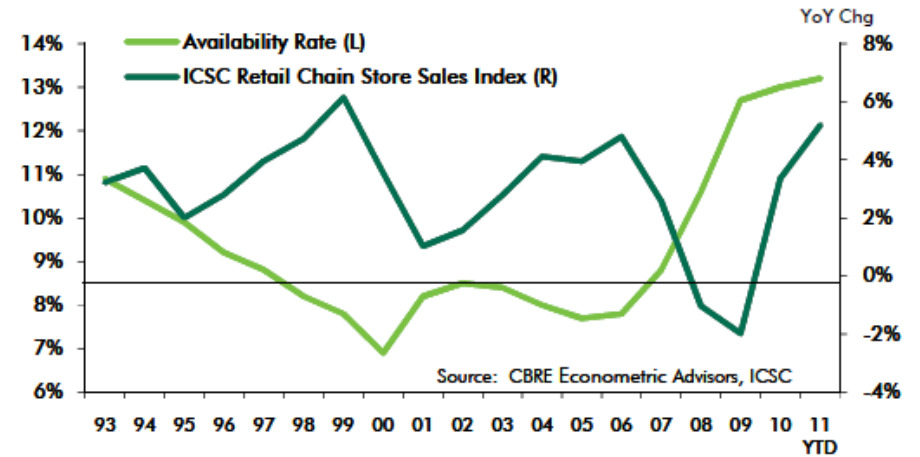
Commercial Property *(as of Q3 2011)*



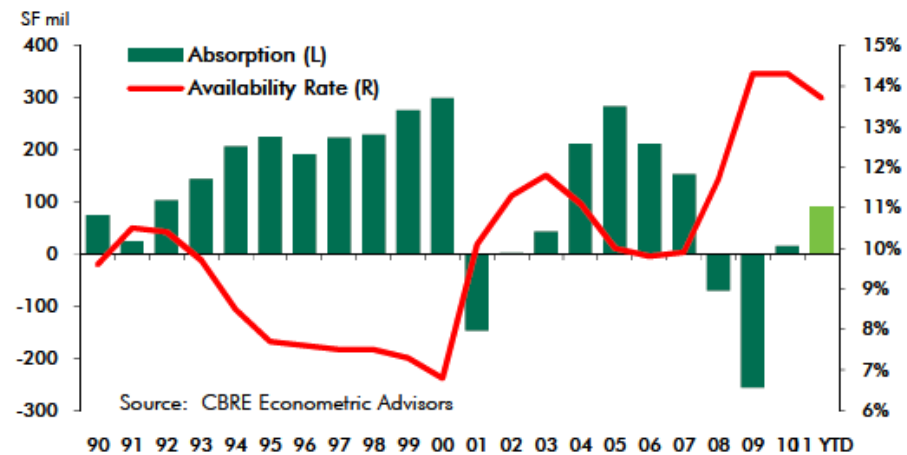
Office



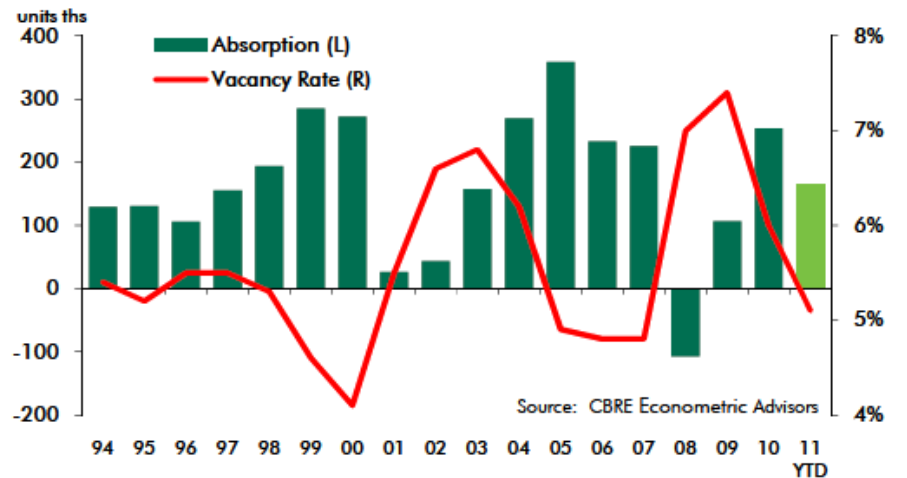
Retail



Industrial

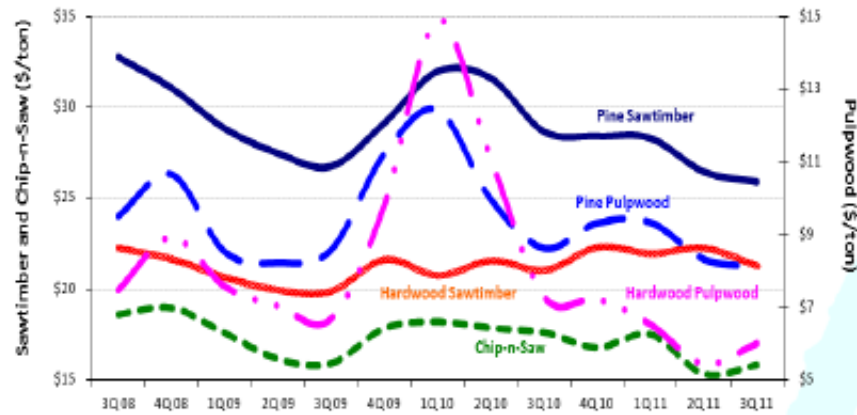


Apartment



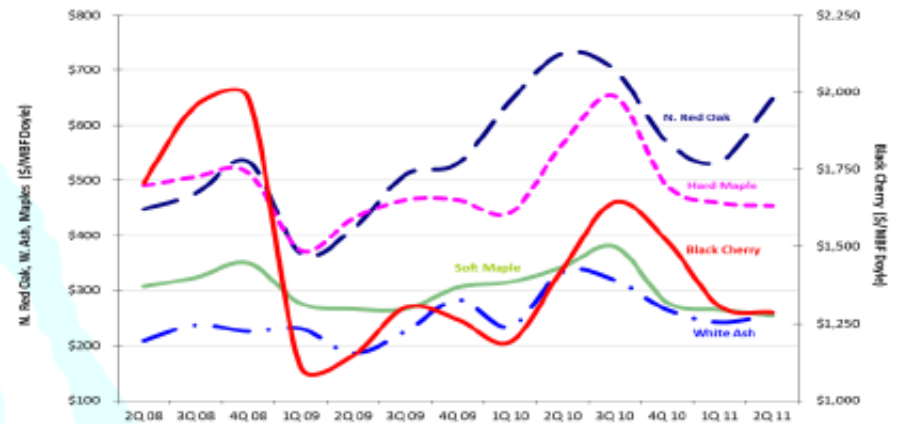
Source: CB Richard Ellis

Southeastern Timber Prices



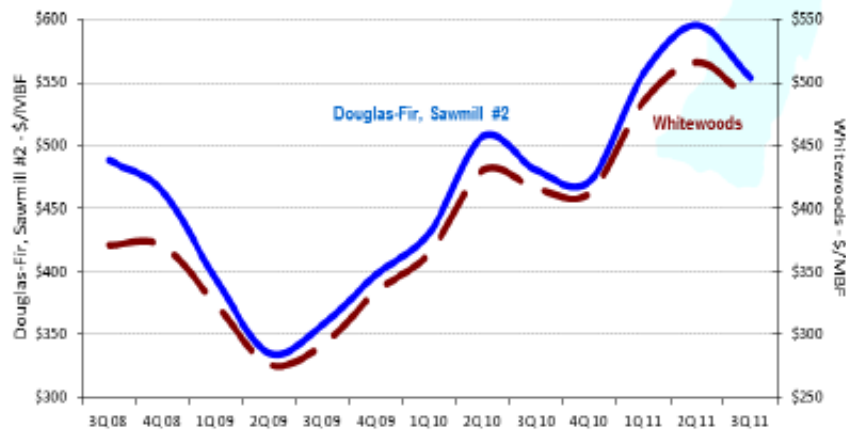
Source: Forest2Market®

Northeastern Hardwood Timber Prices



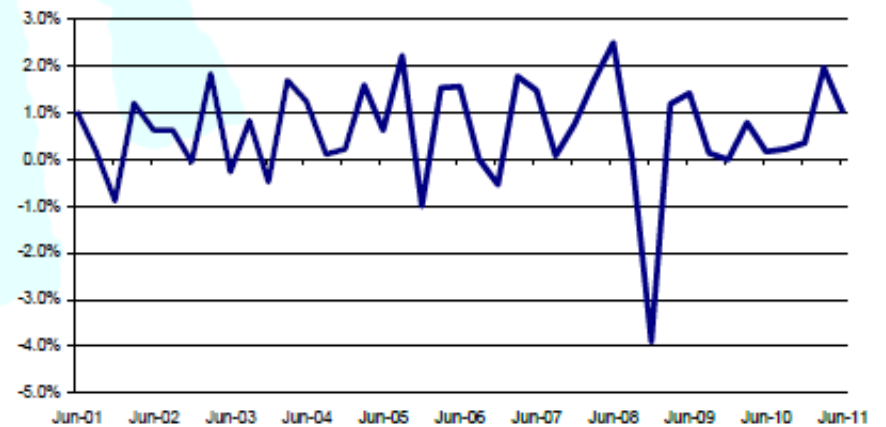
Source: Pennsylvania Woodlands Timber Market Report - Northwest Region

Pacific Northwest Timber Prices



Source: Log Lines®

Inflation (CPI)



Source: <http://www.bls.gov/cpi/home.htm>

Source: Forest Investment Associates

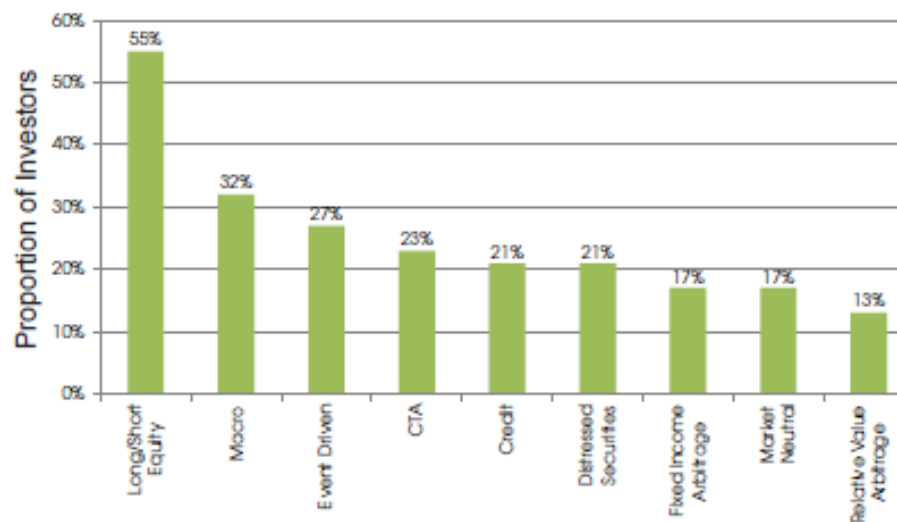
Hedge Fund Performance



December 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
DJ CS Hedge Fund Index	0.7	-2.5	-2.5	8.6	3.2	6.4
Event Driven Index	0.7	-9.1	-9.1	7.2	2.8	7.1
Global Macro Index	0.6	6.4	6.4	10.4	8.6	10.6
Long/Short Equity Index	2.0	-7.3	-7.3	6.6	2.0	6.0
Multi-Strategy Index	1.3	1.8	1.8	11.5	3.1	6.6
Wilshire 5000	12.0	1.0	1.0	14.9	0.1	3.8
MSCI ACWI ex-US (\$g)	3.8	-13.3	-13.3	11.2	-2.5	6.8
Barclays Aggregate Bond Index	1.1	7.8	7.8	6.8	6.5	5.8
Dow Jones UBS Commodity Index	0.3	-13.3	-13.3	6.4	-2.1	6.6

According to a Preqin survey, investors are looking for opportunities primarily in Long/Short Equity Funds in 2012, followed by Global Macro hedge funds.

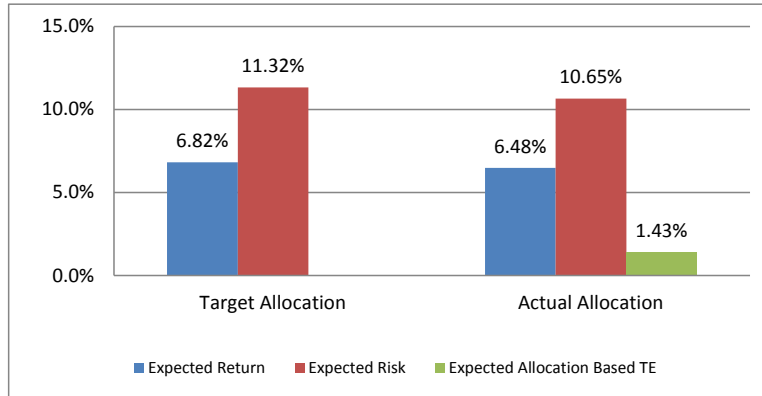
Chart of the Month: Proportion of Hedge Fund Investors with a Preference for Each Hedge Fund Strategy



Data sources: Wilshire Compass, Preqin

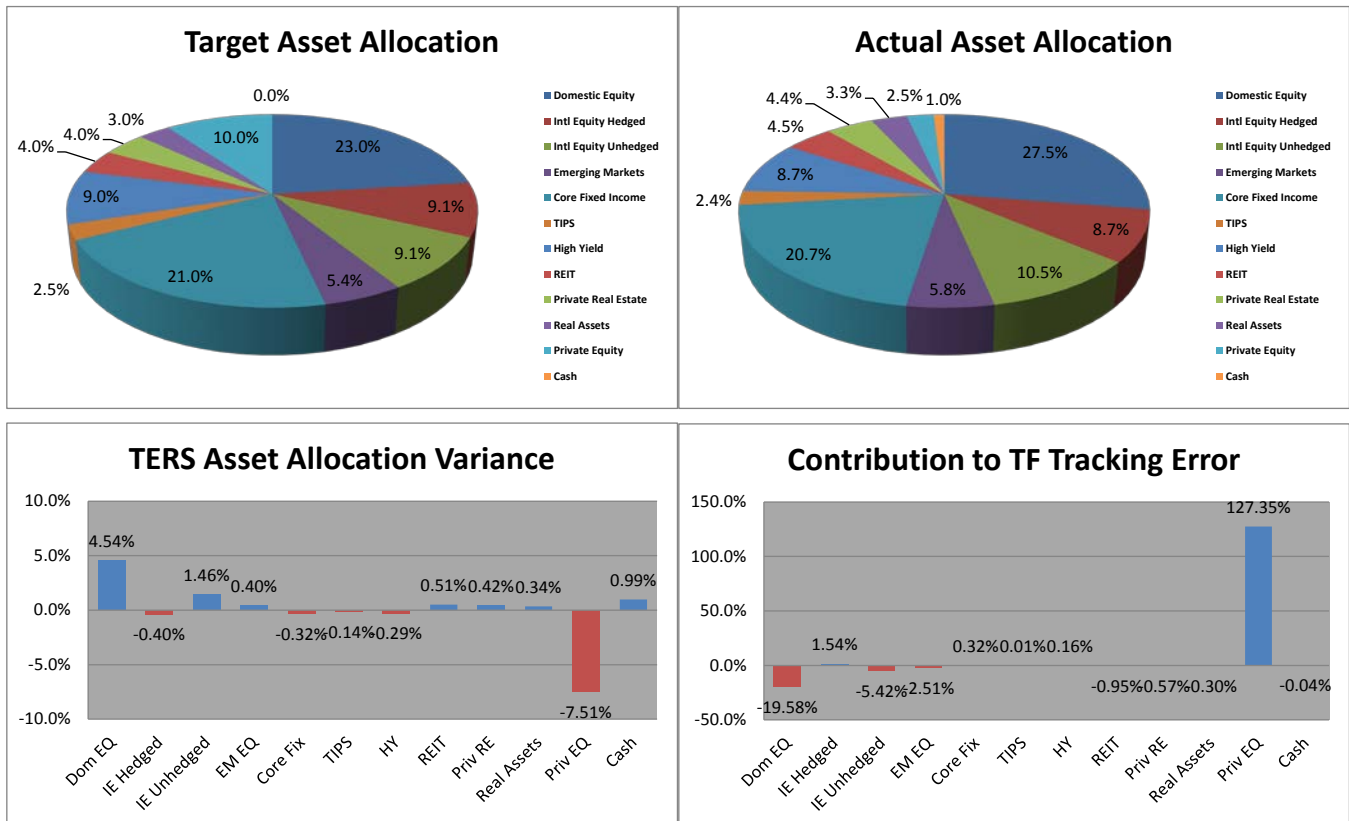
Total Fund Overview Periods Ended December 31, 2011

Expected Return and Risk



- Using Wilshire's 2012 Asset Class Assumptions, the Tacoma Employees' Retirement System ("TERS, the System")'s expected return based on its actual asset allocation is currently modestly 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

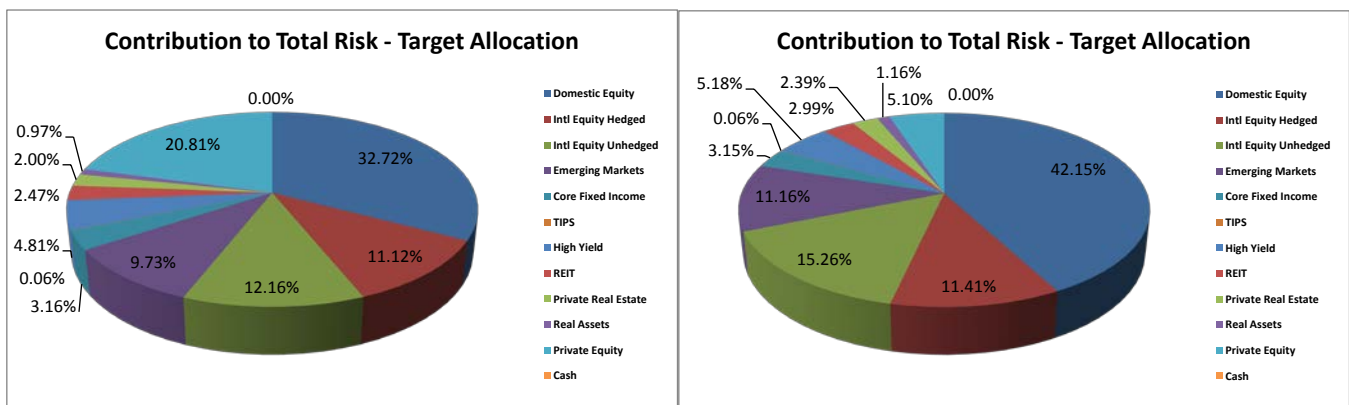


Total Fund Overview (Continued) Periods Ended December 31, 2011

Total Fund Asset Allocation (Continued)

- At the end of the quarter, the System's actual asset allocation was overweight in domestic equity (+4.5%, which includes the S&P 500 Index Fund used as "parking fund" for future private equity calls), international equity (+1.5%), total real estate (+0.9%), real assets (+0.3%) and cash (+1.0%) while underweight in core fixed income (-0.3%), high yield (-0.3%), TIPS (-0.1%) and private equity (-7.5%) relative to its asset allocation policy.

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



- TERS's domestic equity investments are currently the biggest contributor to its total volatility (at 42.15% based on actual allocation as of December 31). This is primarily attributed to the ramp-up process of the System's 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 (\$Mil.)	Value	Net Contrib.	Net Distrib.	Invest. Fees	Invest. Gain/Loss	End. Mkt Value	Total Return
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		19.9	-22.9	-0.6	60.0	1,081.7	5.79%
1Q11	1,081.7		19.1	-24.8	-0.8	39.0	1,114.3	3.56%
2Q11	1,114.3		18.5	-18.1	-0.6	14.2	1,128.3	1.22%
3Q11	1,128.3		17.3	-34.9	-0.6	-105.5	1,004.7	-9.46%
4Q11	1,004.7		41.9	-23.4	-0.7	65.5	1,088.0	6.32%

- As of December 31, 2011, the System's market value was approximately \$1.088 billion, which represented an increase of \$83 million from the beginning of the quarter. The change in market value consisted of \$41.9 million in net contributions, \$23.4 million in net distribution and administrative fees, \$0.7 million in investment fees, and \$65.5 million in net investment losses.

Total Fund Overview (Continued)

Asset Class Performance						
	Performance (%)					
	Quarter	1-year	3-year	5-year	10-year	15-year
Total Fund	6.32	0.90	13.62	0.98	6.37	7.00
Policy Benchmark ¹	6.39	0.77	12.68	0.82	5.55	6.44
Actuarial Rate	1.88	7.75	7.75	7.75	7.78	7.71
Policy Expected Return	2.04	8.40	8.40	8.40	8.40	8.63
U.S. Equity	12.04	1.31	14.53	-0.43	4.37	5.96
International Equity	3.10	-15.90	6.28	-5.76	4.33	2.67
Total Fixed Income	2.17	6.42	13.94	7.68	6.84	6.99
Core Fixed Income	1.30	6.23	11.40	7.86	6.88	7.02
High Yield	4.18	5.18	17.94	6.47	--	--
TIPS	2.63	--	--	--	--	--
Real Estate	8.99	12.67	22.28	-3.73	9.61	9.20
Real Assets	17.25	--	--	--	--	--
Private Equity	8.35	6.12	--	--	--	--
Cash/Securities Lending	1.79	11.70	18.07	2.89	2.65	3.34
S&P 500 Index	11.82	2.12	14.10	-0.25	2.92	5.45
Russell 3000 Index	12.12	1.02	14.87	-0.02	3.51	5.67
Wilshire 5000 Index	12.02	0.98	14.93	0.12	3.80	5.73
MSCI ACWI x US Index	3.72	-13.71	10.70	-2.92	6.31	--
Barclays Aggregate Bond Inde:	1.12	7.84	6.77	6.50	5.78	6.33
Merrill Lynch HY BB/B Constr.	5.89	5.40	20.71	6.84	7.94	6.61
Wilshire REIT Index	15.42	9.24	21.79	-1.96	10.16	9.21
Alerian MLP Index	16.33	13.87	39.74	14.18	15.54	16.61
91-Day Treasury Bill	0.00	0.10	0.14	1.48	1.95	3.03

- ◆ Volatilities remained high into the fourth quarter as Europe continued to struggle containing its sovereign debt crisis. However, with the backdrop of improving prospects for economic growth in the United States and the increasing likelihood of a China monetary easing, most asset classes finished the quarter on a positive note. TERS' portfolios reported an overall fourth quarter gain of 6.3%, partially erasing prior quarter's losses and was modestly positive for the year (+0.9%). This performance compared well against its asset allocation policy benchmark, which was up 6.4% and 0.8% for the same periods, respectively. Beyond the one-year mark, the System's track record has also done well relative to its policy benchmark by outperforming in all measured periods shown. Relative to the actuarial rate of return, TERS' return has beat it for the quarter and the three-year period but still lags over the long-term.

¹The international equity custom benchmark is currently 38.5% MSCI EAFE/38.5% MSCI EAFE Currency Hedged/23% MSCI Emerging Markets; it is linked historically to its prior benchmarks. Current Total Fund Policy Benchmark is 23% Russell 3000, 23.5% international equity custom benchmark, 21% Barclays Aggregate, 2.5% Barclays U.S. TIPS Index, 9% Merrill Lynch High Yield BB/B Constrained, 4% Wilshire REIT, 4% NCREIF Property Index, 3% Alerian MLP Index, 10% private equity custom benchmark.

Total Fund Overview (Continued)

Total Fund Attribution

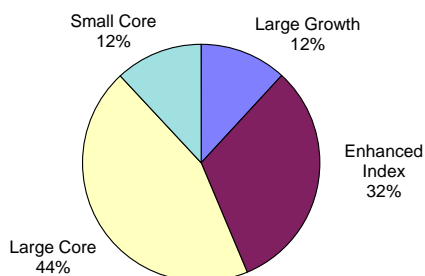
	Total Fund Return Contribution (%)			
	Strategic Policy	Actual Allocation	Active Mgmt	Actual Return
U.S. Equity	2.79	0.02	-0.02	2.79
Core Fixed Income	0.24	0.02	0.04	0.30
TIPS	0.07	0.00	0.00	0.07
High Yield	0.53	0.02	-0.16	0.39
Non-U.S. Equity	0.90	-0.15	-0.14	0.60
Real Estate	0.74	0.10	-0.02	0.81
Real Assets	0.49	0.01	0.03	0.53
Cash	0.00	0.00	0.00	0.00
Private Equity	0.61	0.02	0.23	0.86
Total Fund	6.39	0.03	-0.06	6.32

- ◆ 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.

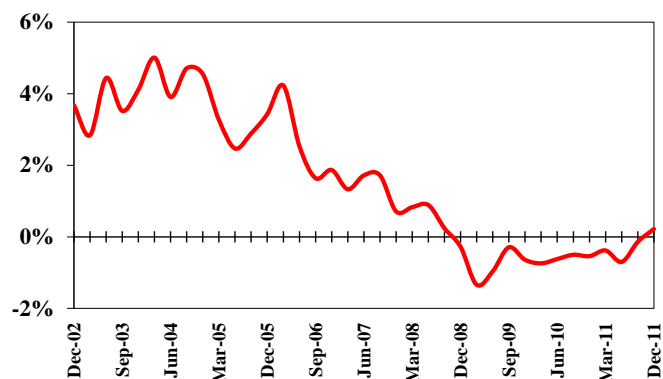
- ◆ Per Wilshire's attribution model, the System's asset allocation had a small but positive impact on this quarter's performance, while active management was a modest detractor overall. TERS' asset allocation variance contributed positively mostly due to its overweight in domestic equity, real estate, real assets and private equity, which were among the highest returning asset classes during 4Q. On the other hand, total active management was a detractor for the System as the high yield and international equity composites produced notable underperformance relative to the other asset classes.

Domestic Equity Overview

Domestic Equity Structure



Total Domestic Equity vs. Custom Benchmark Rolling 3-Year Excess Return



Composite

	Assets		Performance (%)			
	(\$Millions)	Quarter	1-year	3-year	5-year	10-year
Domestic Equity	223.0	12.04	1.31	14.53	-0.43	4.37
Custom Benchmark ²		12.12	1.02	14.31	-0.14	2.97
Value Added vs Index		-0.08	0.29	0.22	-0.29	1.40
Wilshire 5000 Index		12.02	0.98	14.93	0.12	3.80
S&P 500 Index		11.82	2.12	14.10	-0.25	2.92
Russell 3000 Index		12.12	1.02	14.87	-0.02	3.51

Managers

	Assets (\$Millions)	Performance (%)					Inception	Date
		Quarter	1-year	3-year	5-year			
Large Cap Core - Passive								
Northern Trust S&P 500 Fund	99.1	11.82	2.11	14.49	-0.27	8.79	12/90	
S&P 500 Index		11.82	2.12	14.10	-0.25	8.80	12/90	
Index Tracking Error		0.00	-0.01	0.39	-0.02	-0.01		
Large Cap Growth - Passive								
Northern Trust Russell 1000 Grwth Fd	26.4	10.71	2.76	--	--	21.91	3/09	
Russell 1000 Growth Index		10.60	2.63	--	--	21.65	3/09	
Index Tracking Error		0.11	0.13	--	--	0.26		
Small Cap Core - Passive								
Northern Trust Russell 2000 Fund	26.6	15.48	-4.02	15.97	0.31	10.18	12/90	
Russell 2000 Index		15.48	-4.17	15.63	0.15	10.08	12/90	
Index Tracking Error		0.00	0.15	0.34	0.16	0.10		

² 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 (%)					Inception Date
		Quarter	1-year	3-year	5-year		
Enhanced Index							
INTECH	31.4	12.50	4.13	14.24	--	-0.16	3/07
S&P 500 Index		11.82	2.12	14.10	--	-0.40	3/07
Value Added vs Benchmark		0.68	2.01	0.14	--	0.24	
S&P 500 Index + 1%		12.07	3.12	15.10	--	0.60	3/07
Value Added vs Objective		0.43	1.01	-0.86	--	-0.76	
Research Affiliates	39.5	12.38	1.86	15.48	--	-0.30	3/07
S&P 500 Index		11.82	2.12	14.10	--	-0.40	3/07
Value Added vs Benchmark		0.56	-0.26	1.38	--	0.10	
S&P 500 Index + 1%		12.07	3.12	15.10	--	0.60	3/07
Value Added vs Objective		0.31	-1.26	0.38	--	-0.90	

- ◆ TERS' domestic equity composite rebounded from prior quarter's slump and posted a strong gain of 12.0%, nearly matching its asset allocation policy benchmark, currently the Russell 3000 Index. All of TERS' domestic equity portfolios generated solid absolute results as well as good relative performance, although the composite's large cap growth specific allocation acted as a small drag as growth securities in the large cap growth space posted the least amount of gain during the 4Q rebound. The domestic equity composite has tracked its policy benchmark fairly close over the past five years and continues to do well over the long-term.
- ◆ Northern Trust manages three U.S. equity index funds for the System, including a large cap core fund, a large cap growth fund, and a small cap core fund, which are designed to track the S&P 500 Index, the Russell 1000 Growth Index, and the Russell 2000 Index, respectively. For the quarter, the large core and small core funds matched their respective benchmarks while the large growth fund was ahead. All three funds continue to perform in line with expectations over longer time horizon.
- ◆ INTECH, one of the domestic equity composite's two enhanced index managers, reported a 4Q return of 12.5% and modestly outperformed its benchmark, the S&P 500 Index, as well as its performance objective, benchmark + 1%. For the quarter, both stock selection and sector weighting added value, particularly notable due to the portfolio's exposure to the Energy space, which was the highest returning sectors within the S&P 500 Index. Not only did INTECH maintained an overweight in Energy (14.1% portfolio vs. 11.6% benchmark), seven of this quarter's top ten best performing holdings were Energy securities as well, including El Paso Corp (0.3% weight, +52.1%), Nabors Industries Ltd (0.2% weight, +41.4%), and FMC Technologies Inc (0.1% weight, +38.9%). Over all longer time periods since inception, INTECH has outperformed the S&P 500 Index while modestly trailing its performance objective at the three-year and since-inception points.

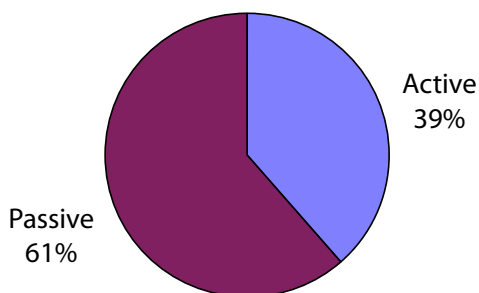
Domestic Equity Overview (Continued)

Managers

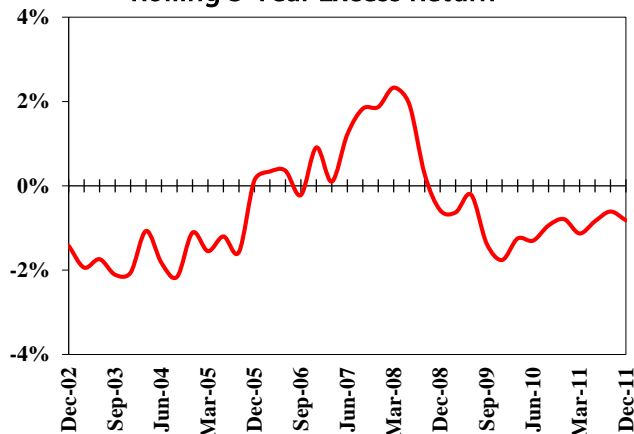
- ◆ Research Affiliates (RAFI), the larger of the two enhanced index portfolios, returned 12.4% for the quarter and outperformed its benchmark, the S&P 500 Index, and its performance objective, benchmark + 1%. RAFI's lower-than-benchmark exposure to the Information Technology (9.3% vs. 19.4%) and Utilities (3.1% vs. 4.0%) space contributed meaningfully during the quarter, as these were two of the three sectors that failed to post double digit gains. Meanwhile, positive issue selection within Industrials also added value, with top gainers like U-HAUL International's holding company AMERCO (+43.2%) and diversified manufacturing company Carlisle Corporation (+39.5%) helped boosting the portfolio's relative performance. Over all measured periods shown, Research Affiliates' track record has done well against the S&P 500 Index, although it is still trailing its performance objective through the one-year and since-inception periods.

International Equity Overview

International Equity Structure



Total Int'l Equity vs. Custom Benchmark Rolling 3-Year Excess Return



Composite

	Assets (\$Millions)	Performance (%)				
		Quarter	1-year	3-year	5-year	10-year
International Equity (with hedge)	271.6	3.10	-15.90	6.28	-5.76	4.33
Custom Benchmark ³		3.83	-14.40	7.10	-4.83	4.60
<i>Value Added vs Benchmark</i>		-0.73	-1.50	-0.82	-0.93	-0.27
International Equity (Un-hedged)		3.31	-15.59	8.19	-4.75	4.89
MSCI ACWI x-US Index		3.72	-13.71	10.70	-2.92	6.31
<i>Value Added vs Index</i>		-0.41	-1.88	-2.51	-1.83	-1.42

Managers

	Assets (\$Millions)	Performance (%)					Inception Date
		Quarter	1-year	3-year	5-year		
Passive							
Northern Trust EAFE Index Fund	93.6	3.41	-11.92	--	--	14.76	3/09
MSCI EAFE Index		3.33	-12.14	--	--	14.45	3/09
Index Tracking Error		0.08	0.22	--	--	0.31	
Northern Trust EAFE Index Fund (Hedged)		4.02	-12.00	--	--	10.13	3/09
MSCI EAFE Hedged		3.86	-14.76	--	--	6.55	3/09
Index Tracking Error		0.16	2.76	--	--	3.58	
Northern Trust EM Index Fund	63.1	4.36	-18.68	--	--	21.33	3/09
MSCI Emerging Markets Index		4.42	-18.42	--	--	21.66	3/09
Index Tracking Error		-0.06	-0.26	--	--	-0.33	
MSCI EAFE Hedged Index		3.86	-14.76	2.20	-8.53		

³ International Equity Composite Custom Benchmark: 10/2010-present, 38.5% MSCI EAFE Index/38.5% MSCI EAFE Index Currency Hedged/23% MSCI EM Index. 4/2009-9/2010, 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	
Passive							
Northern Trust Canada Index Fund	9.7	--	--	--	--	--	12/11
MSCI Canada Index		--	--	--	--	--	12/11
Index Tracking Error		--	--	--	--	--	
Active							
DFA Int'l Core Equity Portfolio	52.2	3.18	--	--	--	3.18	9/11
MSCI World x-US Index		3.51	--	--	--	3.51	9/11
Value Added vs Benchmark		-0.33	--	--	--	-0.33	
RAFI Enhanced International	52.1	3.90	--	--	--	3.90	9/11
MSCI EAFE Index		3.33	--	--	--	3.33	9/11
Value Added vs Benchmark		0.57	--	--	--	0.57	
TT International	0.4	--	--	--	--	--	3/99

- ◆ TERS' international equity composite, which is 38.5% hedged, experienced a rocky fourth quarter but was able to finish in the positive territory with a return of 3.1%, modestly trailing the 3.8% of its custom benchmark, currently 38.5% MSCI EAFE/38.5% MSCI EAFE Hedged/23% MSCI Emerging Markets. The unhedged version of the international equity composite returned 3.3% for the same period, also trailing its unhedged benchmark, MSCI ACWI x-US Index, although by a smaller margin. Reversing last quarter's trend, both developed and emerging markets regions rebounded nicely during 4Q, with the latter holding on to a bigger gain as the volatile quarter drew to a close. Over the long-term, the international equity composite's track record has underperformed for all measured periods.
- ◆ The System currently utilizes two index funds to help achieve primary exposure to the developed and emerging markets within the international equity space. These funds, the Northern Trust EAFE Index Fund and the Northern Trust Emerging Markets Index Fund, are managed against the MSCI EAFE Index and the MSCI EM Index, respectively. For the quarter, the EAFE fund outpaced its benchmark by 8 bps and continued to add value over longer time periods, while the hedged version of the EAFE fund also was ahead of the MSCI EAFE Hedged Index. The Emerging Markets fund was slightly behind its respective benchmark during 4Q and has modestly trailed since its inception.
- ◆ In order to better match the risk/return profile of the international equity composite's asset allocation benchmark, the System added a small allocation to Canada and selected Northern Trust Canada Index Fund to represent this exposure. Wilshire will begin reporting the fund's full-quarter performance starting with the 1Q 2012 summary.

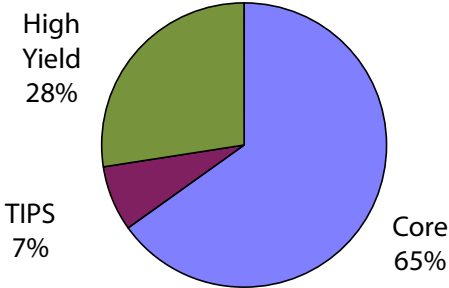
International Equity Overview (Continued)

Managers

- ◆ Dimensional Fund Advisors (DFA), one of TERS' two new international equity managers, runs an International Core Equity Portfolio that invests in all cap, non-U.S. developed market equity securities. The portfolio generated a positive 3.2% return during the fourth quarter, modestly trailing its stated benchmark, the MSCI World x-US Index. As a function of the International Core Equity Portfolio's construction process, DFA held a notable overweight in United Kingdom (39.7% vs. 19.8%) and Ireland (5.8% vs. 0.2%), which were among the best performing countries during the 4Q and this allocation variance was a positive contributor. However, this gain was overshadowed by the portfolio's higher emphasis on smaller capitalization stocks (average market cap, \$24 billion DFA vs. \$45 billion benchmark), as they did not produce as much gain as their large cap counterpart during the quarter. Among this quarter's top detractor names included Hastie Group Limited (-93.7%), Solar Millennium AG (-90.3%), and Mouchel Group (-84.3%).
- ◆ Research Affiliates (RAFI), which already manages a domestic equity portfolio for TERS, was selected to be the second of the two new international equity managers. Similar to the domestic equity portfolio, this new mandate is an enhanced strategy. The process employed by RAFI utilizes an innovative approach to constructing indices that uses financial measures of company size (fundamental indexation) instead of market capitalization. The Enhanced RAFI International fund earned a 4Q return of 3.9% and beat its benchmark of MSCI EAFE Index by a comfortable margin of 57 bps. Wilshire will continue to monitor the Enhanced International fund as the track record builds up for TERS.

Fixed Income Overview

Total Fixed Income Structure



Composite

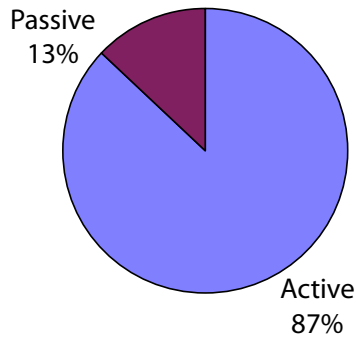
	Assets		Performance (%)			
	(\$Millions)	Quarter	1-year	3-year	5-year	10-year
Total Fixed Income	345.5	2.17	6.42	13.94	7.68	6.84
Custom Benchmark ⁴		2.58	7.44	12.91	7.38	6.62
<i>Value Added vs Benchmark</i>		-0.41	-1.02	1.03	0.30	0.22

- ◆ TERS' total fixed income composite posted another solid quarter by earning an overall return of 2.2%, although it trailed its asset allocation benchmark's return of 2.6%. This quarter's underperformance was primarily attributed to poor relative performance results from the high yield segment. Over longer term time periods, however, the total fixed income composite has done very well against its custom benchmark. Starting May 2011, a TIPS portfolio was added to complement TERS' existing investment grade and high yield fixed income exposure.

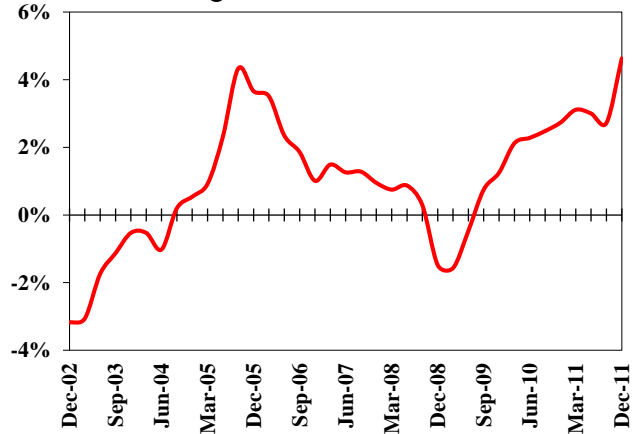
⁴ Total Fixed Income Composite Custom Benchmark: Starting 5/2011 the composition is 65.7% Barclays Aggregate Bond Index / 8.6% Barclays U.S. TIPS Index / 25.7% Merrill Lynch High Yield BB/B 2% Constrained Index. This custom benchmark is linked historically to its prior components.

Fixed Income Overview (Continued)

Core Fixed Income Structure



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



Composite

	Assets (\$Millions)	Performance (%)				
		Quarter	1-year	3-year	5-year	10-year
Core Fixed Income	225.0	1.30	6.23	11.40	7.86	6.88
Barclays Aggregate Bond Index		1.12	7.84	6.77	6.50	5.78
Value Added vs Index		0.18	-1.61	4.63	1.36	1.10
TIPS	25.6	2.63	--	--	--	--
Barclays U.S. TIPS Index		2.69	--	--	--	--
Value Added vs Index		-0.06	--	--	--	--
Citigroup LPF Index		1.83	14.88	8.92	8.65	7.46
Barclays U.S. TIPS Index		2.69	13.56	10.38	7.95	7.57

Managers

	Assets (\$Millions)	Performance (%)					
		Quarter	1-year	3-year	5-year	Inception	Date
Metropolitan West	195.8	1.34	6.00	11.40	7.87	7.13	3/02
Barclays Aggregate Bond Index		1.12	7.84	6.77	6.50	5.92	3/02
Value Added vs Benchmark		0.22	-1.84	4.63	1.37	1.21	
Barclays Aggregate + 0.75%		1.31	8.59	7.52	7.25	6.67	3/02
Value Added vs Objective		0.03	-2.59	3.88	0.62	0.46	
BlackRock US Debt Index Fund	29.2	1.11	7.82	--	--	5.98	6/10
Barclays Aggregate Bond Index		1.12	7.84	--	--	5.96	6/10
Index Tracking Error		-0.01	-0.02	--	--	0.02	
BlackRock US TIPS Index Fund	25.6	2.63	--	--	--	7.67	6/11
Barclays U.S. TIPS Index		2.69	--	--	--	7.32	6/11
Index Tracking Error		-0.06	--	--	--	0.35	

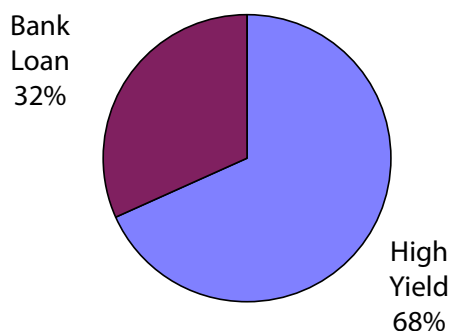
Fixed Income Overview (Continued)

Managers

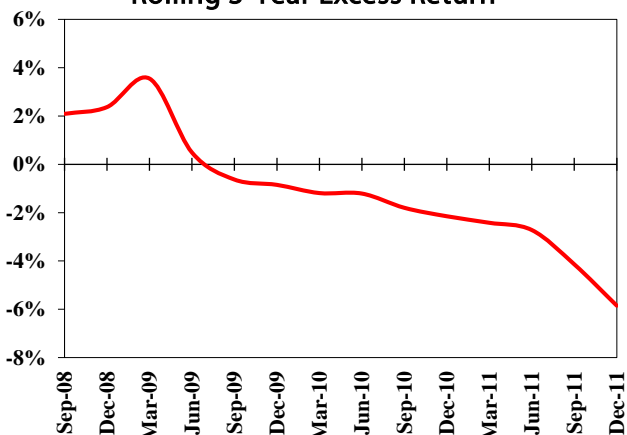
- ◆ TERS' core fixed income composite returned a respectable 1.3% during the fourth quarter and performed better than its benchmark, the Barclays Aggregate Bond Index, which had a total return of 1.1%. The composite's one-year return still trails the benchmark but has otherwise outperformed over all other measured periods.
- ◆ Metropolitan West, the System's core fixed income manager, returned 1.3% for the quarter and beat its benchmark, the Barclays Aggregate Bond Index, as well as its performance objective, benchmark + 0.75%. From a duration positioning perspective, MetWest's lower-than-benchmark average effective duration (3.7 years vs. 5.0 years) was a small drag on portfolio performance given that rates moved slightly lower during the fourth quarter. However, MetWest was able to more than compensate that through its sector weighting, which had a notable underweight in governments (7% MetWest vs. 43% benchmark). This allocation variance contributed greatly as most sectors performed better than governments during the quarter due to modestly tightening spreads. While MetWest's performance trailed the Barclays Aggregate Bond Index and its performance objective over the one-year mark, it has continued to do very well against both measures for all periods beyond that.
- ◆ 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.
- ◆ The relatively young TIPS portfolio had \$26 million at the end of the fourth quarter, representing approximately 7% of the System's total fixed income assets (it has a target of 7.7%). The TIPS allocation is invested through an index strategy managed by BlackRock, benchmarked against the Barclays U.S. TIPS Index. The fund was slightly behind its benchmark during the quarter but has added value through two quarters (since inception).

Fixed Income Overview (Continued)

Total High Yield Structure



Total High Yield vs. Custom Benchmark
 Rolling 3-Year Excess Return



Composite

	Assets		Performance (%)			
	(\$Millions)	Quarter	1-year	3-year	5-year	10-year
High Yield	94.9	4.18	5.18	17.94	6.47	--
Custom Benchmark ⁵		5.89	5.40	23.79	7.38	--
Value Added vs Benchmark		-1.71	-0.22	-5.85	-0.91	--
Merrill Lynch HY BB/B Constrained		5.89	5.40	20.71	6.84	7.94
Merrill Lynch High Yield Master II		6.18	4.38	23.72	7.34	8.59

Managers

	Assets (\$Millions)	Performance (%)					Inception Date
		Quarter	1-year	3-year	5-year		
Post Advisory Group	64.8	4.82	5.28	17.98	6.49	6.75	9/05
Custom Benchmark ⁵		5.89	5.40	23.79	7.38	7.86	9/05
Value Added vs Benchmark		-1.07	-0.12	-5.81	-0.91	-1.11	
Benchmark + 1.75%		6.32	7.15	25.54	9.13	9.61	9/05
Value Added vs Objective		-1.50	-1.87	-7.56	-2.64	-2.86	
Eaton Vance	30.1	2.81	--	--	--	0.38	6/11
S&P/LSTA Leverage Loan Index		3.68	--	--	--	-1.30	6/11
Value Added vs Benchmark		-0.87	--	--	--	1.68	
Benchmark + 0.5%		3.81	--	--	--	-1.05	6/11
Value Added vs Objective		-1.00	--	--	--	1.43	

⁵ High Yield Composite and Post Advisory Portfolio Custom Benchmark: 1/2010-current, Merrill Lynch High Yield BB/B Constrained Index. 10/2005-12/2009, Merrill Lynch High Yield Master II.

Fixed Income Overview (Continued)

Managers

- ◆ Post Advisory Group, the System's traditional high yield manager, generated a 4.8% and underperformed relative to its custom benchmark, currently the Merrill Lynch High Yield BB/B Constrained Index (5.9% return), and its performance objective, benchmark + 1.75%. High yield credit experienced solid appreciation during the quarter due to generally favorable domestic market economic data. Post's portfolio also benefited from having a lower average quality rating than the benchmark (B rating portfolio vs. BB rating benchmark), which helped as investor demand for risk assets rebounded. On the other hand, the portfolio's duration positioning had a negative impact given its lower average effective duration (4.0 years Post vs. 4.7 years benchmark), which worked against it due to the overall declining high yield security yields during the quarter. Over the one-year and all longer term periods, Post's track record continued to trail its custom benchmark and performance objective.
- ◆ In the interest of further developing a diversified exposure to fixed income securities, the System added Eaton Vance, a bank loan fund that focuses on senior secured floating rate loans, during the 2Q to complement its existing high yield allocation. Eaton Vance's senior loan fund made a marked recovery from the third quarter selloff and returned 2.8%, although this performance trailed the 3.7% return of its benchmark, the S&P/LSTA Leveraged Loan Index. However, the fund's since inception (6/11) return continues to be well ahead of the benchmark.

Real Estate Overview

Composite

	Assets (\$Millions)	Performance (%)				
		Quarter	1-year	3-year	5-year	10-year
Real Estate	97.1	8.99	12.67	22.28	-3.73	9.61
Custom Benchmark ⁶		9.19	12.43	22.34	-1.70	10.31
Value Added vs Benchmark		-0.20	0.24	-0.06	-2.03	-0.70
Wilshire Real Estate Securities Index		15.40	8.56	21.89	-2.15	10.15
NCREIF Property Index		2.96	14.26	2.43	3.09	8.06

Managers

	Assets (\$Millions)	Performance (%)					Inception Date
		Quarter	1-year	3-year	5-year		
Adelante Capital Management	49.0	15.50	9.83	21.77	-3.97	8.62	12/97
Wilshire REIT Index		15.42	9.24	21.79	-1.96	8.50	12/97
Value Added vs Benchmark		0.08	0.59	-0.02	-2.01	0.12	
Wilshire REIT Index + 1%		15.67	10.24	22.79	-0.96	9.50	12/97
Value Added vs Objective		-0.17	-0.41	-1.02	-3.01	-0.88	
INVESCO Core Real Estate-USA, LLC	48.1	2.97	16.04	--	--	15.88	9/10
NCREIF Property Index		2.96	14.26	--	--	15.35	9/10
Value Added vs Benchmark		0.01	1.78	--	--	0.53	

- ◆ The System's real estate composite returned 9.0% during the quarter and nearly matched its custom benchmark, currently 50% NCREIF Property Index/50% Wilshire REIT Index. The composite's near-term performance continues to make notable recovery and has now caught up to its custom benchmark over the past three years. However its longer-term track record still lags over the five- and ten-year periods.
- ◆ Adelante Capital, the System's real estate securities manager, generated a 4Q return of 15.5% and was marginally ahead of the Wilshire REIT Index, while modestly trailing its performance objective, benchmark + 1%. Strong issue-specific performance was a primary performance contributor during the quarter, with many of Adelante's large positions posting outsized gains that helped drive overall return, including Simon Property Group (12.0% weight, +18.3% return), Public Storage Inc (6.2% weight, +21.7% return), and HCP Inc (4.9% weight, +19.6% return). On the other hand, the portfolio's sector positioning effect was weak this quarter, mostly due to its underweight in Hotel (1.6% Adelante vs. 4.8% benchmark), which was the best performing REIT sector in 4Q. Over the one-year, three-year, and since-inception periods, Adelante has fared well against the Wilshire REIT Index, although it continued to trail its performance objective for all measured periods.
- ◆ The INVESCO Core Real Estate-USA LLC fund, TERS' private real estate portfolio, returned 3.0% for the fourth quarter of 2011, reflecting a gradual, but continued recovery of the commercial real estate market. This performance also matched the 3.0% return of the NCREIF Property Index.

⁶ 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
Private Equity	103.7	8.35	6.12	--	--	--
Custom Benchmark ⁷		6.06	2.49	--	--	--
Value Added vs Benchmark		2.29	3.63	--	--	--

Funds							
	Assets (\$Millions)	Performance (%)					
		Quarter	1-year	3-year	5-year	Inception	Date
Private Equity Parking Fund							
Northern Trust Large Cap Core	76.6	11.85	2.16	--	--	20.69	3/09
S&P 500 Index		11.81	2.12	--	--	20.49	3/09
Value Added vs Index		0.04	0.04	--	--	0.20	
Private Equity Investments ⁸							
HarbourVest Dover Street VII	19.1	0.33	34.12	--	--	18.90	3/09
Capital Commitment	20.0						
Contributions Since Inception	16.2						
Cumulative Distributions	1.4						
Unfunded Capital Commitment	3.9						
Investment Multiple	1.3						
IRR (Since Inception)	25.6						
HarbourVest Intl Private Equity Part VI	0.6	-6.89	-15.44	--	--	-20.16	6/10
Capital Commitment	8.1						
Contributions Since Inception	0.8						
Cumulative Distributions	0.0						
Unfunded Capital Commitment	7.3						
Investment Multiple	0.8						
IRR (Since Inception)	-19.6						
HarbourVest IX Venture	0.1	2.76	--	--	--	2.76	9/11
Capital Commitment	2.2						
Contributions Since Inception	0.1						
Cumulative Distributions	0.0						
Unfunded Capital Commitment	2.1						
Investment Multiple	0.9						
IRR (Since Inception)	N/A						

⁷ 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.

⁸ Performance, fund size, and capital called down for private equity investments are presented on a 1-quarter lag basis.

Private Equity Overview (Continued)

Funds	Assets (\$Millions)	Performance (%)					Inception Date
		Quarter	1-year	3-year	5-year		
HarbourVest IX Buyout	0.0	-26.99	--	--	--	-26.99	9/11
Capital Commitment	4.5						
Contributions Since Inception	0.0						
Cumulative Distributions	0.0						
Unfunded Capital Commitment	4.5						
Investment Multiple	0.4						
IRR (Since Inception)	N/A						
HarbourVest IX Credit Opportunities	0.0	3.85	--	--	--	3.85	9/11
Capital Commitment	0.8						
Contributions Since Inception	0.0						
Cumulative Distributions	0.0						
Unfunded Capital Commitment	0.8						
Investment Multiple	0.9						
IRR (Since Inception)	N/A						
Hamilton Lane VII Series A	1.4	-10.62	--	--	--	-7.35	3/11
Capital Commitment	9.0						
Contributions Since Inception	1.6						
Cumulative Distributions	0.3						
Unfunded Capital Commitment	7.7						
Investment Multiple	1.0						
IRR (Since Inception)	-2.1						
Hamilton Lane VII Series B	1.2	-12.11	--	--	--	-10.72	3/11
Capital Commitment	6.0						
Contributions Since Inception	1.7						
Cumulative Distributions	0.5						
Unfunded Capital Commitment	4.8						
Investment Multiple	1.0						
IRR (Since Inception)	-1.8						
Pantheon Global Secondary IV	4.7	-10.08	28.23	--	--	39.35	9/10
Capital Commitment	20.0						
Contributions Since Inception	3.9						
Cumulative Distributions	0.0						
Unfunded Capital Commitment	16.1						
Investment Multiple	1.2						
IRR (Since Inception)	31.57						

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 8.4% and outperformed relative to its custom benchmark (6.1%) during the fourth quarter. The “parking fund” for future private equity investments, the Northern Trust Large Cap Core Fund, returned 11.9% and mirrored the S&P 500 Index for the quarter. Since inception (3/09), the fund has continued to add value relative to the S&P 500 Index.

Real Assets Overview

Composite

	Assets	Performance (%)				
	(\$Millions)	Quarter	1-year	3-year	5-year	10-year
Real Asset	36.3	17.25	--	--	--	--
Alerian MLP Index		16.33	--	--	--	--
Value Added vs Index		0.92	--	--	--	--

Managers

	Assets (\$Millions)	Performance (%)					Inception	Date
		Quarter	1-year	3-year	5-year			
Tortoise MLP	36.3	17.25	--	--	--	17.25	9/11	
Alerian MLP Index		16.33	--	--	--	16.33	9/11	
Value Added vs Index		0.92	--	--	--	0.92		

- ◆ Continuing to implement the new asset allocation policy adopted by the Board earlier this year, the System selected and funded a portfolio managed by Tortoise Capital Advisors during the third quarter, to represent the new real assets asset class. Tortoise is a master limited partnership (MLP) vehicle that focuses on energy infrastructure, specifically on long-haul natural gas/natural gas liquids pipelines and storage. The MLP had approximately \$36 million at the end of the fourth quarter, representing 3.3% of TERS' total assets (it has an asset allocation target of 3%).

Tacoma Historical Investment Performance Periods Ending December 31, 2011

Total Fund

	<u>Quarter</u>	<u>1-year</u>	<u>3-year</u>	<u>5-year</u>	<u>10-year</u>	<u>Market Value (\$Millions)</u>
Total Fund	6.3	0.9	13.6	1.0	6.4	\$ 1,088.0
Policy Return	6.4	0.8	12.7	0.8	5.6	

Domestic Equity

Total Domestic Equity	12.0	1.3	14.5	-0.4	4.4	\$ 223.0
Northern Trust S&P 500 Composite	11.8	2.1	14.5	-0.3	2.9	\$ 99.1
S&P 500 Index	11.8	2.1	14.1	-0.3	2.9	
Northern Trust Russell 1000 Growth	10.7	2.8	--	--	--	\$ 26.4
Russell 1000 Growth Index	10.6	2.6	--	--	--	
Northern Trust Small Cap Core	15.5	-4.0	16.0	0.3	5.7	\$ 26.6
Russell 2000 Index	15.5	-4.2	15.6	0.2	5.6	
INTECH	12.5	4.1	14.2	--	--	\$ 31.4
S&P 500 Index	11.8	2.1	14.1	--	--	
Research Affiliates	12.4	1.9	15.5	--	--	\$ 39.5
S&P 500 Index	11.8	2.1	14.1	--	--	
S&P 500 Index	11.8	2.1	14.1	-0.3	2.9	
Wilshire 5000 Index	12.0	1.0	14.9	0.1	3.8	
Russell 3000 Index	12.1	1.0	14.9	0.0	3.5	

International Equity

Total International Equity (with Hedge)	3.1	-15.9	6.3	-5.8	4.3	\$ 271.6
Northern Trust EAFE Index Fund (Hedged)	4.0	-12.0	--	--	--	\$ 94.1
MSCI EAFE Index Hedged	3.9	-14.8	--	--	--	
Northern Trust EM Index Fund	4.4	-18.7	--	--	--	\$ 63.1
MSCI Emerging Markets Index	4.4	-18.4	--	--	--	
DFA Int'l Core Equity Portfolio	3.2	--	--	--	--	\$ 52.2
MSCI World x-US Index	3.5	--	--	--	--	
RAFI Enhanced International	3.9	--	--	--	--	\$ 52.1
MSCI EAFE Index	3.3	--	--	--	--	
TT International	--	--	--	--	--	\$ 0.4
Custom Benchmark - International Equity	3.8	-14.4	7.1	-4.8	4.6	
MSCI EAFE Index	3.3	-12.1	7.7	-4.7	4.7	
MSCI EAFE Index Hedged	3.9	-14.8	2.2	-8.5	-1.4	
MSCI Emerging Markets Index	4.4	-18.4	20.1	2.4	13.9	

Tacoma Historical Investment Performance (Continued) Periods Ending December 31, 2011

Fixed Income						
	<u>Quarter</u>	<u>1-year</u>	<u>3-year</u>	<u>5-year</u>	<u>10-year</u>	<u>Market Value (\$Millions)</u>
Total Fixed Income	2.2	6.4	13.9	7.7	6.8	\$ 345.5
Core Fixed Income	1.3	6.2	11.4	7.9	6.9	\$ 225.0
Metropolitan West	1.3	6.0	11.4	7.9	--	\$ 195.8
Barclays Aggregate Bond Index	1.1	7.8	6.8	6.5	--	
BlackRock US Debt Index Fund	1.1	7.8	--	--	--	\$ 29.2
Barclays Aggregate Bond Index	1.1	7.8	--	--	--	
Barclays Aggregate Bond Index	1.1	7.8	6.8	6.5	5.8	
Total High Yield	4.2	5.2	17.9	6.5	--	\$ 94.9
Post Advisory Group	4.8	5.3	18.0	6.5	--	\$ 64.8
Custom Benchmark	5.9	5.4	23.8	7.4	--	
Eaton Vance	2.8	--	--	--	--	\$ 30.1
S&P LSTA Leverage Loan Index	3.7	--	--	--	--	
ML High Yield BB/B Constrained	5.9	5.4	20.7	6.8	7.9	
ML High Yield Master II	6.2	4.4	23.7	7.3	8.6	
TIPS	2.6	--	--	--	--	\$ 25.6
BlackRock US TIPS Index Fund	2.6	--	--	--	--	\$ 25.6
Barclays U.S. TIPS Index	2.7	--	--	--	--	
Barclays U.S. TIPS Index	2.7	13.6	10.4	8.0	7.6	
Real Estate						
Total Real Estate	9.0	12.7	22.3	-3.7	9.6	\$ 97.1
Adelante Capital Management	15.5	9.8	21.8	-4.0	9.5	\$ 49.0
Wilshire REIT Index	15.4	9.2	21.8	-2.0	10.2	
INVESCO Core Real Estate-USA, LLC	3.0	16.0	--	--	--	\$ 48.1
Wilshire REIT Index	15.4	9.2	21.8	-2.0	10.2	
NCREIF Property Index	3.0	14.3	2.4	3.1	8.1	
Real Assets						
Total Real Assets	17.3	--	--	--	--	\$ 36.3
Tortoise MLP	17.3	--	--	--	--	\$ 36.3
Alerian MLP Index	16.3	--	--	--	--	

Tacoma Historical Investment Performance (Continued)
Periods Ending December 31, 2011

Private Equity

	<u>Quarter</u>	<u>1-year</u>	<u>3-year</u>	<u>5-year</u>	<u>10-year</u>	<u>Market Value</u> <u>(\$Millions)</u>
Total Private Equity	8.4	6.1	--	--	--	\$ 103.7
Northern Trust S&P 500	11.9	2.2	--	--	--	\$ 76.6
S&P 500 Index	11.8	2.1	--	--	--	
HarbourVest Dover Street VII	0.3	34.1	--	--	--	\$ 19.1
HarbourVest Int'l Private Equity VI	-6.9	-15.4	--	--	--	\$ 0.6
HarbourVest IX Venture	2.8	--	--	--	--	\$ 0.1
HarbourVest IX Buyout	-27.0	--	--	--	--	\$ 0.0
HarbourVest IX Credit Opportunities	3.9	--	--	--	--	\$ 0.0
Hamilton Lane VII Series A	-10.6	--	--	--	--	\$ 1.4
Hamilton Lane VII Series B	-12.1	--	--	--	--	\$ 1.2
Pantheon Ventures	-10.1	28.2	--	--	--	\$ 4.7



Tacoma Employees' Retirement System Policies and Benchmarks

Total Fund		
Q4 2011	23.00%	Russell 3000
	23.50%	International Equity Custom Benchmark
	9.00%	ML US High Yield BB/B Constrained 2%
	21.00%	Barclays US Aggregate Bond
	2.50%	Barclays US TIPS
	3.00%	Alerian MLP Index
	4.00%	Wilshire REIT
	4.00%	NCREIF Property Index
	10.00%	Private Equity Custom Benchmark
	Q3 2011	23.50%
23.50%		International Equity Custom Benchmark
7.00%		ML US High Yield BB/B Constrained 2%
25.00%		Barclays US Aggregate Bond
3.00%		Barclays US TIPS
4.00%		Wilshire REIT
10.00%		Private Equity Custom Benchmark
May 2011 to June	23.50%	Russell 3000
	23.50%	International Equity Custom Benchmark
	7.00%	ML US High Yield BB/B Constrained 2%
	25.00%	Barclays US Aggregate Bond
	3.00%	Barclays US TIPS
	4.00%	Wilshire REIT
	10.00%	Private Equity Custom Benchmark
April 2010 to Q3 2010	23.50%	Russell 3000
	23.50%	International Equity Custom Benchmark
	7.00%	ML US High Yield BB/B Constrained 2%
	28.00%	Barclays US Aggregate Bond
	10.00%	Private Equity Custom Benchmark
Q1 2010	21.00%	Russell 3000
	21.00%	International Equity Custom Benchmark
	15.00%	ML US High Yield BB/B Constrained 2%
	25.00%	Barclays US Aggregate Bond
	8.00%	Wilshire REIT
	10.00%	Private Equity Custom Benchmark

Total Fund Actuarial Return		
Q1 2003 to Present	=	7.75% Annually

Domestic Equity Composite		
Q1 2010 to Present	100.00%	Russell 3000
Q4 1984 to Q4 2009	100.00%	S&P 500 Index

International Equity Composite		
Q4 2010 to Present	38.50%	MSCI EAFE Index (N)
	38.50%	MSCI EAFE Hedged (N)
	23.00%	MSCI Emerging Markets Index (N)
Q1 2009 to Q3 2010	40.00%	MSCI EAFE Index (N)
	40.00%	MSCI EAFE Hedged (N)
	20.00%	MSCI Emerging Markets Index (N)
Q2 2006 to Q4 2008	10.00%	MSCI ACWI x-US Index (N)
Q2 1988 to Q1 2006	10.00%	MSCI EAFE Index (N)

Real Estate Composite		
Q4 2010 to Present	50.00%	Wilshire REIT Index
	50.00%	NCREIF Property Index
Q2 1988 to Q3 2010	100.00%	Wilshire REIT Index

Real Assets Composite		
Q3 2011 to Present	100.00%	Alerian MLP Index

Total Fixed Income Composite		
4Q 2011	64.60%	Barclays US Aggregate Bond
	7.70%	Barclays US TIPS
	27.70%	ML US High Yield BB/B Constrained 2%
3Q 2011	65.71%	Barclays US Aggregate Bond
	8.57%	Barclays US TIPS
	25.71%	ML US High Yield BB/B Constrained 2%
May 2011 to June	71.43%	Barclays US Aggregate Bond
	8.57%	Barclays US TIPS
	20.00%	ML US High Yield BB/B Constrained 2%
Q2 2010 through	80.00%	Barclays US Aggregate Bond
	20.00%	ML US High Yield BB/B Constrained 2%
Q1 2010	62.50%	Barclays US Aggregate Bond
	37.50%	ML US High Yield BB/B Constrained 2%
Q2 2009 to Q4 2009	62.50%	Barclays US Aggregate Bond
	37.50%	ML High Yield Master II
Q3 2006 to Q1 2009	66.67%	Barclays US Aggregate Bond
	33.33%	ML High Yield Master II
Q2 2006	75.00%	Barclays US Aggregate Bond
	25.00%	ML High Yield Master II
Q1 2006	83.33%	Barclays US Aggregate Bond
	16.67%	ML High Yield Master II
Q4 2005	91.67%	Barclays US Aggregate Bond
	8.33%	ML High Yield Master II
Q3 2001 to Q3 2005	100.00%	Barclays US Aggregate Bond



Tacoma Employees' Retirement System Policies and Benchmarks

Total Fund		
May 2009 to Q4 2009	21.00%	S&P 500 Index
	21.00%	International Equity Custom Benchmark
	15.00%	ML High Yield Master II
	25.00%	Barclays US Aggregate Bond
	8.00%	Wilshire REIT
	10.00%	Private Equity Custom Benchmark
February through April 2009	21.00%	S&P 500 Index
	21.00%	MSCI ACWI x-US (N)
	15.00%	ML High Yield Master II
	25.00%	Barclays US Aggregate Bond
	8.00%	Wilshire REIT
	10.00%	Private Equity Custom Benchmark
Q3 2006 to Q4 2008	40.00%	S&P 500 Index
	15.00%	MSCI ACWI x-US (N)
	10.00%	ML High Yield Master II
	20.00%	Barclays US Aggregate Bond
	15.00%	Wilshire REIT
Q1 2006 to Q2 2006	40.00%	S&P 500 Index
	15.00%	MSCI Eur/Pac 50/50 (N)
	5.00%	ML High Yield Master II
	25.00%	Barclays US Aggregate Bond
	15.00%	Wilshire REIT
Q4 2005	40.00%	S&P 500 Index
	15.00%	MSCI Eur/Pac 50/50 (N)
	2.50%	ML High Yield Master II
	27.50%	Barclays US Aggregate Bond
	15.00%	Wilshire REIT

Private Equity Composite		
Q1 2009 to Present	100.00%	Dynamically calculated based on actual weights of the private equity investments and the private equity source fund

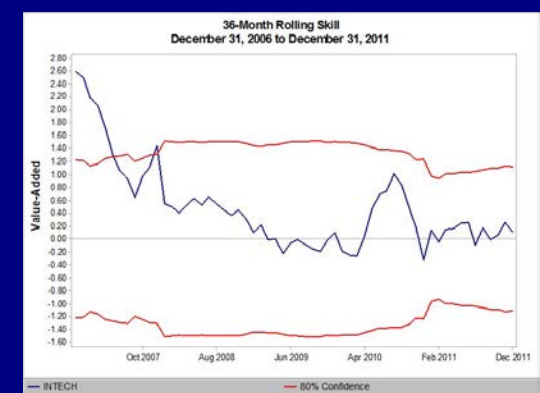
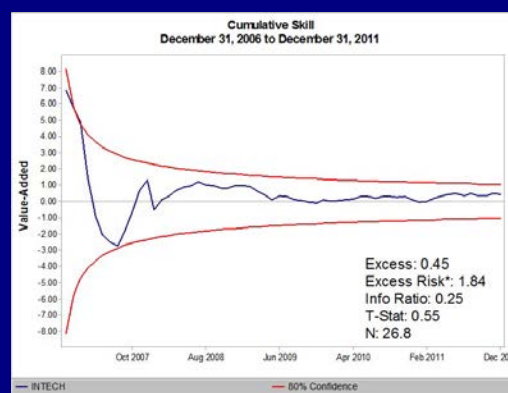
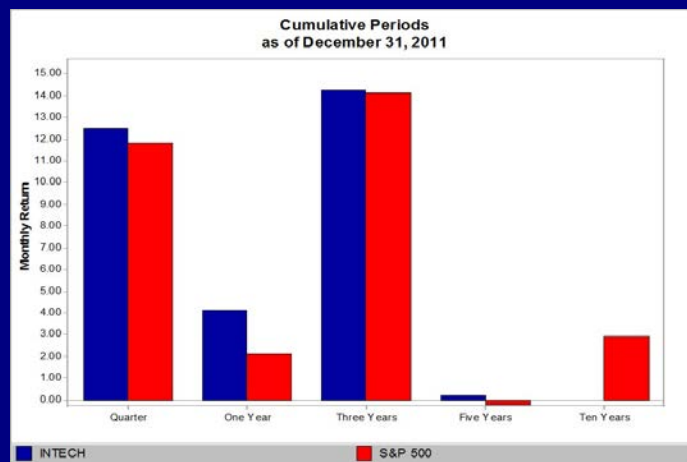
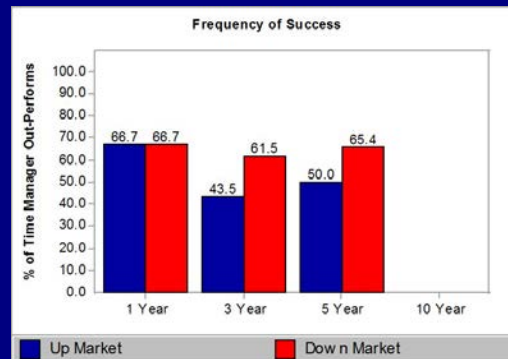
Performance Review: Tacoma - INTECH

Contact:
 Phone:
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 Product Inception:
 Open for New Business:
 Assets Under Management:
 Investment Philosophy:

Sources of Value Added:
 % Style
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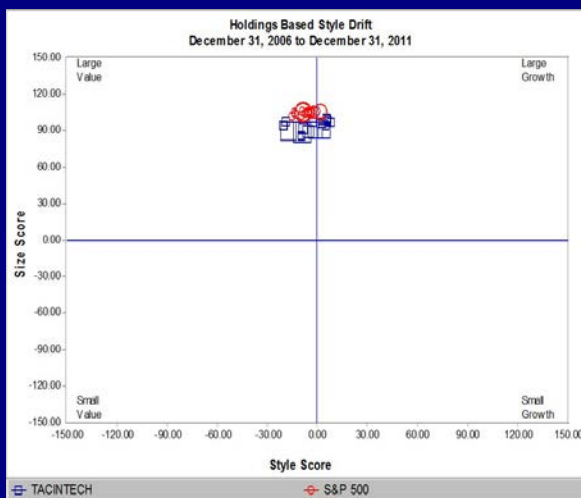
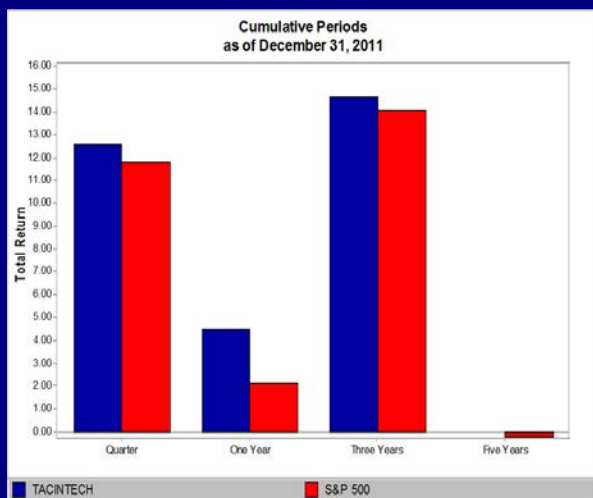
Historical Returns	Annualized Ended 12/31/2011				Annual Returns									
	1 Year	3 Years	5 Years	10 Years	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Intech	4.12	14.23	0.21	N/A	4.12	15.07	24.41	-36.58	6.92	14.64	9.18	15.58	28.82	N/A
S&P 500	2.12	14.10	-0.24	2.92	2.12	15.05	26.45	-36.99	5.54	15.81	4.89	10.87	28.69	-22.12
Risk - Standard Deviation														
Intech	16.08	18.53	18.72	N/A	16.08	18.67	21.65	21.82	9.15	5.82	7.54	7.57	10.76	N/A
S&P 500	15.94	18.97	18.88	15.92	15.94	19.26	22.28	21.01	9.65	5.63	7.91	7.30	11.40	20.64
Risk - Semi-Variance														
Intech	10.71	13.89	14.37	N/A	10.71	13.99	17.70	16.90	6.89	4.54	5.14	5.87	7.07	N/A
S&P 500	10.29	14.03	14.24	12.13	10.29	14.38	17.99	16.33	7.12	4.61	5.20	5.68	7.46	13.85
Excess Returns														
Arithmetic Excess	2.00	0.12	0.45	N/A	2.00	0.01	-2.04	0.40	1.38	-1.16	4.29	4.71	0.13	N/A
Geometric Excess	1.96	0.11	0.45	N/A	1.96	0.01	-1.61	0.64	1.31	-1.00	4.09	4.25	0.10	N/A

Excess Statistics Manager vs. Benchmark	Annualized Ended 12/31/2011			
	1 Year	3 Years	5 Years	10 Years
Tracking Error	1.75	1.50	1.84	N/A
Information Ratio	1.12	0.07	0.25	N/A
Downside Deviation	1.29	1.05	1.39	N/A
Skewness	-0.24	0.10	-0.65	N/A
Kurtosis	-1.17	-0.79	1.30	N/A
Alpha	1.98	0.43	0.43	N/A
Beta	1.00	0.97	0.99	N/A
Residual Risk	1.73	1.44	1.81	N/A
R Squared	0.99	0.99	0.99	N/A

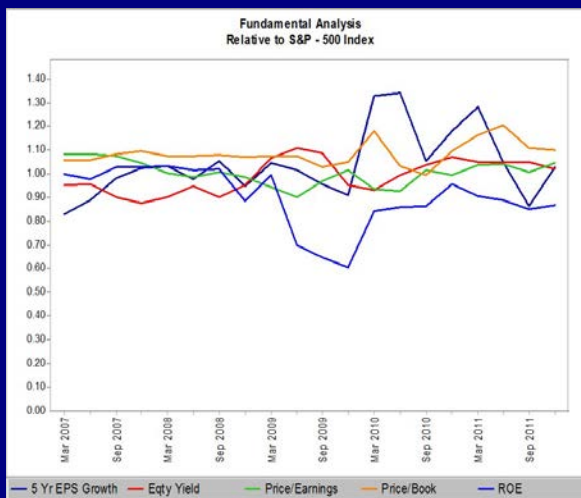
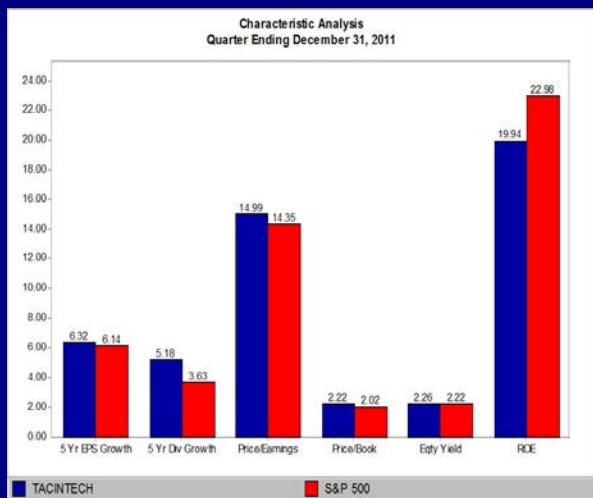


Product Inception:
 Open for New Business:
 Assets Under Management:

Most Appropriate Benchmark:
 Investment Philosophy: < Unknown >
 Style Focus: < Unknown >
 Capitalization Focus: < Unknown >



Period End	TACINTECH		S&P 500	
	Style Score	Size Score	Style Score	Size Score
12/31/2011	-8.89	88.98	-8.75	105.04
09/30/2011	-17.13	89.32	-8.75	105.43
06/30/2011	-1.51	89.94	1.71	105.59
03/31/2011	3.67	89.15	1.81	105.81
12/31/2010	-5.44	89.44	-2.40	105.08
09/30/2010	-8.42	91.96	-3.24	105.06
06/30/2010	1.75	95.93	-7.01	104.82
03/31/2010	7.82	97.03	-4.78	104.95
12/31/2009	4.93	94.40	-5.26	104.20
09/30/2009	-20.45	94.86	-15.43	101.54
06/30/2009	-19.74	94.33	-13.40	103.29
03/31/2009	-18.86	97.64	-13.89	105.26
12/31/2008	3.55	96.05	-7.35	104.39
09/30/2008	7.87	97.13	-5.84	105.25
06/30/2008	6.09	99.72	-0.02	105.99
03/31/2008	5.47	100.02	-5.69	106.09
12/31/2007	5.90	97.55	-4.08	105.19
09/30/2007	-2.62	97.12	-8.89	106.36
06/30/2007	-9.67	86.39	-9.80	102.71
03/31/2007	-9.81	85.56	-9.31	106.38
Min	-20.45	85.56	-15.43	101.54
Max	7.87	100.02	1.81	106.38
Avg	-3.77	93.63	-6.52	104.92
Median	-2.07	94.63	-6.43	105.14
Stddev	9.81	4.42	4.78	1.22



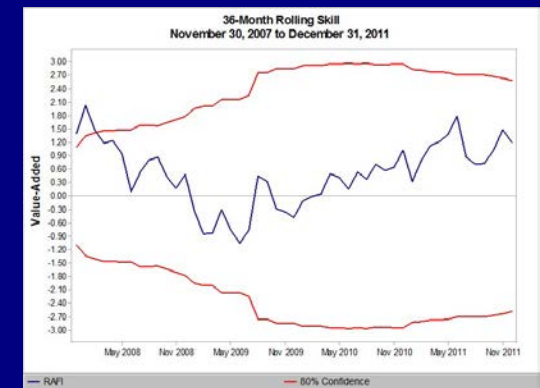
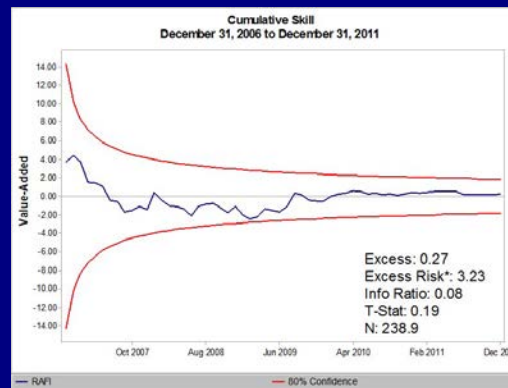
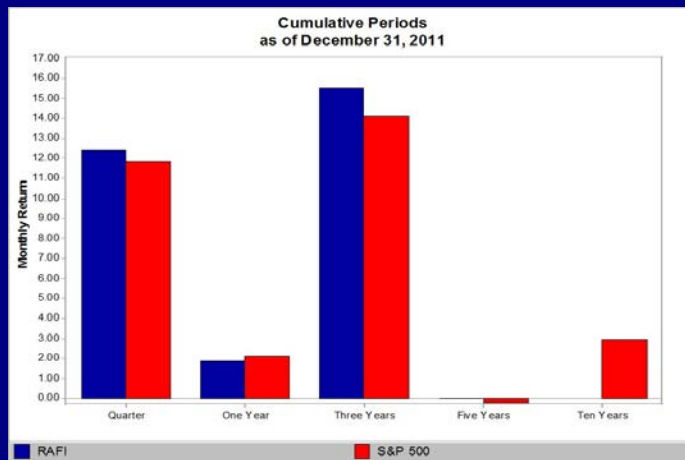
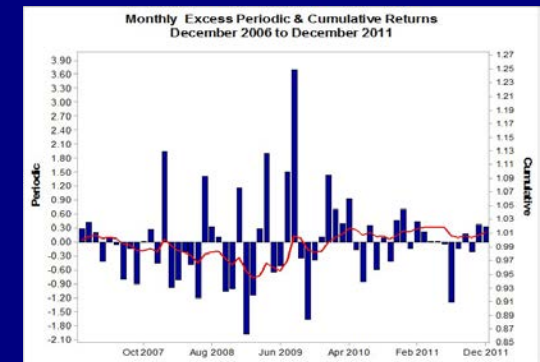
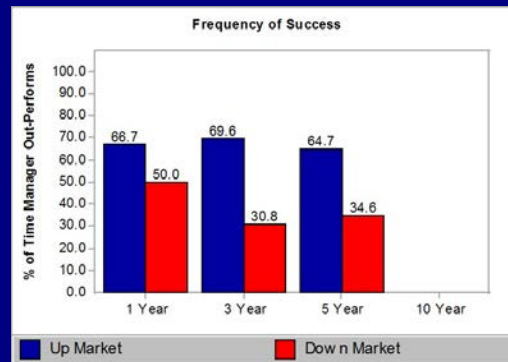
Performance Review: Tacoma - RAFI

Contact:
 Phone:
 E-Mail:
 Product Inception:
 Open for New Business:
 Assets Under Management:
 Investment Philosophy:

Sources of Value Added:
 % Style
 % Sector
 % Stock Selection
 % Active Asset Allocation

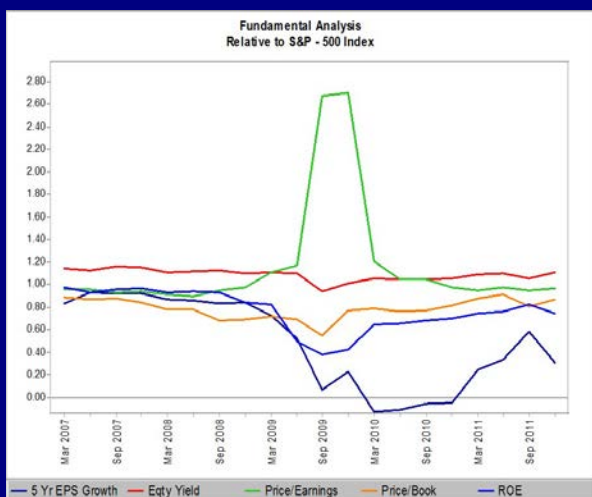
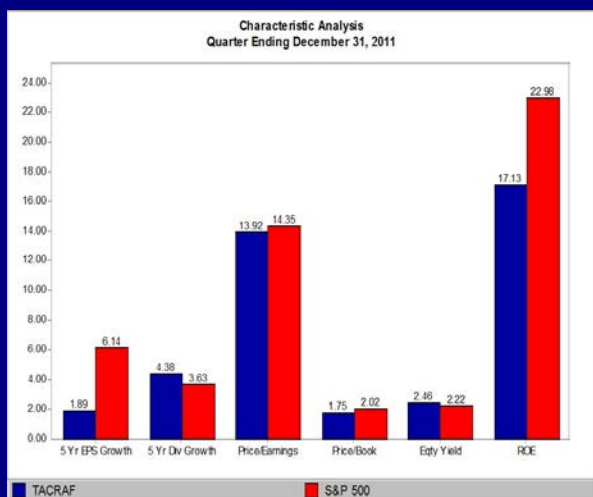
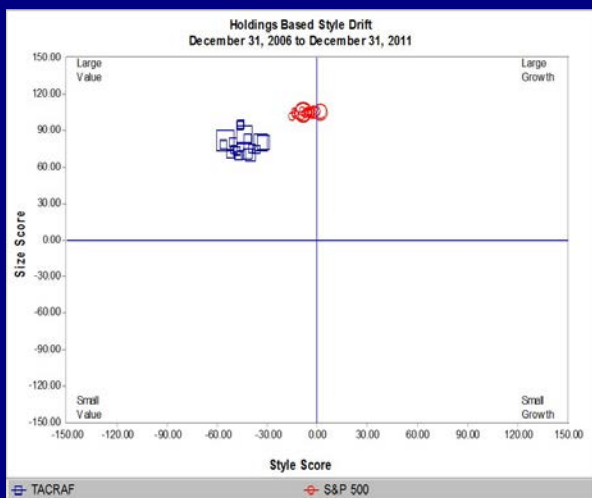
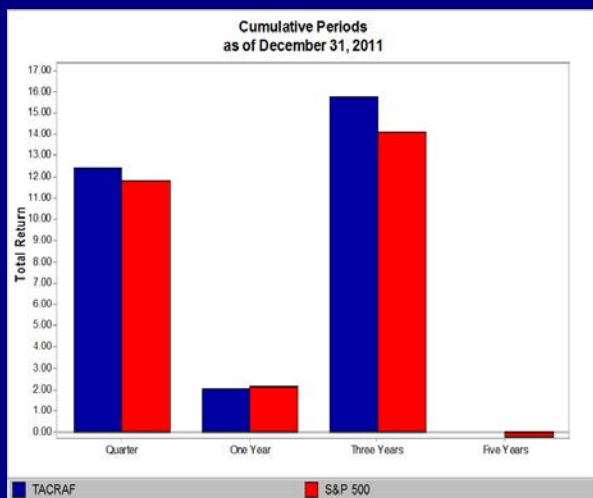
Historical Returns	Annualized Ended 12/31/2011				Annual Returns									
	1 Year	3 Years	5 Years	10 Years	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Rafi	1.86	15.48	0.02	N/A	1.86	18.59	27.49	-37.49	4.00	20.17	6.94	N/A	N/A	N/A
S&P 500	2.12	14.10	-0.24	2.92	2.12	15.05	26.45	-36.99	5.54	15.81	4.89	10.87	28.69	-22.12
Risk - Standard Deviation														
Rafi	16.11	20.71	20.24	N/A	16.11	20.06	25.98	22.28	9.42	5.02	8.35	N/A	N/A	N/A
S&P 500	15.94	18.97	18.88	15.92	15.94	19.26	22.28	21.01	9.65	5.63	7.91	7.30	11.40	20.64
Risk - Semi-Variance														
Rafi	10.58	15.37	15.26	N/A	10.58	15.24	20.69	17.45	7.10	4.10	5.72	N/A	N/A	N/A
S&P 500	10.29	14.03	14.24	12.13	10.29	14.38	17.99	16.33	7.12	4.61	5.20	5.68	7.46	13.85
Excess Returns														
Arithmetic Excess	-0.26	1.38	0.27	N/A	-0.26	3.54	1.05	-0.50	-1.54	4.36	2.05	N/A	N/A	N/A
Geometric Excess	-0.26	1.21	0.27	N/A	-0.26	3.08	0.83	-0.80	-1.46	3.77	1.96	N/A	N/A	N/A

Excess Statistics Manager vs. Benchmark	Annualized Ended 12/31/2011			
	1 Year	3 Years	5 Years	10 Years
Tracking Error	1.56	3.51	3.23	N/A
Information Ratio	-0.16	0.34	0.08	N/A
Downside Deviation	1.35	2.20	2.02	N/A
Skewness	-2.16	1.08	1.07	N/A
Kurtosis	6.04	3.76	3.28	N/A
Alpha	-0.25	0.39	0.53	N/A
Beta	1.01	1.08	1.06	N/A
Residual Risk	1.54	3.23	3.02	N/A
R Squared	0.99	0.98	0.98	N/A



Product Inception:
 Open for New Business:
 Assets Under Management:

Most Appropriate Benchmark:
 Investment Philosophy: < Unknown >
 Style Focus: < Unknown >
 Capitalization Focus: < Unknown >



Period End	TACRAF		S&P 500	
	Style Score	Size Score	Style Score	Size Score
12/31/2011	-55.04	82.15	-8.75	105.04
09/30/2011	-43.96	87.23	-8.75	105.43
06/30/2011	-33.78	80.36	1.71	105.59
03/31/2011	-32.55	80.31	1.81	105.81
12/31/2010	-40.11	70.52	-2.40	105.08
09/30/2010	-41.96	71.20	-3.24	105.06
06/30/2010	-47.33	69.77	-7.01	104.82
03/31/2010	-46.84	69.79	-4.78	104.95
12/31/2009	-45.68	77.11	-5.26	104.20
09/30/2009	-50.29	80.34	-15.43	101.54
06/30/2009	-48.66	74.16	-13.40	103.29
03/31/2009	-56.29	78.59	-13.89	105.26
12/31/2008	-50.01	74.30	-7.35	104.39
09/30/2008	-52.01	71.61	-5.84	105.25
06/30/2008	-36.75	74.73	-0.02	105.99
03/31/2008	-38.90	75.81	-5.69	106.09
12/31/2007	-41.86	83.47	-4.08	105.19
09/30/2007	-46.26	94.35	-8.89	106.36
06/30/2007	-46.09	95.42	-9.80	102.71
03/31/2007	-46.62	94.28	-9.31	106.38
Min	-56.29	69.77	-15.43	101.54
Max	-32.55	95.42	1.81	106.38
Avg	-45.05	79.28	-6.52	104.92
Median	-46.18	77.85	-6.43	105.14
Stddev	6.44	8.19	4.78	1.22

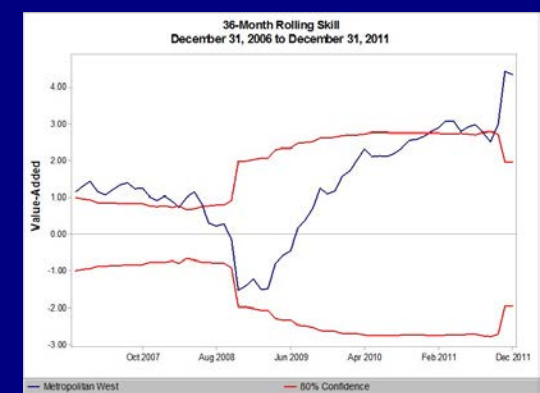
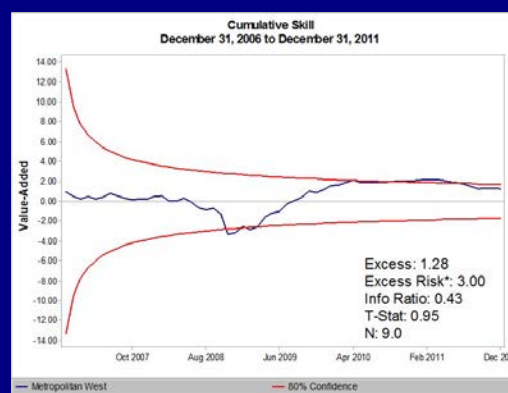
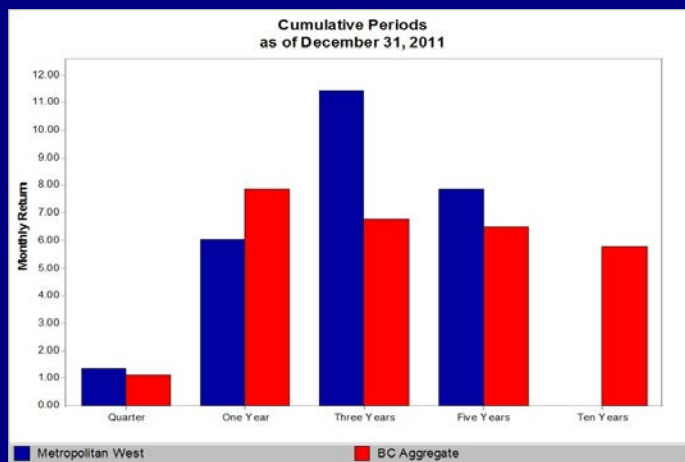
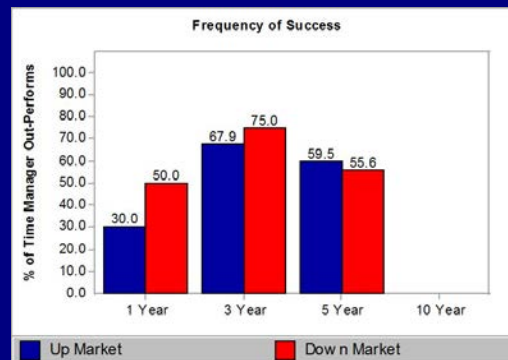
Performance Review: Tacoma - Metropolitan West

Contact:
 Phone:
 E-Mail:
 Product Inception:
 Open for New Business:
 Assets Under Management:
 Investment Philosophy:

Sources of Value Added:
 % Style
 % Sector
 % Stock Selection
 % Active Asset Allocation

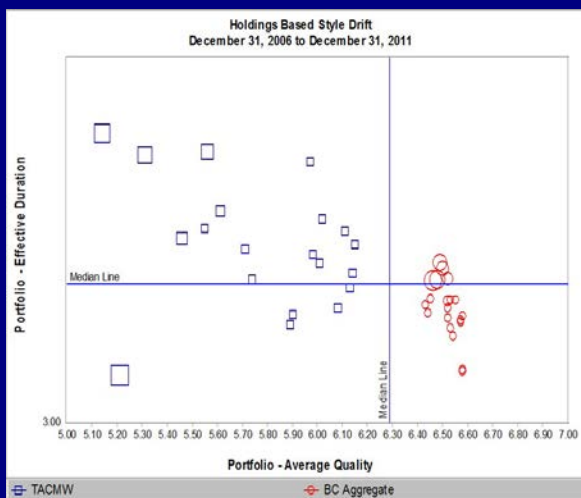
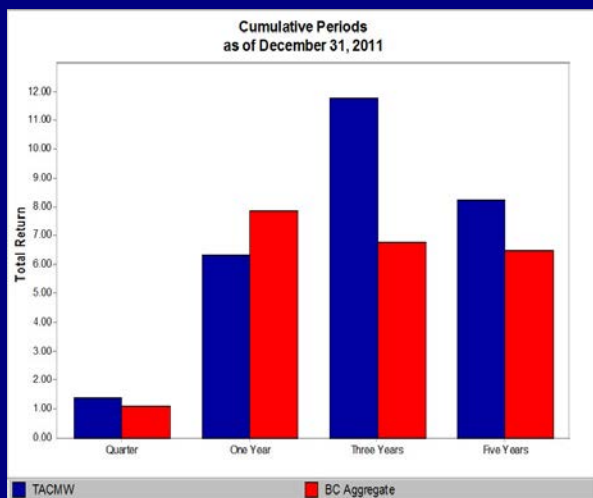
Historical Returns	Annualized Ended 12/31/2011				Annual Returns									
	1 Year	3 Years	5 Years	10 Years	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Metropolitan West	6.02	11.42	7.87	N/A	6.02	11.55	16.95	-1.46	7.17	6.60	2.81	5.59	13.70	N/A
BC Aggregate	7.86	6.78	6.51	5.78	7.86	6.56	5.93	5.24	6.96	4.33	2.43	4.34	4.11	10.27
Risk - Standard Deviation														
Metropolitan West	1.86	3.71	4.29	N/A	1.86	3.63	4.76	6.11	2.69	2.34	2.46	2.93	4.65	N/A
BC Aggregate	2.35	2.82	3.60	3.70	2.35	2.91	3.34	6.09	2.64	2.70	3.14	4.04	5.26	3.75
Risk - Semi-Variance														
Metropolitan West	1.41	2.53	3.01	N/A	1.41	2.52	3.66	3.86	1.90	1.61	1.89	2.38	3.83	N/A
BC Aggregate	1.62	2.18	2.53	2.77	1.62	2.21	2.72	3.83	1.89	1.90	2.31	3.42	4.17	3.05
Excess Returns														
Arithmetic Excess	-1.84	4.63	1.36	N/A	-1.84	4.99	11.01	-6.70	0.21	2.27	0.38	1.25	9.60	N/A
Geometric Excess	-1.71	4.34	1.28	N/A	-1.71	4.68	10.39	-6.37	0.20	2.17	0.37	1.20	9.22	N/A

Excess Statistics Manager vs. Benchmark	Annualized Ended 12/31/2011			
	1 Year	3 Years	5 Years	10 Years
Tracking Error	1.70	2.65	3.00	N/A
Information Ratio	-1.00	1.64	0.43	N/A
Downside Deviation	1.24	1.77	2.32	N/A
Skewness	-0.25	0.38	-1.53	N/A
Kurtosis	-0.08	0.21	9.02	N/A
Alpha	1.67	4.95	1.94	N/A
Beta	0.55	0.92	0.88	N/A
Residual Risk	1.34	2.66	3.02	N/A
R Squared	0.48	0.49	0.53	N/A

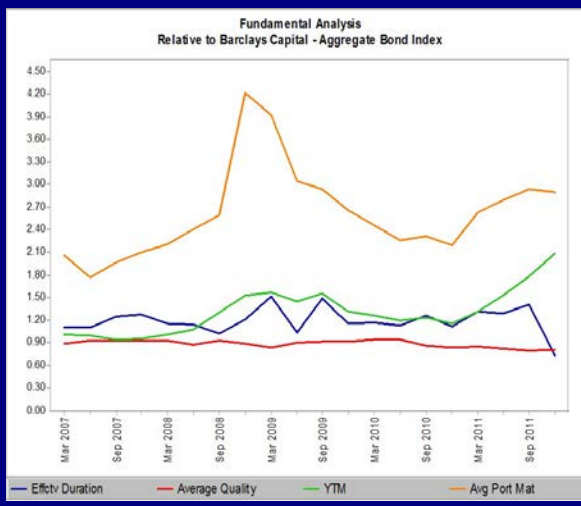
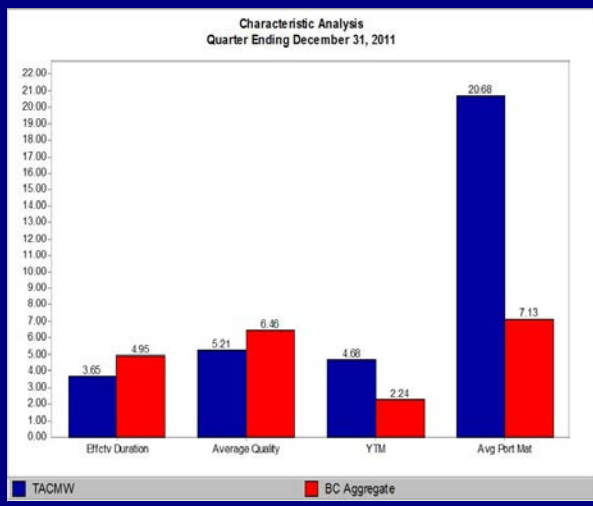


Product Inception:
 Open for New Business:
 Assets Under Management:

Most Appropriate Benchmark:
 Investment Philosophy: < Unknown >
 Duration Focus: < Unknown >
 Sector Focus: < Unknown >



Period End	TACMW		BC Aggregate	
	Average Quality	Effctv Duration	Average Quality	Effctv Duration
12/31/2011	5.21	3.65	6.46	4.95
09/30/2011	5.14	6.97	6.48	4.96
06/30/2011	5.31	6.68	6.49	5.19
03/31/2011	5.56	6.72	6.50	5.12
12/31/2010	5.46	5.53	6.52	4.98
09/30/2010	5.61	5.90	6.52	4.67
06/30/2010	6.13	4.85	6.53	4.30
03/31/2010	6.15	5.45	6.53	4.68
12/31/2009	5.98	5.30	6.52	4.57
09/30/2009	5.97	6.58	6.52	4.43
06/30/2009	5.89	4.34	6.54	4.19
03/31/2009	5.55	5.66	6.58	3.73
12/31/2008	5.90	4.48	6.58	3.71
09/30/2008	6.08	4.57	6.58	4.47
06/30/2008	5.71	5.38	6.55	4.68
03/31/2008	6.14	5.04	6.57	4.38
12/31/2007	6.11	5.62	6.57	4.41
09/30/2007	6.02	5.79	6.43	4.62
06/30/2007	6.01	5.18	6.45	4.70
03/31/2007	5.74	4.96	6.44	4.50
Min	5.14	3.65	6.43	3.71
Max	6.15	6.97	6.58	5.19
Avg	5.78	5.43	6.52	4.56
Median	5.90	5.42	6.52	4.60
Stddev	0.32	0.86	0.05	0.39



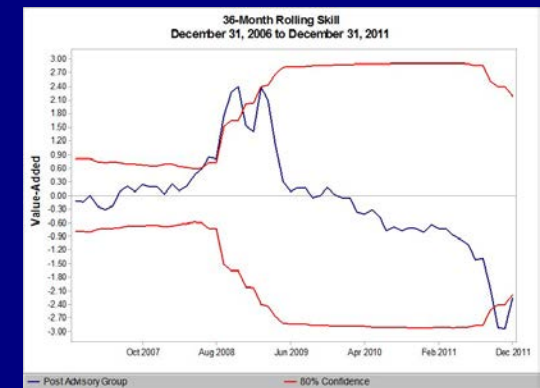
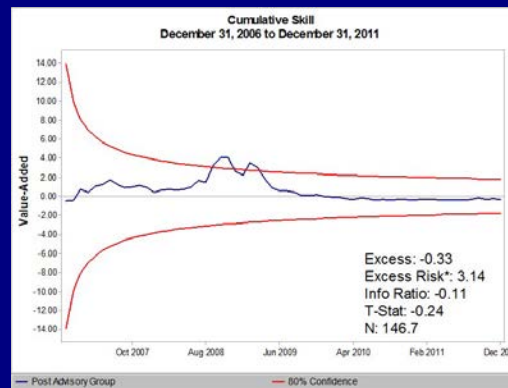
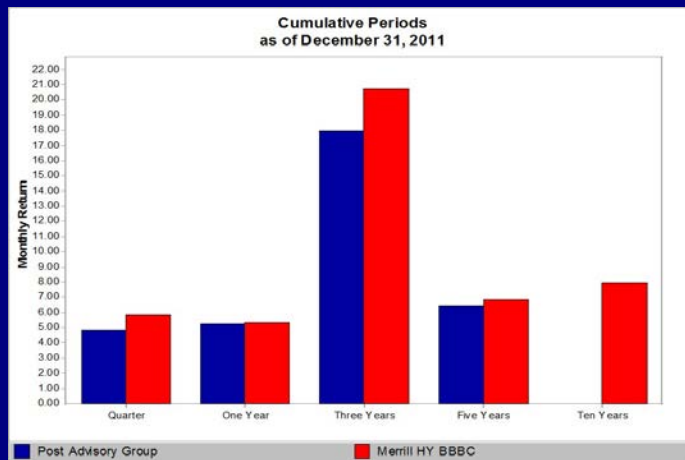
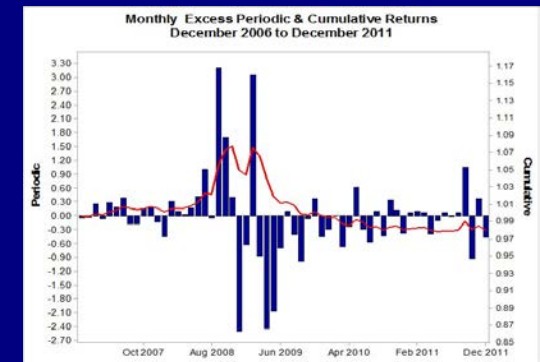
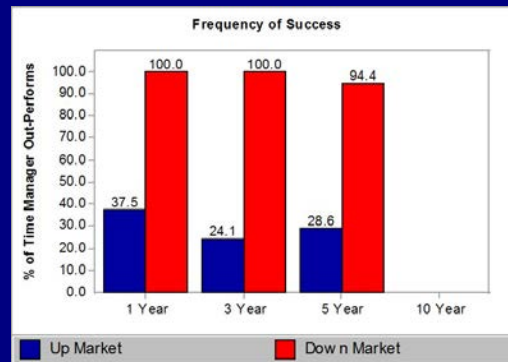
Performance Review: Tacoma - Post Advisory Group

Contact:
 Phone:
 E-Mail:
 Product Inception:
 Open for New Business:
 Assets Under Management:
 Investment Philosophy:

Sources of Value Added:
 % Style
 % Sector
 % Stock Selection
 % Active Asset Allocation

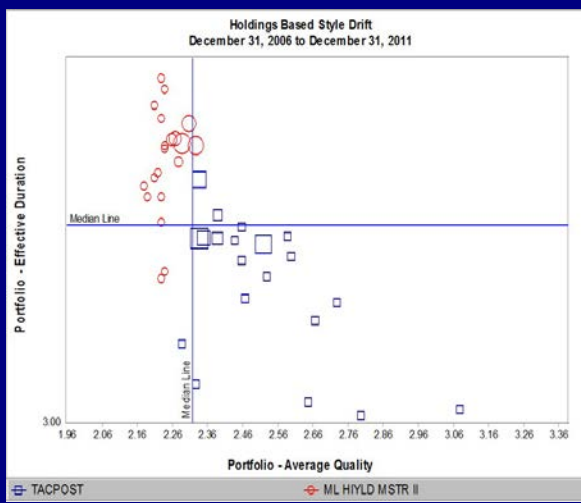
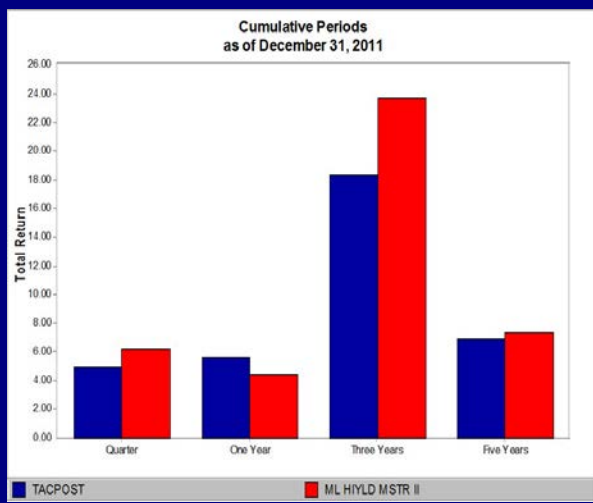
Historical Returns	Annualized Ended 12/31/2011				Annual Returns									
	1 Year	3 Years	5 Years	10 Years	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Post Advisory Group	5.28	17.98	6.49	N/A	5.28	12.43	38.74	-19.95	4.17	8.58	3.66	9.70	18.84	N/A
Merrill HY BBBC	5.38	20.70	6.84	7.95	5.38	14.25	46.06	-23.31	3.24	9.24	3.41	9.93	22.90	1.09
Risk - Standard Deviation														
Post Advisory Group	7.16	7.27	10.12	N/A	7.16	5.13	7.17	16.21	4.59	1.89	3.87	2.69	3.07	N/A
Merrill HY BBBC	8.46	9.33	12.24	9.59	8.46	6.11	10.62	19.18	5.08	2.35	4.51	3.68	5.16	10.17
Risk - Semi-Variance														
Post Advisory Group	5.26	4.97	8.33	N/A	5.26	4.12	4.29	13.63	3.78	1.59	3.07	2.30	2.31	N/A
Merrill HY BBBC	6.08	6.30	9.73	7.60	6.08	4.98	7.20	15.55	4.14	1.88	3.59	3.10	3.79	7.27
Excess Returns														
Arithmetic Excess	-0.10	-2.73	-0.35	N/A	-0.10	-1.83	-7.32	3.37	0.93	-0.66	0.25	-0.23	-4.06	N/A
Geometric Excess	-0.10	-2.26	-0.33	N/A	-0.10	-1.60	-5.01	4.39	0.90	-0.60	0.24	-0.21	-3.30	N/A

Excess Statistics Manager vs. Benchmark	Annualized Ended 12/31/2011			
	1 Year	3 Years	5 Years	10 Years
Tracking Error	1.65	2.96	3.14	N/A
Information Ratio	-0.06	-0.76	-0.11	N/A
Downside Deviation	1.14	1.97	2.08	N/A
Skewness	0.34	0.86	0.71	N/A
Kurtosis	2.26	6.36	5.21	N/A
Alpha	0.69	2.33	0.55	N/A
Beta	0.84	0.75	0.81	N/A
Residual Risk	0.95	1.94	2.08	N/A
R Squared	0.98	0.93	0.96	N/A

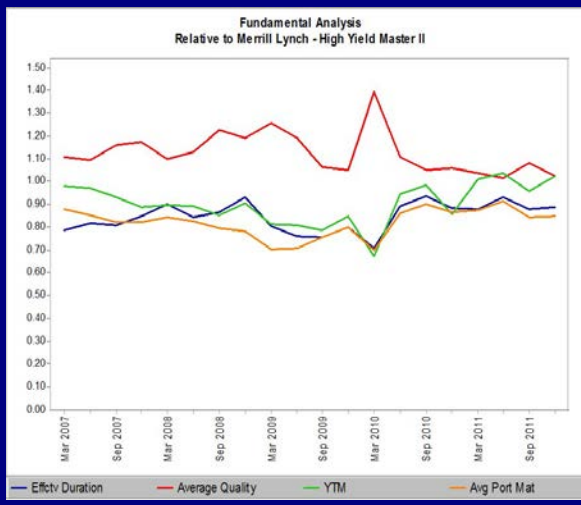
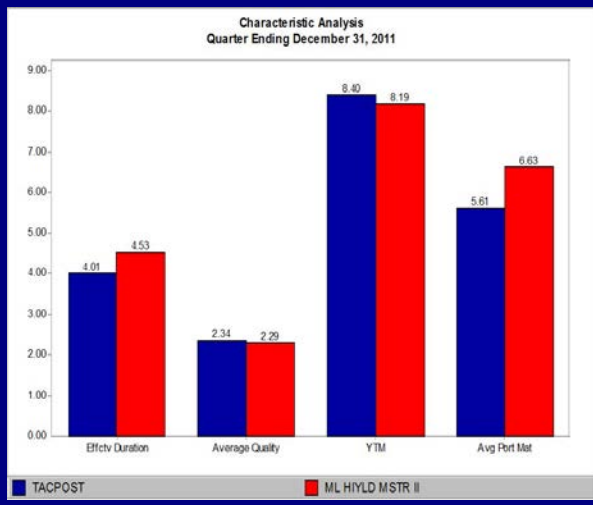


Product Inception:
 Open for New Business:
 Assets Under Management:

Most Appropriate Benchmark:
 Investment Philosophy: < Unknown >
 Duration Focus: < Unknown >
 Sector Focus: < Unknown >



Period End	TACPOST		ML HIYLD MSTR II	
	Average Quality	Effctv Duration	Average Quality	Effctv Duration
12/31/2011	2.34	4.01	2.29	4.53
09/30/2011	2.52	3.98	2.33	4.52
06/30/2011	2.34	4.33	2.31	4.64
03/31/2011	2.35	4.01	2.27	4.56
12/31/2010	2.39	4.01	2.26	4.55
09/30/2010	2.39	4.14	2.28	4.43
06/30/2010	2.46	3.89	2.22	4.37
03/31/2010	3.08	3.07	2.21	4.34
12/31/2009	2.29	3.43	2.18	4.30
09/30/2009	2.33	3.21	2.19	4.24
06/30/2009	2.65	3.11	2.23	4.10
03/31/2009	2.80	3.04	2.23	3.79
12/31/2008	2.67	3.56	2.24	3.83
09/30/2008	2.73	3.66	2.23	4.24
06/30/2008	2.53	3.80	2.24	4.50
03/31/2008	2.46	4.07	2.24	4.52
12/31/2007	2.59	4.02	2.21	4.74
09/30/2007	2.60	3.91	2.24	4.83
06/30/2007	2.44	4.00	2.23	4.89
03/31/2007	2.47	3.68	2.23	4.67
Min	2.29	3.04	2.18	3.79
Max	3.08	4.33	2.33	4.89
Avg	2.52	3.75	2.24	4.43
Median	2.47	3.90	2.24	4.51
Stddev	0.19	0.39	0.04	0.29



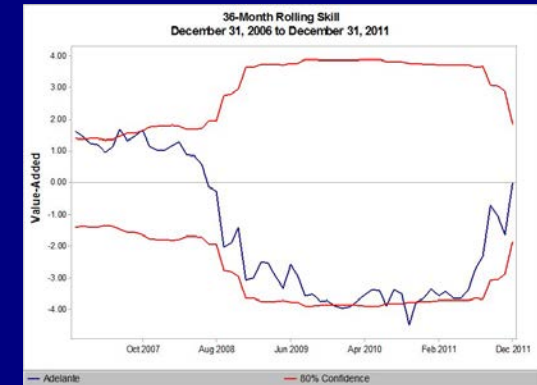
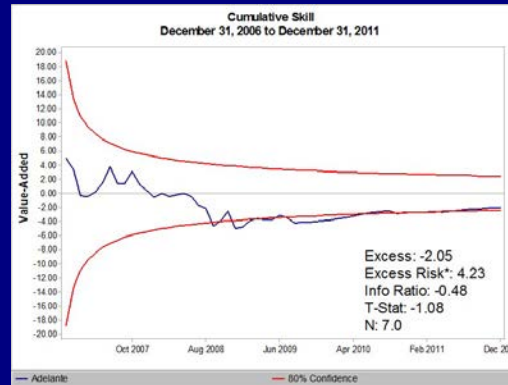
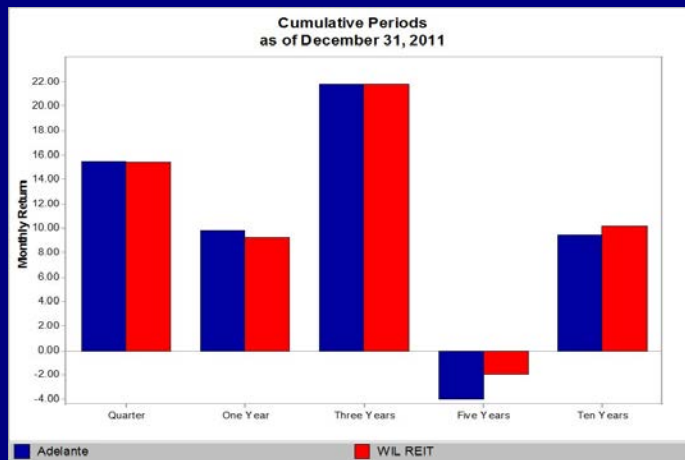
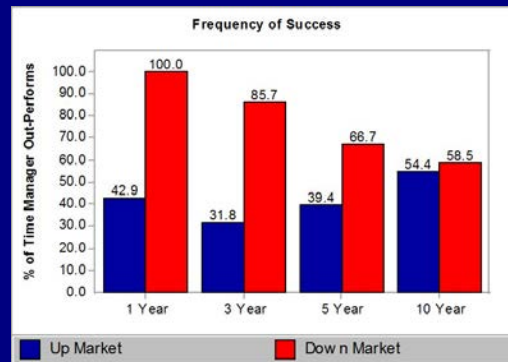
Performance Review: Tacoma - Adelante

Contact:
 Phone:
 E-Mail:
 Product Inception:
 Open for New Business:
 Assets Under Management:
 Investment Philosophy:

Sources of Value Added:
 % Style
 % Sector
 % Stock Selection
 % Active Asset Allocation

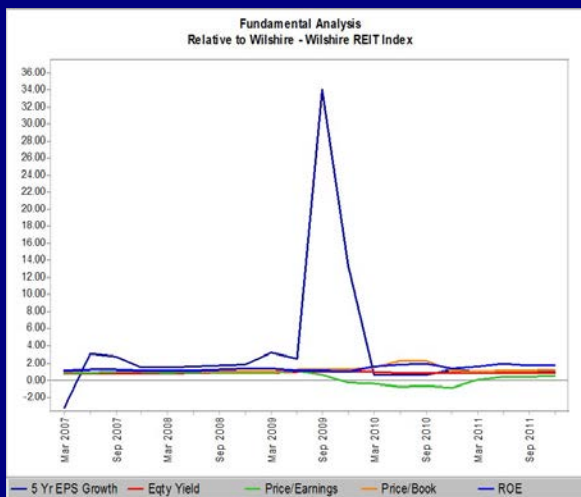
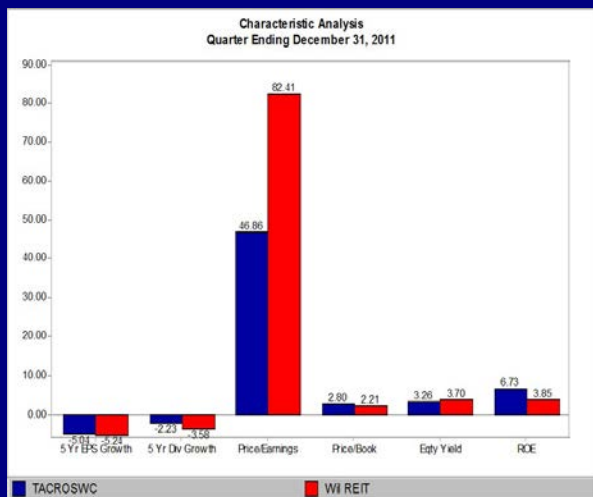
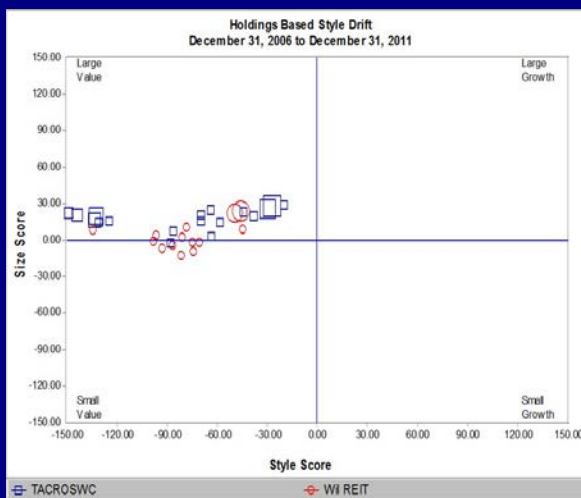
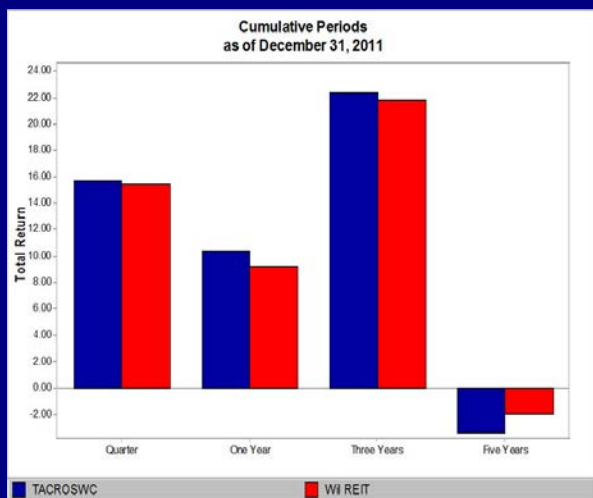
Historical Returns	Annualized Ended 12/31/2011				Annual Returns									
	1 Year	3 Years	5 Years	10 Years	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Adelante	9.84	21.77	-3.97	9.47	9.84	30.03	26.43	-45.30	-17.31	37.16	16.00	35.42	35.34	3.81
WIL REIT	9.24	21.79	-1.96	10.16	9.24	28.60	28.61	-39.20	-17.56	35.99	13.82	33.14	36.18	3.60
Risk - Standard Deviation														
Adelante	22.42	31.55	33.12	25.83	22.42	19.46	47.55	43.24	20.95	12.22	18.01	21.31	7.89	13.34
WIL REIT	23.00	33.00	34.75	26.72	23.00	20.28	49.95	47.69	20.64	13.09	16.41	20.93	7.97	12.91
Risk - Semi-Variance														
Adelante	15.61	22.19	24.98	20.18	15.61	14.15	34.06	35.73	14.75	9.39	13.91	18.64	6.35	9.81
WIL REIT	16.03	23.14	26.04	20.70	16.03	15.03	35.68	38.88	14.41	10.23	12.60	18.44	6.28	9.65
Excess Returns														
Arithmetic Excess	0.60	-0.03	-2.00	-0.69	0.60	1.42	-2.18	-6.10	0.25	1.17	2.18	2.28	-0.84	0.21
Geometric Excess	0.55	-0.02	-2.05	-0.63	0.55	1.11	-1.70	-10.03	0.30	0.86	1.92	1.71	-0.62	0.20

Excess Statistics Manager vs. Benchmark	Annualized Ended 12/31/2011			
	1 Year	3 Years	5 Years	10 Years
Tracking Error	1.06	2.52	4.23	3.27
Information Ratio	0.52	-0.01	-0.48	-0.19
Downside Deviation	0.78	1.94	3.55	2.72
Skewness	-0.30	-0.81	-1.95	-2.30
Kurtosis	-0.14	3.55	6.64	11.06
Alpha	0.72	0.69	-2.45	-0.41
Beta	0.97	0.95	0.95	0.96
Residual Risk	0.89	2.13	3.98	3.23
R Squared	1.00	1.00	0.99	0.98



Product Inception:
 Open for New Business:
 Assets Under Management:

Most Appropriate Benchmark:
 Investment Philosophy: < Unknown >
 Style Focus: < Unknown >
 Capitalization Focus: < Unknown >



Period End	TACROSWC		WI REIT	
	Style Score	Size Score	Style Score	Size Score
12/31/2011	-27.37	28.30	-45.97	24.05
09/30/2011	-29.66	26.03	-49.68	22.64
06/30/2011	-132.52	20.19	-155.71	16.25
03/31/2011	-133.41	16.33	-154.59	11.67
12/31/2010	-143.91	20.38	-161.61	10.68
09/30/2010	-149.19	21.98	-162.54	13.78
06/30/2010	-164.46	20.76	-185.23	14.28
03/31/2010	-167.92	14.20	-187.83	9.31
12/31/2009	-124.59	15.84	-134.34	8.20
09/30/2009	-130.72	14.61	-92.94	-6.74
06/30/2009	-86.22	7.14	-86.58	-4.12
03/31/2009	-87.87	-2.67	-81.84	-12.31
12/31/2008	-63.32	3.37	-74.96	-2.07
09/30/2008	-69.84	20.65	-78.33	10.38
06/30/2008	-69.73	15.83	-98.32	-0.96
03/31/2008	-64.07	25.26	-96.50	4.25
12/31/2007	-58.24	15.32	-74.13	-9.01
09/30/2007	-44.11	22.85	-81.04	2.43
06/30/2007	-37.94	19.54	-70.56	-1.65
03/31/2007	-19.82	28.72	-45.01	9.50
Min	-167.92	-2.67	-187.83	-12.31
Max	-19.82	28.72	-45.01	24.05
Avg	-90.25	17.73	-105.89	6.03
Median	-78.03	19.87	-89.76	8.76
Stddev	48.72	7.97	46.62	10.13

Tacoma Managers

Domestic Equities: common stock represents equity ownership in a public traded US corporation. Wilshire's long term expected return for US equities is 7.50%, a 25 bps increase from the prior year.

A. Index Managers- Index Managers seek to build portfolios that replicate the movement of the index being tracked. Tracking can be achieved by holding all of the securities in the index, or by holding representative securities. Index portfolios should earn the return of the index and have the risk characteristics of the index. This is a passive approach to investing and is attractive because of its lower fees and tracking error.

1. Northern Trust – S&P 500 Index Inception Date: 12/1990

This manager seeks to earn the return and have the risk characteristics of the S&P 500 Index.

2. Northern Trust – Russell 1000 Growth Index Inception Date: 3/2009

This manager seeks to earn the return and have the risk characteristics of the Russell 1000 Growth Index.

3. Northern Trust – Small-cap Core Index Inception Date: 12/1990

This manager seeks to earn the return and have the risk characteristics of the Russell 2000 Index. The Russell 2000 Index is used as a performance benchmark by small cap managers.

B. Enhanced Index Managers-Enhanced Index Managers seeks to add small amounts of incremental return above a specified benchmark by creating portfolios that have more attractive characteristics than the index without taking significant "bets" against the benchmark in terms of sector weightings, style, or market cap size.

1. INTECH: Enhanced Plus Index Inception Date: 3/2007

This quantitative manager seeks to outperform the S&P 500 Index by 2% annually with a tracking error of less than 2%. INTECH's strategy is unique because it is purely mathematical and focuses on volatility and covariance (other quantitative managers look to exploit security mis-pricing). The portfolio is constructed by weighting stocks based on their expected volatility and covariance but INTECH ensures that this volatility is well diversified within the portfolio, so that the total portfolio does not have volatility that is meaningfully different than the S&P 500. The portfolio is optimized and rebalanced regularly to ensure tracking error is controlled.

2. Research Affiliates – Enhanced Large Company Index Inception Date: 3/2007

This fundamental index manager seeks to outperform the S&P 500 Index by 2% annually. Using data, this manager weights securities based on accounting fundamentals instead of the traditional market capitalization weighting used by most index managers. This manager determines the weight for each security based on: cash flow, total book value, dividends, and sales on a trailing 5 year basis. The portfolio is constructed based on selecting the 1000 US securities with the highest weights determined using the fundamental approach.

International Equities: common stock represents equity ownership in a non-US public traded corporation. Wilshire's long term expected return for International equities is 7.50%, a 25 bps increase from the prior year.

1. Northern Trust – EAFE Index – Passive International Equity Inception Date: 3/2009

This manager seeks to earn the return and have the risk characteristics of the Morgan Stanley Capital International's Europe, Australia & Far East Index (MSCI EAFE Index)

2. Northern Trust – Emerging Markets Index – Passive International Equity Inception Date: 3/2009

This manager seeks to earn the return and have the risk characteristics of the Morgan Stanley Capital International's Emerging Markets Index (MSCI EM Index)

3. Northern Trust – Canada Index – Passive International Equity Inception Date: 12/2011

This manager seeks to earn the return and have the risk characteristics of the Morgan Stanley Capital International's Canada Index (MSCI Canada Index)

4. Dimensional Fund Advisors – International Core Equity Portfolio – Active International Equity Inception Date: 9/2011

Designed to achieve long-term capital appreciation, this portfolio seeks to purchase a broad and diverse range of non-US companies in developed markets with an increased exposure to small cap and value stocks, relative to the market universe. In assessing value, the portfolio manager considers factors such as the issuer's securities having a high book value in relation to their market value, as well as price-to-cash flow or price-to-earnings ratios.

5. Research Affiliates – Enhanced RAFI International – Enhanced International Equity Inception Date: 9/2011

This fundamental index manager seeks to outperform the MSCI EAFE Index by 2.5% to 5% annually. Using data, this manager weights securities based on accounting fundamentals instead of the traditional market capitalization weighting used by most index managers. This manager determines the weight for each security based on: cash flow, total book value, dividends, and sales on a trailing 5 year basis. The portfolio is constructed by taking securities almost entirely from the MSCI EAFE Index with the highest weights determined using the fundamental approach.

Fixed Income: bonds are debt instruments that are contractually required to be repaid at maturity by the issuer. Wilshire's long term expected return for US bonds is 2.85%, a 90 bps decline from the prior year.

1. Metropolitan West Asset Management: Total Return Bonds Inception Date: 3/2002

Metropolitan West manages an investment grade fixed income portfolio. This active fixed income manager adds value by 1) varying the duration of the portfolio from the benchmark's duration, 2) yield curve management, 3) sector rotation, 4) individual security selection, 5) proprietary buy/sell execution strategies. The portfolio is constructed based on macro themes.

Duration changes are constrained to be +/- 1 year of the benchmark. Individual positions are limited to 1% at purchase and may rise to 2.5% of portfolio over time. This manager typically holds 75 – 95 issues.

2. BlackRock: Barclays Aggregate Bond Index

Inception Date: 6/2010

This manager seeks to earn the return and have the risk characteristics of the Barclays Aggregate Bond Index.

3. Post Advisory Group – High Yield Bonds

Inception Date: 9/2005

This active high yield bond manager ranks bonds based on 100 point quantitative and qualitative system. Industry position accounts for (20%), Company position (60%), and Security position (20%). The portfolio is constructed by consensus team decision, it is well diversified with individual positions range from 1%-2% of the portfolio. Post is not allowed to hold CCC rated bonds (very low credit quality) in this portfolio.

4. Eaton Vance – Bank Loan

Inception Date: 6/2011

This strategy invests in senior, secured floating-rate bank loans, the majority of which earn high-yield equivalent credit ratings. The fund focuses on companies with strong cash flows and positive earnings while shying away from those that rely heavily on outside capital to finance their businesses. Eaton Vance also places emphasis on diversification by spreading assets widely across various issues and industries.

5. BlackRock – Barclays US TIPS Index

Inception Date: 6/2011

This manager seeks to earn the return and have risk characteristics of the Barclays US Tips Index.

US Real Estate Securities (REITS): a REIT is a security that trades like a stock and invests in real estate directly, either through properties or mortgages. Wilshire's long term expected return for REITS is 5.05%, a 45 bps decline from the prior year.

1. Adelante: Total Return

Inception Date: 12/1997

Adelante seeks current income and long term capital growth by investing in companies that are trading at or below the private market value. This manager uses quantitative models to identify relative value opportunities. The portfolio is fairly concentrated with 25-35 issues; individual position limits of 10%. The property type limitation prevents this manager from having more than two times benchmark weight.

Private Real Estate: Wilshire's long term expected return for private real estate is 5.80%, a 50 bps decline from the prior year.

1. INVESCO Core Real Estate-USA, LLC.

Inception Date: 9/2010

The fund seeks to invest in properties typically requiring an investment of \$10 million or greater. It targets four major property sectors, office, industrial, apartments, and retail centers, which represent the majority of the investable universe of institutional grade commercial real estate. The fund's acquisition strategy will emphasize investments with stable, predictable income

returns, while focuses on acquiring properties in markets within regions that enhance overall portfolio diversification. The maximum value of any one investment may not exceed 45% (by value) in any single property type or 25% (by value) in any single metropolitan statistical area.

Real Asset: Wilshire's long term expected return for real asset is 5.85%, a 35 bps decline from the prior year.

1. Tortoise Capital Advisors, LLC.

Inception Date: 9/2011

This is a non-diversified, closed-end vehicle that seeks to obtain a high level of total return with an emphasis on current distributions paid to stockholders. Tortoise focuses primarily in midstream energy infrastructure master limited partnerships (MLPs) that engage in the business of pipeline and storage of natural gas/natural gas liquids, with no exposure to upstream, shipping, or coal/timber.

Private Equity: professionally managed equity and debt investments in the unregistered securities of private and public companies. Private markets investment strategies exist across various risk/return spectrums, including Mezzanine, Distressed Debt, Leveraged Buyouts, Growth Capital and Venture Capital. Wilshire's long term expected return for private equity is 10.25%, a 55 bps increase from the prior year.

1. HarbourVest Dover Street VII L.P.

Inception Date: 3/2009

One of HarbourVest's global secondary funds, Dover Street VII, or the "Fund", makes secondary investments in venture capital, leveraged buyout and other private equity assets, as well as portfolios of operating companies. The geographic focus is in the U.S., Europe, Latin America, Asia and emerging private equity markets. The Fund considers many different types of transactions: traditional limited partner interests, portfolio of direct investments, structured transactions, and select linked transactions (strategic primaries).

2. HarbourVest International Private Equity Partners VI

Inception Date: 6/2010

This is the core fund in the HarbourVest International Private Equity Partners VI Investment Program. The Fund seeks to build a portfolio that consists of primary investments in buyout, special situations, recapitalization, and other private equity funds in Europe, Asia Pacific, and emerging markets. The goal of the fund is to create a broadly diversified portfolio of partnerships and underlying companies that focus on mature and growing sectors.

3. HarbourVest Partners IV – Buyout Fund L.P.

Inception Date: 6/2011

The Buyout Fund seeks to build a portfolio that consists principally of investments in U.S.-based buyout, recapitalization, turnaround, and other private equity funds. Up to 35% of the fund may be invested in secondary and direct investments. The objective of the Buyout Fund is to create top performing, diversified portfolio of partnerships and companies that focus on mature, cash-flow positive industries such as industrial products, consumer products, energy, services, media and entertainment, and retail, as well as growth industries such as communications, information technology, and healthcare. The portfolio is expected to be diversified by region, industry, vintage year, and size of company investments made by the partnerships.

4. HarbourVest Partners IV – Venture Fund L.P.

Inception Date: 6/2011

The Venture Fund seeks to build a portfolio that consists principally of investments in U.S.-based venture capital funds. Up to 35% of the fund may be invested in secondary and direct investments. The objective of the Venture Fund is to create a top performing, diversified portfolio of partnerships and companies that focus on high-growth industries including information technology, healthcare, and cleantech.

5. HarbourVest Partners IX – Credit Opportunities Fund L.P.

Inception Date: 6/2011

The Credit Opportunities Fund seeks to build a portfolio that consists principally of primary investments in mezzanine debt, distressed debt, venture debt, and other debt-related private equity funds. Up to 35% may be invested in secondary and direct investments. The Fund will generally invest in the U.S. and, to a lesser extent, other regions of the world. The objective of the Credit Opportunities Fund is to create a top performing, diversified portfolio of partnerships and companies through debt, preferred securities, and structured investments. Investments are expected to be characterized by having a priority position in a company's capital structure, a current return, and often the potential for capital appreciation through equity or equity-like securities.

6. Pantheon Global Secondary Fund IV

Inception Date: 9/2010

Fund IV's objective is to generate superior risk-adjusted returns for its investors. It aims to achieve this through investing in portfolios of private equity assets, encompassing leveraged/management buyout, venture capital, development capital and mezzanine funds, as well as direct portfolios of private equity assets and other privately negotiated transactions in the secondary market.

7. Hamilton Lane Private Equity Fund VII L.P.

Inception Date: TBD

This is a private equity fund-of-funds that provides investors with exposure to a well diversified private equity portfolio. The fund seeks to enhance returns through both secondary and co-investment activities. Fund VII is constructed through two different series: Series A, which will principally focus on investments in the United States and Series B, which will principally focus on investments outside of the United States.



Tacoma Employees' Retirement System
Universe Comparison Analysis
For the Period Ending September 30, 2011

Andrew Junkin, CFA, CAIA
Managing Director

Tom Toth, CFA
Managing Director

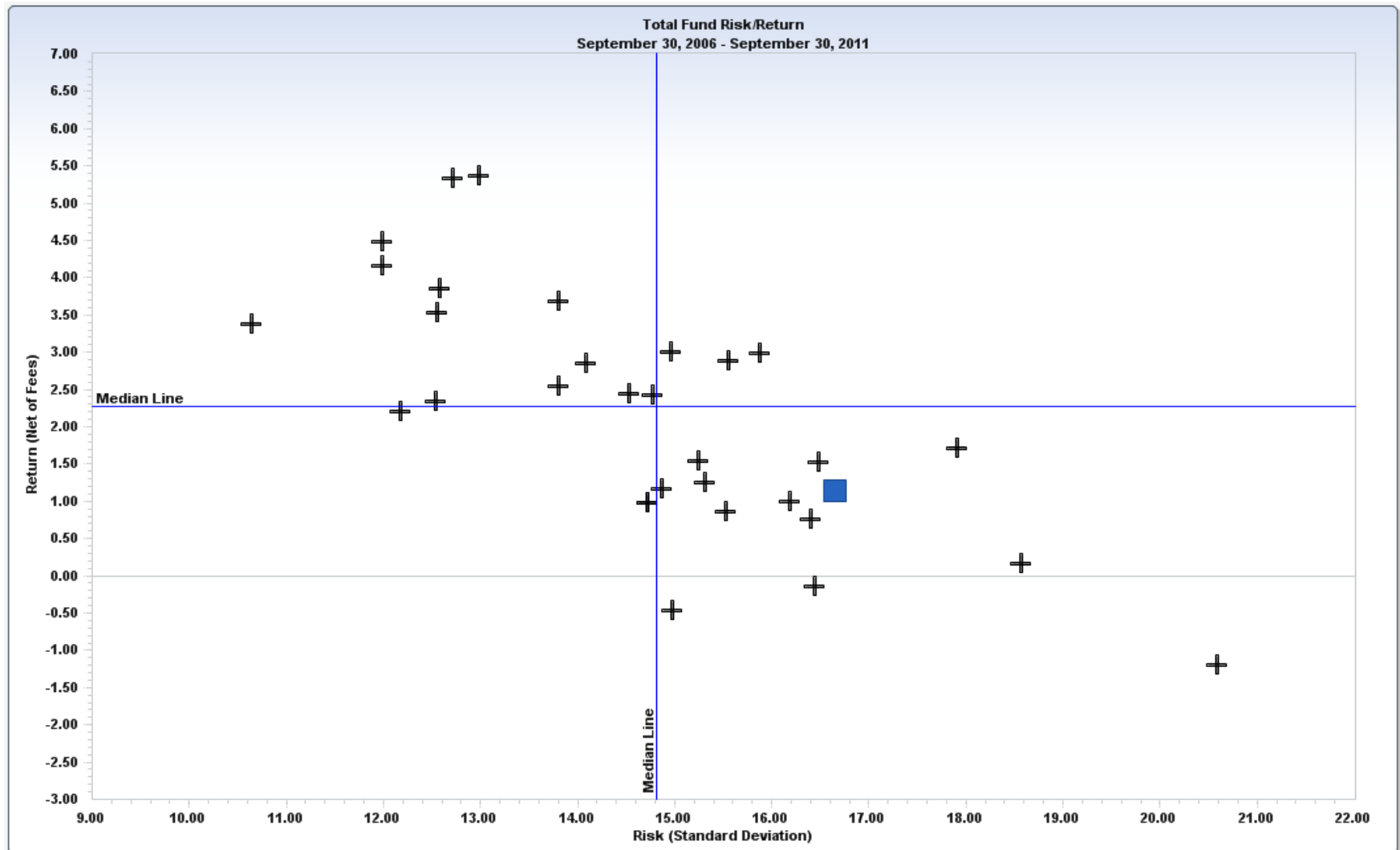
Total Fund Return Ranking



		Quarter	One Year	Three Years	Five Years	Ten Years
●	Public DB 80	-9.46 (74%)	0.40 (79%)	3.72 (58%)	1.13 (71%)	6.32 (30%)
	# of Products	35	35	34	32	31

Versus Pension Fund Universe (Public & Private DB Plans) with Plan Assets from \$500M to \$5B

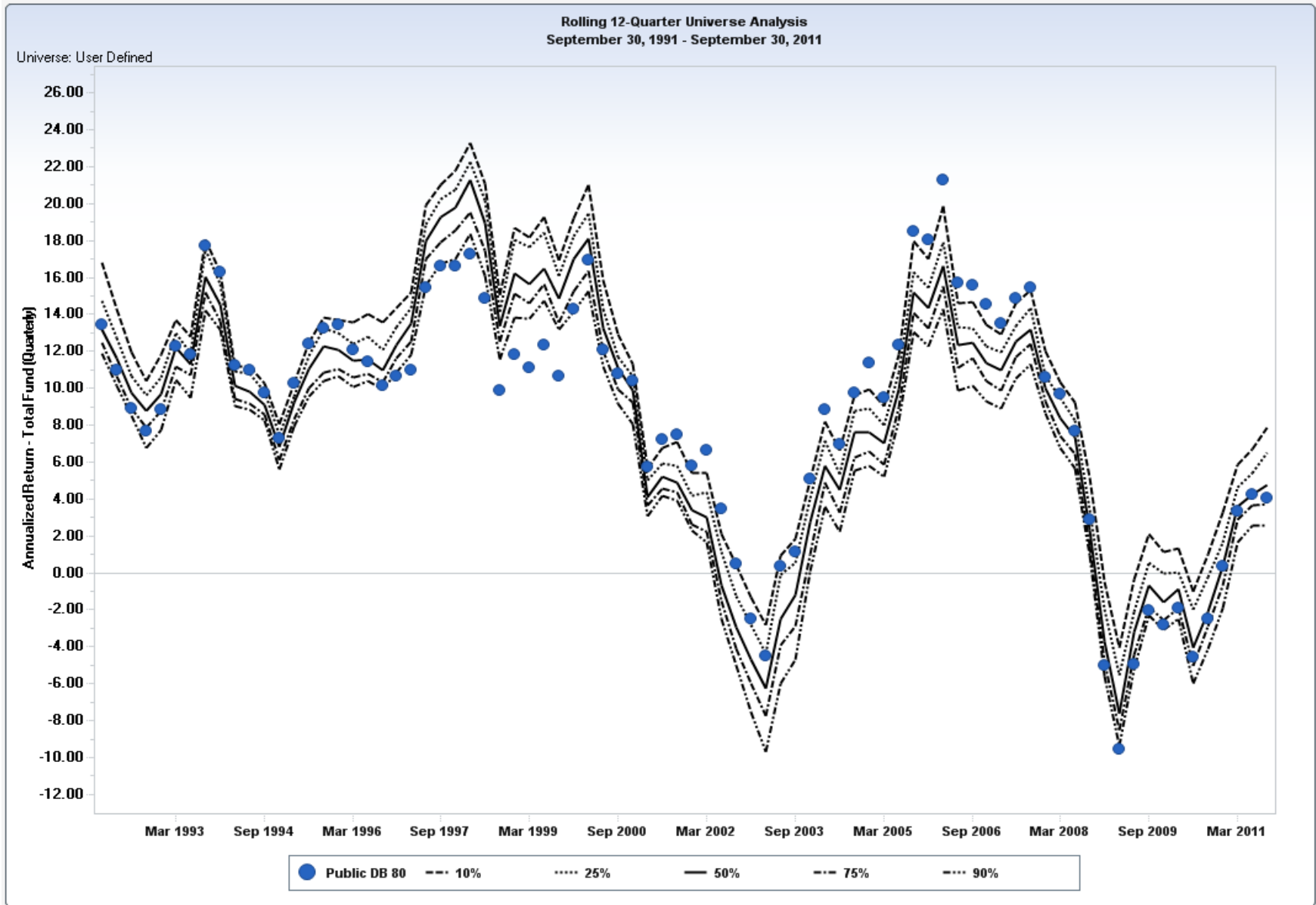
Total Fund Return vs. Risk



	Risk	Return
■ Public DB 80 - Total Fund	16.65 (90)	1.13 (71)

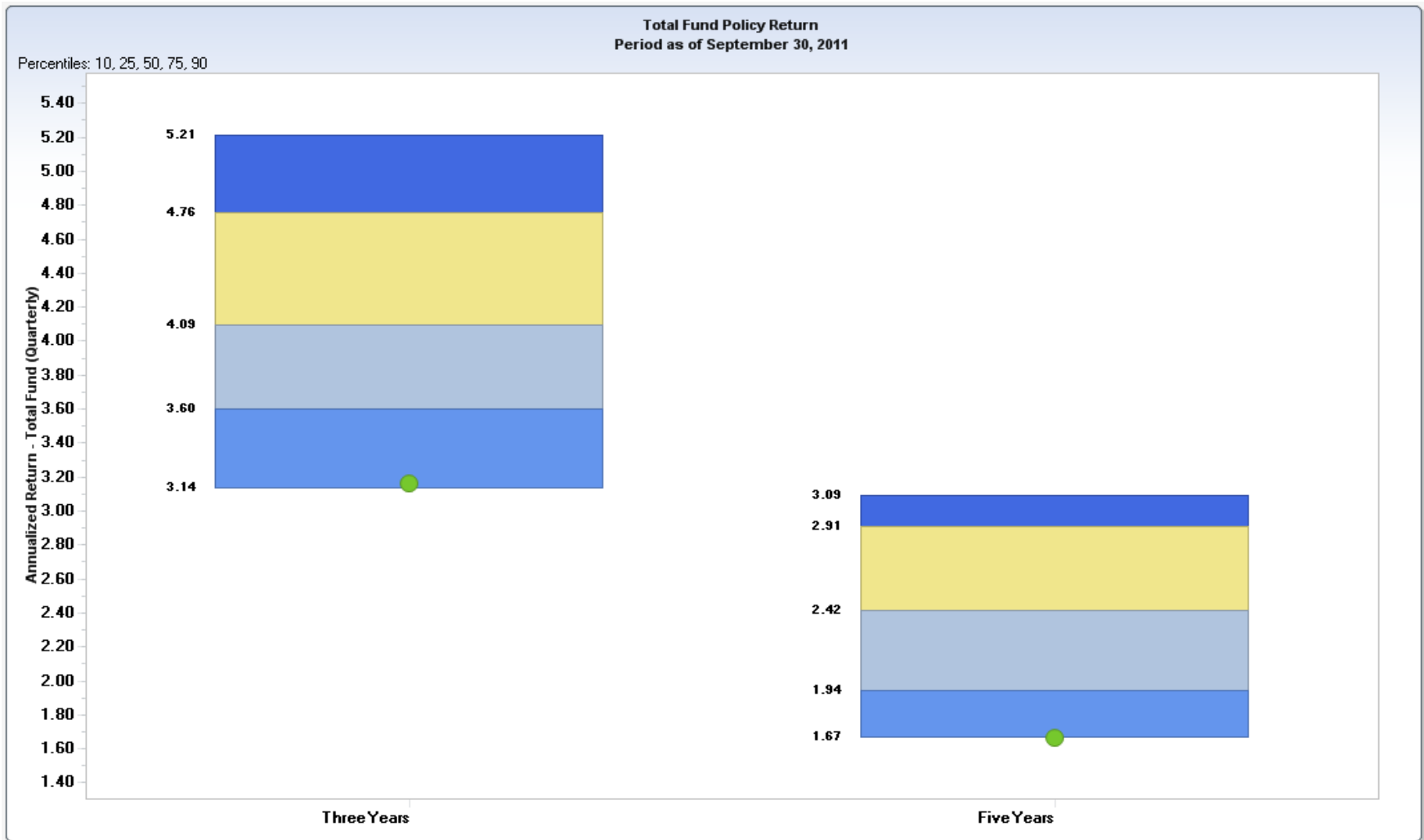
Versus Pension Fund Universe (Public & Private DB Plans) with Plan Assets from \$500M to \$5B

Rolling 3-Year Performance



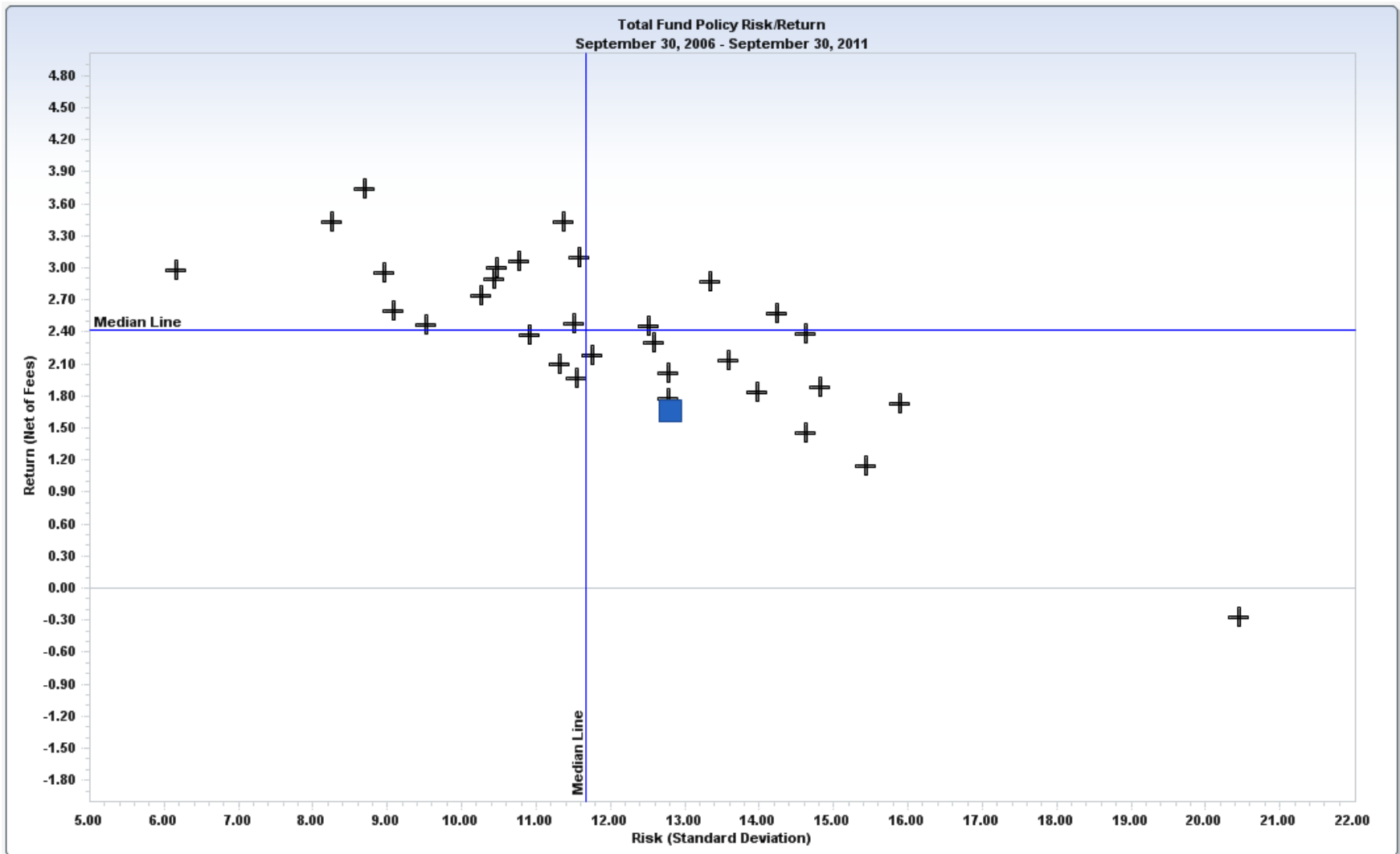
Versus Pension Fund Universe (Public & Private DB Plans) with Plan Assets from \$500M to \$5B

Policy Return Ranking



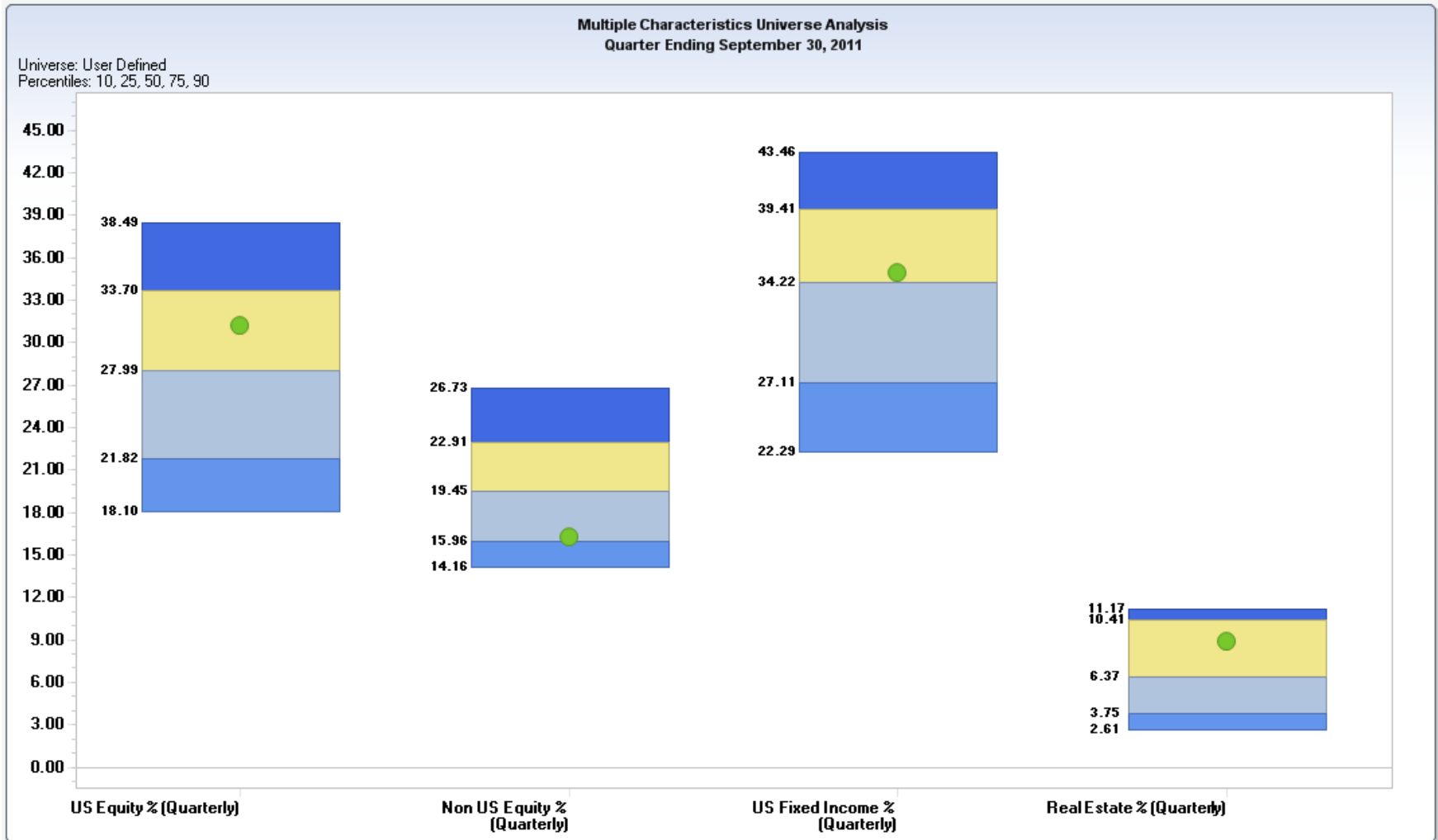
		Three Years	Five Years
●	Public DB 80	3.16 (88%)	1.66 (90%)
	# of Products	33	32

Policy Return vs. Risk



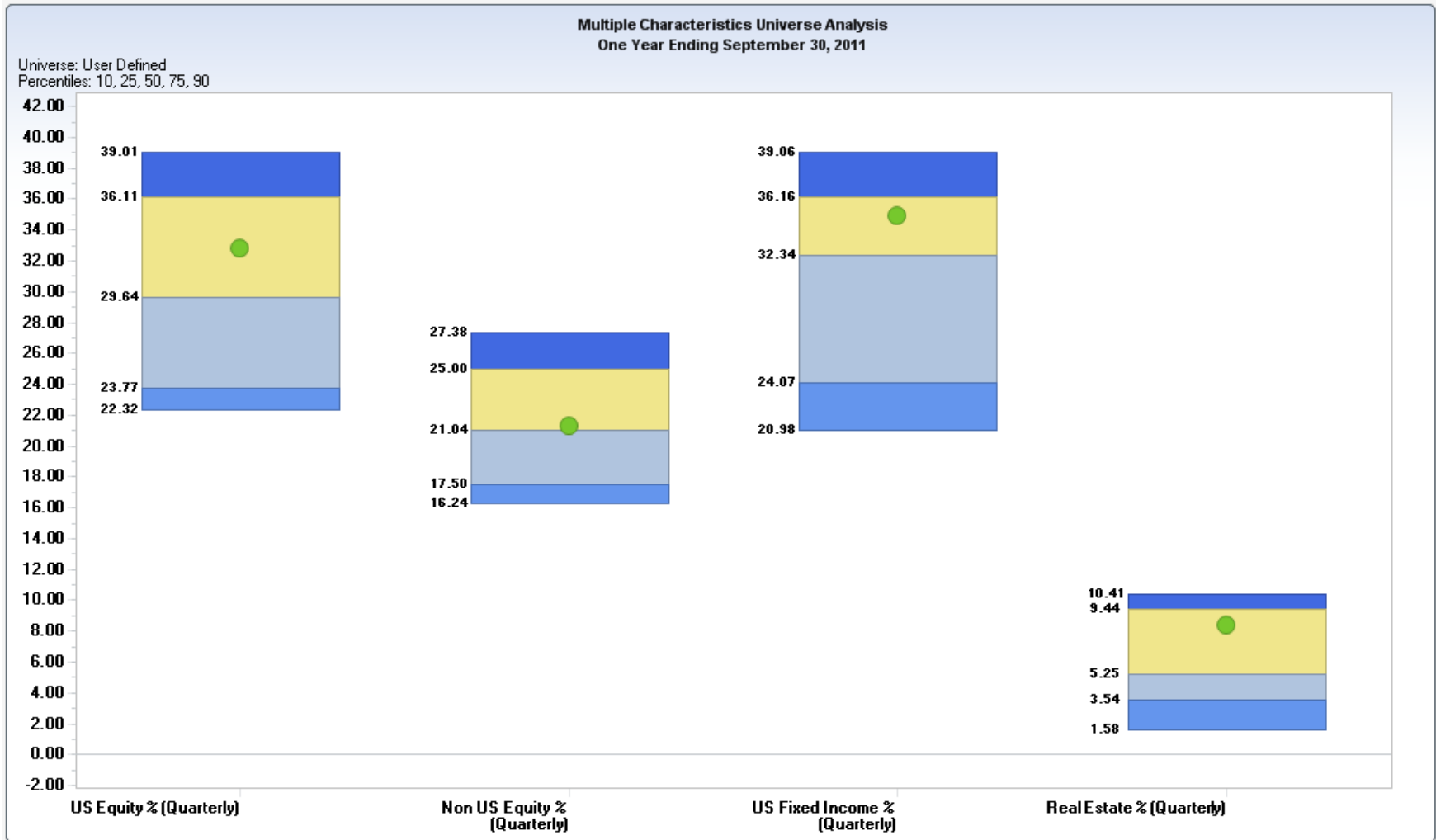
	Risk	Return
Public DB 80 - Total Fund	12.81 (68)	1.66 (90)

Asset Allocation Ranking (Quarter)



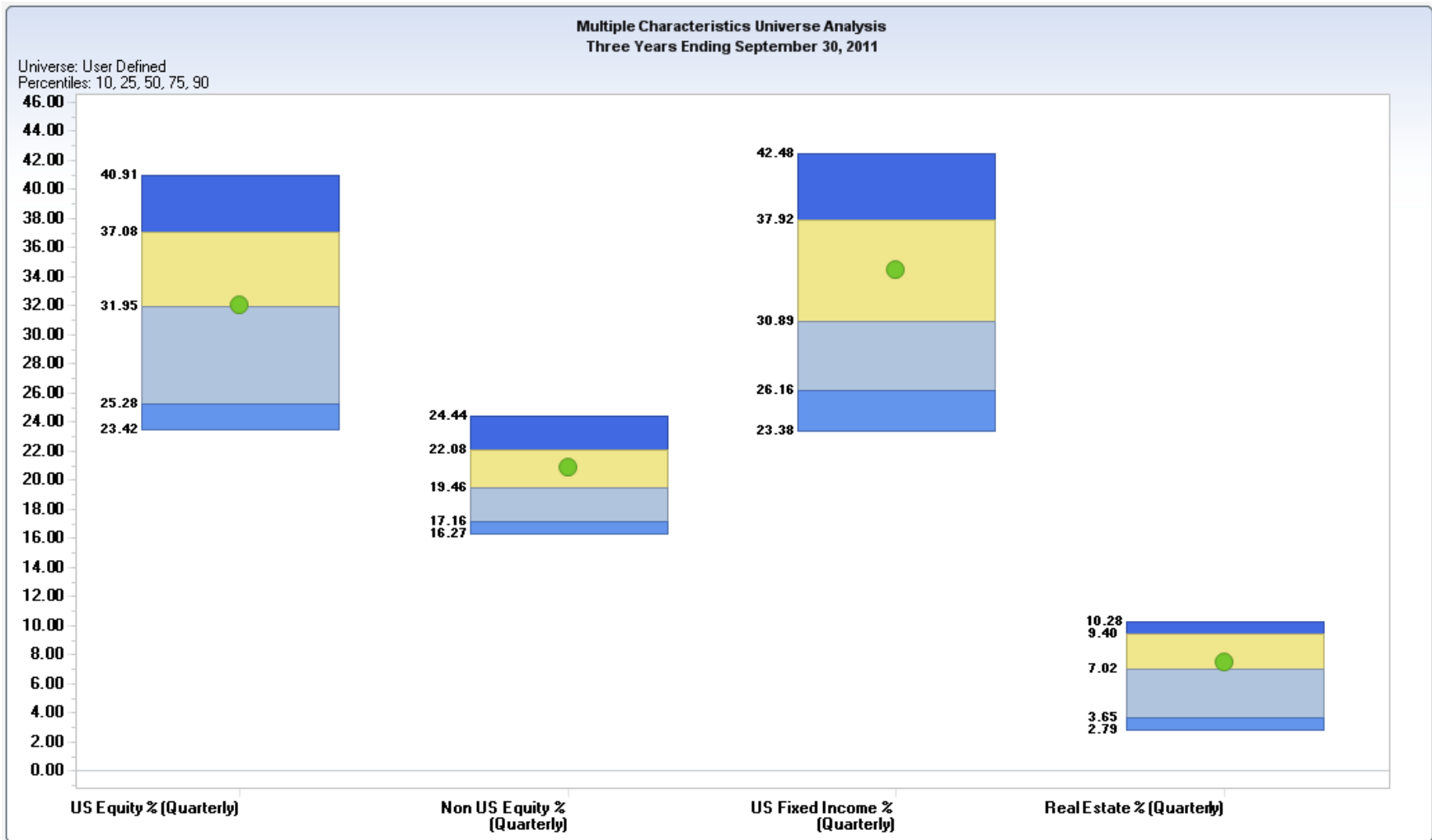
		US Equity % (Quarterly)	Non US Equity %	US Fixed Income %	Real Estate % (Quarterly)
●	Public DB 80	31.17 (35%)	16.28 (70%)	34.91 (42%)	8.89 (38%)
	# of Products	35	34	34	30

Asset Allocation Ranking (1-Year)



		US Equity % (Quarterly)	Non US Equity %	US Fixed Income %	Real Estate % (Quarterly)
●	Public DB 80	32.80 (39%)	21.25 (44%)	34.94 (34%)	8.34 (37%)
	# of Products	34	33	33	28

Asset Allocation Ranking (3-Year)



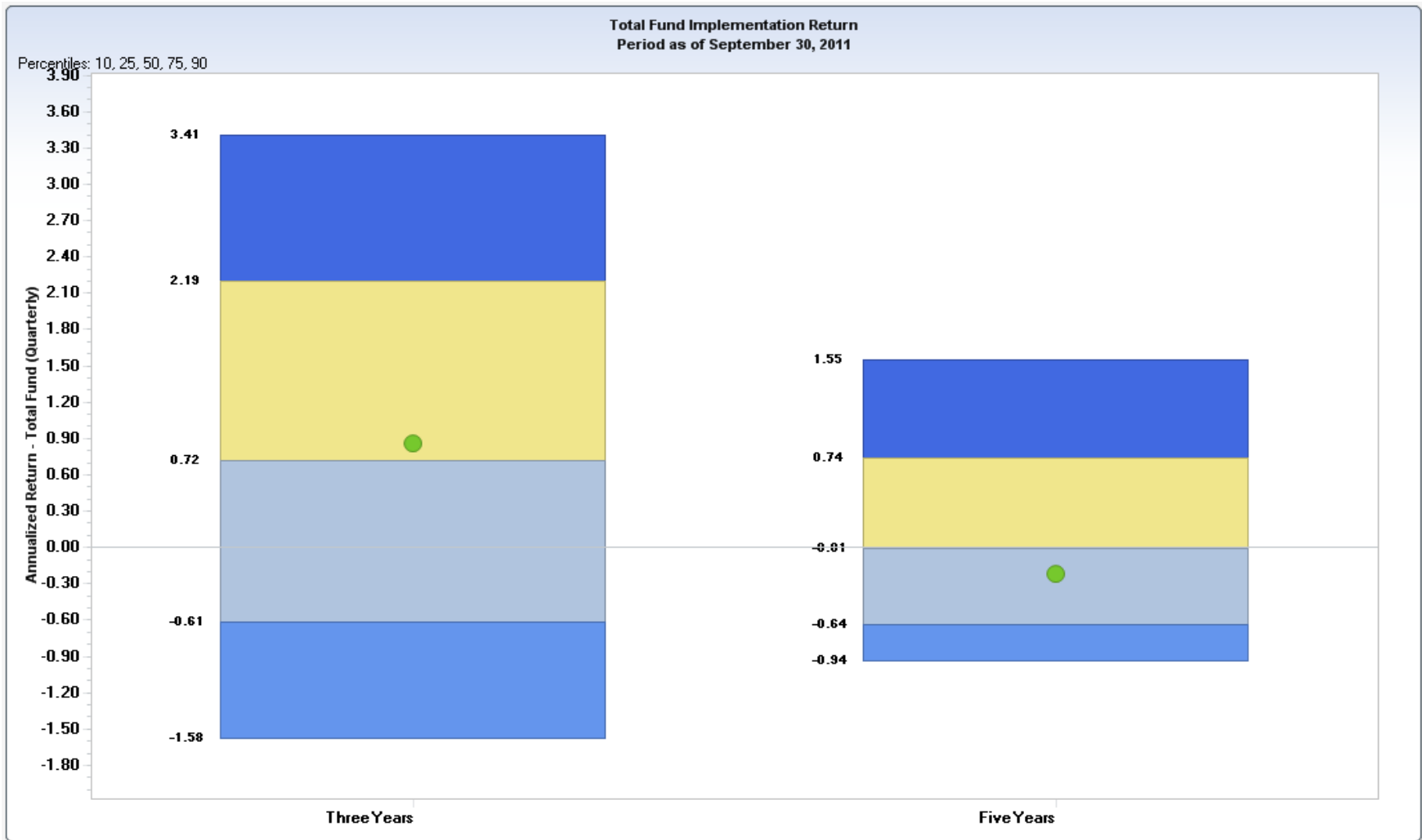
	US Equity % (Quarterly)	Non US Equity %	US Fixed Income %	Real Estate % (Quarterly)
● Public DB 80	32.05 (48%)	20.87 (36%)	34.46 (36%)	7.45 (47%)
# of Products	30	29	29	20

Asset Allocation Ranking (5-Year)



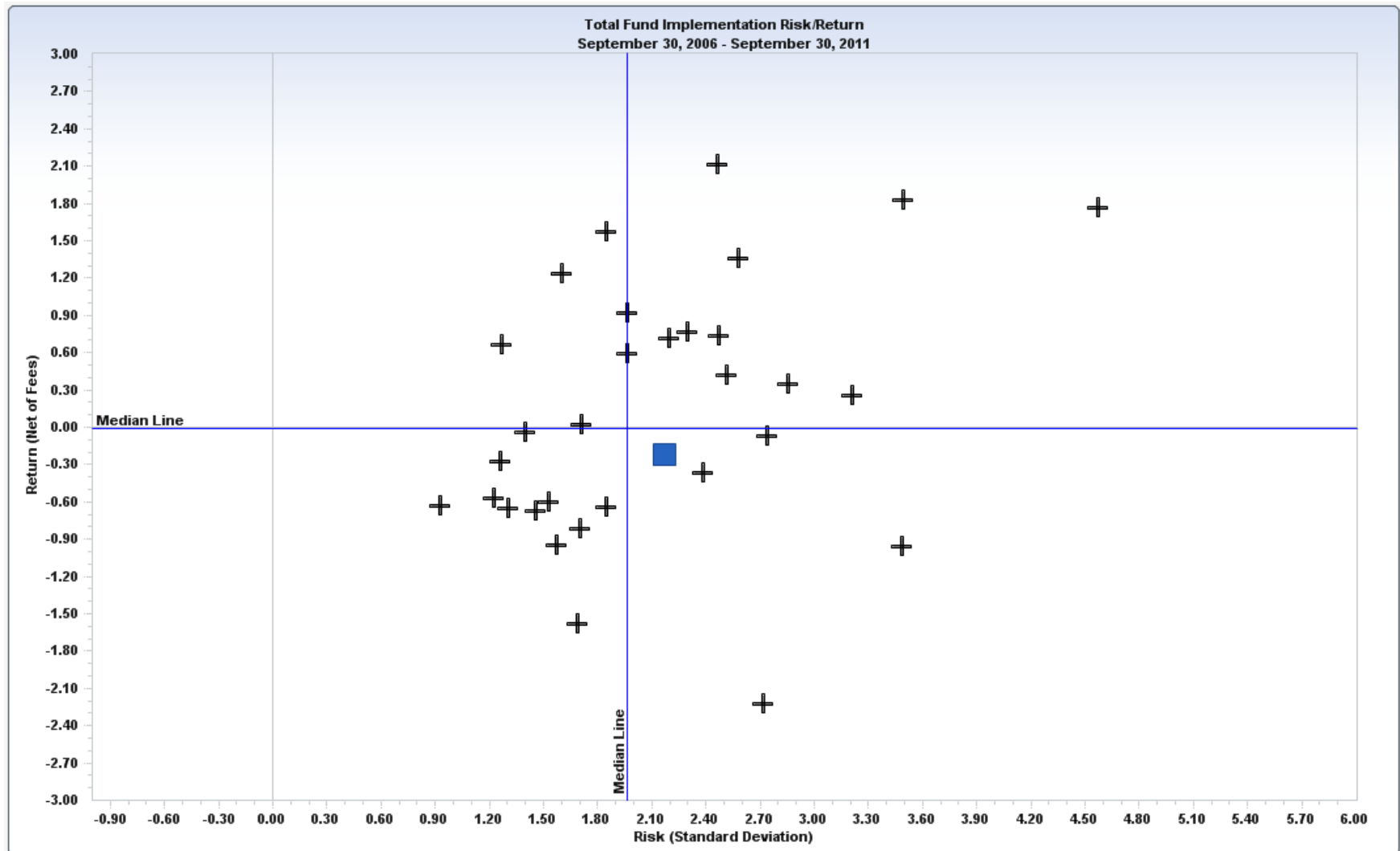
	US Equity % (Quarterly)	Non US Equity %	US Fixed Income %	Real Estate % (Quarterly)
● Public DB 80	35.41 (56%)	18.74 (58%)	28.47 (54%)	9.81 (31%)
# of Products	28	27	27	17

Implementation Return Ranking



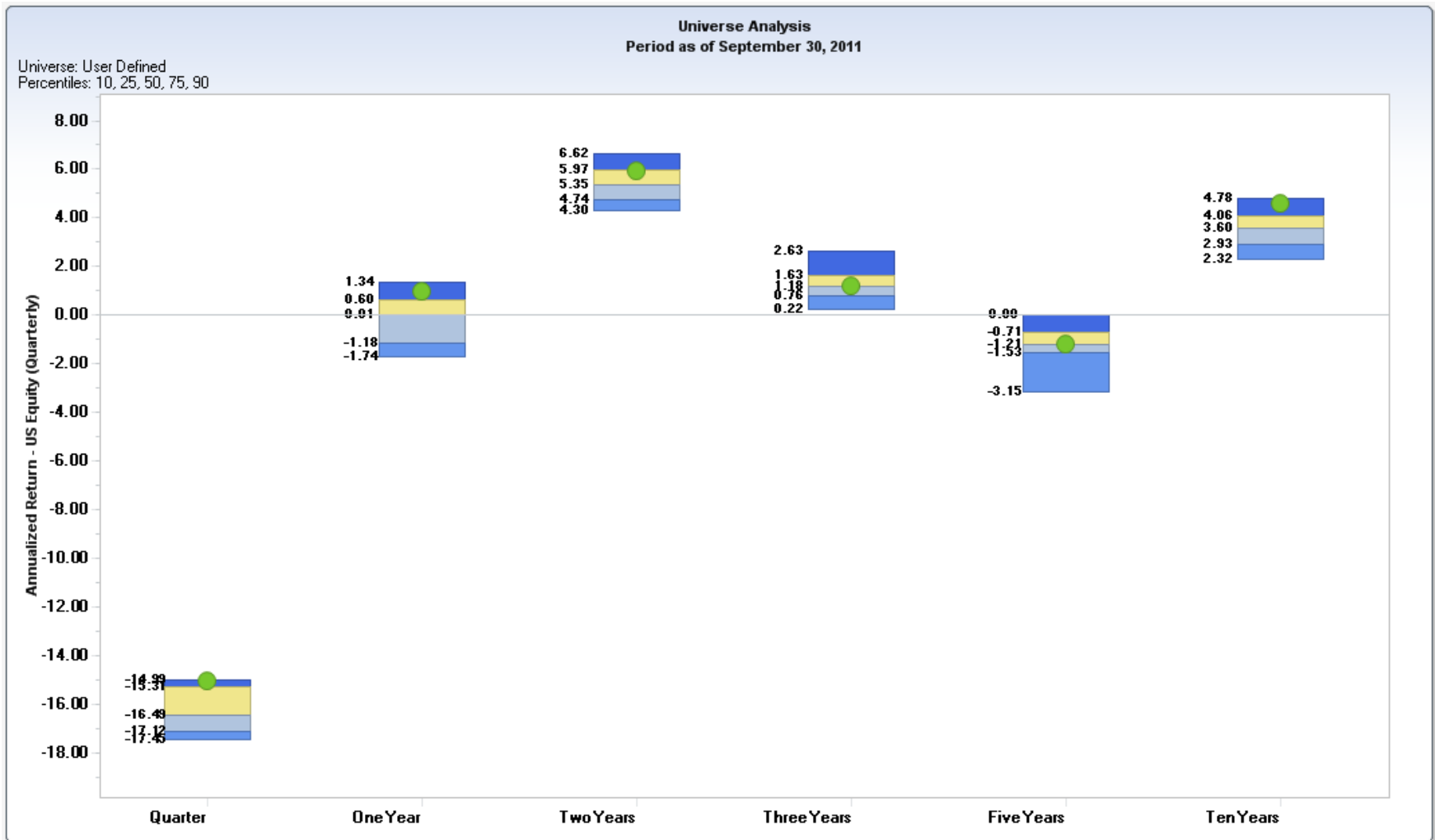
		Three Years	Five Years
●	Public DB 80	0.85 (47%)	-0.22 (58%)
	# of Products	33	32

Implementation Return vs. Risk



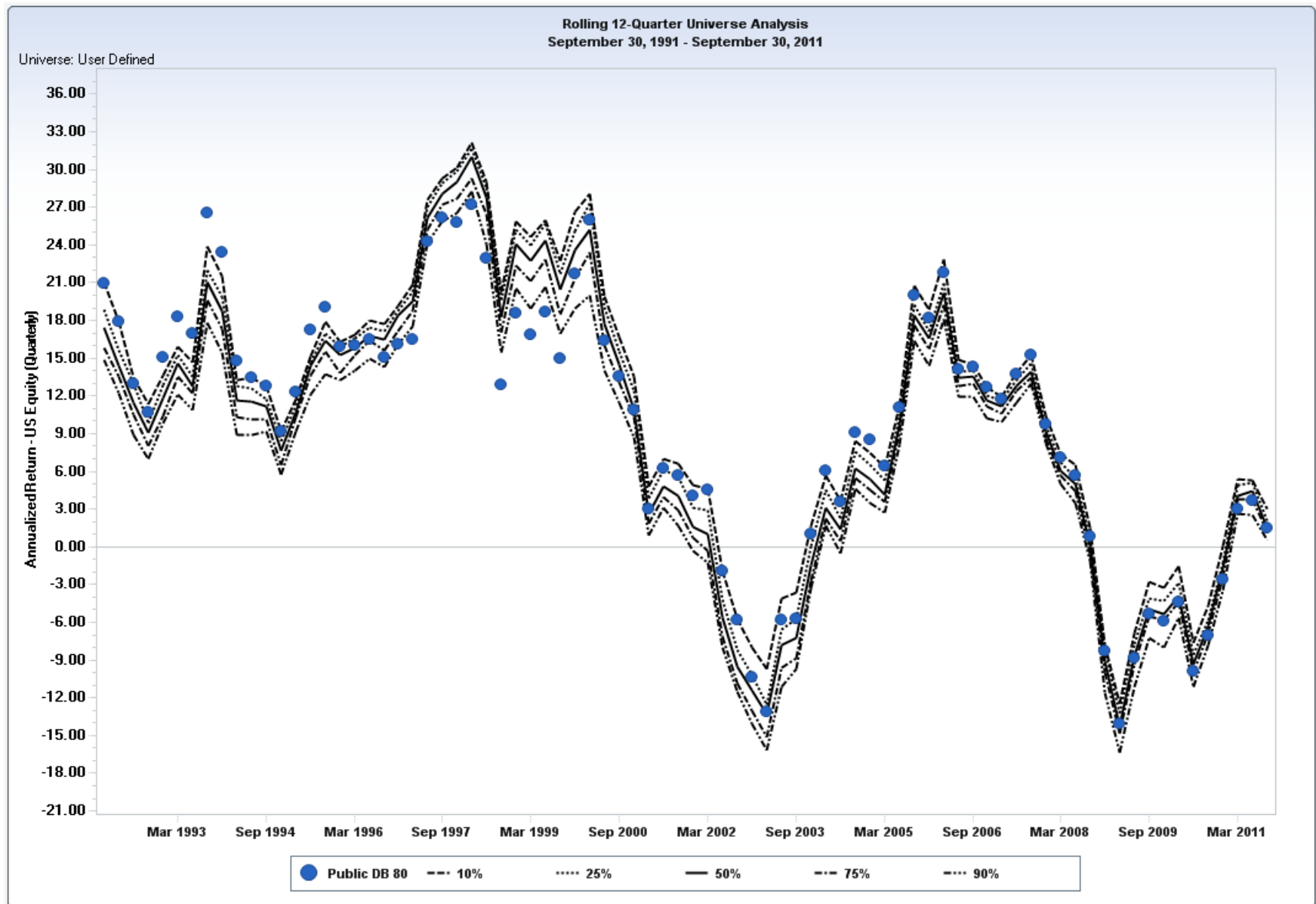
	Risk	Return
Public DB 80 - Total Fund	2.18 (55)	-0.22 (58)

U.S. Equity Return Ranking



	Quarter	One Year	Two Years	Three Years	Five Years	Ten Years
● Public DB 80	-15.08 (15%)	0.94 (18%)	5.92 (27%)	1.17 (52%)	-1.22 (55%)	4.56 (14%)
# of Products	35	35	34	34	32	29

Rolling 3-Year Performance (U.S. Equity)

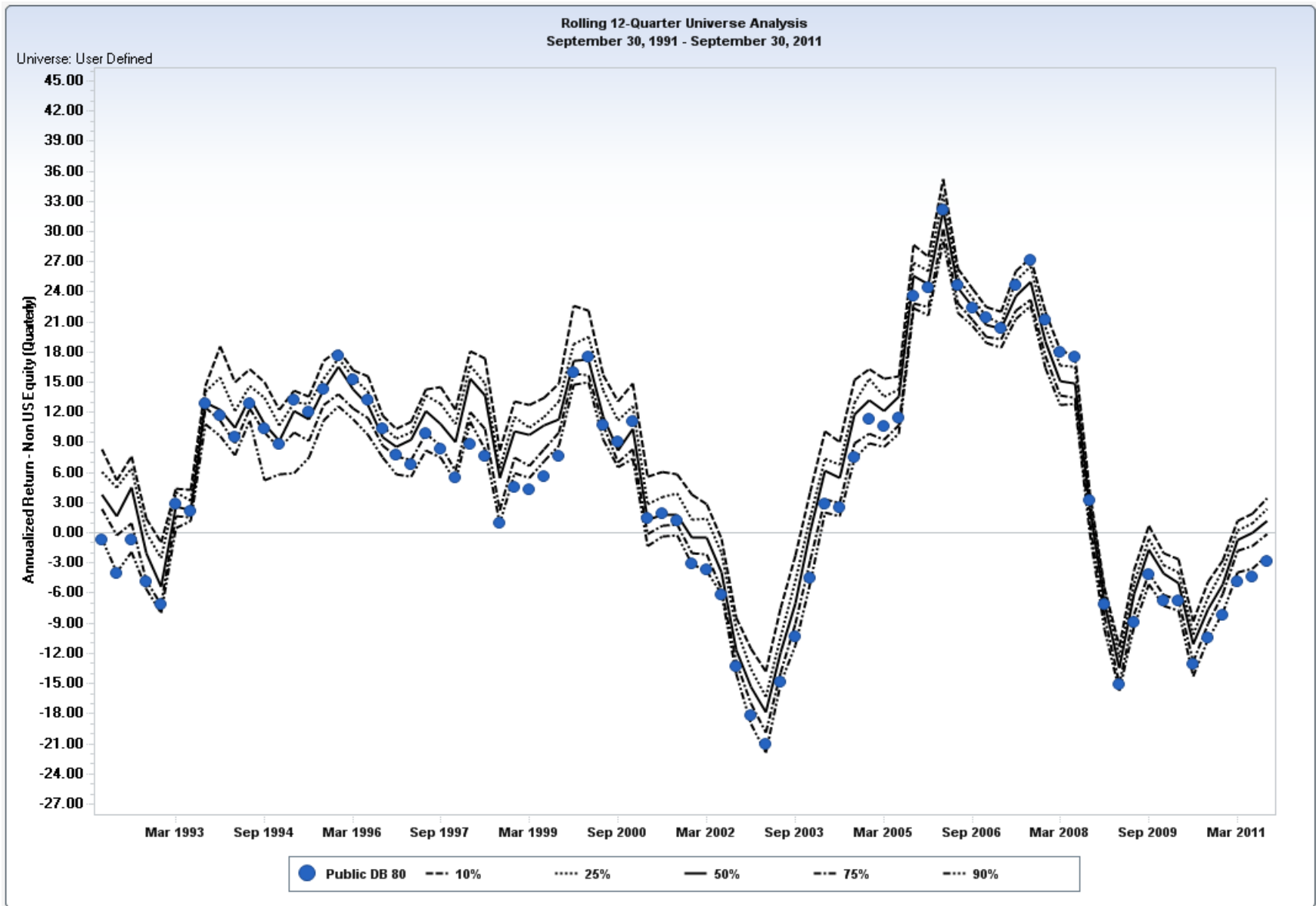


Non-U.S. Equity Return Ranking

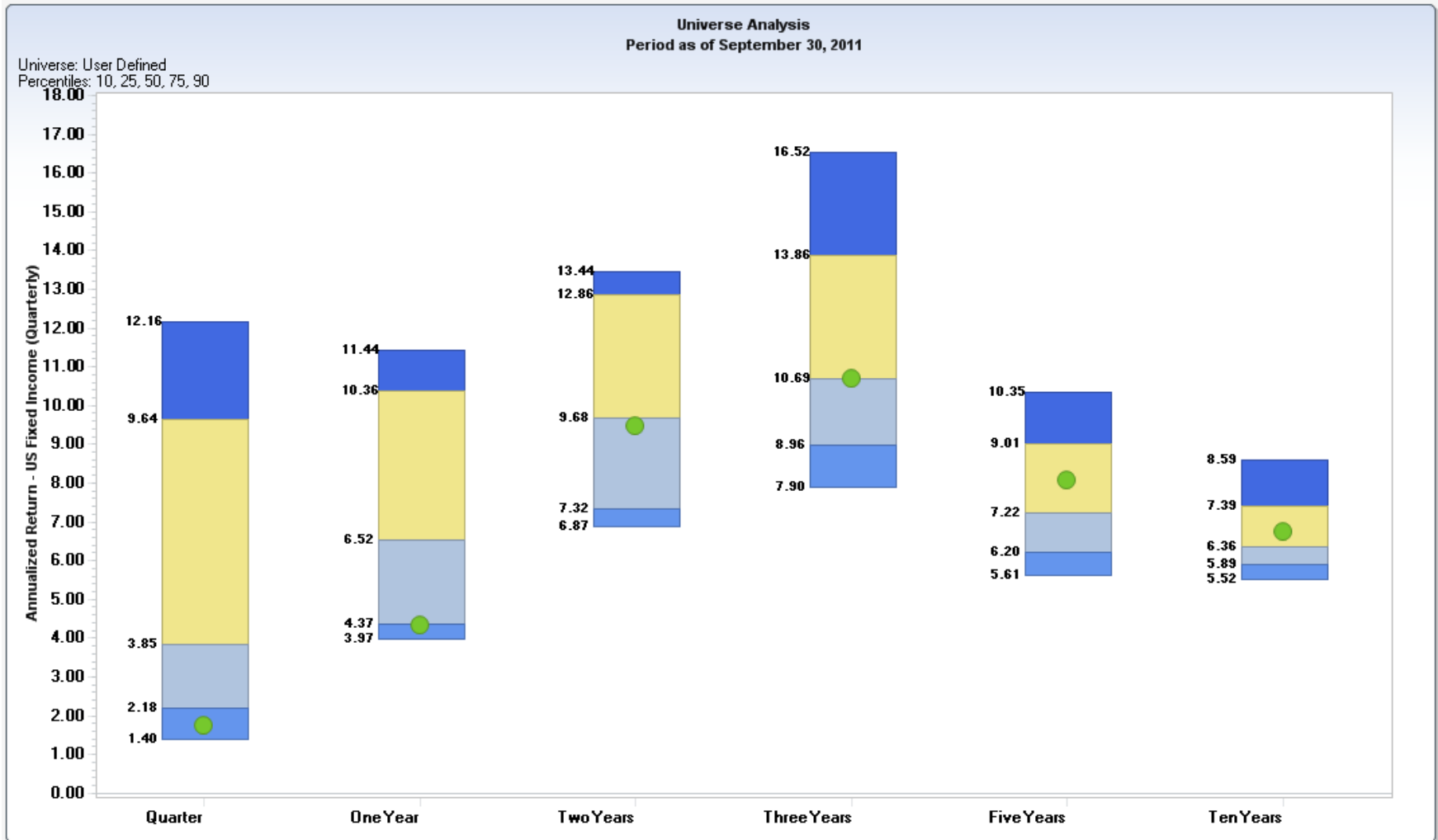


	Quarter	One Year	Two Years	Three Years	Five Years	Ten Years
● Public DB 80	-19.73 (61%)	-12.71 (94%)	-3.53 (88%)	-3.39 (97%)	-4.18 (87%)	4.37 (93%)
# of Products	34	34	33	33	31	29

Rolling 3-Year Performance (Non-U.S. Equity)

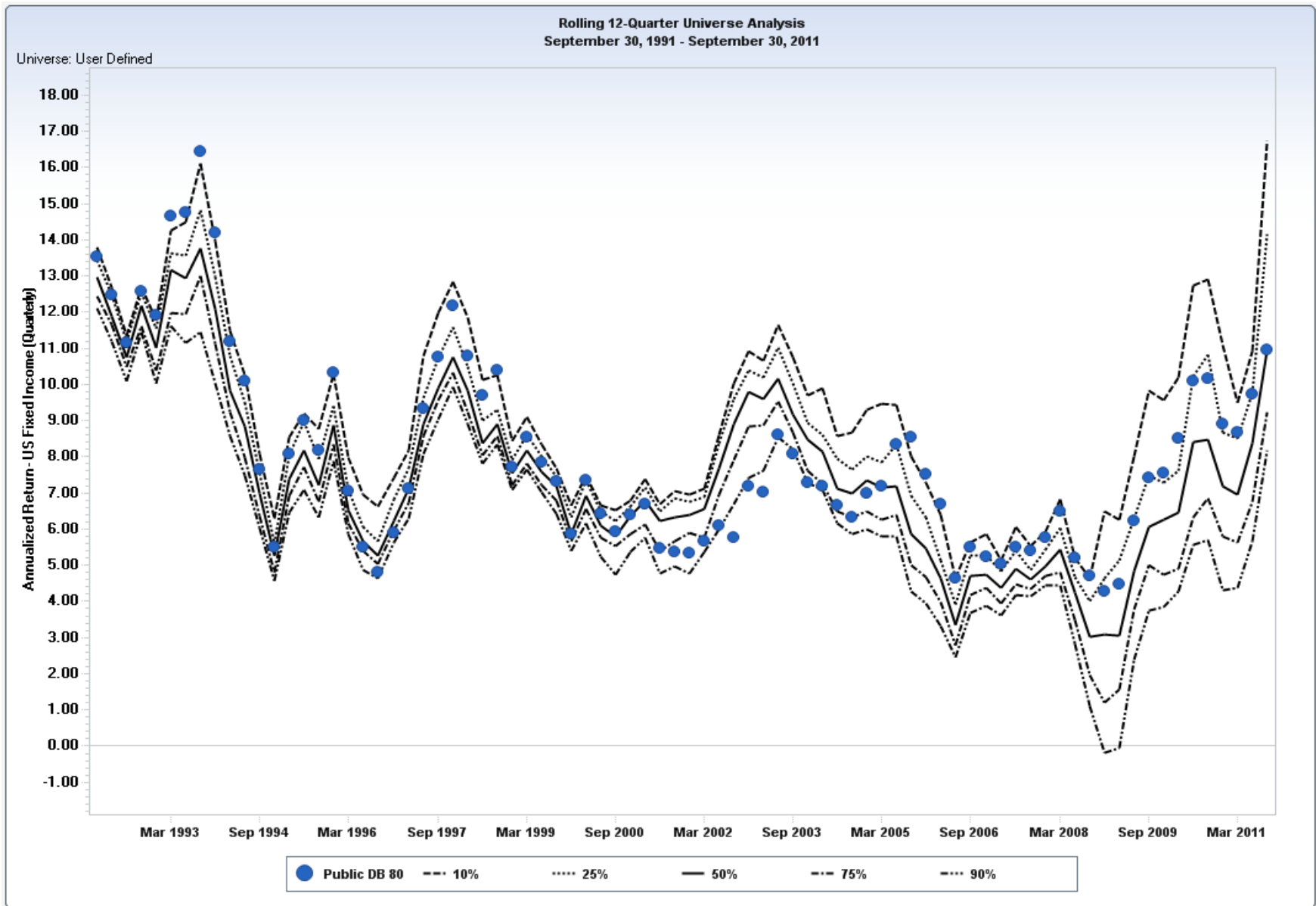


U.S. Fixed Income Return Ranking

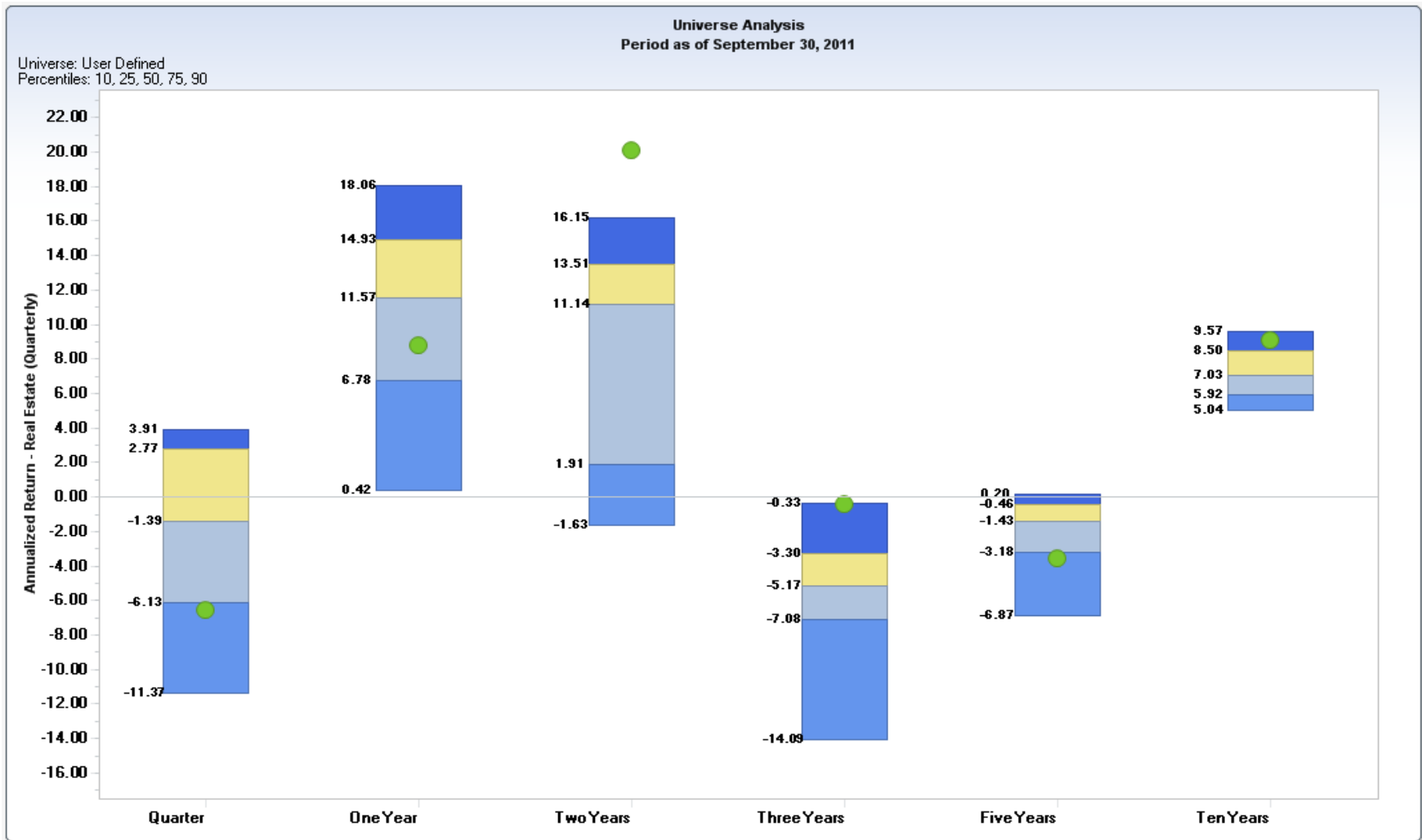


	Quarter	One Year	Two Years	Three Years	Five Years	Ten Years
● Public DB 80	1.74 (86%)	4.32 (83%)	9.47 (53%)	10.69 (50%)	8.08 (38%)	6.75 (37%)
# of Products	36	36	35	35	33	31

Rolling 3-Year Performance (U.S. Fixed Income)

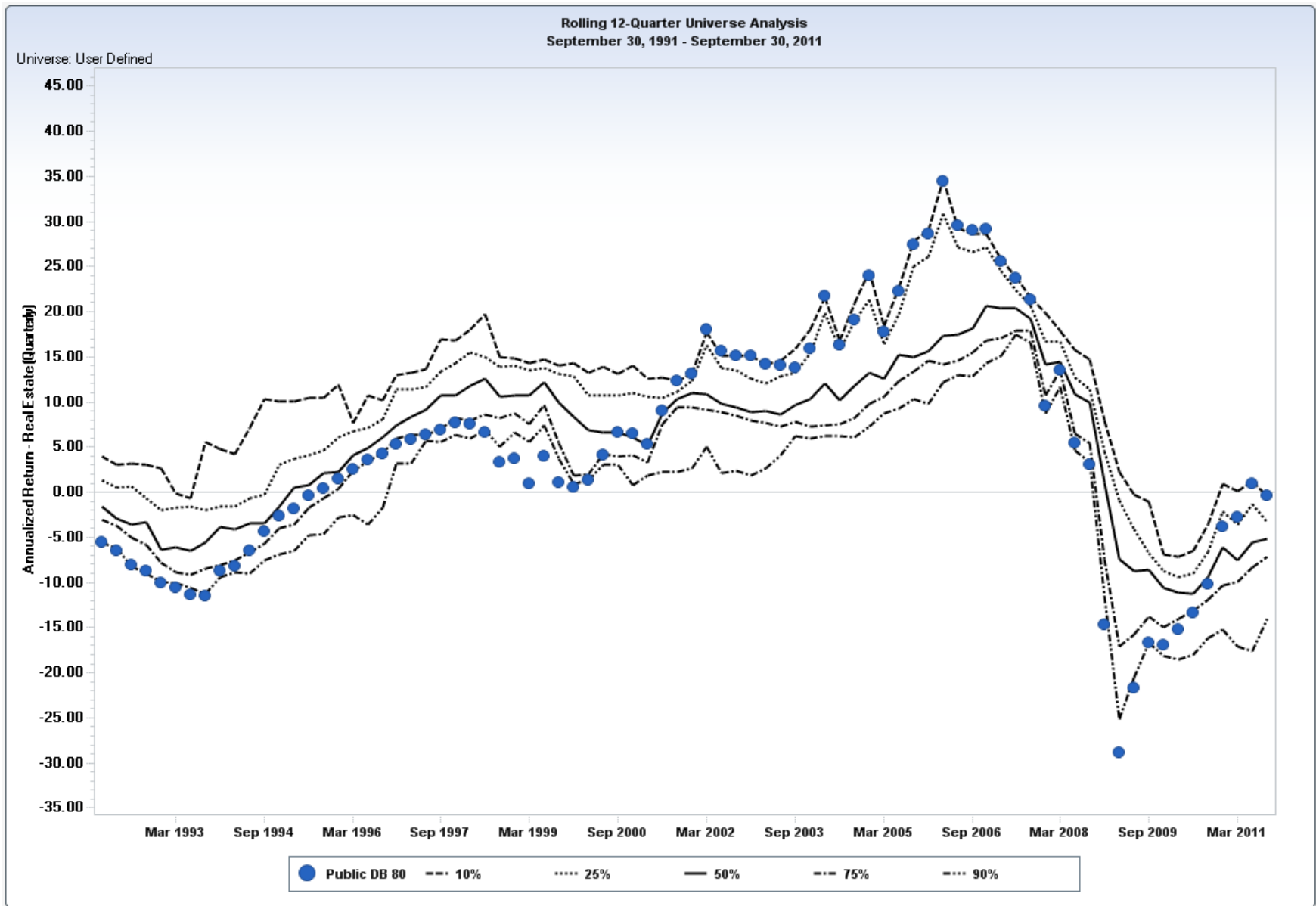


Real Estate Securities Return Ranking

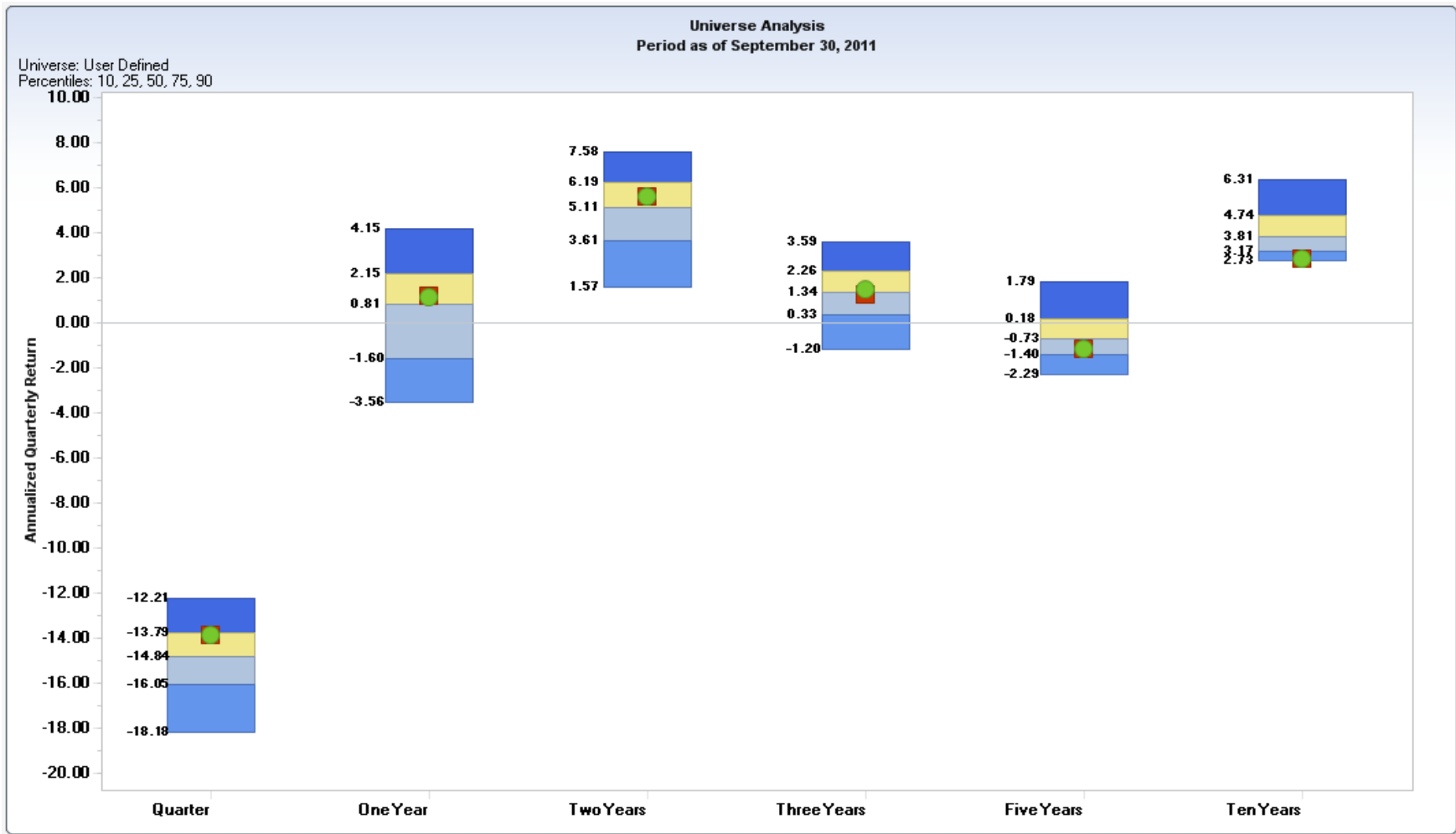


		Quarter	One Year	Two Years	Three Years	Five Years	Ten Years
●	Public DB 80	-6.54 (79%)	8.77 (74%)	20.10 (5%)	-0.41 (11%)	-3.60 (82%)	9.04 (18%)
	# of Products	20	20	20	19	18	12

Rolling 3-Year Performance (Real Estate Securities)

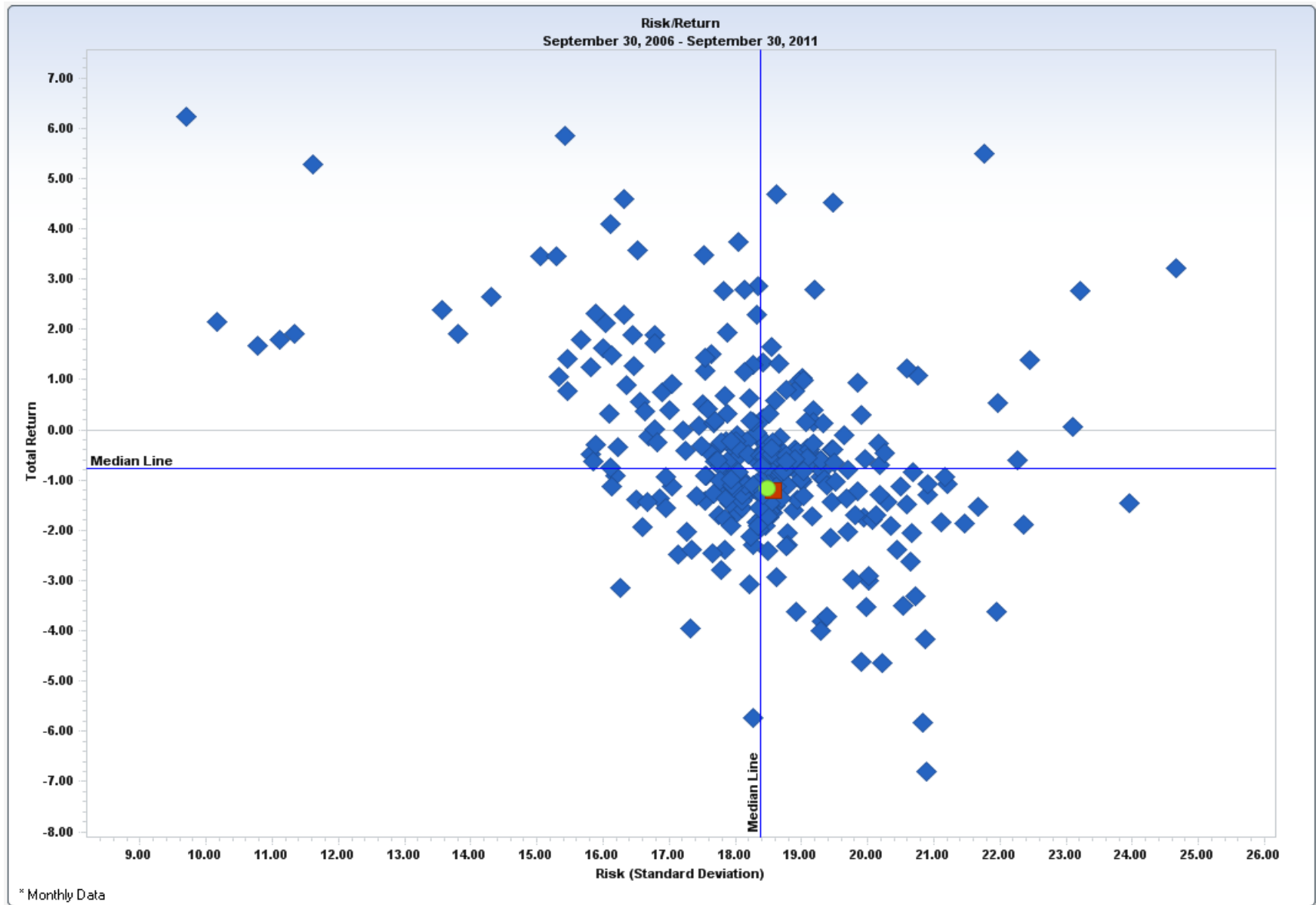


Northern Trust Large Core Return Ranking



	Quarter	One Year	Two Years	Three Years	Five Years	Ten Years
● NTGI SP5 Composite	-13.88 (29%)	1.13 (43%)	5.56 (41%)	1.48 (45%)	-1.20 (69%)	2.82 (87%)
■ S&P 500	-13.86 (28%)	1.15 (42%)	5.55 (41%)	1.23 (56%)	-1.17 (69%)	2.82 (88%)
■ # of Products	342	342	342	342	317	227

5-Year Return vs. Risk (NT Large Core)

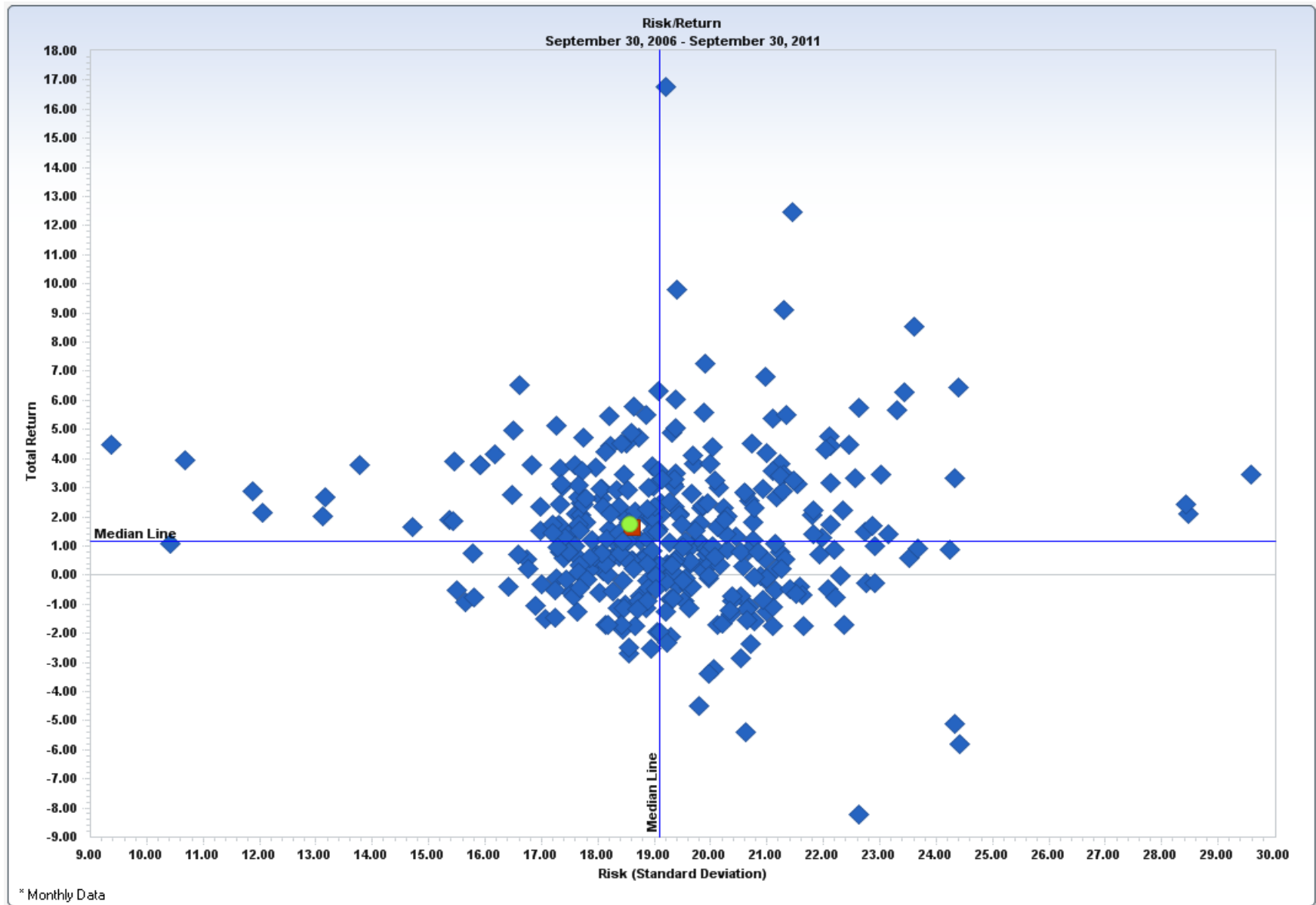


Northern Trust Large Growth Return Ranking

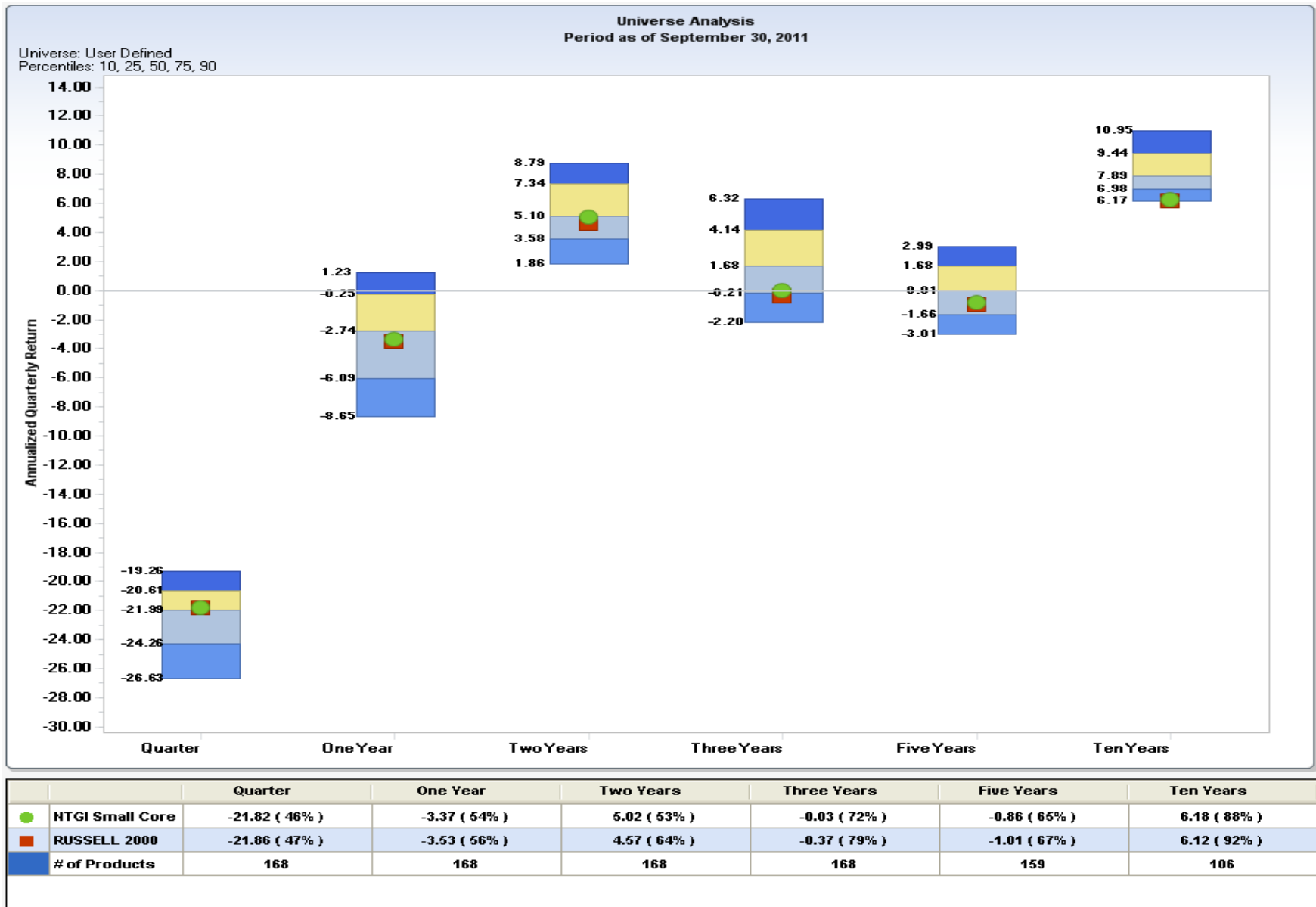


	Quarter	One Year	Two Years	Three Years	Five Years	Ten Years
● NTGI Large Growth	-13.16 (22%)	3.78 (23%)	8.37 (23%)	4.86 (27%)	1.72 (40%)	3.09 (78%)
■ RUSSELL 1000 Gro	-13.14 (21%)	3.78 (23%)	8.13 (27%)	4.69 (29%)	1.62 (42%)	3.01 (80%)
■ # of Products	400	400	400	400	366	267

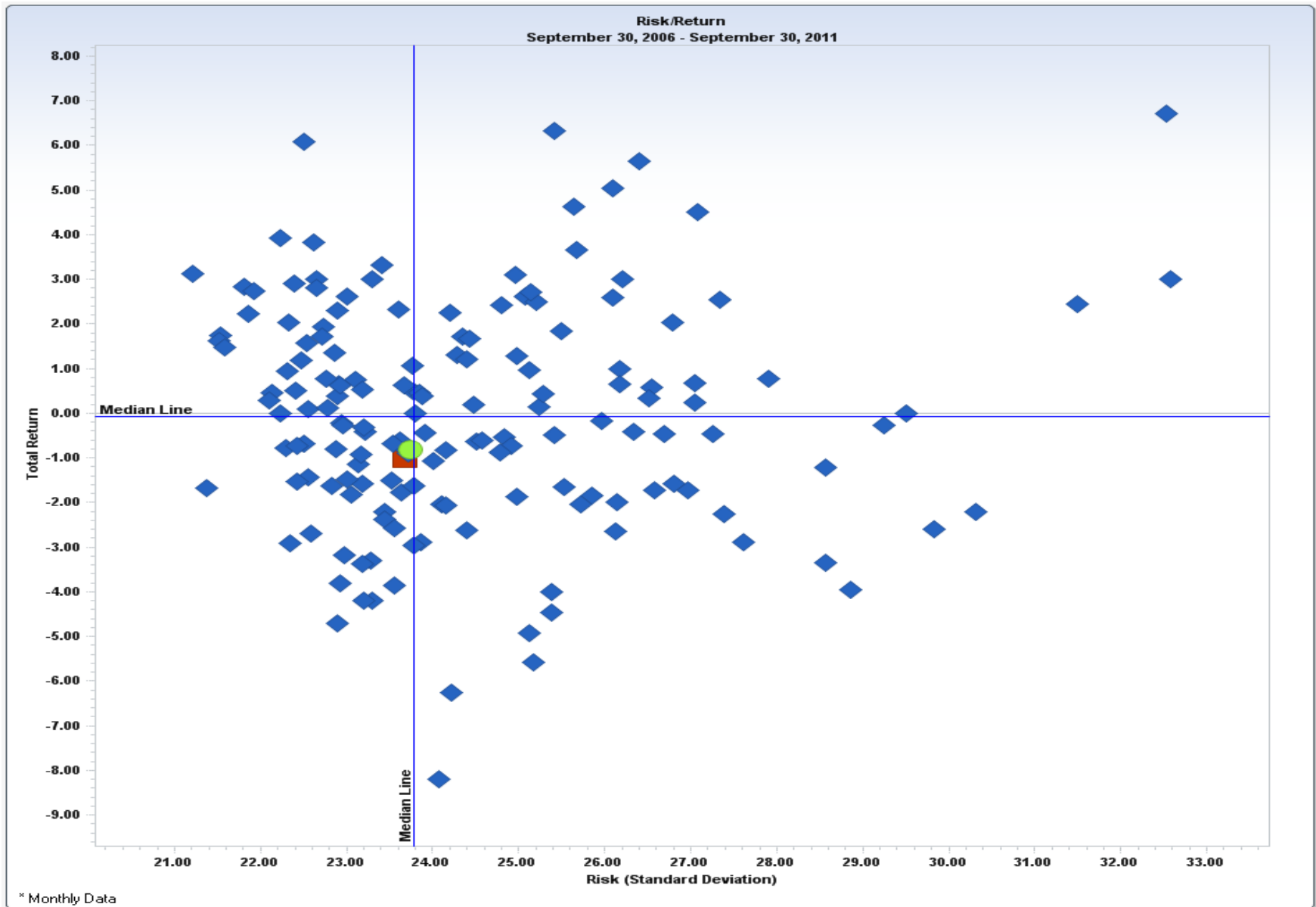
5-Year Return vs. Risk (NT Large Growth)



Northern Trust Small Cap Return Ranking



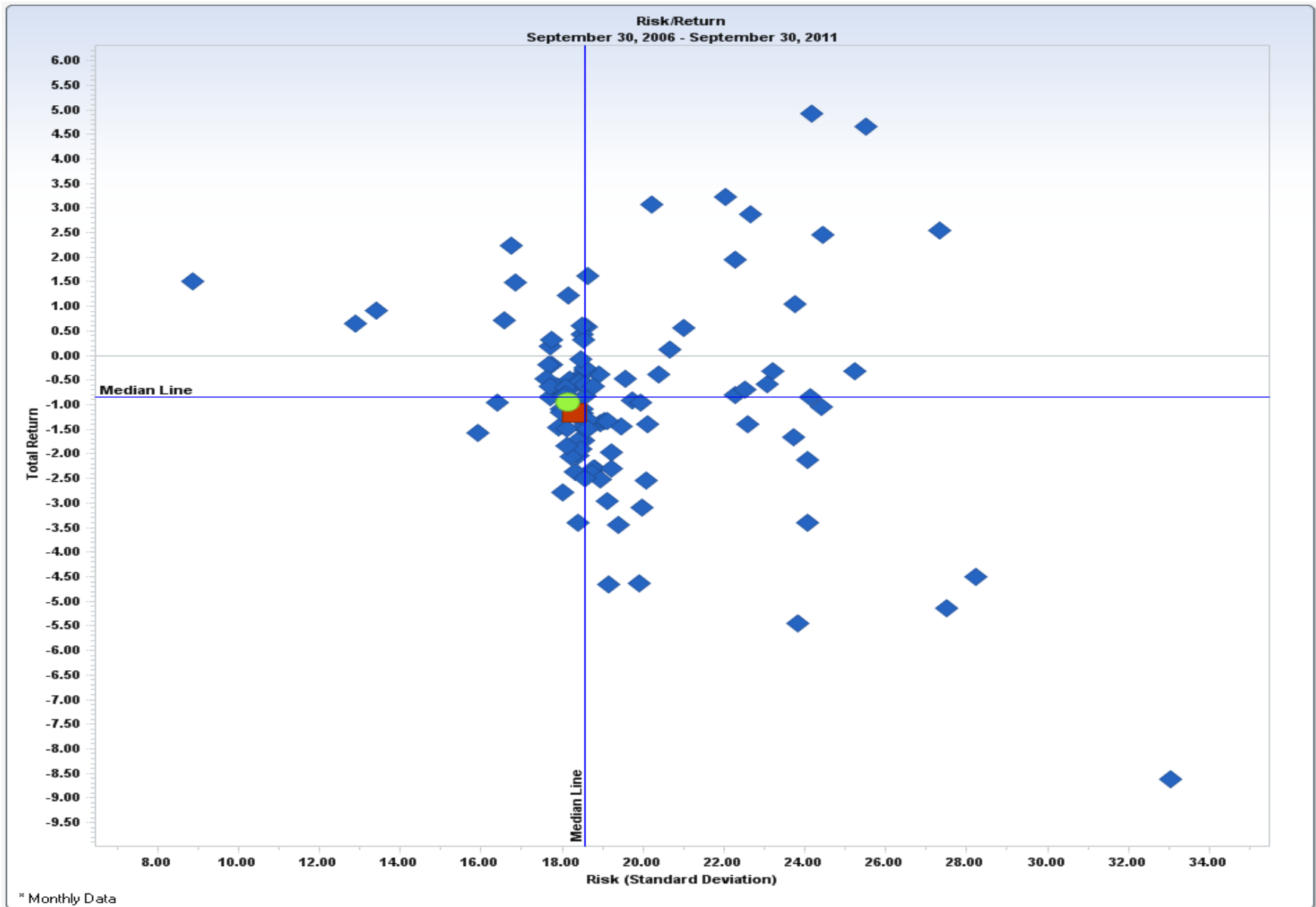
5-Year Return vs. Risk (NT Small Cap)



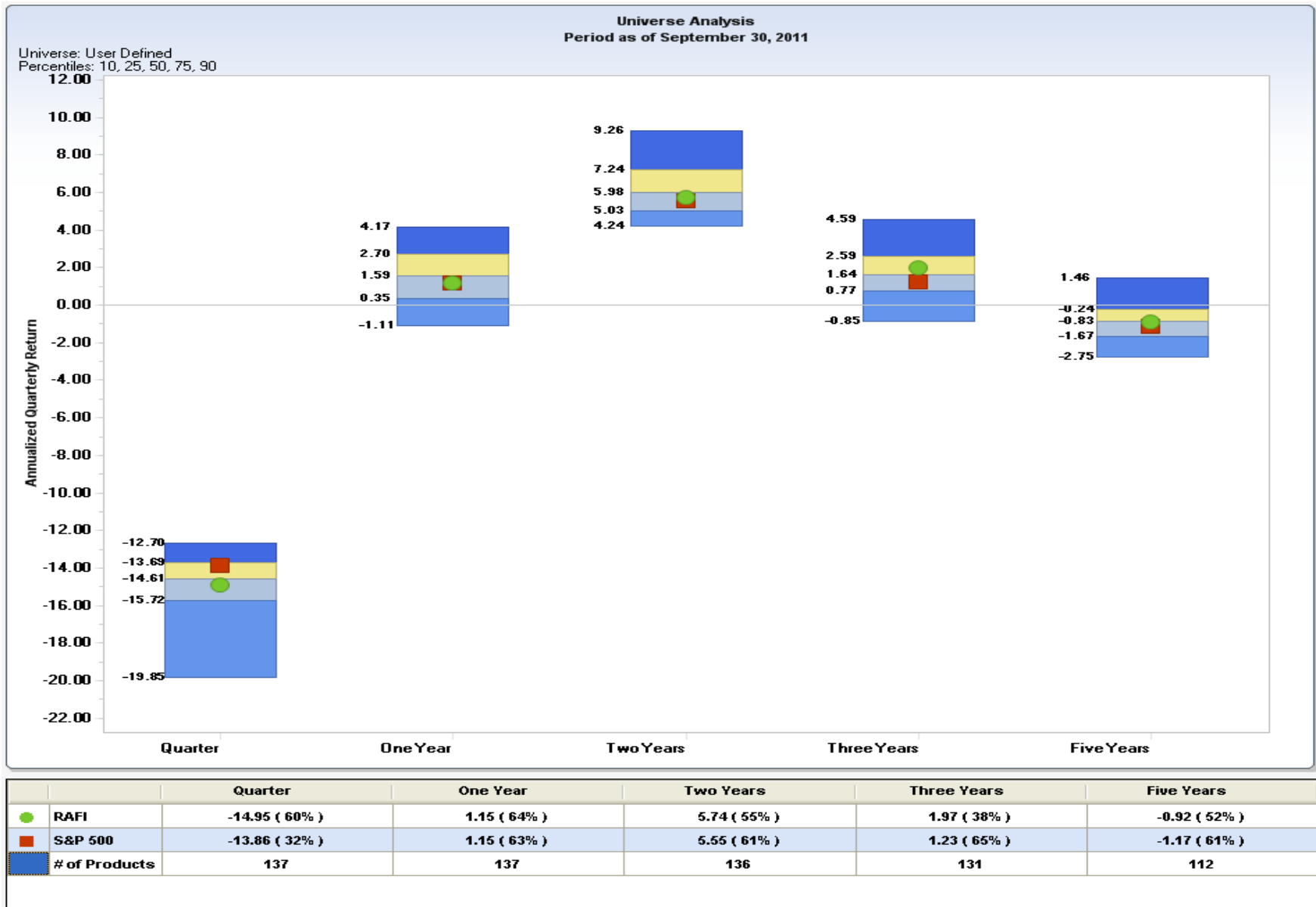
INTECH Return Ranking



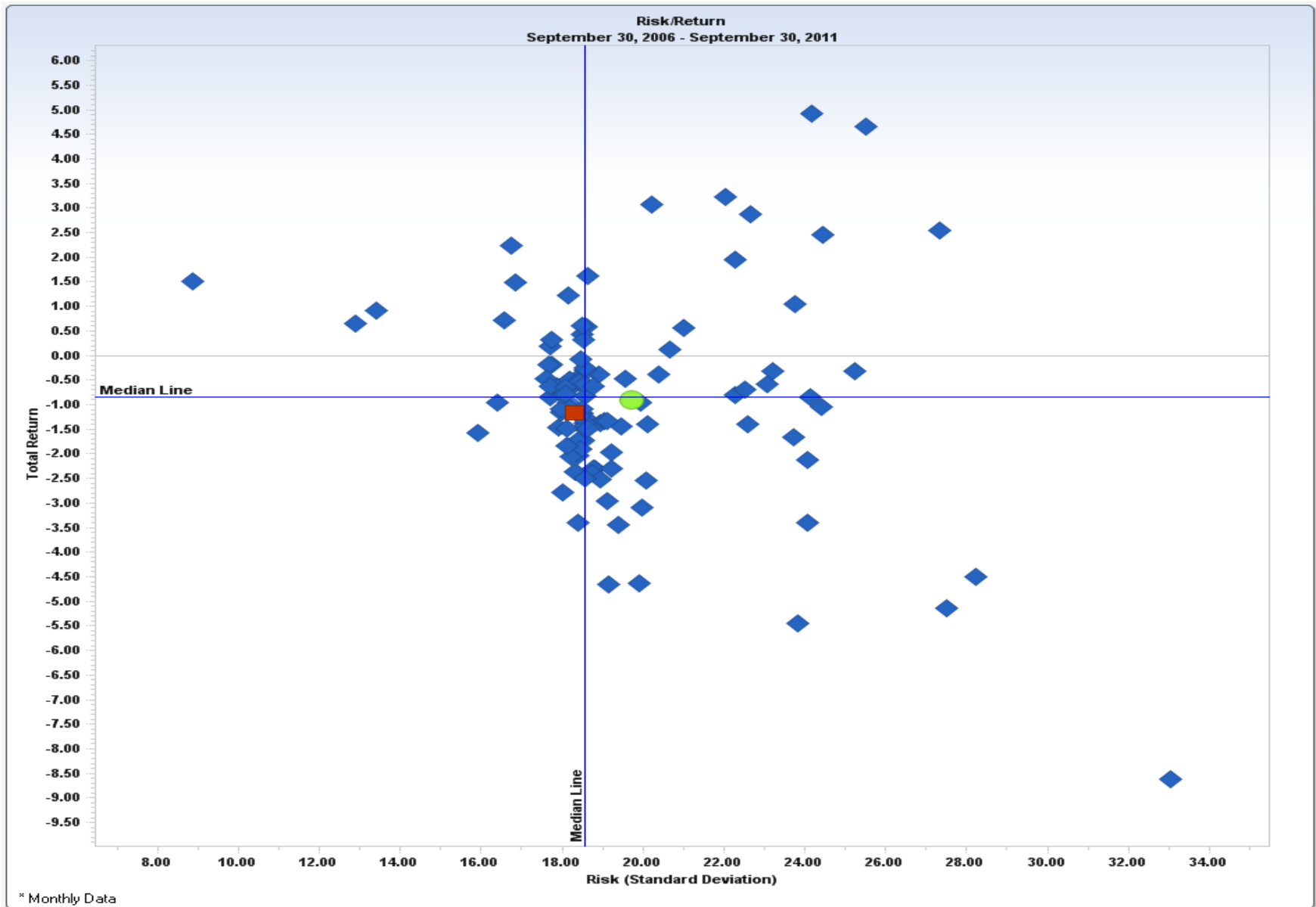
5-Year Return vs. Risk (INTECH)



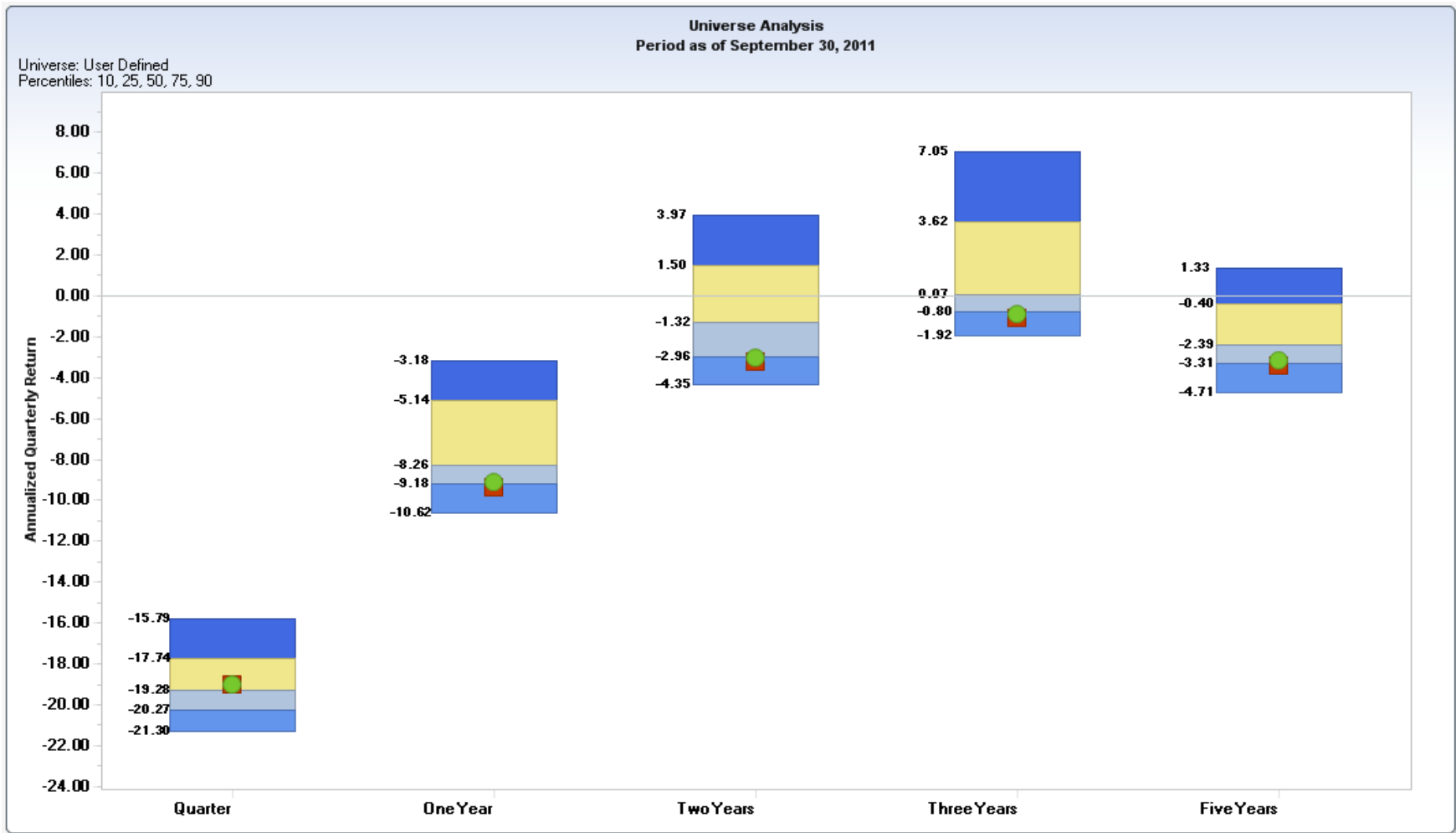
Research Affiliates Return Ranking



5-Year Return vs. Risk (Research Affiliates)

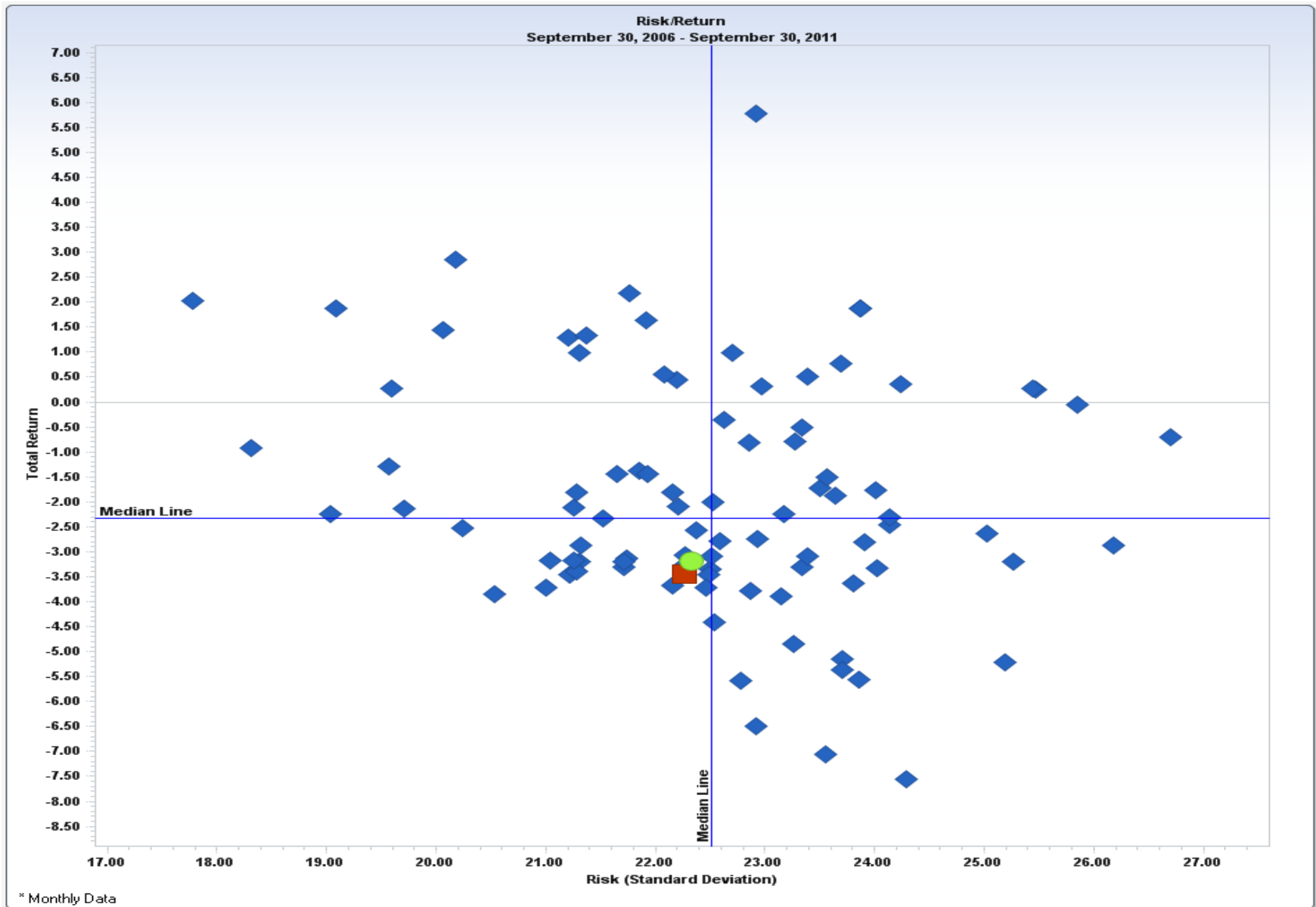


Northern Trust EAFE Return Ranking

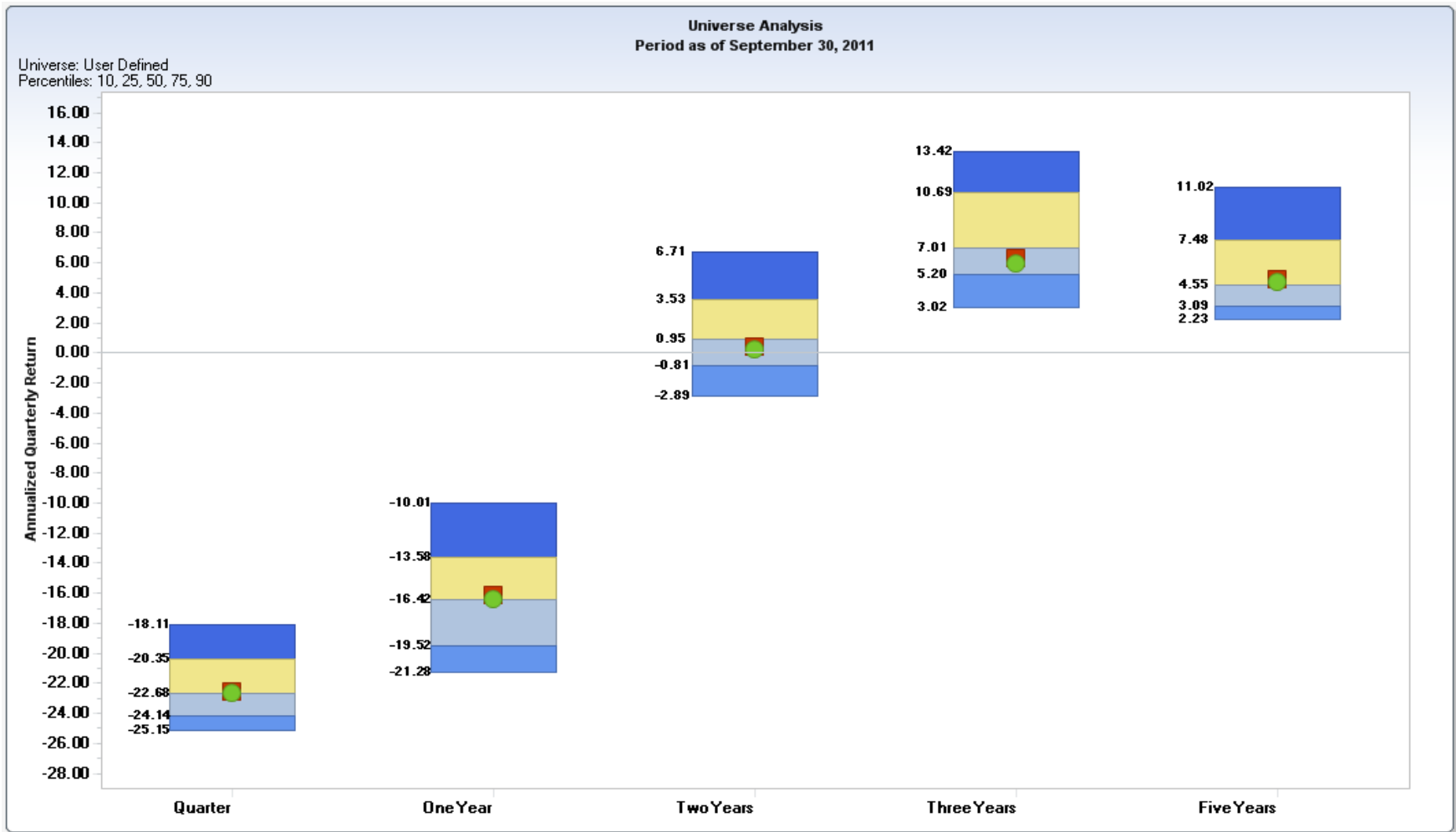


	Quarter	One Year	Two Years	Three Years	Five Years
● NTGI EAFE	-19.06 (48%)	-9.13 (73%)	-3.03 (77%)	-0.91 (78%)	-3.19 (70%)
■ MSCI EAFE \$N	-19.01 (46%)	-9.36 (78%)	-3.25 (82%)	-1.13 (79%)	-3.46 (81%)
■ # of Products	111	110	108	106	94

5-Year Return vs. Risk (NT EAFE)

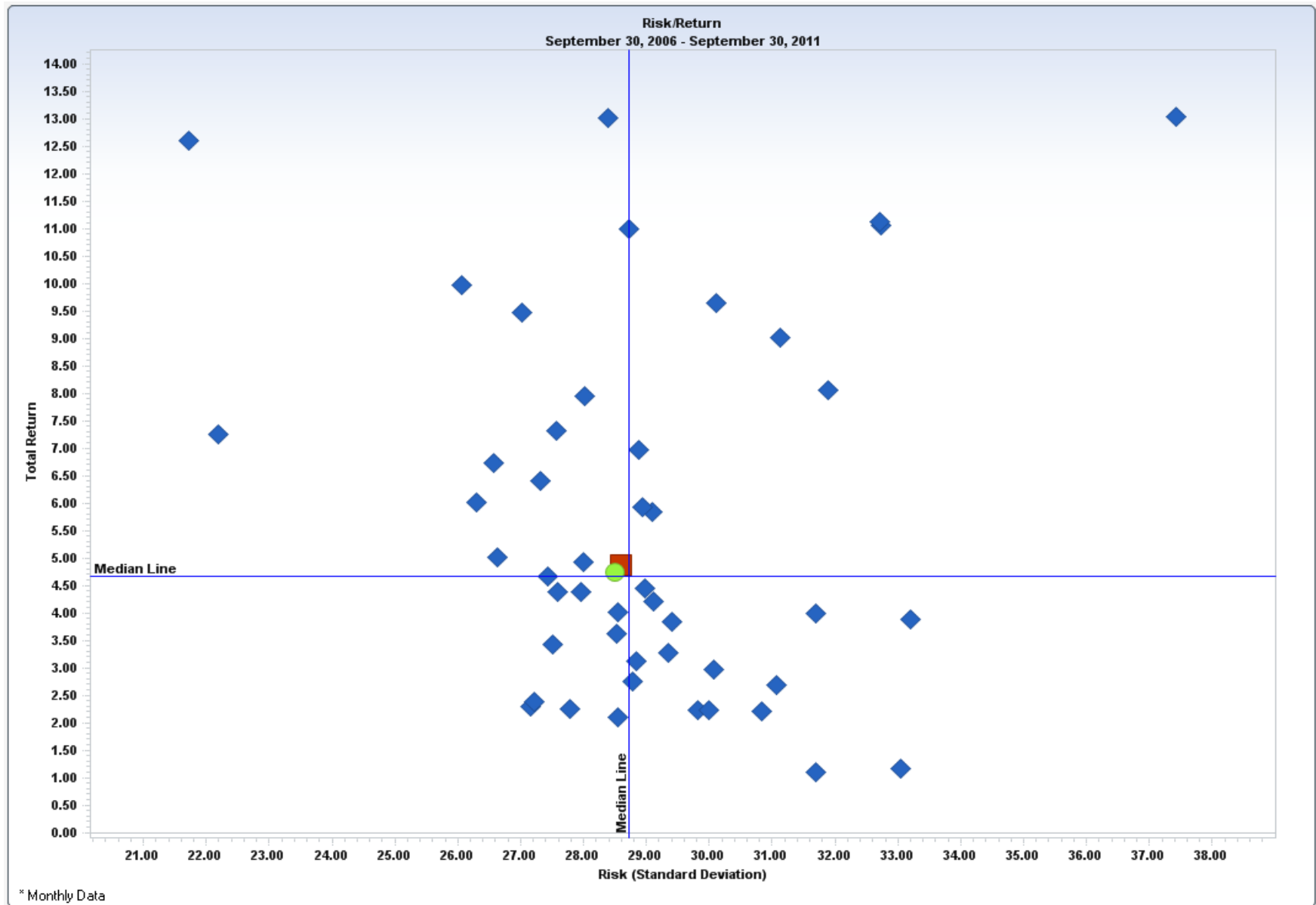


Northern Trust Emerging Markets Return Ranking

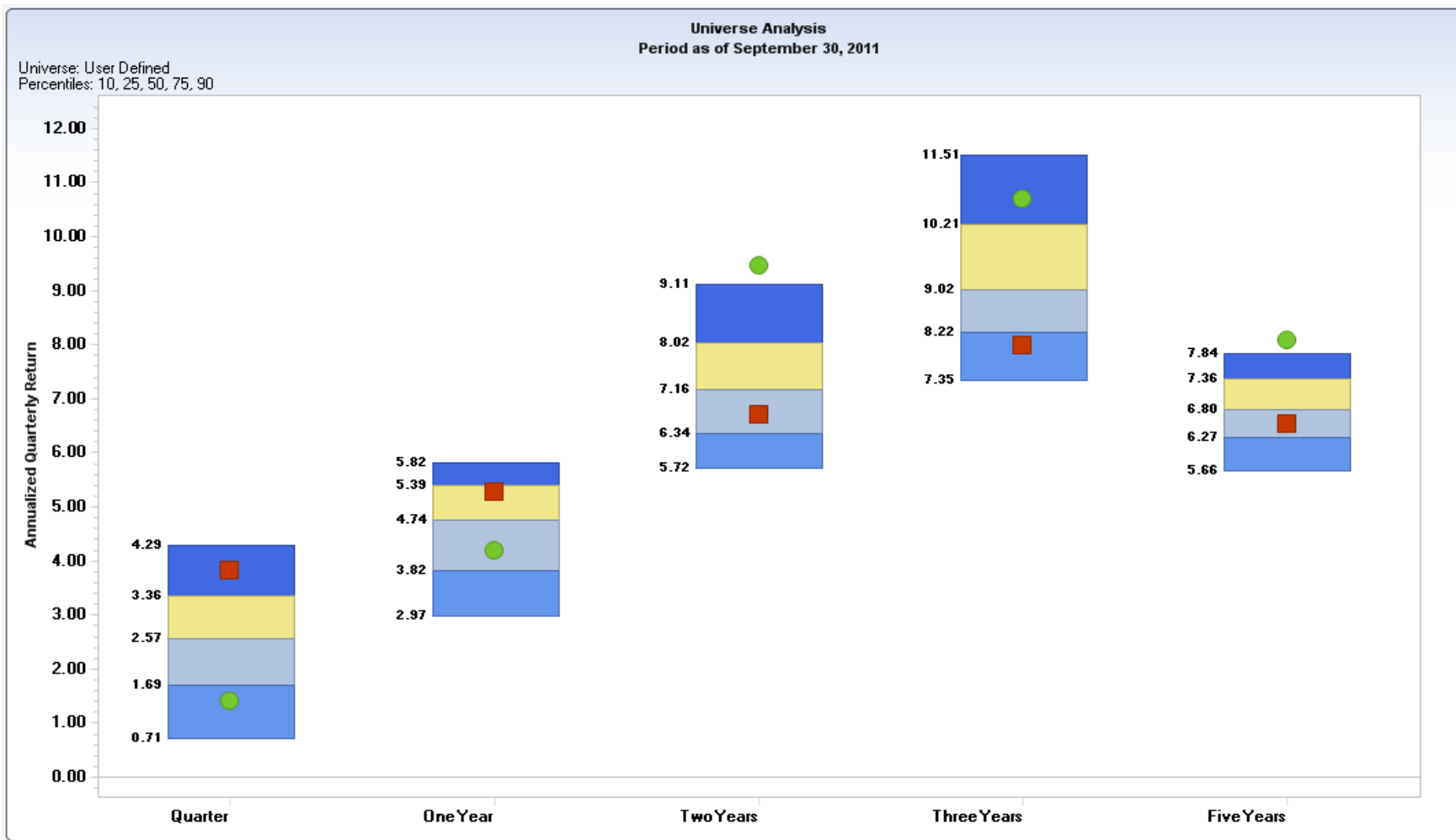


	Quarter	One Year	Two Years	Three Years	Five Years
● NTGI EM	-22.64 (49%)	-16.42 (50%)	0.23 (59%)	5.92 (64%)	4.74 (47%)
■ MSCI Emerging \$M	-22.56 (45%)	-16.15 (46%)	0.40 (57%)	6.27 (55%)	4.87 (45%)
# of Products	78	77	65	62	48

5-Year Return vs. Risk (NT Emerging Markets)

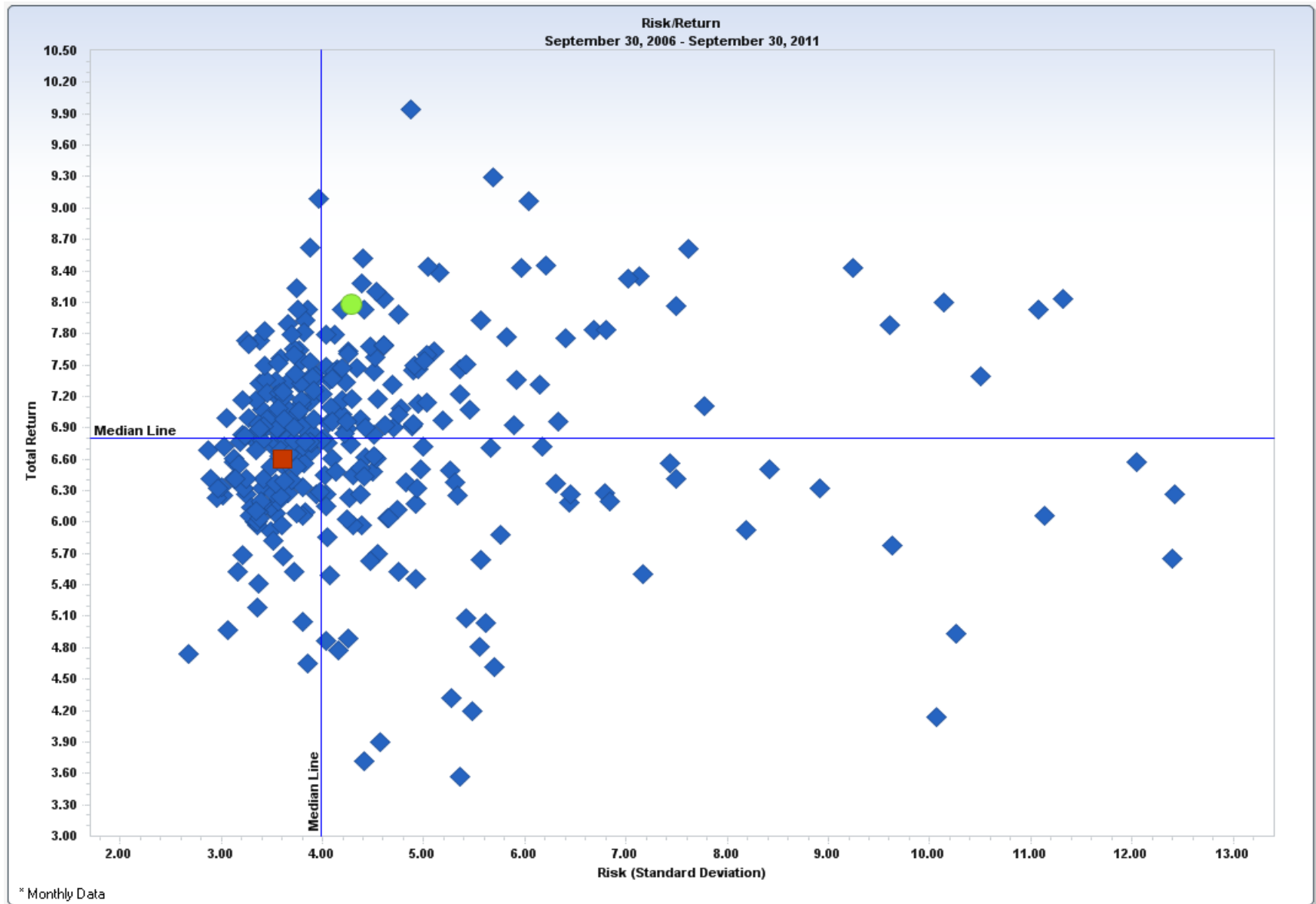


MetWest (TCW) Return Ranking

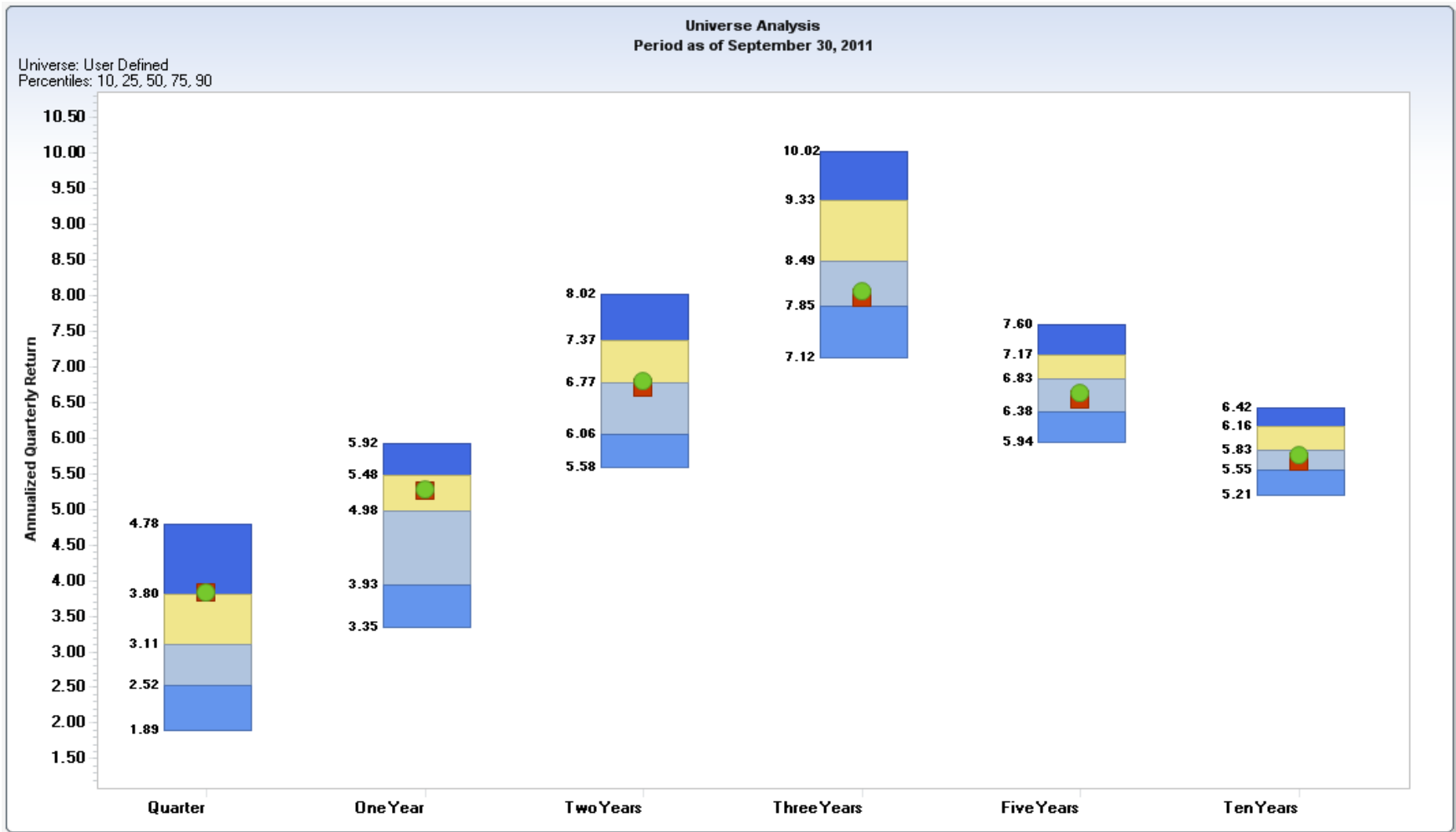


	Quarter	One Year	Two Years	Three Years	Five Years
● MetWest	1.41 (81%)	4.19 (64%)	9.45 (6%)	10.68 (18%)	8.07 (6%)
■ BC Aggregate	3.82 (15%)	5.26 (30%)	6.70 (64%)	7.97 (81%)	6.53 (64%)
■ # of Products	354	353	346	338	324

5-Year Return vs. Risk (MetWest (TCW))

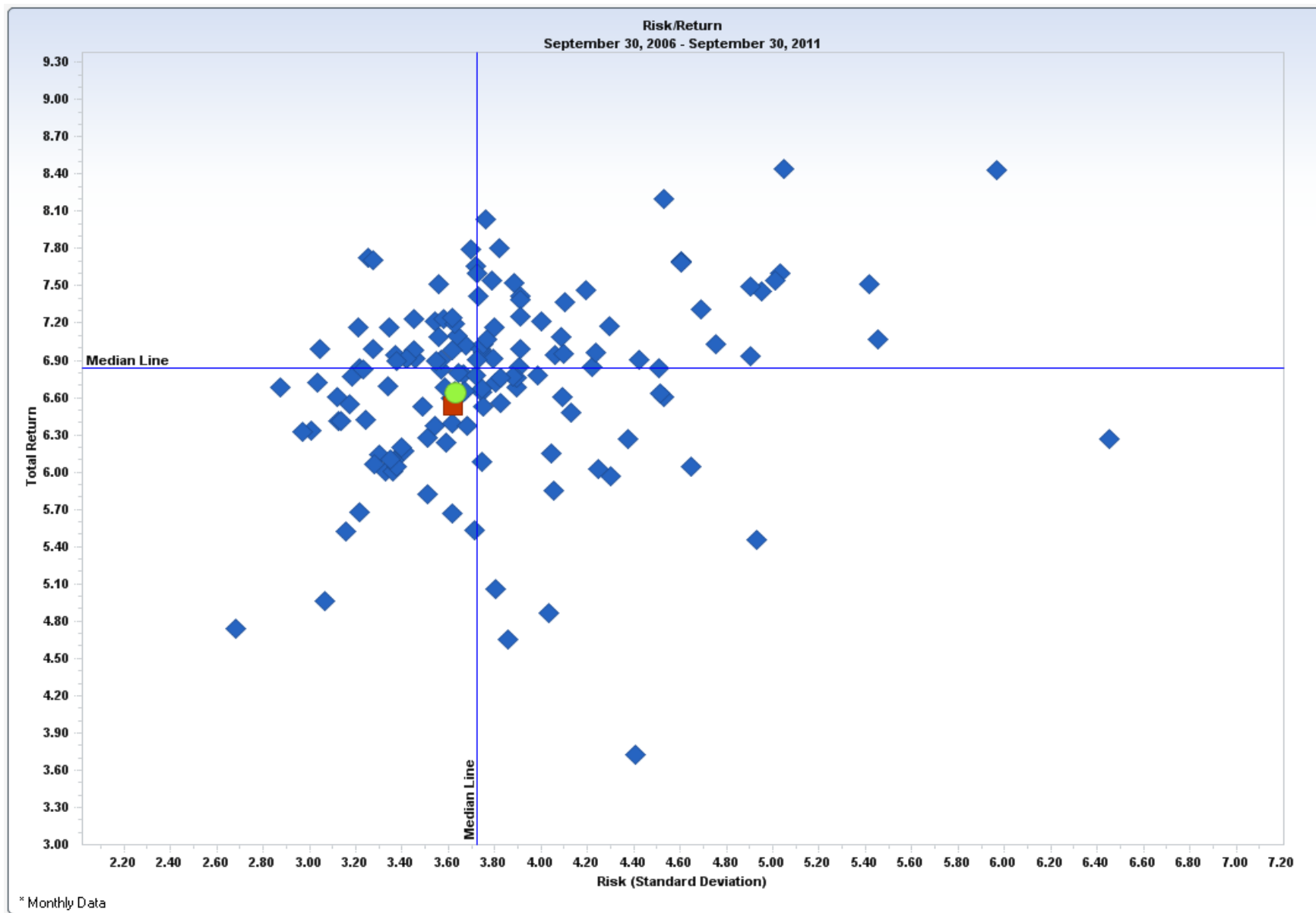


BlackRock U.S. Debt Fund Return Ranking

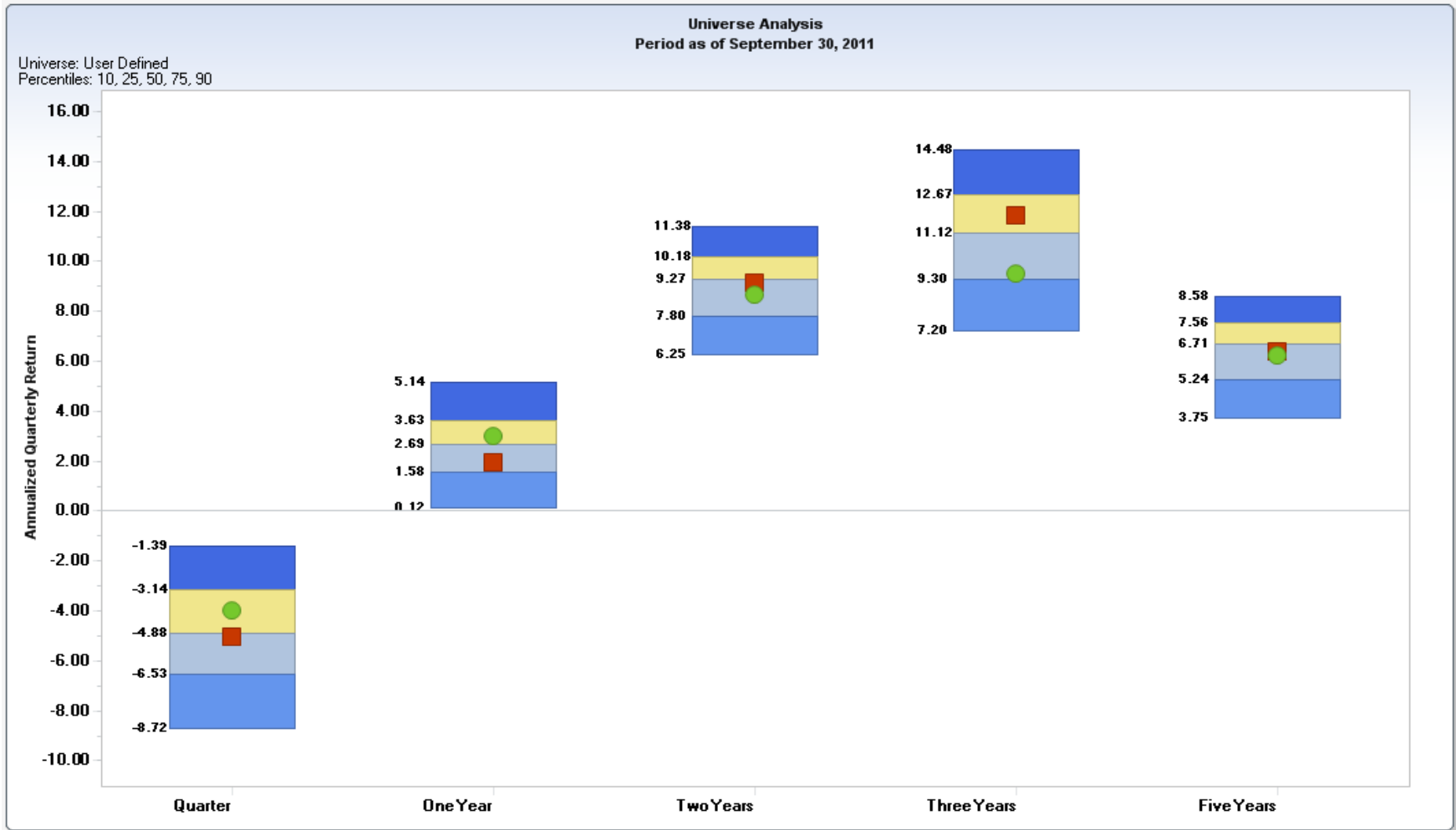


	Quarter	One Year	Two Years	Three Years	Five Years	Ten Years
● BlackRock Core Fix Fund	3.83 (22%)	5.27 (33%)	6.79 (48%)	8.05 (67%)	6.63 (65%)	5.76 (58%)
■ BC Aggregate	3.82 (23%)	5.26 (34%)	6.70 (54%)	7.97 (71%)	6.53 (71%)	5.67 (66%)
# of Products	163	163	159	154	148	134

5-Year Return vs. Risk (BlackRock U.S. Debt Fund)

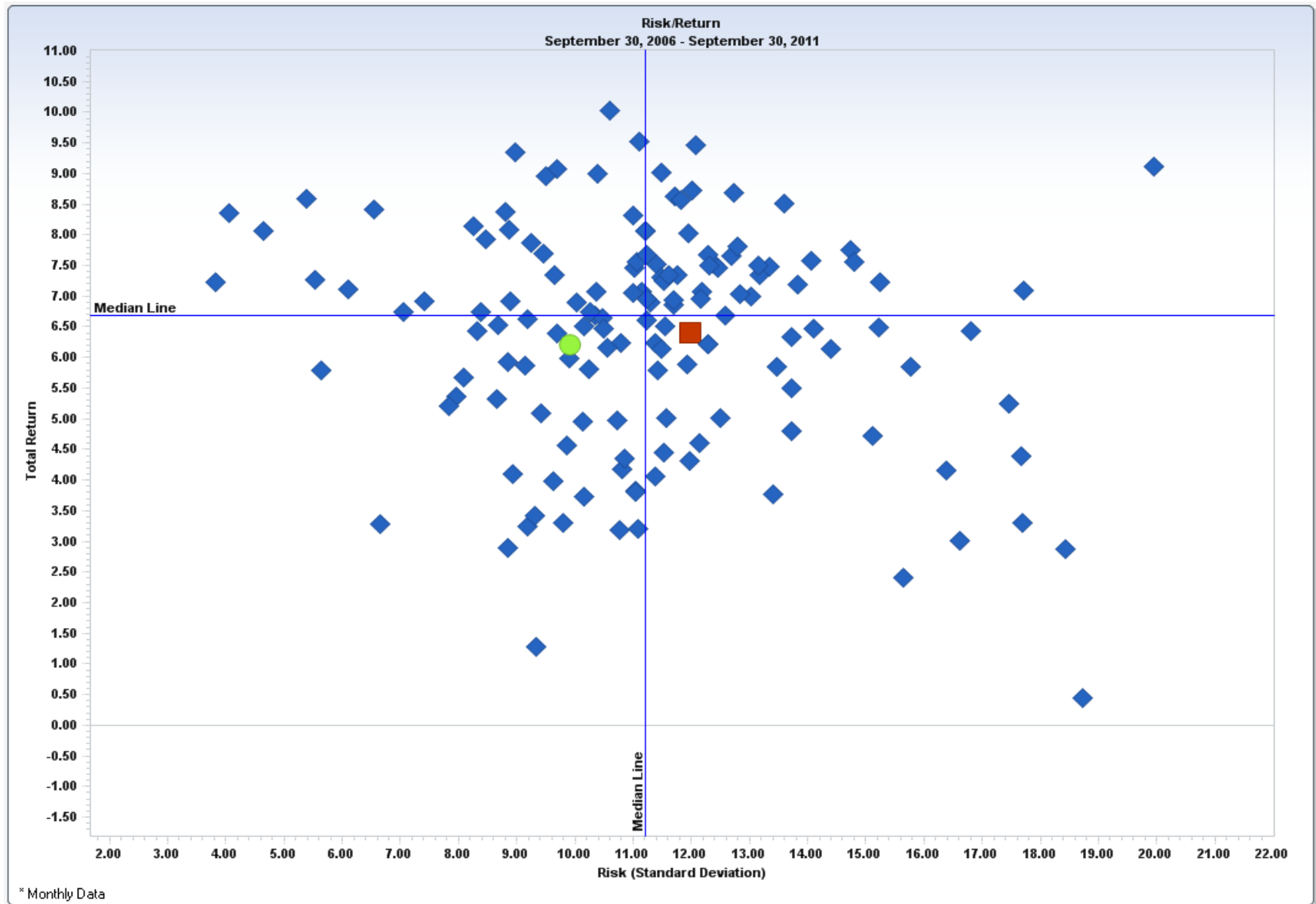


Post Advisory Return Ranking



	Quarter	One Year	Two Years	Three Years	Five Years
● Post	-3.99 (39%)	2.96 (44%)	8.65 (62%)	9.52 (72%)	6.19 (63%)
■ Merrill HY BBBC	-5.03 (55%)	1.93 (70%)	9.10 (53%)	11.84 (40%)	6.39 (59%)
# of Products	185	184	176	168	148

5-Year Return vs. Risk (Post Advisory)

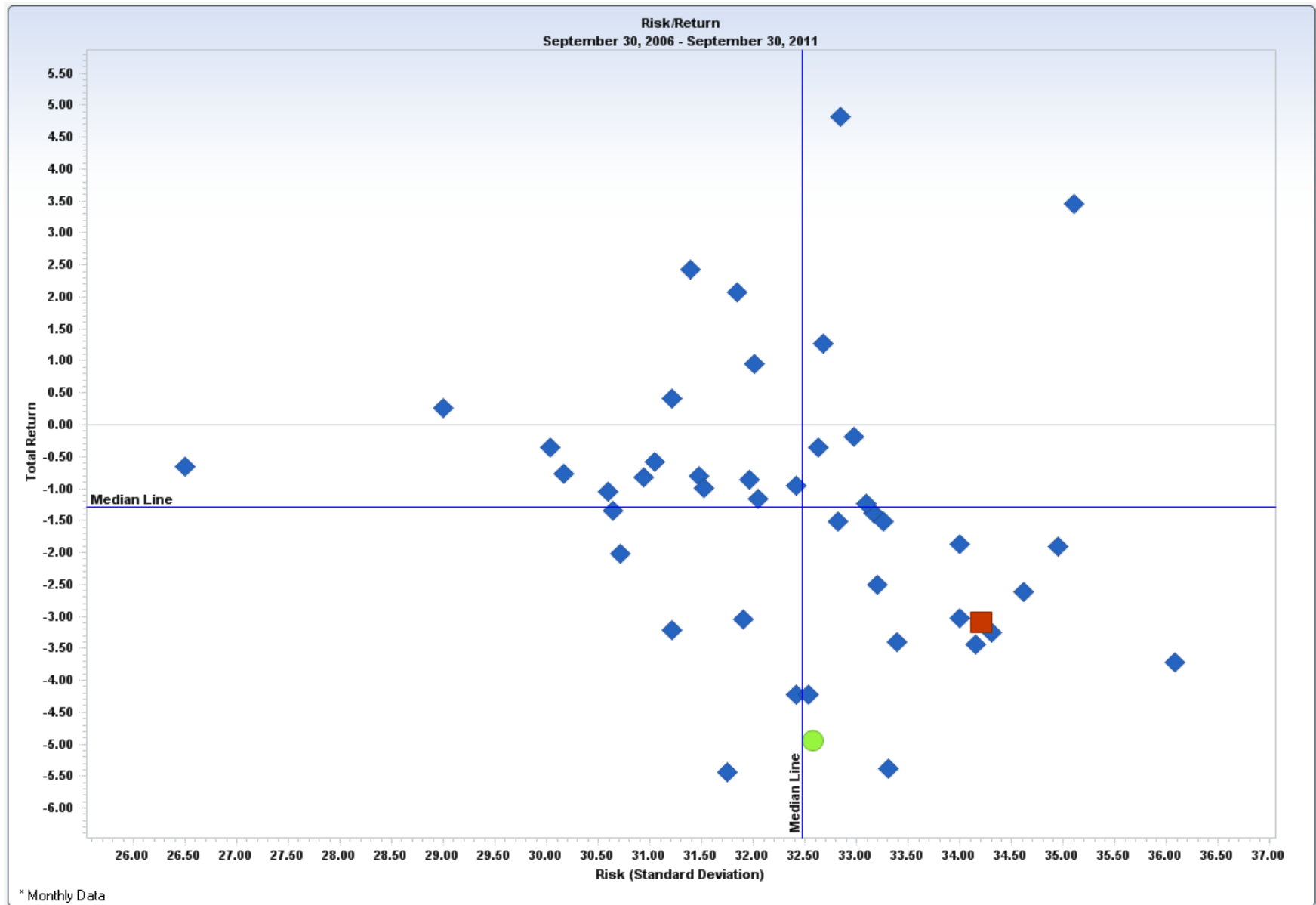


Adelante Capital Return Ranking



	Quarter	One Year	Two Years	Three Years	Five Years	Ten Years
● Adelante	-14.11 (25%)	1.36 (66%)	15.94 (36%)	-2.73 (82%)	-4.95 (95%)	8.27 (95%)
■ WIL REIT	-14.64 (42%)	2.10 (41%)	15.26 (49%)	-2.05 (76%)	-3.11 (78%)	9.11 (88%)
# of Products	49	48	48	45	44	40

5-Year Return vs. Risk (Adelante Capital)



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Tacoma Employees' Retirement System

INVESTMENT POLICY STATEMENT

May 2011

A. PURPOSE

The Investment Policy Statement ("IPS") of the Tacoma Employees' Retirement System (the "Plan") will provide the framework for the management of the Plan's assets. The policy sets forth an investment structure for managing Plan assets which include various asset classes, allocations among asset classes, acceptable ranges, and investment management styles that, together, are expected to produce a sufficient level of overall diversification and total investment return over the long-term. It has been designed to allow for sufficient flexibility in the management process to capture investment opportunities as they may occur, yet provide reasonable parameters to ensure prudence and care in the execution of the investment program.

The IPS has been formulated to encourage effective communication between the Board, Staff, the Investment Consultant, and money managers. Additionally, the policy establishes criteria for monitoring, evaluating and comparing the performance results achieved by the Plan on a regular basis.

The cornerstone of this policy is the belief that there is a direct correlation between risk and return for any investment alternative. While such a proposition is reasonable, it is also probable based on empirical investigations. It is the stated intent of the Board to diversify between various investments types as deemed suitable.

B. GENERAL INVESTMENT GOALS

The general investment goals are broad in nature to encompass the purpose of the Plan and its investments. They articulate the philosophy by which the Board will manage the Plan's assets within the applicable regulatory constraints.

1. The overall goal of the Plan is to provide benefits to its participants and their beneficiaries through a carefully planned and executed investment program.
2. The Plan seeks to produce the highest return on investment which is consistent with sufficient liquidity and investment risks that are prudent and reasonable, given prevailing capital market conditions. While the importance of the preservation of capital is recognized, the theory of capital market pricing, which maintains that varying degrees of investment risk should be rewarded with compensating returns, is also recognized. Consequently, prudent risk taking is reasonable and necessary.

3. The Plan's investment program shall at all times comply with applicable local, state and federal regulations.

C. GENERAL INVESTMENT POLICIES

1. In developing the IPS, the Board shall periodically request asset allocation studies that consider the current and expected condition of the Plan, the expected long term capital market outlook and the Plan's risk tolerance. The asset allocation study shall measure the potential impact on pension costs of alternative asset allocation policies based on various degrees of diversification in terms of risk and return and the existing and projected liability structure of the Plan. The Board will undertake asset allocation studies no less frequently than every five years, and shall determine (1) the asset classes to be included in the investment portfolio, (2) the targeted or normal commitments to each asset class to achieve the desired level of diversification and return (collectively, the "Strategic Asset Allocation"), and (3) the range in which the commitments are permitted to fluctuate.

2. The Strategic Asset Allocation shall be sufficiently diversified to maintain investment risk at a reasonable level, as determined by the Board, without imprudently sacrificing return and may take into account the following factors:

- a. the historical performance of capital markets adjusted for the perception of the future short and long-term capital market performance;
- b. the correlation of returns among the relevant asset classes;
- c. the perception of future economic conditions, including inflation and interest rate assumptions;
- d. the projected liability stream of benefits and the costs of funding Plan benefits;
- e. the relationship between the current and projected assets of the Plan and the projected actuarial liability stream.

3. Taking into account the Strategic Asset Allocation, as it deems appropriate, the Board shall determine the specific allocation of the Plan's investments within the various asset classes. The Board will implement the Strategic Asset Allocation by selecting one or more external investment managers with demonstrated experience and expertise in the appropriate investment classes and styles. The Board will set investment guidelines for the managers, which set forth the list of authorized investments, the typical portfolio characteristics, and portfolio constraints where applicable, for each strategy. The Board will regularly review each manager's investment performance on a total return basis against stated objectives. Formal meetings with the Plan's investment managers will be held at Board meetings as needed to discuss objectives, styles and returns or other matters deemed important by the Board.

4. A custodian bank shall hold the Plan's assets, settling purchases and sales of securities, identifying and collecting income which becomes due and payable on assets held, and providing management information and systems for accounting for the assets.
5. The Board may retain independent professional investment consultants to assist in the development and implementation of the IPS, and to monitor, oversee, report on and make recommendations with respect to the activity of current and, if appropriate, prospective investment managers, as well as the asset class structures.
6. It is the responsibility of the Board to manage the investments of the Plan at reasonable cost, being careful to avoid sacrificing quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to the Plan.
7. The Board will reallocate assets on a periodic basis to balance the overall asset allocation against the target when deviations occur because of capital market fluctuations. All percentage allocations in this policy are based on the market value of assets. Further details on rebalancing can be found in Section E of this document.
8. The Board considers the active voting of proxies an integral part of the investment process. Proxy voting may be delegated to the discretion of investment managers retained by the Board. The managers shall be required to establish a proxy voting policy and maintain records of proxy votes, and shall make these records available quarterly to the Board or its designee as requested. The Board may at its discretion establish an overall policy of voting proxies in which case the managers' proxy voting policy shall be in accordance with that of the Board's. The Board recognizes that in certain non-U.S markets, investment managers may, balancing the costs and benefits, not exercise the Plan's proxy voting rights. In the case of institutional mutual funds selected by the Board, the Board shall vote proxies and maintain records. In the case of collective trust funds (CTF), the Board understands that the Plan owns a pro-rata share of the units of the fund - not the underlying securities. The trustee for the CTF shall vote the proxies on behalf of the CTF.
9. No investment or action pursuant to an investment may be taken unless expressly permitted by the IPS, unless approved by the Board. The Board retains the right to waive any of the above policies if it deems that such waiver is in the best interest of the Plan and/or its participants. The Board acknowledges that when the Plan invests in a collective investment fund or other pooled vehicle, that vehicle may have uniform investment guidelines for all investors. The Board shall use the guidelines herein in evaluating the manager and reviewing the vehicle's guidelines, although it may not be able to impose such guidelines on the pooled fund manager.
10. The Board may at any time amend, supplement, or rescind this Investment Policy Statement.

D. CURRENT STRATEGIC ASSET ALLOCATION

The Board has adopted the following Strategic Asset Allocation effective May 2011.

	Target	Minimum	Maximum
Global Equity	43%	37%	49%
Private Equity*	10.0%	6.0%	14.0%
Fixed Income	29.0%	25.0%	34.0%
Investment Grade	15.0%		
High Yield	9.0%		
TIPS	1.0%		
Emerging Market Debt	4.0%		
Real Estate	8.0%	5.0%	11%
Public Real Estate	4.0%		
Private Real Estate	4.0%		
Real Assets**	10.0%	5.0%	12.0
Total	100%		

* = Due to the illiquidity of Private Equity, uncommitted Private Equity assets will be invested in an S&P 500 index fund.

** = Introduced in April 2011. Funding level will be below the minimum until assets are deployed.

GLOBAL EQUITY: 43%

The Global Equity segment of the portfolio will be allocated to U.S. and International equity-oriented developed and emerging market securities to approximate the global equity market capitalization breakdown between U.S. and International equities. These securities are included to provide the Plan with the potential to earn high rates of return relative to other asset classes, recognizing that equity investments also generate commensurate risk levels. To reduce currency risk, developed market non-U.S. equities will be partly hedged back to the U.S. dollar.

PRIVATE EQUITY: 10%

Private market investments are intended to provide the Plan with the potential to earn high rates of return relative to other asset classes, recognizing that private market investments also generate commensurate risk levels. Additionally, private market investments are significantly less liquid than those in the public markets. Private market investments may include investments in venture capital, buyouts, mezzanine debt, and distressed debt. Uncommitted assets will be invested in domestic equity, specifically S&P 500 index funds.

FIXED INCOME: 29%

The Fixed Income segment of the portfolio will be allocated to Investment Grade Fixed Income, High Yield marketable securities, Treasury Inflation Protected Securities (“TIPS”), and Emerging Market Debt. This portfolio will be invested in domestic and international debt issues. The Investment Grade Fixed Income segment is expected to provide cash flow and relatively less volatility than the equity asset classes. The High Yield Fixed Income segment is comprised of bonds which are rated below investment grade, but have been issued by going concern corporations. High Yield bonds exhibit higher yield to maturity than Investment Grade bonds which improves the Plan’s net cash flow. The TIPS Fixed Income segment provides an investment that is expected to respond positively to unexpected increases in measured inflation while also serving as a high quality liquidity buffer. The Emerging Market Debt portion represents debt investments in entities domiciled in developing markets which may be denominated in currencies other than the U.S. dollar.

REAL ESTATE: 8%

The Real Estate segment of the portfolio will be allocated to both Public Real Estate and to Private Real Estate. Public Real Estate securities include real estate investment trusts (REITs) and real estate operating companies (REOCs). The portfolio of marketable securities, which shall include both domestic and international securities, shall have the potential to earn high rates of return relative to other asset classes, generate fixed income like net cash flow, and provide diversification within the overall Plan. Investments in Private Real Estate securities shall be limited to Core-focused closed end commingled funds, unless specifically approved by the Board. Private Real Estate investments are significantly less liquid than those in the public markets, with mark-to-market valuations provided quarterly.

REAL ASSETS: 10%

Investments included in the Real Assets class shall include those assets whose primary purpose is to achieve overall portfolio diversification and to provide a potential hedge against inflationary pressures in the traditional investment markets. Investments in infrastructure, commodities, agriculture, master limited partnerships and/or timberland are less highly correlated to the traditional equity and fixed income markets, yet may offer attractive returns.

CASH EQUIVALENTS

There is no specific allocation to cash equivalents. It is recognized that residual cash can result from normal trading activity, and sufficient cash is held in the Short Term Investment Fund to accommodate benefit and expense payments, as needed.

E. REBALANCING TO THE STRATEGIC ASSET ALLOCATION

Plan Staff and the Investment Consultants will compare the Plan's actual asset allocation to the Strategic Asset Allocation on a regular basis and the results will be distributed periodically to the Board. This comparison shall be developed from the month end asset valuations obtained from the Plan's custodian. If this comparison reveals that an asset class is above the upper or below the lower boundary of the designated range, staff will reallocate assets to return the asset class back into the target range, subject to market liquidity conditions. Cash flows that may occur in the normal operation of the Plan may also be used to reallocate towards the Asset Allocation targets on a more informal basis.

F. PERFORMANCE OBJECTIVES

Long term objectives have been established against which the performance of the Plan is to be measured. Because capital markets fluctuate and given the duration of the liability stream, the viability of the asset allocation is to be judged over a period of a full market cycle which is generally three to five years. The performance objectives are:

1. To match or exceed the actuarial interest rate assumption as adopted periodically by the Board to avoid an actuarial loss.
2. To add value by active management, where advisable. The value added by active management to the total Plan performance is intended to exceed a Board-approved policy-weighted index over time that is calculated by weighting the appropriate indices according to the Strategic Asset Allocation. The appropriate asset class benchmarks are laid out in the following table and are subject to change by the Board.

Asset Class	Benchmark/Index	
U.S. Equity	Russell 3000	Broadest measure of U.S. stock markets
International Equity	38.5% MSCI EAFE; 38.5% MSCI EAFE dollar hedged; 23% MSCI Emerging Markets	Broad measure of non-U.S. stocks including developed and emerging markets
Core Fixed Income	Barclays Aggregate	Investment Grade U.S. issues with more than one year to maturity

High Yield Fixed Income	Merrill Lynch High Yield BB/B	Represents the top two quality tiers of the investable U.S. high yield market
Treasury Inflation Protected Securities	Barclays U.S. TIPS	Represents Inflation-Protected Securities issued by the U.S. Treasury
Emerging Market Debt	J.P. Morgan EMBI Global Diversified	Broad measure of investable emerging market debt
Private Equity	S&P 500 + 3%	Adjust public market returns for an illiquidity premium
Public Real Estate	Wilshire REIT Index	Represents publicly traded real estate holdings
Private Real Estate	NCREIF Property Index	Private Core real estate holdings
Real Assets	CPI + 4%	Broad measure of inflation adjusted for real return premium

G. GENERAL INVESTMENT MANAGER GUIDELINES

The investment management for the Plan is to be provided by external investment managers. Each investment manager will acknowledge its fiduciary status and other conformity with applicable state and federal laws. The guidelines for the managers are provided below:

1. Each manager shall operate under a set of guidelines specific to the strategic role its portfolio is to fulfill in the overall investment structure and any other applicable investment related policies. Additionally, the individual managers will be judged according to benchmarks that reflect the objectives and characteristics of the strategic role their portfolio is to fulfill.

2. A manager under contract to the Board should advise the Board and the Staff as promptly as possible (preferably within three business days) if at any time there is:
 - a. a significant change in investment philosophy;
 - b. a loss of one or more key management personnel;
 - c. a new portfolio manager on the Plan’s account;
 - d. a material change in ownership structure of its firm;
 - e. any occurrence which might potentially impact the management, professionalism, integrity, or financial position of the investment management firm; or
 - f. a change in any other matter requiring notice in the contract between the investment manager and the Plan.

3. Sector and security selection, portfolio quality and timing of purchase and sales are delegated to the investment manager subject to the constraints within the manager's specific guidelines.
4. Unless specifically permitted in the investment manager guidelines or other governing document approved by or on behalf of the Board, the following transactions are prohibited: purchase of non-negotiable securities, short sales, selling on margin, puts, calls, straddles, options, or "letter" (restricted) stock.
5. Transactions that involve a broker acting as a "principal", where such broker is also the investment manager who is making the transaction are prohibited.
6. Transactions will be made on a best execution basis, taking into consideration cost and prevailing market considerations and any outstanding soft dollar arrangements between the Plan and its vendors as permitted by law.
7. The use of derivatives shall be governed by the Derivatives Investment Guidelines for External Managers, which is included in Appendix A, in the case of single customer accounts managed on behalf of the Plan.

When investing in a collective investment fund or other pooled vehicle (rather than hiring a manager to manage for a single customer account), the Board will use the Derivatives Guidelines to assist in evaluating the manager and reviewing the guidelines established by the manager for the pooled vehicle.

8. In the event of deviations resulting from conditions beyond the manager's control, including but not limited to market fluctuations, contributions into or withdrawals from the account, the manager shall rectify such deviations as soon as reasonably possible and notify the Board of any material deviations and actions taken therein. In the event of deviations resulting from the manager's mistake or any other action within the manager's control, the manager shall rectify such deviations immediately and notify the Board of the deviations and actions taken.
9. For purposes of the guidelines, (a) all percentages apply on a market value basis immediately after a purchase or initial investment and (b) any subsequent change in any applicable percentage resulting from market fluctuations or other changes in total assets does not require immediate elimination of any security from the Portfolio.

H. CONTROL PROCEDURES

As numerous parties are involved in the management of Plan assets, each service provider's specific duties and requirements are laid out in this section.

1. The Board's responsibilities include, but are not limited to:
 - a. Developing and adopting policies to achieve the Plan's general investment goals and objectives.

- b. Reviewing policy recommendations made by Staff and the Investment Consultant.
 - c. Approving asset classes for investment and approving a Strategic Asset Allocation, permissible ranges, and benchmarks for each asset class.
 - d. Monitoring asset allocation vs. target, and monitoring total fund and manager performance vs. benchmarks
2. The Staff's duties include, but are not limited to:
- a. Engaging with consultants, and other pertinent parties, to seek advice and counsel regarding asset allocation, investment strategy, manager selection and investment results.
 - b. Providing recommendations on asset allocation, investment strategy, and manager selection to the Board
 - c. Overseeing the management of the Plan's asset class allocations within ranges approved by the Board, in accordance with IPS guidelines, and reporting to the Board monthly about the asset class allocations relative to their targets and ranges.
 - d. Monitoring, evaluating, and reporting periodically, to the Board, on the performance of the Plan relative to the benchmark and the Strategic Asset Allocation.
 - e. Monitoring and evaluating the managers, including maintenance of a formal "Watch List" as needed.
 - f. Implementing investment actions approved by the Board, when specifically delegated to staff.
3. The Board's independent investment consultant's responsibilities include, but are not limited to:
- a. Providing independent review, analysis, and recommendations regarding the development and revision of policies to ensure overall consistency, use of best practices, and implementation of policies.
 - b. Monitoring, evaluating, and reporting periodically, to the Board, on the performance of the Plan relative to the benchmark and the Strategic Asset Allocation.
 - c. Monitoring and evaluating the Plan's investment managers and reporting recommendations, if any, directly to the Board on a quarterly basis, in accordance with the terms of its contract.
 - d. Periodically performing a detailed review of the Plan's asset allocation with specific recommendations.
 - e. Regular updates of projected asset class total return, volatility and correlation assumptions.

- f. Issuing in-depth research reports (“white papers”) on pertinent topics.
 - g. Assisting in fee negotiations with external investment managers, as needed.
4. The External Managers (“Manager”) are responsible for all aspects of portfolio management as set forth in each Manager’s contract with the Plan and shall fulfill the following duties:
- a. Manage the Plan assets under its care, custody, and/or control in accordance with the objectives and guidelines in the Investment Policy Statement and specific contract.
 - b. Acknowledge and agree to take fiduciary responsibility in complying with the entire Investment Policy Statement set forth here, and as modified in the future.
 - c. Communicate with Staff, as needed, regarding investment strategies and investment results and present or report directly to the Board as requested.
 - d. Monitor, analyze, and evaluate performance relative to the agreed-upon benchmark.
5. The duties of the Advisory Committee are outlined in the Revised Code of Washington (“RCW”), section 35.39.090. The Advisory Committee shall:
- a. Make recommendations on investment policies, practices and procedures to the Board.
 - b. Review the investment transactions of the Retirement Board annually.
 - c. Prepare a written report of its activities during each fiscal year.

I. OTHER INVESTMENT RELATED POLICIES

The Board from time to time, at its discretion, may adopt investment related policies that address specific issues.

APPENDIX A: DERIVATIVE INVESTMENT GUIDELINES FOR EXTERNAL MANAGERS

A. BACKGROUND AND PURPOSE

The Tacoma Employees' Retirement System (the "Plan") has retained external money managers for the express purpose of investing in stocks and bonds. The Plan is a long-term investor; therefore, the assets are expected to be managed for the generation of long term gains from investment principally in cash positions in stocks and bonds. Performance results garnered principally through short-term tactics using instruments other than cash market stocks and bonds is inconsistent with the Plan's overall investment strategy.

A "derivative instrument" is defined in these guidelines as an instrument whose value, usefulness and marketability derives from an underlying instrument which represents a direct ownership of an asset or a direct obligation of an issuer, i.e. a "spot" or cash market instrument. The growth of derivative instruments worldwide has facilitated the investment process. As a global institutional investor, the Plan is in a position to take advantage of derivative instruments to ensure overall investment performance objectives are achieved as specified.

The guidelines shall set forth the permitted circumstances under which derivative instruments may be used and the specific parameters for their use.

B. DESCRIPTION OF DERIVATIVE STRATEGIES

The four basic derivative strategies can be described as follows:

Substitution: when the characteristics of the derivative sufficiently parallel that of the cash market instruments, the derivative may be "substituted" on a short-term basis for the cash market instrument. This strategy is particularly useful when investing new cash flow.

Risk Control: when characteristics of the derivative sufficiently parallel that of the cash instrument that an opposite position from the cash instrument can be taken in the derivative instrument to alter the exposure to or the risk (volatility) of the cash instrument. This strategy is particularly useful to manage risk without having to sell the cash instrument.

Arbitrage: when characteristics of a derivative are more attractive than either the cash instrument or another related derivative that the first derivative is purchased, or the cash instrument is swapped, to garner the short-term return potential from the derivative instrument, alone. This strategy is particularly useful to capture mispricing in the derivative instrument relative to either the cash instrument or another derivative.

Speculation: when the characteristics of the derivative are the sole reason for its purchase or sale where an underlying naked cash position is taken in the portfolio. This strategy also implies the

leveraging of the portfolio, which may create an obligation of value in excess of the value of that portfolio.

C. PERMITTED TYPES OF DERIVATIVE STRATEGIES AND INSTRUMENTS

To the extent permitted in its investment management agreement with the Plan, a manager may utilize Substitution and Risk Control strategies. Arbitrage and Speculation are not permitted. The Board may approve in advance a manager's use of other derivative strategies from time to time. Under no circumstances is a manager permitted to leverage its Plan portfolio through the use of derivatives. For this purpose, leverage includes "economic leverage" and "currency leverage".

A manager authorized to invest in derivatives may invest only in those derivatives that are derived from securities and currencies in the underlying cash market in which the manager is permitted to invest under the terms of its management agreement. The exception to this requirement is in hedging back to the U.S. dollar. Subject to the other provisions in these guidelines, a manager is permitted to utilize the following types of derivative instruments.

- Stock Index Futures
- Stock Index Options
- Bond Futures
- Equity Options and Warrants
- Currency Forwards
- Currency Futures

Other derivative instruments may be approved by the Board from time to time in accordance with the criteria outlined in subsection E.

D. LISTING REQUIREMENTS

Derivative instruments may be traded either over-the-counter or may be listed on an exchange. However, over-the-counter options are subject to counterparty risk. To lessen this risk, individual counterparty exposure is limited to 25% of the total market value of exposure created by all derivatives (calculated at the time of purchase). In the event three or fewer counterparties are available, permission may be sought on a case by case basis from the Plan to increase the individual counter-party percent exposure.

Counterparty credit status shall be of the highest caliber with care taken to avoid credit guarantees extended through to parties less creditworthy than the primary counterparty to the transaction.

Each manager shall develop and have available for review credit guidelines for evaluating prospective counterparties and a list of approved counterparties for use in derivative transactions.

E. CRITERIA FOR NEW DERIVATIVES

New derivative instruments subject the investor to three kinds of risk: objective pricing risk, legal risk and liquidity risk. Therefore, before the Board approves a new type of derivative instrument, it shall inquire as to whether that instrument has, at a minimum, at least three potential market makers who are financially secure and have recognizable standing in the market place. The benefits of three market makers is that it ensures there will be competitive pricing, a minimum number of market participants to create a "commonly accepted practices and requirements" for the new derivative, and a minimum degree of liquidity to support institutional use. Otherwise, the trading volume in the instrument may not support three market makers. The derivative must also be linked to a pre-existing cash market or instrument that can be used for delivery, and must trade under, and adhere to, common law practice in the jurisdiction in which they trade.

F. GLOSSARY OF TERMS

Cash Market Instrument: Securities traded on the spot market. Please see below for the definition of spot market.

Counterparty Risk: The risk that the other party in an agreement will default. This is a risk that is incurred when using derivatives.

Currency Leverage: Currency leverage occurs when the total value of foreign currency denominated in securities positions held long, plus the notional value of foreign currency spot and forward positions held long, minus the notional value of foreign currency spot and forward positions held short is greater than 100% of the total market value of the portfolio.

Economic Leverage: Economic leverage occurs when the total value of securities positions held long, plus the notional value of derivatives held long; minus the notional value of derivatives held short is greater than 100% of total market value of the portfolio.

Forward Contracts: Purchase or sale of a specific quantity of a commodity, government security, foreign currency, or other financial instrument at the current price, with delivery and settlement at a specific future date. Foreign Exchange (FX) transactions may occur between foreign currencies (cross currencies) when made in anticipation of future sales or purchases of securities or when consistent with the investment manager's currency management guidelines.

Futures Contracts: Agreements between two parties to buy or sell a specific amount of a commodity or financial instrument at a particular price on a future date. The buyer of the futures contract is obligated

to purchase the underlying commodity or financial instrument unless the contract is sold before the settlement date. Stock index futures, bond futures and currency futures are examples of instruments in the futures market. The Commodities and Futures Trading Commission (CFTC) oversees the futures market.

Hedge/Hedging: Strategy used to offset investment risk. A perfect hedge is one eliminating the possibility of future gain or loss.

Investment Manager: Specifications for each manager's oversight and Investment Guidelines of a designated portfolio of assets which are included in each of the investment managers' contracts.

Leverage: In general, leverage means creating a net obligation that exceeds the value of the assets assigned to a designated account. For definitions of Economic Leverage and Currency Leverage see above.

Liquidity: The capacity of the market place to accommodate a given supply of and/or demand for a security without unreasonable price changes resulting.

Options: Contracts that give the holder the right (not obligation) to buy or sell a particular asset at a specified exercise price within a set time period. A call option gives the option holder the right to buy the asset, while a put option gives the option holder the right to sell the asset. Stock index options, equity options, bond options, and currency options are examples of instruments in the options market.

Spot Market: Market in which securities are sold for cash and delivered immediately. This is in contrast to the futures or options market, where securities are not sold and delivered immediately.

Swap: Exchange of one security for another.