

Spokane Employees' Retirement System

First Quarter 2010 Performance Report

May 2010

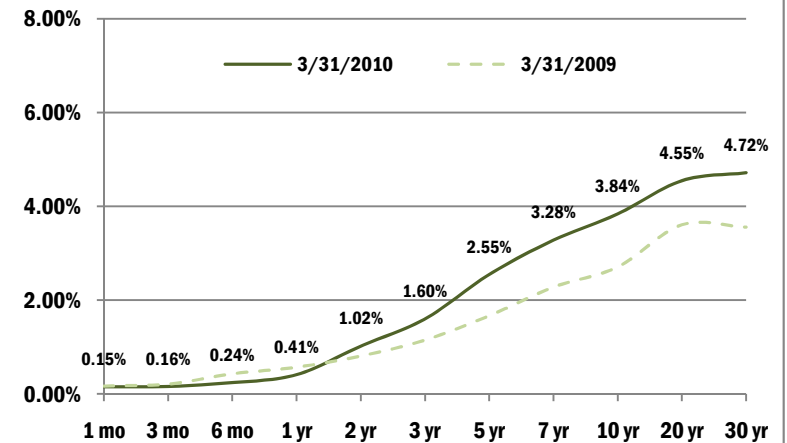


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1Q2010 Bond Market Data

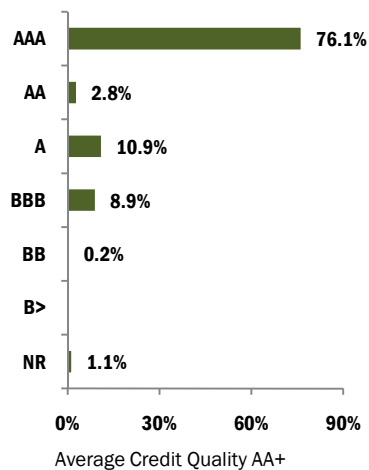
| Index | 1Q10 | YTD | 1 yr. | 3 yrs. | 5 yrs. | 10 yrs. |
|----------------------------------|--------|--------|--------|--------|--------|---------|
| 90-Day T-Bill | 0.03% | 0.03% | 0.12% | 1.57% | 2.67% | 2.60% |
| Barclays US Treasury US TIPS | 0.57% | 0.57% | 6.18% | 6.01% | 4.82% | 7.30% |
| Barclays US Treasury | 1.12% | 1.12% | -1.18% | 6.02% | 5.17% | 5.88% |
| Barclays US Treasury 1-3 Yr | 0.70% | 0.70% | 1.38% | 4.64% | 4.24% | 4.45% |
| Barclays US Treasury 5-10 Yr | 1.61% | 1.61% | -2.30% | 6.99% | 5.75% | 6.51% |
| Barclays US Govt/ Credit | 1.55% | 1.55% | 7.51% | 5.84% | 5.17% | 6.22% |
| Barclays 1-3 Yr Govt/ Credit | 0.89% | 0.89% | 4.15% | 5.01% | 4.56% | 4.82% |
| Barclays US Govt/ Credit 5-10 Yr | 2.22% | 2.22% | 10.12% | 6.56% | 5.67% | 7.01% |
| Barclays US Aggregate | 1.78% | 1.78% | 7.69% | 6.14% | 5.44% | 6.29% |
| Barclays US Corp. High Yield | 4.62% | 4.62% | 56.18% | 6.65% | 7.78% | 7.45% |
| Barclays Global Aggregate | -0.27% | -0.27% | 10.23% | 6.49% | 4.94% | 6.46% |
| Barclays Municipal | 1.25% | 1.25% | 9.69% | 4.56% | 4.58% | 5.58% |
| Barclays US Credit | 2.27% | 2.27% | 20.83% | 6.00% | 5.37% | 6.72% |

US Treasury Yield Curve



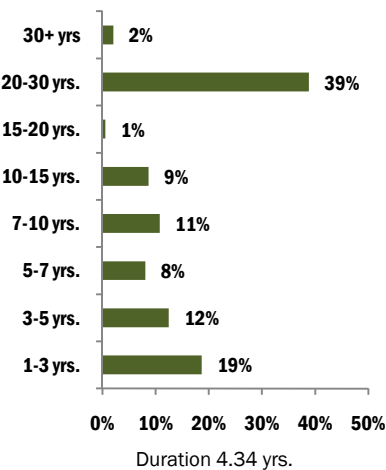
Source: Department of US Treasury

Barclays US Aggregate Index
Credit Quality



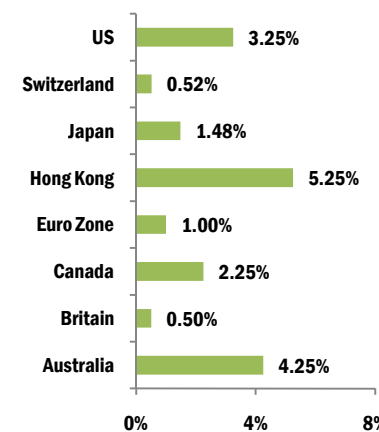
Source: Morningstar

Barclays Aggregate Index
Maturity Breakdown



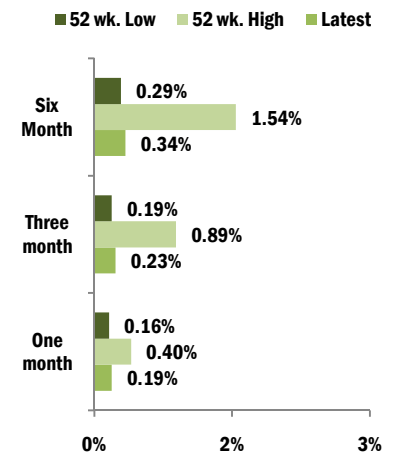
Source: Morningstar

Prime Rates



Source: Wall Street Journal

CD Rates



Source: Federal Reserve

1Q2010 US Equity Market Data

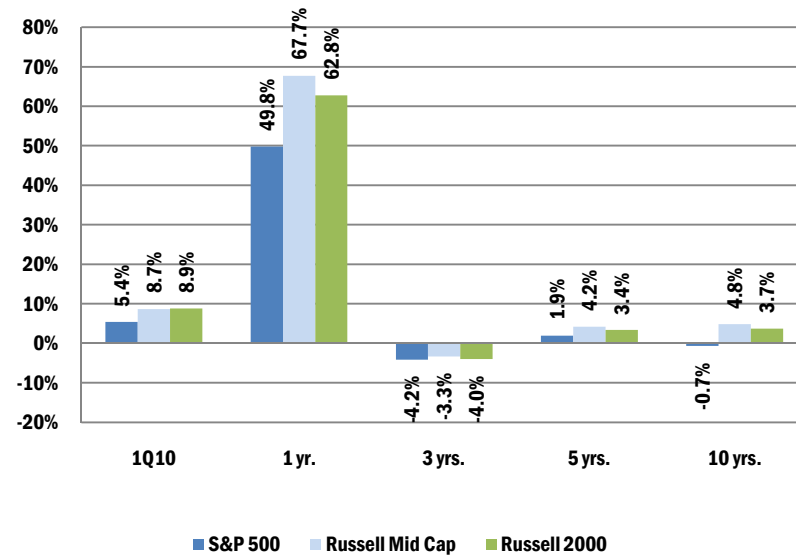
Sectors Weights/Returns (ranked by quarter performance)

| S&P 500 Index | Wgt. | Sector | 1Q10 | 1 Yr. |
|------------------------|------|------------------------|---------|---------|
| | 10% | Industrials | 13.08% | 72.82% |
| | 17% | Financials | 11.15% | 83.06% |
| | 10% | Consumer Discretionary | 10.44% | 69.80% |
| | 11% | Consumer Staples | 5.82% | 35.90% |
| | 12% | Health Care | 3.40% | 34.53% |
| | 4% | Materials | 2.88% | 56.06% |
| | 19% | Information Technology | 1.91% | 58.01% |
| | 11% | Energy | 0.62% | 29.52% |
| | 3% | Utilities | -3.53% | 21.01% |
| | 3% | Telecom Services | -4.32% | 12.22% |
| S&P Midcap 400 Index | Wgt. | Sector | 1Q10 | 1 Yr. |
| | 15% | Consumer Discretionary | 13.65% | 68.36% |
| | 7% | Materials | 13.52% | 157.66% |
| | 12% | Health Care | 12.43% | 59.91% |
| | 4% | Consumer Staples | 11.65% | 44.60% |
| | 21% | Financials | 10.16% | 60.90% |
| | 15% | Industrials | 8.06% | 64.47% |
| | 15% | Information Technology | 4.68% | 64.96% |
| | 6% | Energy | 3.83% | 83.43% |
| | 1% | Telecom Services | 3.74% | 31.98% |
| | 6% | Utilities | 2.11% | 40.45% |
| S&P Smallcap 600 Index | Wgt. | Sector | 1Q10 | 1 Yr. |
| | 17% | Consumer Discretionary | 19.70% | 93.73% |
| | 18% | Financials | 9.19% | 46.03% |
| | 13% | Health Care | 8.12% | 58.86% |
| | 17% | Industrials | 7.52% | 60.90% |
| | 18% | Information Technology | 6.07% | 66.79% |
| | 3% | Consumer Staples | 5.11% | 53.18% |
| | 5% | Energy | 3.73% | 114.50% |
| | 3% | Utilities | 2.29% | 22.59% |
| | 5% | Materials | 0.68% | 86.75% |
| | 1% | Telecom Services | -11.24% | -7.50% |

Index Performance Data

| Index | 1Q10 | YTD | 1 yr. | Annualized | | |
|-------------------------------|--------|--------|---------|------------|--------|---------|
| | | | | 3 yrs. | 5 yrs. | 10 yrs. |
| S&P 500 | 5.39% | 5.39% | 49.77% | -4.17% | 1.92% | -0.65% |
| Russell 1000 Value | 6.78% | 6.78% | 53.55% | -7.33% | 1.05% | 3.10% |
| Russell 1000 Growth | 4.65% | 4.65% | 49.75% | -0.78% | 3.42% | -4.21% |
| Russell Mid Cap | 8.67% | 8.67% | 67.71% | -3.30% | 4.20% | 4.84% |
| Russell Mid Cap Value | 9.61% | 9.61% | 72.41% | -5.22% | 3.71% | 8.46% |
| Russell Mid Cap Growth | 7.67% | 7.67% | 63.00% | -2.04% | 4.27% | -1.69% |
| Russell 2000 | 8.85% | 8.85% | 62.76% | -3.99% | 3.36% | 3.68% |
| Russell 2000 Value | 10.02% | 10.02% | 65.07% | -5.71% | 2.75% | 8.90% |
| Russell 2000 Growth | 7.61% | 7.61% | 60.32% | -2.42% | 3.82% | -1.53% |
| DJ US Select REIT | 9.81% | 9.81% | 113.47% | -11.99% | 3.38% | 11.38% |

Market Returns



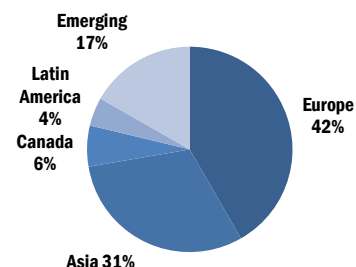
1Q2010 International Market Data

Index Performance Data (net)

| Index (US\$) | 1Q10 | YTD | 1 yr. | 3 yrs. | 5 yrs. | 10 yrs. |
|----------------------------|-------|-------|-------|--------|--------|---------|
| MSCI ACWI ex-US | 1.6% | 1.6% | 60.9% | -4.2% | 6.1% | 2.8% |
| MSCI EAFE | 0.9% | 0.9% | 54.4% | -7.0% | 3.8% | 1.3% |
| Europe | -1.8% | -1.8% | 56.1% | -7.8% | 3.5% | 1.8% |
| United Kingdom | -0.6% | -0.6% | 59.5% | -8.2% | 2.0% | 1.9% |
| Germany | -2.6% | -2.6% | 51.4% | -5.8% | 6.4% | 0.6% |
| France | -3.9% | -3.9% | 50.8% | -7.5% | 3.4% | 1.3% |
| Pacific | 6.3% | 6.3% | 51.3% | -5.5% | 4.3% | 0.1% |
| Japan | 8.2% | 8.2% | 37.9% | -9.0% | 1.3% | -3.0% |
| Hong Kong | 2.4% | 2.4% | 64.8% | 4.0% | 10.8% | 4.6% |
| Australia | 4.2% | 4.2% | 86.7% | 2.1% | 11.6% | 12.8% |
| Canada | 6.0% | 6.0% | 71.8% | 4.2% | 11.3% | 7.7% |
| MSCI EM | 2.4% | 2.4% | 81.1% | 5.2% | 15.6% | - |
| MSCI EM Latin America | 1.6% | 1.6% | 97.4% | 12.6% | 26.0% | 17.1% |
| MSCI EM Asia | 1.3% | 1.3% | 73.3% | 5.3% | 13.8% | 6.6% |
| MSCI EM Eur/Mid East | 6.9% | 6.9% | 97.0% | -3.4% | 9.9% | 7.7% |
| MSCI ACWI Value ex-US | 1.1% | 1.1% | 66.0% | -4.7% | 6.0% | 5.6% |
| MSCI ACWI Growth ex-US | 2.0% | 2.0% | 56.1% | -3.7% | 6.1% | 0.0% |
| MSCI World Small Cap ex-US | 7.2% | 7.2% | 77.9% | -2.8% | 6.3% | 5.8% |

Regional Exposure

MSCI ACWI ex-USA

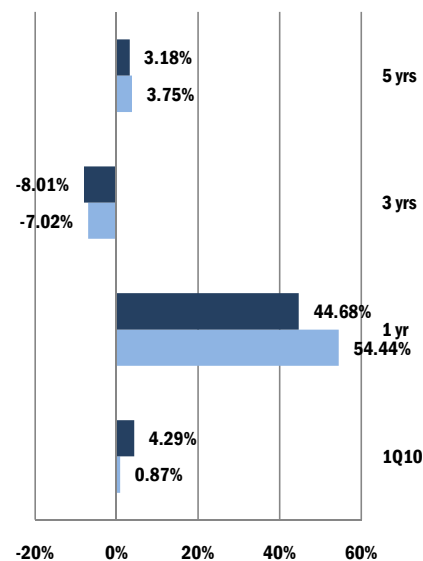


Top 10 Countries (MSCI AC World ex-USA)

| | |
|-------------|-----|
| Japan | 16% |
| UK | 15% |
| Canada | 8% |
| France | 7% |
| Australia | 6% |
| Switzerland | 6% |
| Germany | 6% |
| China | 4% |
| Brazil | 4% |
| South Korea | 3% |

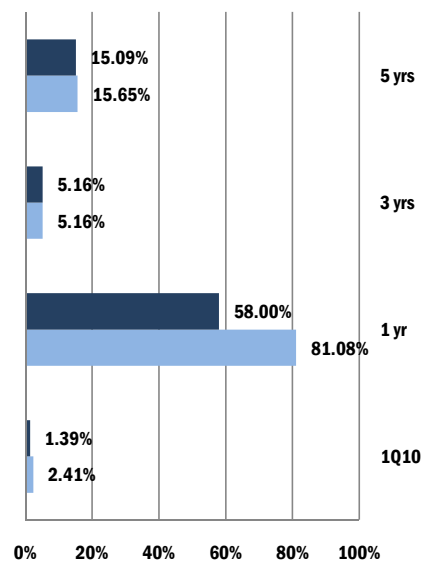
MSCI EAFE Index Return

Local US\$

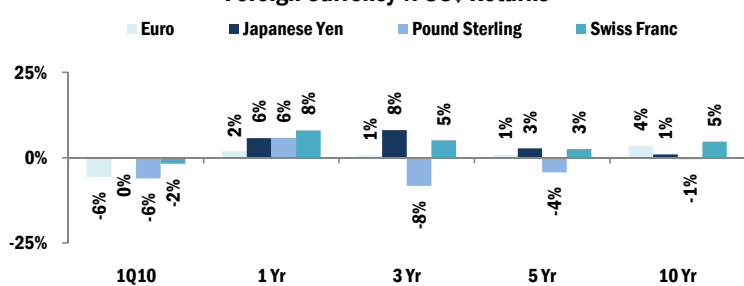


MSCI EAFE Index Return

Local US\$



Foreign Currency v. US\$ Returns



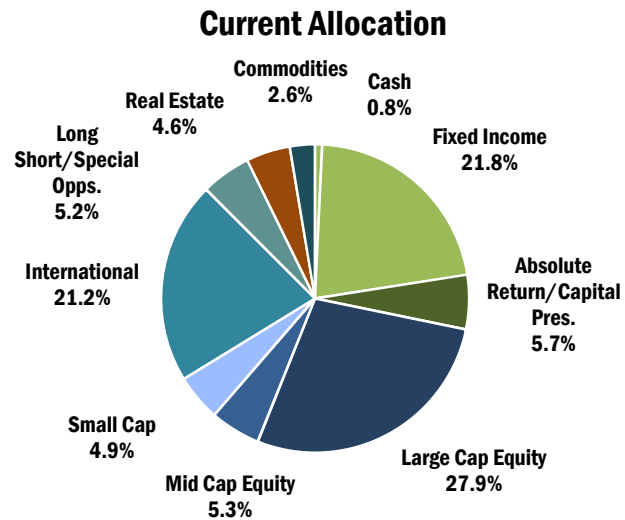
| Exchange Rates | 4Q08 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 |
|----------------|-------|-------|-------|-------|-------|-------|
| Japanese yen | 90.38 | 97.29 | 95.54 | 89.97 | 92.24 | 92.70 |
| Euro | 0.71 | 0.76 | 0.71 | 0.69 | 0.70 | 0.74 |
| British pound | 0.69 | 0.70 | 0.61 | 0.63 | 0.63 | 0.66 |
| Swiss franc | 1.06 | 1.15 | 1.09 | 1.04 | 1.04 | 1.06 |
| US dollar | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Historical Market Returns

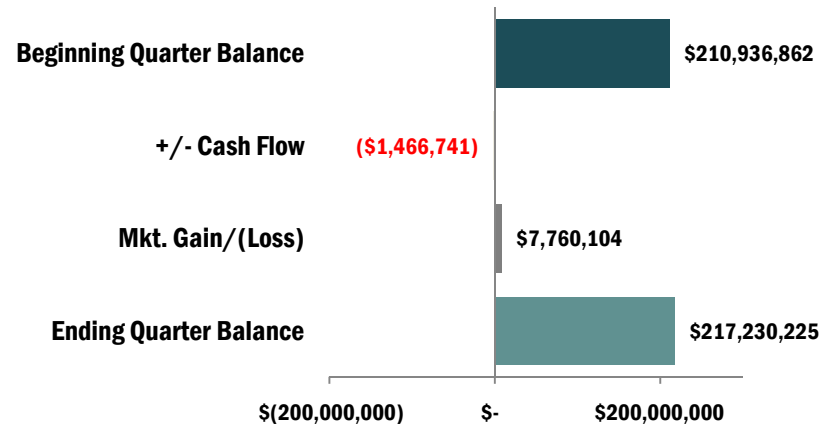
Ranked by Performance

| 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 1Q10 |
|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|---------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|---------------------------|
| Large Cap Growth 23.12% | Large Cap Value 35.18% | Large Cap Growth 38.71% | Emerging Mkt. 66.64% | Small Cap Value 22.83% | Small Cap Value 14.02% | Global Bonds 16.52% | Emerging Mkt. 56.28% | Emerging Mkt. 25.95% | Emerging Mkt. 34.54% | Emerging Mkt. 32.59% | Emerging Mkt. 39.78% | US Bonds 5.24% | Emerging Mkt. 79.02% | Small Cap Value 10.02% |
| Large Cap Value 21.64% | Mid Cap Value 34.37% | Intl. Growth 22.47% | Mid Cap Growth 51.29% | Mid Cap Value 19.18% | US Bonds 8.44% | US Bonds 10.25% | Small Cap Growth 48.54% | Intl. Value 24.88% | Intl. Value 14.39% | Intl. Value 31.05% | Intl. Growth 16.84% | Global Bonds 4.79% | Mid Cap Growth 46.29% | Mid Cap Value 9.61% |
| Small Cap Value 21.37% | Small Cap Value 31.78% | Intl. Value 18.09% | Small Cap Growth 43.09% | US Bonds 11.63% | Mid Cap Value 2.33% | Emerging Mkt. -6.00% | Small Cap Value 46.03% | Mid Cap Value 23.71% | Intl. Growth 13.64% | Small Cap Value 23.48% | Large Cap Growth 11.81% | Small Cap Value -28.92% | Large Cap Growth 37.21% | Mid Cap Growth 7.67% |
| Mid Cap Value 20.26% | Large Cap Growth 30.49% | Mid Cap Growth 17.86% | Large Cap Growth 33.16% | Large Cap Value 7.01% | Global Bonds 1.57% | Mid Cap Value -9.64% | Intl. Value 45.96% | Small Cap Value 22.25% | Mid Cap Value 12.65% | Intl. Growth 22.69% | Mid Cap Growth 11.43% | Large Cap Value -36.85% | Intl. Value 35.06% | Small Cap Growth 7.61% |
| Mid Cap Growth 17.48% | Mid Cap Growth 22.54% | Large Cap Value 15.63% | Intl. Growth 29.71% | Global Bonds 3.17% | Emerging Mkt. -2.37% | Small Cap Value -11.43% | Mid Cap Growth 42.71% | Large Cap Value 16.49% | Mid Cap Growth 12.10% | Large Cap Value 22.25% | Global Bonds 9.48% | Large Cap Growth -38.44% | Small Cap Growth 34.47% | Large Cap Value 6.78% |
| Small Cap Growth 11.26% | Small Cap Growth 12.95% | Global Bonds 13.71% | Intl. Value 24.54% | Intl. Value -2.82% | Large Cap Value -5.59% | Large Cap Value -15.52% | Mid Cap Value 38.07% | Intl. Growth 16.48% | Large Cap Value 7.05% | Mid Cap Value 20.22% | Small Cap Growth 7.05% | Mid Cap Value -38.44% | Mid Cap Value 34.21% | Large Cap Growth 4.65% |
| Intl. Value 9.22% | US Bonds 9.65% | US Bonds 8.69% | Large Cap Value 7.35% | Mid Cap Growth -11.75% | Small Cap Growth -9.23% | Intl. Value -15.60% | Intl. Growth 32.49% | Mid Cap Growth 15.48% | Large Cap Growth 5.26% | Small Cap Growth 13.35% | US Bonds 6.97% | Small Cap Growth -38.54% | Intl. Growth 29.91% | Emerging Mkt. 2.45% |
| Emerging Mkt. 6.03% | Global Bonds 3.78% | Mid Cap Value 5.08% | Mid Cap Value -0.11% | Large Cap Growth -22.42% | Intl. Value -18.22% | Intl. Growth -15.76% | Large Cap Value 30.03% | Small Cap Growth 14.31% | Small Cap Value 4.71% | Mid Cap Growth 10.66% | Intl. Value 6.49% | Intl. Growth -42.46% | Small Cap Value 20.58% | Intl. Growth 2.04% |
| Global Bonds 4.91% | Intl. Growth 2.33% | Small Cap Growth 1.23% | US Bonds -0.82% | Small Cap Growth -22.43% | Mid Cap Growth -20.15% | Mid Cap Growth -27.41% | Large Cap Growth 29.75% | Global Bonds 9.27% | Small Cap Growth 4.15% | Large Cap Growth 9.07% | Large Cap Value -0.17% | Intl. Value -43.68% | Large Cap Value 19.69% | US Bonds 1.78% |
| Intl. Growth 3.70% | Intl. Value 1.82% | Small Cap Value -6.45% | Small Cap Value -1.49% | Intl. Growth -24.40% | Large Cap Growth -20.42% | Large Cap Growth -27.88% | Global Bonds 12.51% | Large Cap Growth 6.30% | US Bonds 2.43% | Global Bonds 6.64% | Mid Cap Value -1.42% | Mid Cap Growth -44.32% | Global Bonds 6.93% | Intl. Value -0.17% |
| US Bonds 3.63% | Emerging Mkt. -11.59% | Emerging Mkt. -25.34% | Global Bonds -5.17% | Emerging Mkt. -30.71% | Intl. Growth -24.41% | Small Cap Growth -30.26% | US Bonds 4.10% | US Bonds 4.34% | Global Bonds -4.49% | US Bonds 4.33% | Small Cap Value -9.78% | Emerging Mkt. -53.18% | US Bonds 5.93% | Global Bonds -0.27% |

Spokane Employees' Retirement System



Account Balance



Policy Index

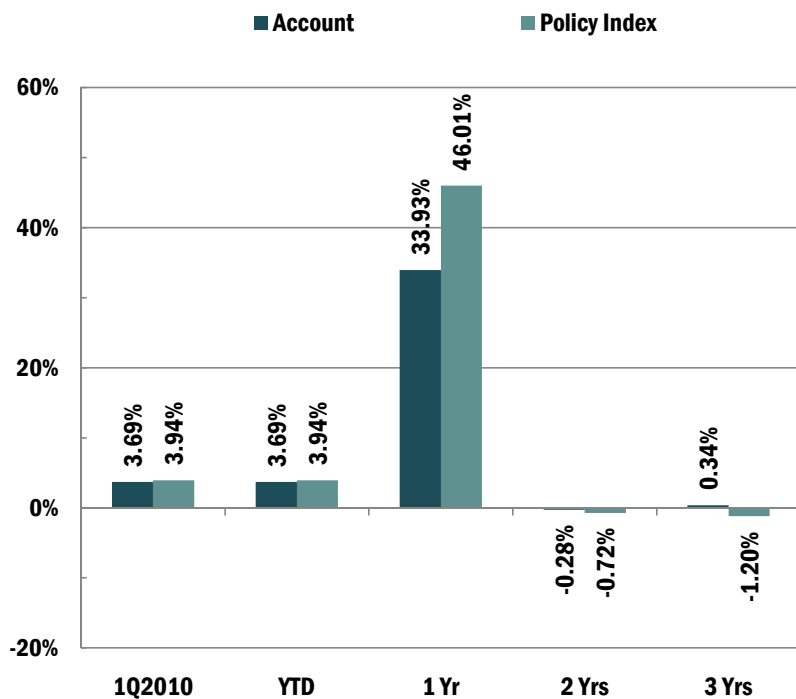
| Index | Weight |
|--------------------------------------|--------|
| US 90 Day T-Bill | 1% |
| Barclays US Aggregate Bond Index | 13% |
| Barclays Corporate High Yield Index | 5% |
| Barclays Global Aggregate Bond Index | 6% |
| S&P 500 Index | 34% |
| Russell Mid Cap Index | 5% |
| Russell 2000 Index | 5% |
| MSCI ACWI ex-US | 24% |
| NAREIT Composite | 4% |
| NCREIF Property Index | 3% |

*As of 4Q2009 SERS eliminated their 5% policy allocation to Private Equity and reallocated that 5% position to the Special Opportunity asset class.

Spokane Employees' Retirement System

Total Account Performance

March 31, 2010



Asset Class Performance

| | 1Q2010 | 1 Yr | 2 Yrs | 3 Yrs |
|--------------------------------------|---------------|---------------|---------------|----------------|
| Fixed Income | 1.79% | 11.89% | 7.15% | 7.29% |
| Barclays US Aggregate Bond Index | 1.78% | 7.69% | 5.39% | 6.14% |
| Absolute Return/Capital Pres. | -1.65% | -2.77% | -7.14% | - |
| Barclays US Aggregate Bond Index | 1.78% | 7.69% | 5.39% | 6.14% |
| Large Cap Equity | 5.82% | 49.74% | -3.77% | -2.30% |
| S&P 500 Index | 5.39% | 49.77% | -3.69% | -4.17% |
| Mid Cap Equity | 7.83% | 61.51% | 1.37% | 0.59% |
| Russell Mid Cap Index | 8.67% | 67.71% | -0.34% | -3.30% |
| Small Cap | 6.23% | 50.51% | -4.84% | -7.77% |
| Russell 2000 Index | 8.85% | 62.76% | 0.87% | -3.99% |
| International | 2.98% | 58.21% | -4.51% | -0.65% |
| MSCI AC World Ex USA (net) | 1.58% | 60.93% | -7.17% | -4.17% |
| Commodities | -2.07% | - | - | - |
| S&P 500 Index | 5.39% | 49.77% | -3.69% | -4.17% |
| Long Short/Special Opps. | 2.84% | 21.73% | -0.85% | - |
| S&P 500 Index | 5.39% | 49.77% | -3.69% | -4.17% |
| Real Estate | 8.46% | 67.48% | -8.54% | -11.07% |
| FTSE NAREIT Composite | 9.46% | 99.47% | -6.50% | -11.22% |