

1998-99

ANNUAL REPORT

POLICE AND
FIRE
DEPARTMENT
RETIREMENT
PLAN



CITY OF SAN JOSÉ, CALIFORNIA

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SAN JOSE, CALIFORNIA 95112-6311
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DEPARTMENT OF RETIREMENT SERVICES
Federated City Employees' Retirement System
Police and Fire Department Retirement Plan

The Honorable Mayor and City Council
City of San Jose
San Jose, California

Dear Mayor and Council Members:

The Board of Administration for the Police and Fire Department Retirement Plan is please to present its Annual Report for the Period July 1, 1998 through June 30, 1999. Some of the significant events worthy of note during this fiscal year were as follows:

- ◆ Investments earned 11.2 percent, increasing the market value of the portfolio by \$135.3 million. Investments contributed 77.0 percent of the Fund's Income.
- ◆ The Fund purchased an additional real estate holding. An office building located in Oak Brook, IL
- ◆ The Department of Retirement Services began issuing retirees' and beneficiaries' checks separately from the Finance Department beginning with the November 1998 payroll.
- ◆ The Board continues to discuss accountability and responsibility issue with the City Manager to ensure that the mandates of the California Pension Protection Act (Proposition 162) are being observed. The Board developed their proposal to Council on the structure of the Department of Retirement Services.

The Board believes that the professional services rendered by the staff, the auditors, investment counselors and the Fund performance evaluators have produced a sound fund capable of continued growth. The Board of Administration and its staff are available to provide additional information when requested.

Sincerely,

DAVID BACIGALUPE, Chair
Board of Administration

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BOARD OF ADMINISTRATION

The Retirement Plan is administered by a five-member Board of Administration composed of two City Council members, a representative from the Civil Service Commission, two representatives who are City employees, one from the Police Department and one from the Fire Department; in accordance with Section 2.08.400 of the San Jose Municipal Code.

As of June 30, 1998, the members of the Board were as follows:



David Bacigalupi, Board Chairman

Employee Representative for sworn police personnel elected to the Board in November 1993. His current term expires November 30, 2001.



Richard P. Santos, Vice Chairman

Employee Representative of the Fire Department elected to the Board in November 1987. His current term expires November 30, 1999.



Bill Brill

Civil service commission member appointed on October 27, 1998. His current term expires December 1, 2001.



Charlotte Powers
City Council Member appointed to the
Board in June 1994.



Alice Woody
City Council Member appointed to
the Board in February 1996.

DEPARTMENT OF RETIREMENT SERVICES ADMINISTRATION



Edward F. Overton
Retirement Administrator



Thomas J. Webster
Senior Retirement Officer

CONSULTANTS

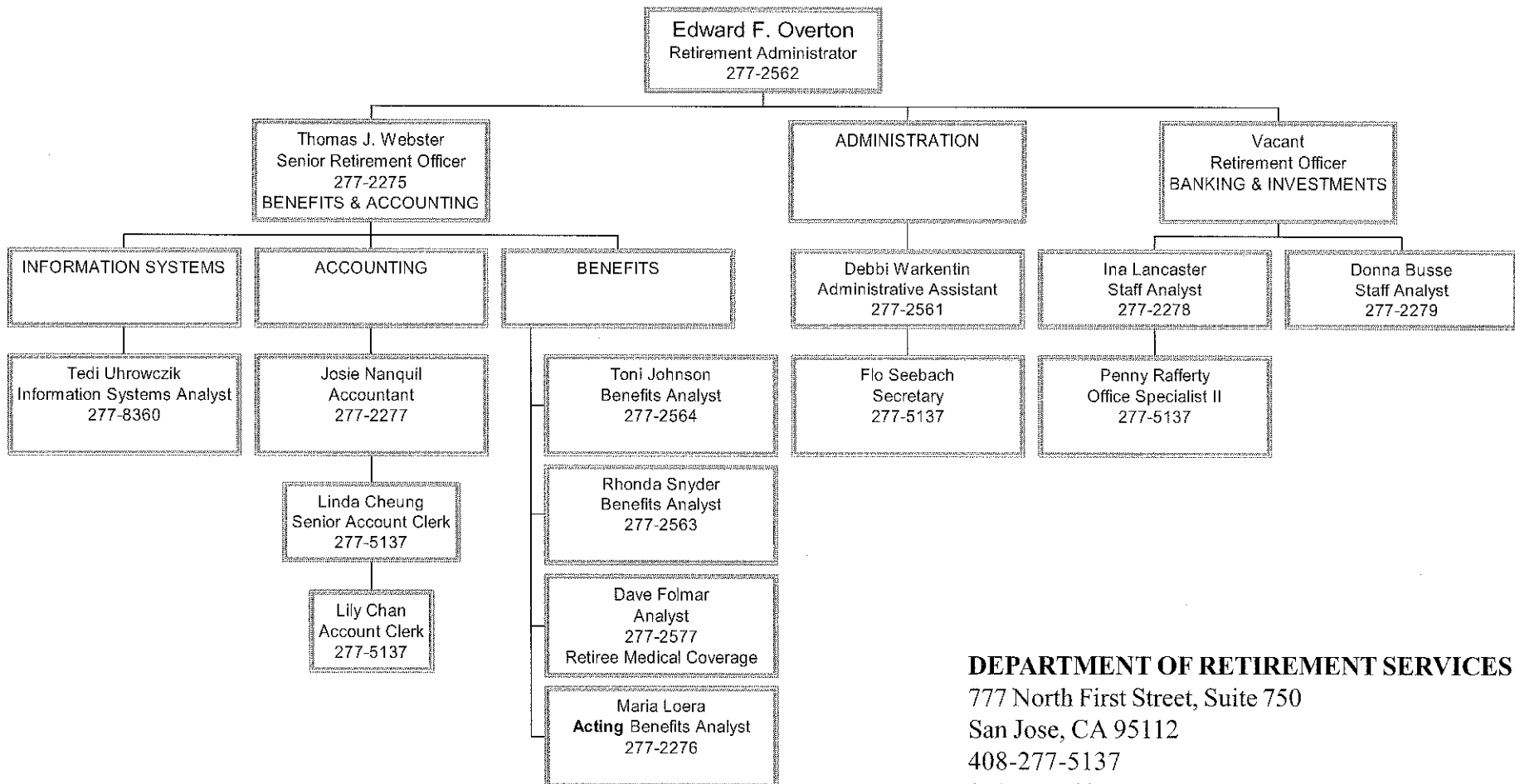
The Board of Administration engages the following consultants to assist in making investments and developing a sound retirement system:

CUSTODIAN BANK	Bankers Trust
ACTUARY	William M. Mercer, Inc.
INVESTMENT COUNSEL	Alliance Capital Management; American Re; Bank of Ireland; Brandes Investment Partners; Brinson Partners; Crabbe Huson; Credit Suisse; Globalt, Inc.; MIG Realty Advisors; New Amsterdam Partners; PM Realty Advisors; Provident Investment Counsel; Putnam Company; Rhumblin; Scudder Kemper; Smith Graham & Co.; and Woodford-Gayed are retained for full-time investment counsel.
AUDITOR	Peat Marwick Main & Co.
PENSION CONSULTANTS	William M. Mercer, Inc.

PUBLIC MEETINGS

The Board of Administration meets on the first Thursday of each month and holds special meetings as necessary. The meetings are usually held in the Council Chambers, City Hall at 8:30 a.m. The meetings are open to the public. Agendas for the monthly Board meetings are posted on the bulletin board in front of City Hall and on the department's website at www.ci.san-jose.ca.us/retire/retirement.htm or they can be obtained in the retirement office at 777 North First Street, Suite 750, San Jose, CA 95112.

DEPARTMENT OF RETIREMENT SERVICES ORGANIZATIONAL CHART



DEPARTMENT OF RETIREMENT SERVICES

777 North First Street, Suite 750

San Jose, CA 95112

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www.ci.san-jose.ca.us/retire/retirement.htm

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Summary

HIGHLIGHTS OF THE SYSTEM

1. There were 2,029 contributing members in the System as of June 30, 1999.
2. 15 Police members and 10 Fire members received service retirements during the period of July 1, 1998 through June 30, 1999.
3. 11 Police members and 20 Fire members retired because of disabilities during the period of July 1, 1998 through June 30, 1999.
4. There are 901 retirees and 125 survivors and 41 ex-spouses receiving benefits from the System as of June 30, 1999.
5. There are 34 deferred vested members who terminated and left their contributions in the System and therefore will be eligible for benefits when they reach age 55.
6. During the reporting period, 16 members left their membership of the Retirement System and had their contributions refunded.
7. The market value of the Retirement Fund balance as of June 30, 1999 was \$1,165,785,396 in the Regular Fund and \$408,336,884 in the Cost-of-Living Fund for a total of \$1,574,122,380.
8. The Fund paid a total of \$3,404,710 for benefits in June of 1999 which included \$3,063,001 for Pension and Survivor Benefits and \$341,709 for Medical and Dental insurance. In June of 1998, the Fund paid \$3,383,399 for these benefits.
9. The annual time-weighted return for the entire portfolio was 11.2% for the year ending June 30, 1999.
10. The total income due to interest, dividends, rents, and gain on sale of investments (realized and unrealized) for the period was \$136,644,000, and averaged about \$11,387,000 per month.

RETIREMENTS**SERVICE RETIREMENTS****POLICE DEPARTMENT**

ADKINS, WALTER
BAILEY, RICHARD
BAULEKE, TERRY
BEAMS, ROBERT
BERGTHOLDT, DOUGLAS
CARO, LYNNE
CONWAY, EDWARD
DUFFY, ROBERT
INGRAHAM, GEORGE
KIRKENDALL, STEVEN
LEDESMA, RONALD
LIND, ERIC
LOWRY, MICHAEL
MADISON, GARY
NORTH, DAVID

FIRE DEPARTMENT

DORMAN, ROBERT
HEATH, ALLEN
HEREDIA, KENNETH
MADIGAN, DENNIS
NEWGREN, GUY
NICOLSON, ARNIM
RICHARDSON, THOMAS
SMITH, KERRY
TIOPAN, IRINEO
WALTERS, JAMES

DEFERRED VESTED RETIREMENTS**POLICE DEPARTMENT**

MARTIN, WILLARD
WOMACK, ALEDA

FIRE DEPARTMENT

HARRELL, JERRY

NON-SERVICE CONNTECTED DISABILITY RETIREMENTS**POLICE DEPARTMENT**

NONE

FIRE DEPARTMENT

NONE

SERVICE-CONNECTED DISABILITY RETIREMENTS**POLICE DEPARTMENT**

ASENCIO, SANTIAGO
 CRIPE, RODGER
 DE LOS SANTOS, RAFAEL
 HABINA, RONALD
 HALL, MARTE
 HANDA, MITCHELL
 KENSIT, JOHN
 KOENIG, HEINZ
 LEWIS, MARVIN
 NUNES, JOSEPH
 PITTS, KENNETH

FIRE DEPARTMENT

ADAMS, WILLIAM
 BAUER, WILLIAM
 COCILOVA, ROBERT
 COURTS, RANDALL
 CUTTER, EDWARD
 FRANCIS, ROBERT
 FRANCISCO, SAMUAL
 GARCIA, RICHARD
 GATTEY, HARRY
 HOLMBERG, H
 JOHNSON, DONALD
 KIEPEN, CARL
 MARTELL, GREGORY
 MC MURTRY, ROBERT
 NEWTON, STEVE
 POLI, STEPHEN
 PORTER, CHARLES
 SIMMS, MICHAEL
 SOLANO, EDWARD
 WILKINS, ROGER

13% of all disability retirements classify as early retirements (do not qualify for service retirement).

DEATHS**DEATHS AFTER RETIREMENT****POLICE DEPARTMENT**

COLLINS, BARTON L
 DWYER, GEOERGE J
 GERDTS, HANS B
 MOLOSKY, CHARLES A
 PROVASI, DANTE C
 SULLIVAN, MARIS S

FIRE DEPARTMENT

CHRISTIANSON, DONALD B
 DEVENS, LEE E
 FRIDAY, JAMES E
 HAAS, CARL G
 PIPKINS, ROBERT W
 SAWYER, HOWARD D
 STOUT, BERNARD

DEATHS BEFORE RETIREMENT**POLICE DEPARTMENT**

NONE

FIRE DEPARTMENT

NONE

SUMMARY OF THE PRINCIPAL PROVISIONS OF THE POLICE AND FIRE DEPARTMENT RETIREMENT PLAN SAN JOSE, CALIFORNIA

MEMBERSHIP

Mandatory for all full-time safety employees.

MEMBER CONTRIBUTION

All members contribute 10.22% of base salary.

CITY'S CONTRIBUTION

The City contributes 19.82% of the base salary.

INTEREST

Two percent annual interest is calculated each biweekly pay period and is added to employee contributions. This interest is derived from investments.

TERMINATION BENEFITS

Upon termination, the member shall be paid all of his/her accumulated contributions and interest in full satisfaction of all rights and benefits under this Retirement Plan. The City's contributions and interest will not be refunded to the employee.

MILITARY LEAVE CREDIT

If during employment with the City of San José a member has served in the military, the City will pay the member's contributions into the Retirement System for that period of time if the following conditions exist: (1) a time of war, a national emergency proclaimed by the President or the Congress, or (2) Service outside the United States as requested by the United Nations. This is not refundable to an employee who resigns and requests a refund of contributions.

VESTING OF PENSION CREDIT

After 10 years of service, a member may resign his/her position with the Police or Fire Department and leave the accumulated contributions in the Retirement Plan. A member who vests in this fashion is eligible to retire later at age 55 or when 20 years have elapsed from the original hire date. For a vested retirement, the monthly retirement allowance is the final compensation multiplied by 2 1/2% multiplied by years of service for members who left prior to February 4, 1996; thereafter, members leaving their monthly retirement allowance is calculated at the same rate for up to 20 years and at 3% for any years over that amount (maximum of 80%).

SERVICE RETIREMENT

Members may retire at age 50 with 25 years of service, at 55 with at least 20 years of service or at any age with 30 years of service. The monthly retirement allowance is the final compensation multiplied by 2 1/2% multiplied by years of service up to 20 years and by 3% for any years thereafter. There is a maximum of 80% (30 years of service equals 80%.)

SERVICE-CONNECTED DISABILITY

Retirement resulting from an injury or disease arising out of and in the course of such member's employment with the City. No minimum period of service required. For members with less than 20 years of service, the monthly retirement allowance is 50% of the final compensation. For members with 20 or more years of service, the monthly retirement allowance is the final compensation multiplied by 2 1/2% multiplied by years of service up to 20 years and by 3% for any years thereafter. There is a maximum of 80% (30 years of service equals 80%.)

NON-SERVICE-CONNECTED DISABILITY

Retirement resulting from other than a service-connected disability with at least 2 years of service. For members with 2 to 19 years of service, the monthly retirement allowance is 32% multiplied by the final compensation for first two years plus one percent for an additional year. For members with at least 20 years of service, the monthly retirement allowance is the final compensation multiplied by 2 1/2% multiplied by years of service. There is a maximum of 75% (30 years of service equals 75%.)

EARLY SERVICE RETIREMENT

Retirement at age 50 to 55 with at least 20 years of service. Members' retirement allowance shall be calculated as if the member were at least 55, and then reduced according to guidelines set forth in Section 3.36.810 of the City of San Jose Municipal Code.

MANDATORY RETIREMENT

Age 70.

SURVIVORSHIP ALLOWANCE

The spouse will receive 37 1/2% of the final compensation if the member dies while entitled to immediate retirement for service, dies at any age due to a service-connected injury or illness, is retired for service, or is retired for service-connected disability. Optional Retirement Allowances are available.

If the member dies before age 55 with two or more years of services due to a non-service connected injury or illness, or if the member is retired for non-service connected disability, the spouse will receive 24% of final compensation for two years of service and 0.75% for each year thereafter (Maximum: 37-1/2%.)

Surviving child or children conceived prior to retirement will receive the following:

- 1 child receives 25% of the final compensation
- 2 children share 37 1/2% of the final compensation
- 3+ children share 50% of the final compensation

Unless the death is service-connected in which case the eligible child or children will receive:

- 1 child receives 25% of the final compensation
- 2 children share 50% of the final compensation
- 3+ children share 75% of the final compensation

The maximum family benefit is 75% of the final compensation. If the sum of spousal benefit plus the children's benefit is greater than 75%, the children's benefit is reduced. Dependant children are paid to age 18 or to age 22 if full-time students.

REMARRIAGE OF SPOUSE

If the employee is 55 at time of death and has twenty years of service, or the member is entitled to 30 years of service regardless of age, the spouse will retain allowance for life. If less than 20 years or under age 55, the spouse loses the allowance upon a remarriage.

MANAGEMENT

The System is under the management of a five member Board of Administration consisting of two City Council persons, a Civil Service Commissioner, and two elected employees who are members of the retirement plan.

The Board of Administration is a policy-making body and responsible for the proper operation of the Plan. The Plan operates as an independent trust, separate and distinct from the City and other entities. The administration of the Plan is under its guidance and direction and is subject to such rules, regulations and directives as it may adopt from time to time. Members, except for public member, serve without compensation. The City Attorney provides legal advice and counsel.

ADMINISTRATION

A full-time Retirement Administrator is employed by the Board. He serves as Secretary and Chief Executive Officer to the Board of Administration.

The Fund Pays the cost of the personnel who are employed for the purpose of managing the Retirement Plan. It also pays any directly related administrative costs.

Bankers Trust is employed as custodian of fund assets and collector of investment income.

ACTUARIAL SOUNDNESS

Plan and benefit provisions are periodically reviewed to assure continuing soundness.

INVESTMENT AUTHORITY AND POLICY

The investment authority is broad and flexible, allowing maximum utilization of the System's resources. Nationally known investment advisory services including Alliance Capital; American Re; Bank of Ireland; Boston Partners; Brandes Investment Partners; Brinson Partners; Crabbe Huson Group; Credit Suisse; Globalt; MIG Realty Advisors; New Amsterdam Partners; PMRealty Advisors; Provident Investment Counsel; Putnam Investments; Rhumblin; Scudder Kemper Investments; Smith Graham & Company; and Woodford Gayed Management are retained for full-time investment counsel. William A. Mercer, Inc. is retained as the pension consultant.

COST OF LIVING

The Board of Administration determines the change in the cost of living (COL) each year using the December Consumer Price Index for the San Francisco-Oakland Metropolitan Area published by the Bureau of Labor Statistics of the United States Department of Labor. The Board determines the change to be effective beginning April first each year. A maximum of 3% is granted with any excess accumulated for use in future years. A retiree draws no COL increase for the first year, then receives a pro-rated increase for the months before the next April first. Survivors will be paid their first COL increase as if they were a new retiree according to the above schedule.

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Plan Performance

PLAN REVENUES

The System's Retirement Fund has three principal sources of income. These are payments by the City; payments by employee members of the System; and interest, dividends, and net rental earnings from the monies invested in equities, bonds, real estate and other securities.

The pattern of revenues for the last decade is shown in the following table:

Fiscal Year Ending in June	Employer Payments	Employee Payments	Interest and Other Income	Total
1999	26,563,000	14,148,000	136,644,000	177,355,000
1998	26,547,000	12,570,000	193,114,000	232,231,000
1997	26,779,000	11,711,000	160,534,000	*199,024,000
1996	25,604,000	10,789,000	125,170,000	161,563,000
1995	25,297,512	10,689,507	56,352,881	92,339,900
1994	22,827,065	9,354,510	71,825,999	104,007,574
1993	23,803,000	9,617,000	89,662,000	123,082,000
1992	20,626,000	8,820,000	55,284,000	84,730,000
1991	18,814,000	8,054,000	41,630,000	68,498,000
1990	21,259,000	7,417,000	41,535,000	70,211,000
10 Year Total	238,119,577	103,170,017	971,751,880	1,313,041,474

* Beginning 1997, audit report includes unrealized gains in investment income.

SIZE OF SYSTEM

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Active*	1,757	1,803	1,815	1,813	1,826	1,840	1,932	1,969	2,036	2,029
Retired	478	468	483	568	620	673	719	780	855	901
Survivors**	113	110	127	122	140	151	157	161	161	166
Total	2,348	2,381	2,425	2,503	2,586	2,664	2,808	2,910	3,052	3096

* Includes Deferred Vested

** Includes Ex-spouses

CONTRIBUTIONS AND REVENUE

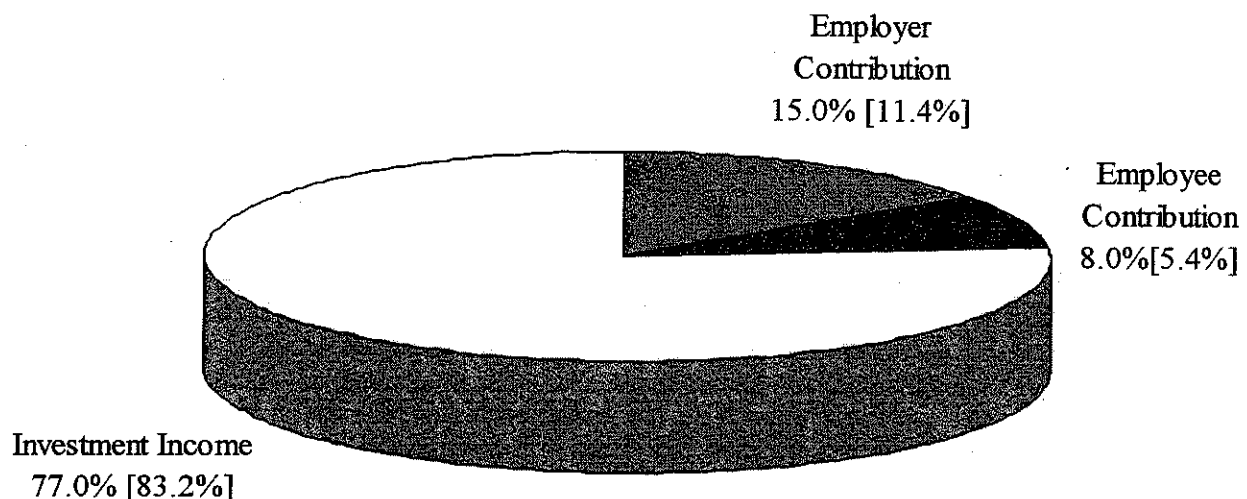
Each member of the Retirement Plan contributes the following percentage of pay:

	Employee	City
Current Service	6.25%	16.67%
Prior Service	0.05%	-6.73%
Cost of Living	2.39%	8.07%
Medical	1.39%	1.39%
Dental	0.14%	0.42%
Total	10.22%	19.82%

The following sources contributed a share of the revenues received by the Retirement Fund in 1998-99:

Employee Contribution	8.0%	14,148,000
City Contribution	15.0%	26,563,000
Investment Income	77.0%	136,644,000
Total Revenue	100%	177,355,000

Sources of Retirement Fund Income 1998-1999 Last year's percentage shown in brackets



PORTFOLIO PERFORMANCE REPORT

Measured on a basis of Net Gains/Losses, Dividends and Interest Received

	6/30/99 Portfolio Cost	Income	Income Rate of return
Alliance Capital	\$ 46,507,498	\$ 2,412,851	5.2%
American Re	43,304,932	1,570,756	3.6%
Bank of Ireland	55,809,929	544,278	1.0%
Boston Partners	77,076,359	3,146,588	4.1%
Brandes	92,594,559	17,546,164	19.0%
Brinson Partners	93,219,516	18,956,259	20.3%
Crabbe Huson	24,264,947	-2,062,522	-8.5%
Credit Suisse	131,819,849	9,445,424	7.2%
Globalt	17,871,154	-26,704	-0.2%
MIG Realty Advisors	80,872,537	5,834,505	7.2%
New Amsterdam	36,965,891	929,402	2.5%
PM Realty	40,256,273	2,059,038	5.1%
Provident	22,984,176	-2,717,943	-11.8%
Putnam Company	90,199,146	7,154,180	7.9%
Rhumblin	67,291,033	5,367,553	8.0%
Scudder Kemper	355,331,351	20,782,823	5.9%
Smith Graham & Co.	51,105,768	3,001,359	5.9%
Woodford Capital	38,516,391	5,807,609	15.1%
Cash	5,755,398	365,421	N/A
Total	\$1,371,746,708	104,092,317	7.9%*

Measured on a Basis of Total Increase in Market Value
(in Millions)

	6/30/99 Market Value	6/30/98 Market Value	Total Yield
Alliance Capital	65.55	N/A	N/A
American Re	53.44	50.10	13.9%
Bank of Ireland	73.55	68.49	7.4%
Boston Partners	88.57	94.90	2.6%
Brandes	103.40	86.07	20.1%
Brinson Partners	122.58	115.86	15.5%
Crabbe Huson	19.73	24.49	-19.4%
Credit Suisse	126.20	123.20	5.0%
Globalt	20.12	N/A	N/A
MIG Realty Advisors	77.13	70.27	8.7%
New Amsterdam	59.25	52.12	13.7%
PM Realty	40.26	23.17	9.8%
Provident	31.33	29.83	5.0%
Putnam Company	87.14	89.04	1.2%
Rhumblin	153.68	127.50	23.1%
Scudder Kemper	347.77	336.45	2.6%
Smith Graham & Co.	49.83	46.86	2.1%
Woodford Capital	48.84	34.40	42.0%
Total	1,574.12**	1,438.81**	11.2%

Bankers Trust figures include pending receivables and liabilities.

Source: Mercer Performance Measurement June 30, 1999 Report and Bankers Trust Year End Report

* Includes income from C/D Accounts and terminated managers

**Includes cash in the C/D Accounts

PERFORMANCE BENCHMARK COMPARISON

	One Year	Three Years	Five Years
DOMESTIC BOND PERFORMANCE			
Putnam Company	1.2	6.9	7.3
Scudder Kemper	2.6	7.1	8.0
Smith Graham & Company	2.1	6.6	7.2
Lehman Brothers Aggregate Bond Index + 50 bps	3.6	7.8	8.4
Mercer Fixed Income Core Median	2.8	7.3	8.0
GLOBAL BOND PERFORMANCE			
Credit Suisse	5.0+	4.9	N/A
Salmon World Govt. Bond Index +75 bps	7.9	5.9	7.5
Mercer Global Bond Fund Median	3.0	5.0	7.2
DOMESTIC STOCK PERFORMANCE			
Rhumbline (Index)	23.1 ++	29.3 ++	27.8+
Standard & Poors (benchmark is to track closely)	22.8	29.1	27.9
Mercer Equity Fund Median	12.9	20.9	22.2
American Re (Large Cap Value)	13.9+	23.5+	23.7+
Russell 1000 Value Index + 100 bps	22.1	28.9	28.2
Mercer Large Cap Value Equity Universe	12.4	21.9	22.6
Boston Partners (Large Cap Value)	2.6	18.4	N/A
Standard & Poors 500 +100 bps	23.9	30.3	29.1
Mercer Large Cap Value Equity Universe	12.4	21.9	22.6
Brinson Partners (Large Cap Value)	15.5+	23.3+	24.7+
Wilshire 5000 Index + 100 bps	20.7	27.0	26.9
Mercer Large Cap Value Equity Universe	12.4	21.9	22.6
New Amserdam (Large Cap Growth)	13.7	26.6	N/A
Woodford Gayed (Large Cap Growth)	42.0++	30.9++	27.9+
Standard & Poors 500 Index + 100 bps	23.9	30.3	29.1
Mercer Large Cap Growth Style Median	22.3	27.8	26.5
	6 Mos.	One Year	Inception
Alliance Capital (Large Cap Growth)	13.6++	23.9+	23.9+
Globalt, Inc. (Large Cap Growth)	7.9	9.4	9.4
Standard & Poors 500 Index + 100 bps	12.9	23.9	23.9
Mercer Large Cap Growth Style Median	11.1	22.3	22.3

PERFORMANCE BENCHMARK COMPARISON

	6 Mo.	One Year	Inception
Crabbe Huson Group (Small Cap Value)	7.5+	-19.4	-16.7
Russell 2000 + 200 bps	10.3	3.6	6.4
Mercer Sm Cap Value Equity Fund Median	6.5	-3.3	1.7

Provident Investment Counsel (Small Cap Growth)	11.1 + +	5.0++	13.9++
Russell 2000 + 200 bps	10.3	3.6	6.4
Mercer Sm Cap Growth Equity Fund Median	8.5	4.4	9.0

INTERNATIONAL STOCK PERFORMANCE

Bank of Ireland	7.6+	7.4+	13.4++
Brandes Investment Partners	20.3++	20.1++	23.6++
EAFE Index + 200 bps	5.0	9.8	12.2
Mercer Int'l Equity Funds Median	7.6	7.3	12.0

REAL ESTATE PERFORMANCE

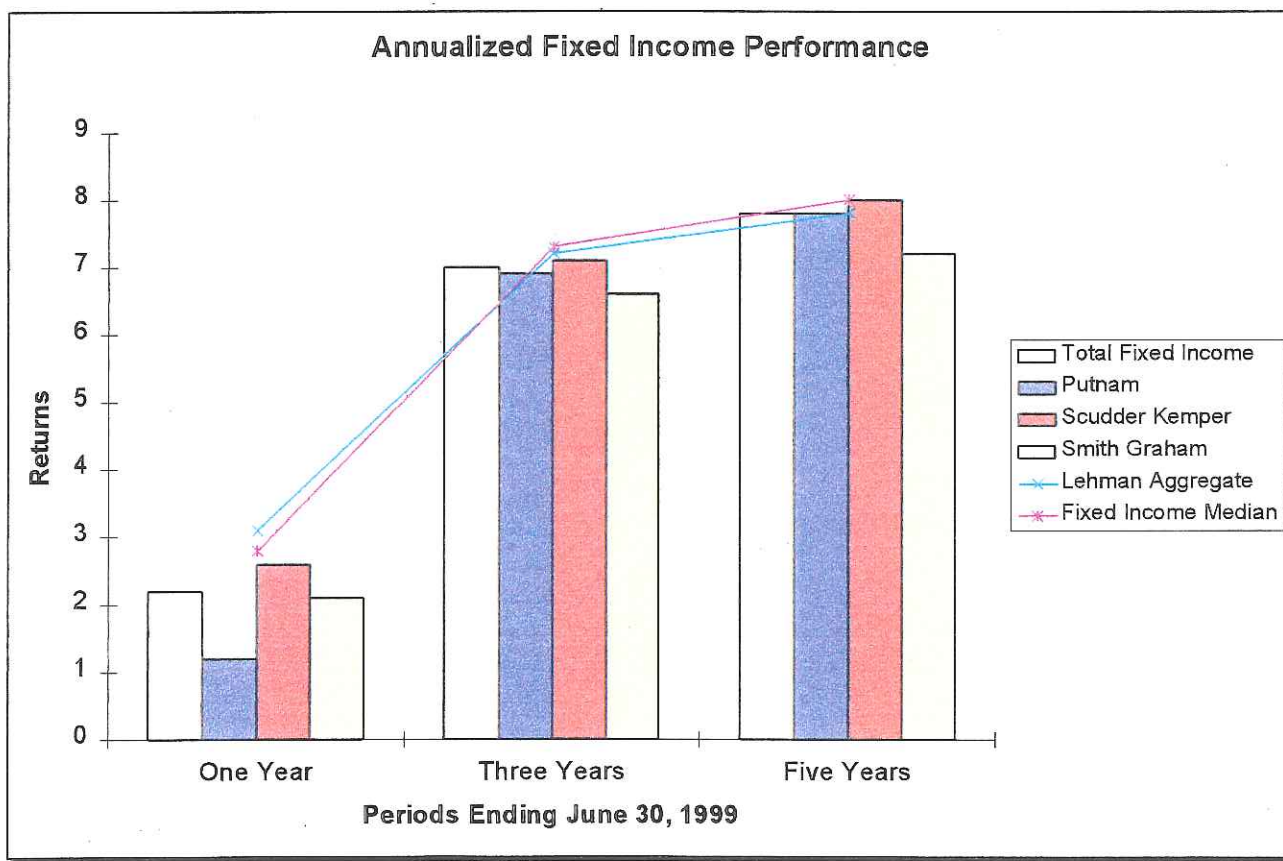
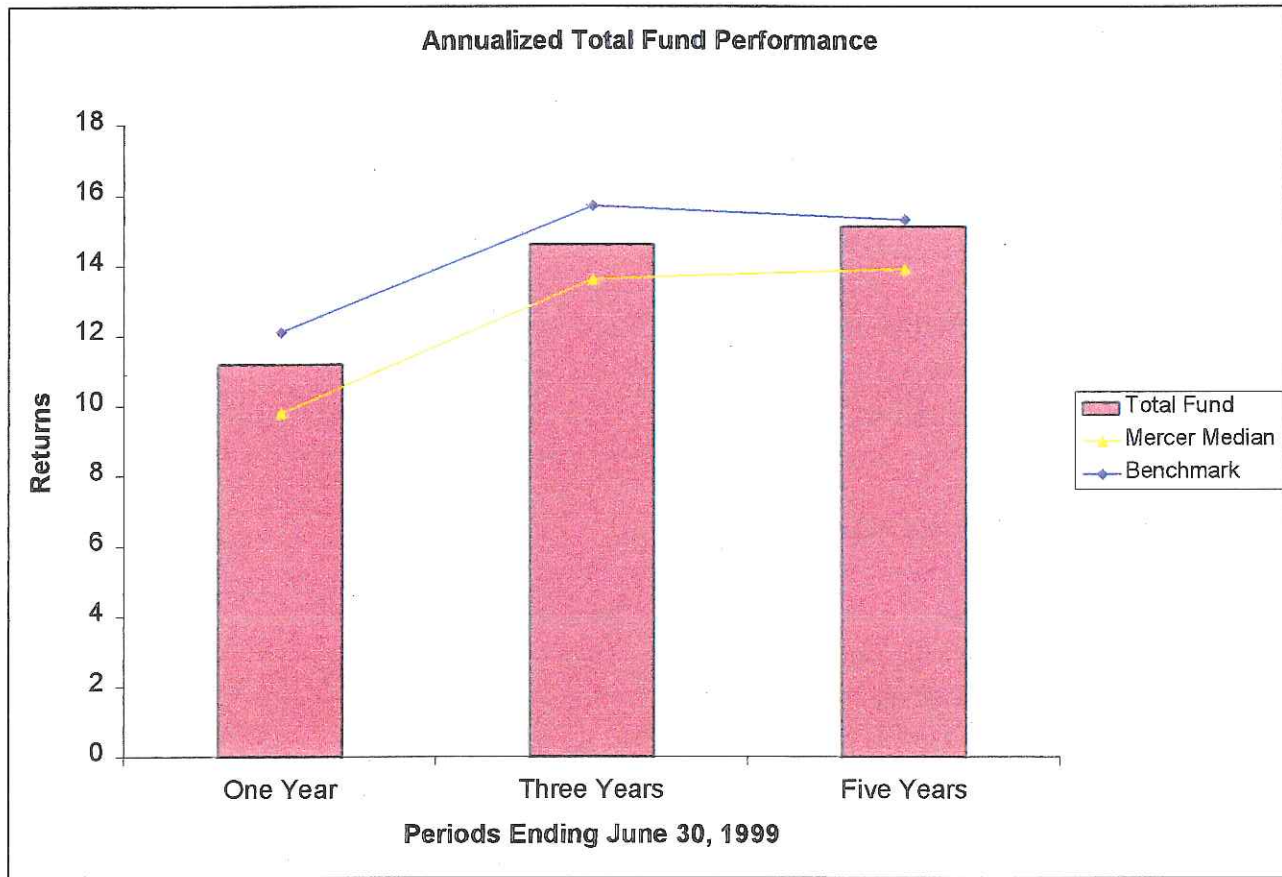
	One Year	Three Years	Five Years
MIG Realty Advisors	8.7	11.5	10.0
NCREIF + 150 bps	17.2	17.1	14.4
Mercer Real Estate Median	12.6	14.5	11.7

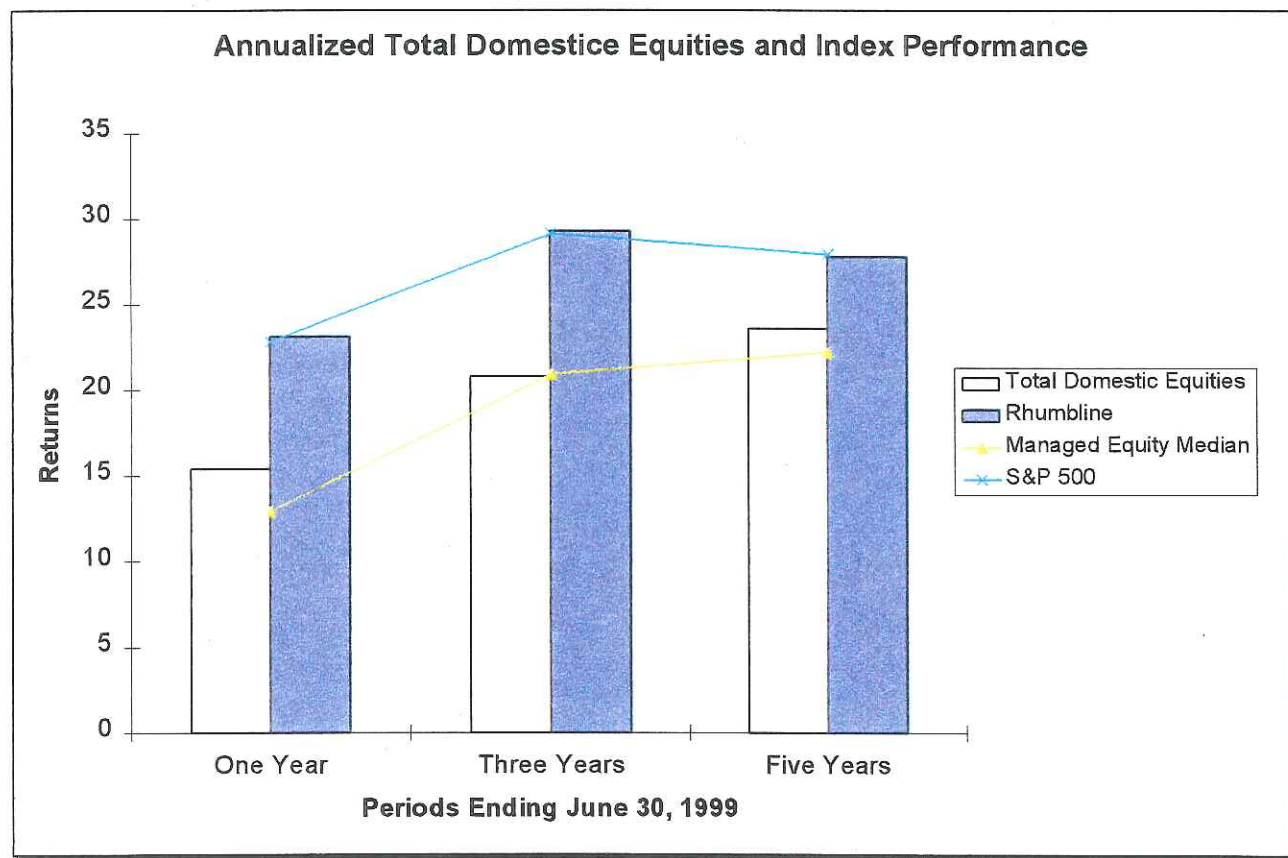
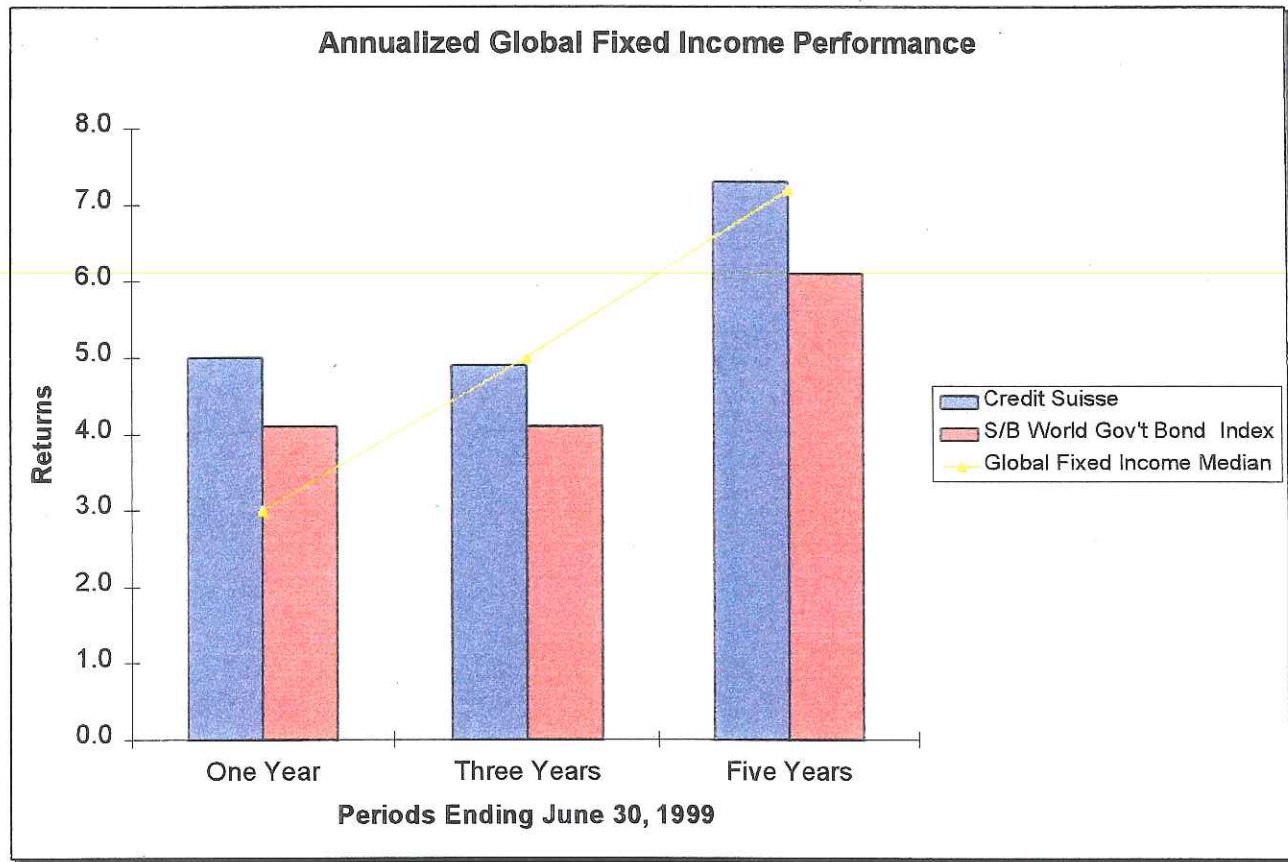
	6 Mo.	One Year	Inception
PM Realty Advisors	4.3	9.8	9.8
NCREIF + 150 bps	5.5	13.6	13.6
Mercer Real Estate Median	4.9	12.6	12.6

TOTAL FUND PERFORMANCE

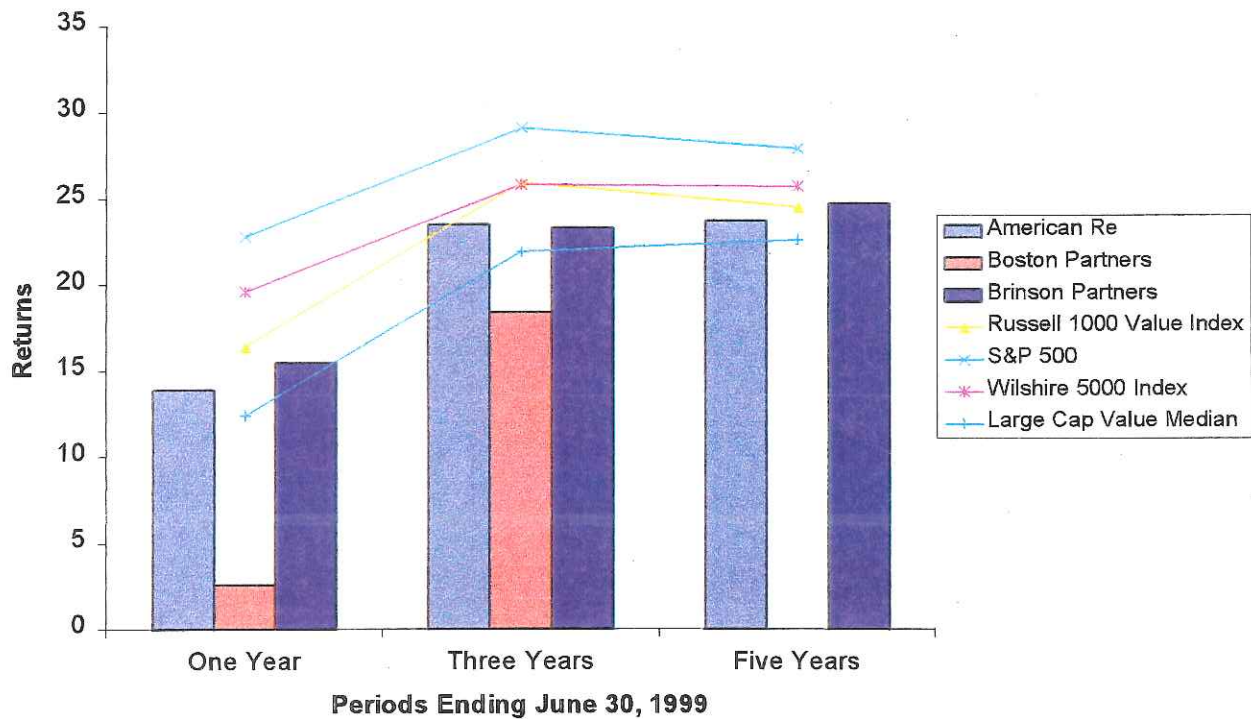
	One Year	Three Years	Five Years
Total Fund (Gross of Fees)	11.2+	14.6+	15.1+
Mercer Total Fund Benchmark	12.1	15.7	15.3
Mercer Balanced Fund Universe Median	9.8	13.6	13.9

Note: Each "+" represents a benchmark the manager has out performed
Source: Mercer Investment Performance Evaluation Report June 30, 1999

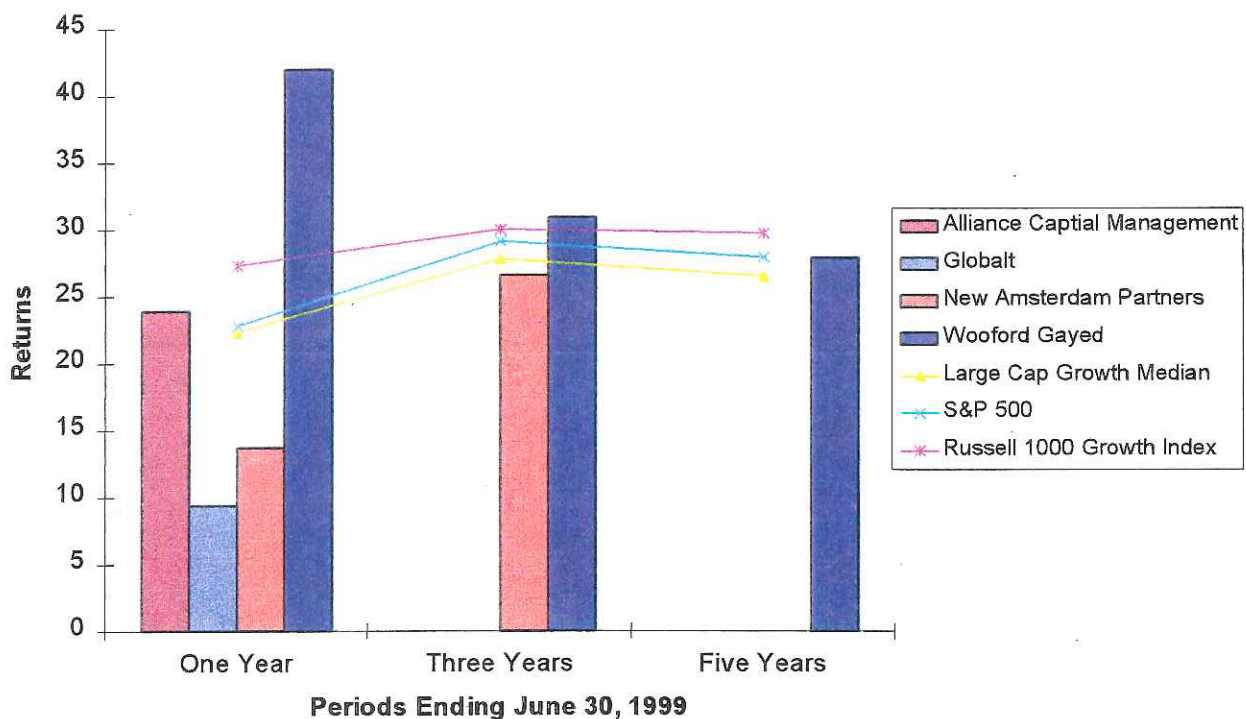


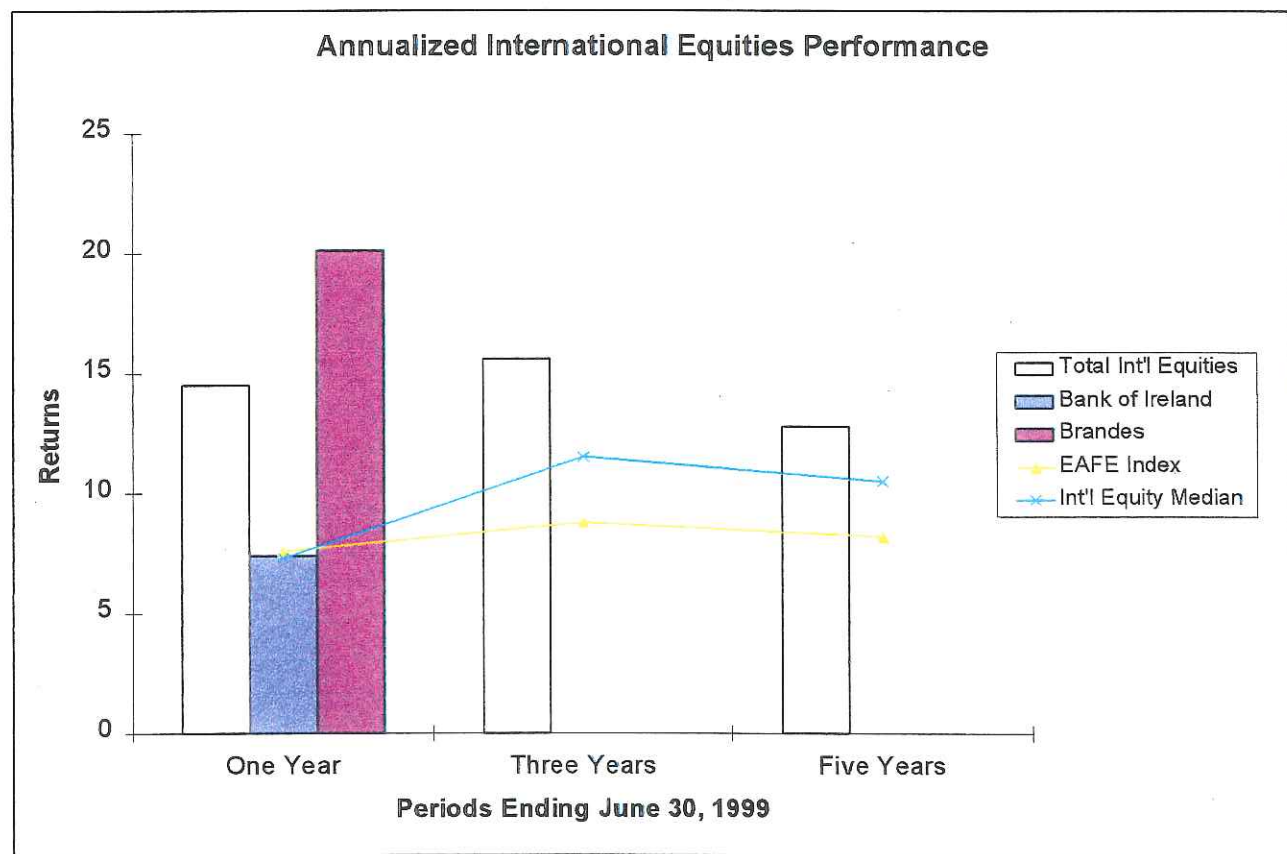
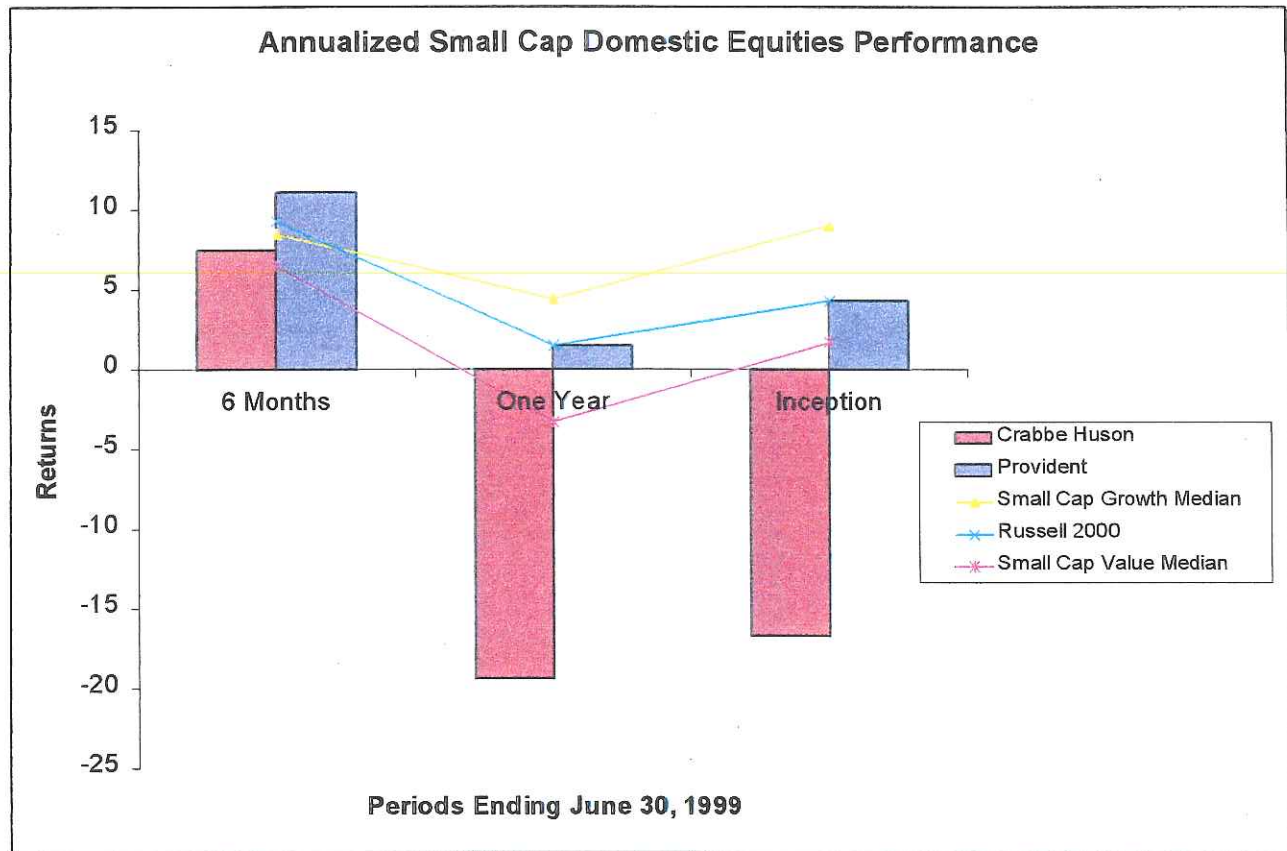


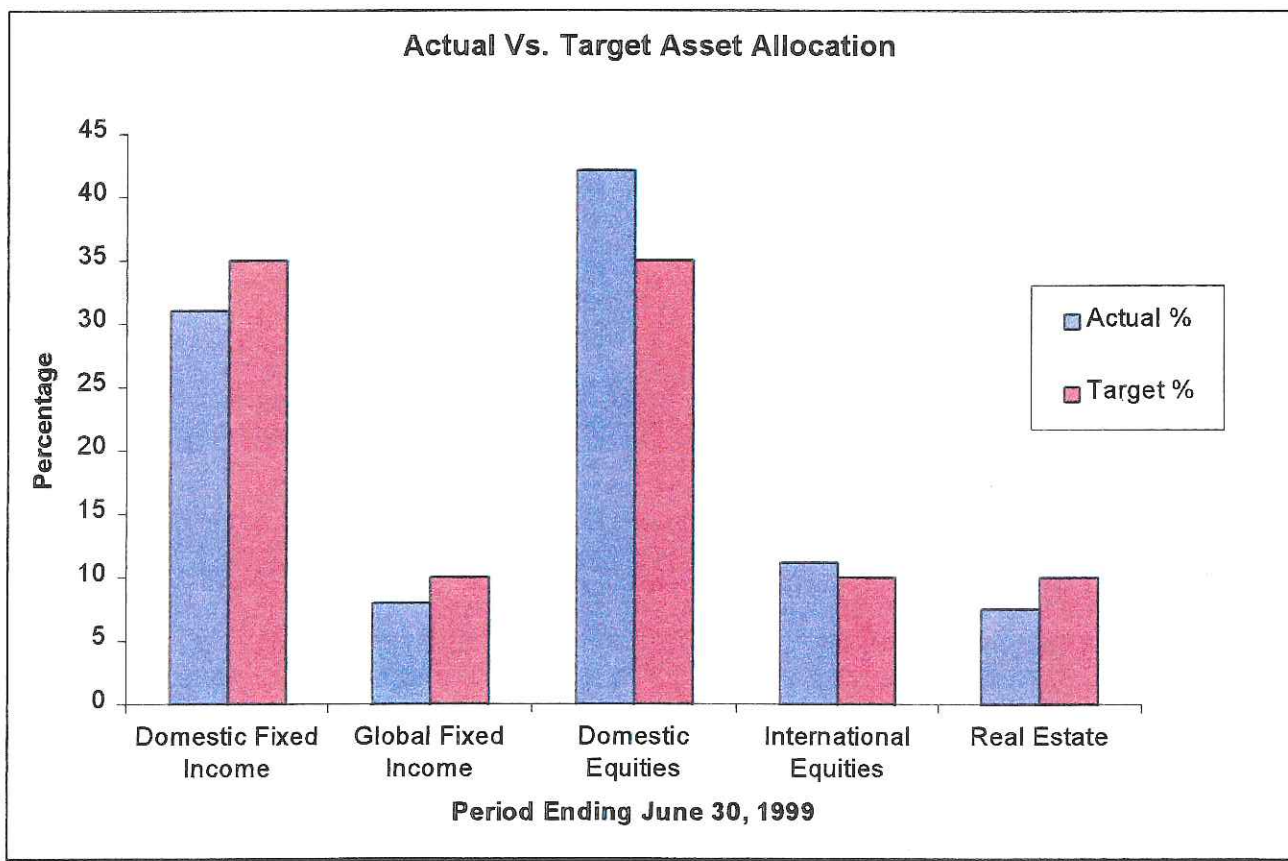
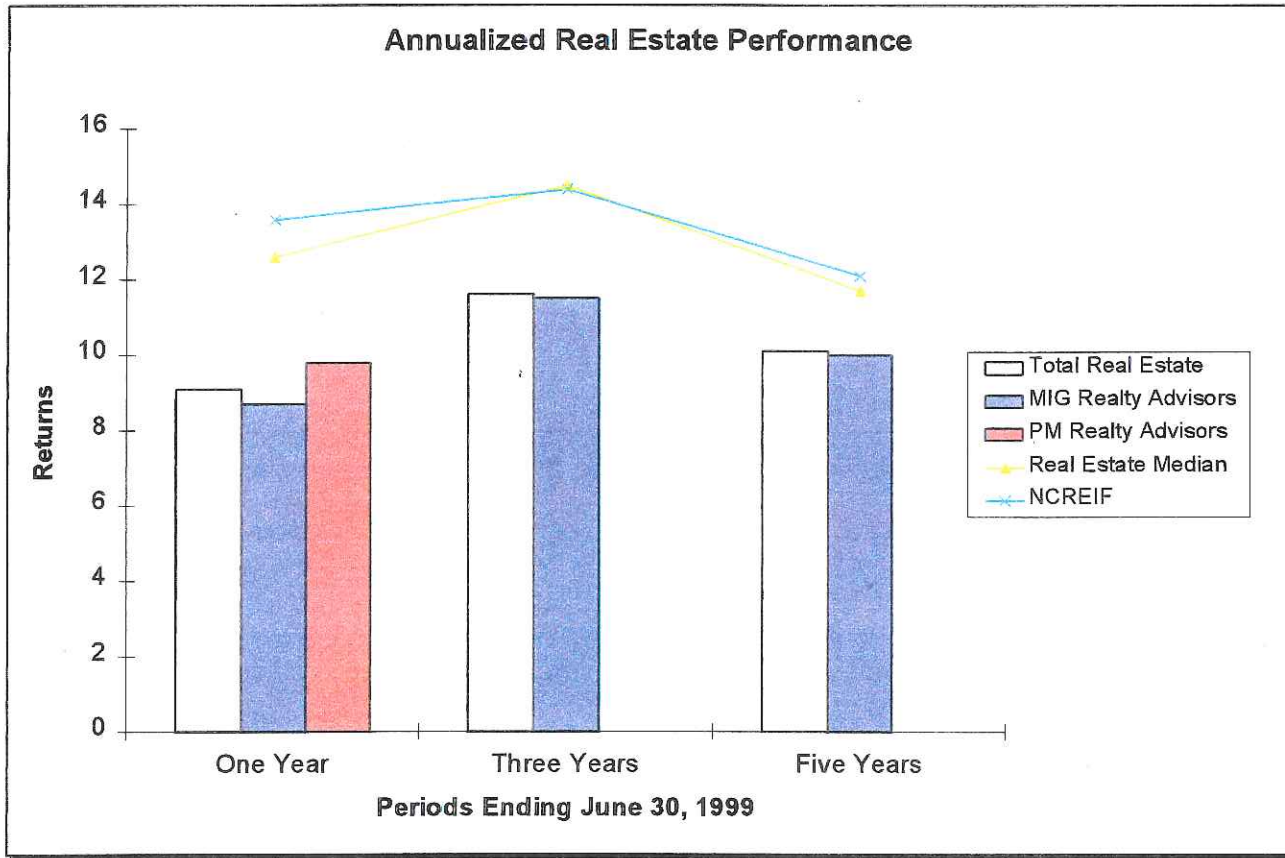
Annualized Large Cap Value Domestic Equities Performance



Annualized Large Cap Growth Domestic Equities Performance







Plan Investments

INVESTMENT PROPERTIES



Airport Commercenter

278,470 s.f. industrial complex consisting of four one-story buildings located in Ontario, CA. Acquired jointly with the Federated City Employees' Retirement System in April 1989.



Copperwood Square Shopping Center

138,990 s.f. retail shopping center in Citrus Heights, CA. Acquired jointly with the Federated City Employees' Retirement System in June 1987.



The Deerwood Apartments

186 unit luxury mid-rise apartment community located in Houston, TX. Acquired as sole owners in January 1996.



Milpitas Warehouse

145,152 s.f. warehouse/distribution building, equally divided into four bays. Acquired jointly with the Federated City Employees' Retirement System in February 1986.

**Pine Grove Office Complex**

85,956 s.f. five-building office complex located in Orinda, CA. Acquired jointly with the Federated City Employees' Retirement System in September 1990.

**Plaza Paseo Real**

147,213 s.f. retail shopping center located in Carlsbad, CA. Acquired jointly with the Federated City Employees' Retirement System in May 1993.

**Saddleback Financial Center**

72,711 s.f. mid-rise office building located in Laguna Hills, CA. Acquired jointly with the Federated City Employees' Retirement System in January 1988.

**Camelback Pointe Apartments**

258-unit luxury apartment community in Colorado Springs, CO. Acquired as sole owners in December 1997.



Crescent VII

135,044 s.f. six-story office building located in the Denver Tech Center in Greenwood Village, CO. Acquired as sole owners in June 1998.



Citibank Office Plaza

100,303 s.f. five-story office building located in Oak Brook, IL. Acquired as sole owners in December 1998

BANKERS TRUST COMPANY, NEW YORK

INVESTMENTS HELD
AS OF JUNE 30, 1999QUANTITY ORMATURITY VALUESECURITY DESCRIPTIONPERCENTMATURINGTOTAL COSTMARKET VALUECASH & CASH EQUIVALENTS

49,844,221.150	FOREIGN CURRENCIES			17,600,951	17,589,735
2,179,535,570.000	FORWARD CURRENCY CONTRACTS (RECEIVABLE)			41,355,072	40,767,314
-932,531,152.600	FORWARD CURRENCY CONTRACTS (PAYABLE)			-41,355,072	-41,216,170
706,406.861	SCUDDER ACTIVE VALUE HIGH YLD			14,559,703	13,951,536

TOTAL CASH & CASH EQUIVALENTS**32,160,654****31,092,415**FIXED INCOME

6,006,000.000	STUDENT LOAN MARKETING ASSN	0.000%	07/02/1999	5,998,973	6,005,159
48,559,361.610	BT PYRAMID GOVERNMENT SECURITIES	5.790%	12/31/1999	48,559,362	48,559,362
1,600,000.000	DEAN WITTER DISCOVER & CO	6.250%	03/15/2000	1,603,469	1,604,032
1,000,000.000	CAPITAL ONE BK	7.350%	06/20/2000	1,012,482	1,009,000
9.000	UNITED STATES SURGICAL CORP	0.000%	06/23/2000	0	0
1,570,000.000	UNITED STATES TREAS NOTES	5.375%	06/30/2000	1,586,104	1,570,973
1,032,912.000	ITALY 15JUL00 10.5%	10.500%	07/15/2000	1,235,978	1,144,224
2,419,000.000	UNITED STATES TREAS NTS	4.500%	09/30/2000	2,427,194	2,392,536
2,400,000.000	COUNTRYWIDE HOME LNS INC	5.620%	10/16/2000	2,400,000	2,382,000
280,000.000	PP&L CAPITAL FDG	5.900%	10/16/2000	280,000	279,110
1,235,000.000	UNITED STATES TREAS NOTES	5.750%	11/15/2000	1,239,894	1,240,014
745,000.000	UNITED STATES TREAS NTS	4.625%	11/30/2000	746,746	736,850
16,000,000.000	DENMARK (KINGDOM) 4% BDS 15FEB01 DKK1000	4.000%	02/15/2001	2,506,583	2,239,155
1,753,163.000	FRANCE (GOV OF) 5.750% 12MAR01	5.750%	03/12/2001	2,224,375	1,884,962
360,000.000	A T & T CAP CORP MEDIUM TERM NTS	6.250%	05/15/2001	359,809	355,914
1,800,000.000	CAPITAL ONE BK MEDIUM TERM SR	6.150%	06/01/2001	1,798,539	1,785,888
310,000.000	CONNECTICUT LT & PWR CO	7.875%	06/01/2001	314,295	316,473
2,900,000.000	MELLON FINL CO	9.250%	08/15/2001	3,103,985	3,069,476
600,000.000	WORLD COM INC GA	6.125%	08/15/2001	603,258	598,104
3,050,000.000	US T-NTS 30SEP01 6.375% NTS 30/09/01 USD	6.370%	09/30/2001	3,191,539	3,100,051

BANKERS TRUST COMPANY, NEW YORK

INVESTMENTS HELD
AS OF JUNE 30, 1999

<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
35,274.340	FEDERAL HOME LN MTG CORP	17.000%	10/01/2001	35,078	35,892
315,000.000	CIT GROUP	5.500%	10/15/2001	314,578	310,275
3,700,000.000	FINOVA CAP CORP	5.875%	10/15/2001	3,682,835	3,657,302
460,000.000	UNION PAC CORP	5.780%	10/15/2001	460,000	452,815
5,310,000.000	UNITED STATES TREAS NOTES	6.250%	10/31/2001	5,499,799	5,386,305
250,000.000	NORWEST CORP	8.150%	11/01/2001	270,665	259,445
6,220,000.000	DENMARK 15NOV01 8%BDS	8.000%	11/15/2001	1,077,519	947,443
7,900,000.000	UNITED STATES TREAS NT	0.000%	11/15/2001	7,031,857	6,929,090
2,650,000.000	MERRILL LYNCH & CO INC	5.710%	01/15/2002	2,650,000	2,613,669
240,000.000	PHILIP MORRIS COS INC	7.500%	01/15/2002	243,864	245,621
1,235,000.000	GENERAL MTGS ACCEP CORP	6.750%	02/07/2002	1,223,885	1,244,806
910,000.000	US TREA STRIP ZERO CPN 15FEB02	0.000%	02/15/2002	571,425	786,713
766,937.000	GERMANY(FED REP) 4.5% 22FEB02	4.500%	02/22/2002	918,133	811,939
3,615,192.000	ITALY(REPUBLIC OF) 6.250% 01MAR02	6.250%	03/01/2002	4,030,898	3,974,586
3,000,000.000	GENERAL ELEC CAP CORP	5.500%	04/15/2002	3,000,000	2,939,160
1,400,000.000	MCI COMMUNICATIONS CORP	6.125%	04/15/2002	1,397,380	1,390,704
310,000.000	BANPONCE FINL MED TRM NTS BOOK ENTRY	7.125%	05/02/2002	309,098	310,152
90,000.000	UNITED STATES TREAS NTS	7.500%	05/15/2002	95,857	94,402
500,000.000	XEROX CAP EUROPE PLC	5.750%	05/15/2002	499,055	492,115
1,350,000.000	UK TREAS 07JUN02 7.0%	7.000%	06/07/2002	2,218,939	2,217,371
345,000.000	WILLIAMS COS INC	6.200%	08/01/2002	346,763	341,764
1,650,000.000	UNITED STATES TREAS NTS	6.375%	08/15/2002	1,728,571	1,683,000
250,000.000	CIT GROUP HLDGS INC	6.375%	10/01/2002	252,838	249,405
605,000.000	GENERAL MTRS ACCEP CORP	6.625%	10/01/2002	626,157	607,263
360,000.000	LEHMAN BROS HLDGS INC	6.500%	10/01/2002	359,658	355,198
125,000.000	IMC GLOBAL INC	7.400%	11/01/2002	124,776	126,298
165,000.000	FIRSTAR BK MILWAUKEE NATL ASSN	6.250%	12/01/2002	164,759	163,875
3,230,000.000	LEHMAN BROS HLDGS INC	6.625%	12/27/2002	3,262,061	3,199,154
1,140,000.000	CAPITAL ONE BK	6.375%	02/15/2003	1,141,061	1,122,763
2,500,000.000	SONY CORP 6.125% BONDS 4MAR03	6.120%	03/04/2003	2,494,700	2,464,500
1,170,000.000	AMERICAN GEN FIN CORP	6.200%	03/15/2003	1,172,422	1,158,125

BANKERS TRUST COMPANY, NEW YORK

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490,000.000	LEHMAN BROTHERS HLDGS INC	6.250%	04/01/2003	485,629	477,446
495,000.000	FEDERAL NATL MTG ASSN	5.750%	04/15/2003	498,614	489,664
500,000.000	RJR NABISCO INC	7.375%	05/15/2003	494,665	492,340
335,000.000	FEDERATED DEPT STORES INC DEL	8.500%	06/15/2003	353,766	354,661
200,000.000	TYCO INTL GROUP S A	6.250%	06/15/2003	199,006	196,798
765,000.000	UNITED STATES TREAS NTS	5.750%	08/15/2003	770,771	765,360
8,725,000.000	UNITED STATES TREAS NTS	5.250%	08/15/2003	9,020,034	8,577,722
2,500,000.000	DEUTSCHE AUSGLEICH 5.125% 22SEP2003	5.120%	09/22/2003	2,498,075	2,387,500
345,000.000	ASSOCIATES CORP NORTH AMER	5.750%	11/01/2003	340,146	335,575
2,105,000.000	GENERAL MTRS ACCEP CORP	5.750%	11/10/2003	2,097,769	2,036,672
310,000.000	TOYOTA MTR CR CORP	5.625%	11/13/2003	309,495	300,198
3,645,000.000	UNITED STATES TREAS NTS	4.250%	11/15/2003	3,596,634	3,441,682
160,000.000	ST PAUL BANCORP INC	7.125%	02/15/2004	159,261	156,216
7,255,000.000	UNITED STATES TREAS NTS	4.750%	02/15/2004	7,160,724	6,979,528
5,000,813.000	TREUHAN 04MAR04 6.25%	6.250%	03/04/2004	6,570,596	5,655,761
2,150,000.000	PREMIER AUTO TR	6.430%	03/08/2004	2,149,329	2,159,396
1,450,000.000	COMED TRANSITIONAL FDG TR	5.340%	03/25/2004	1,439,521	1,418,274
510,000.000	PHILIP MORRIS COS INC	7.500%	04/01/2004	525,745	524,892
1,510,000.000	AMERICAN EXPRESS MASTER TR	5.900%	04/15/2004	1,516,724	1,493,013
1,676,938.000	FRANCE (GOVT OF) 5.500% DUE 25APR2004	5.500%	04/25/2004	2,094,649	1,844,684
1,000,000.000	DELPHI AUTOMOTIVE SYS CORP	6.125%	05/01/2004	1,000,180	972,470
1,300,000.000	FEDERAL NATL MTG ASSN	5.625%	05/14/2004	1,299,480	1,272,167
2,300,000.000	NEWS AMER INC	6.703%	05/21/2004	2,300,000	2,252,804
2,990,000.000	TRW INC	6.625%	06/01/2004	2,970,937	2,955,765
1,170,000.000	COUNTRYWIDE HOME LNS INC	6.850%	06/15/2004	1,170,315	1,170,199
5,350,000.000	SIMON DEBARTOLO GROUP LP	6.750%	07/15/2004	5,313,613	5,214,378
3,400,000.000	CSXT TRADE RECEIVABLES MASTER TR	6.000%	07/25/2004	3,397,550	3,322,752
1,700,000.000	TELE COMMUNICATIONS INC.	8.650%	09/15/2004	1,931,521	1,853,340
1,350,000.000	MBNA MASTER CR CARD TR II	6.600%	11/15/2004	1,397,636	1,363,500
2,150,000.000	DISCOVER CARD MASTER TR I	5.650%	11/16/2004	2,149,024	2,108,333
11,000,000.000	DENMARK GOV BD 7.000% 15DEC04	7.000%	12/15/2004	1,867,169	1,720,968

BANKERS TRUST COMPANY, NEW YORK

INVESTMENTS HELD
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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
3,000,000.000	EOP OPER LTD PARTNERSHIP	6.625%	02/15/2005	2,994,453	2,893,740
270,291.770	FEDERAL HOME LN MTG CORP	19.000%	05/01/2005	286,720	279,979
3,000,000.000	TYCO INTL GROUP S A	6.375%	06/15/2005	2,989,585	2,934,390
2,015,000.000	UNITED STATES TREAS NOTES	6.500%	08/15/2005	2,109,256	2,081,737
3,170,000.000	WORLDCOM INC GA	6.400%	08/15/2005	3,145,789	3,101,211
880,000.000	CALIFORNIA INFRASTRUCTURE & ECONOMIC	6.320%	09/25/2005	902,619	879,472
145,000.000	BANPONCE CORP NEW	6.750%	12/15/2005	145,486	139,806
1,022,583.000	GERMANY 05JAN06 6%	6.000%	01/05/2006	1,259,892	1,157,669
295,000.000	MERITA BK LTD N Y BRH	6.500%	01/15/2006	293,150	284,469
198,574.110	COMMERCIAL MTG ACCEP COML	5.800%	03/15/2006	199,536	193,649
5,200,000.000	DENMARK (KINGDOM) 8.000% 15MAR06	8.000%	03/15/2006	964,942	863,148
3,575,000.000	LOCKHEED MARTIN CORP	7.250%	05/15/2006	3,713,620	3,577,431
130,000.000	MANOR CARE INC	7.500%	06/15/2006	129,480	125,945
10,000,000.000	US TSY NT 15JUL06 7.00%	7.000%	07/15/2006	10,220,410	10,614,100
3,300,000.000	COMDISCO INC	6.130%	08/01/2006	3,300,000	3,281,388
3,722.250	COMMERCIAL MTG ASSET TR	6.250%	08/17/2006	3,741	3,661
11,250,000.000	US T NOTE 15OCT06 6.50%	6.500%	10/15/2006	11,509,589	11,626,200
220,000.000	ARIZONA PUB SVC CO	6.750%	11/15/2006	219,206	217,851
266,439.480	GOVERNMENT NATL MTG ASSN	9.000%	11/15/2006	284,258	275,544
215,000.000	JERSEY SNT PWR % LT CO	6.850%	11/27/2006	212,852	211,867
2,500,000.000	CANADA (GOV'T) 7.0% 01DEC2006	7.000%	12/01/2006	1,882,122	1,828,289
3,650,000.000	GILT 07DEC06 7.500% 07DEC06	7.500%	12/07/2006	6,346,717	6,488,186
12,400,000.000	DEUTSCH 6.00% 04JAN2007	6.000%	01/04/2007	15,791,004	14,047,025
340,000.000	QUEBEC PROV CDA	7.000%	01/30/2007	364,358	342,278
8,450,000.000	UNITED STATES TREAS NOTES	6.250%	02/15/2007	8,616,029	8,624,239
4,800,000.000	US T-NOTE 15FEB07 6.25%	6.250%	02/15/2007	4,814,184	4,898,976
2,275,000.000	PETROLEUM GEO-SVCS A/S	7.500%	03/31/2007	2,288,751	2,269,904
141,294.520	CONTINENTAL AIRLS PASS THRU	7.420%	04/01/2007	139,899	140,402
1,981,837.000	FRANCE (GOVT OF) 5.5% 25APR2007	5.500%	04/25/2007	2,205,321	2,187,031
280,000.000	HARTFORD LIFE INC	7.100%	06/15/2007	286,216	279,849
55,000.000	LCIINTL INC	7.250%	06/15/2007	55,143	54,005

BANKERS TRUST COMPANY, NEW YORK

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
89,717.760	FIRST UNION-LEHMAN BROS BK	6.280%	06/18/2007	92,252	88,245
3,175,000.000	CARRAMERICA RLTY CORP	7.375%	07/01/2007	3,112,590	3,020,282
3,400,000.000	USA WASTE SVCS INC	7.125%	10/01/2007	3,497,012	3,403,944
3,000,000.000	ROYAL CARIBBEAN CRUISES LTD	7.000%	10/15/2007	3,068,931	2,903,670
4,493,167.000	ITALY(REPUBLIC OF) 6.000% 01NOV07	6.000%	11/01/2007	5,297,016	5,049,658
185,000.000	FIRST UNION-LEHMAN BROS COML	6.650%	12/18/2007	185,920	181,165
1,937,062.000	SPAIN(GOVT OF) 6.000% 31JAN08	6.000%	01/31/2008	2,209,353	2,180,768
235,000.000	EOP OPER LTD PARTNERSHIP	6.750%	02/15/2008	220,465	222,216
6,500,000.000	US TREAS NOTE 5.5% 15FEB2008	5.500%	02/15/2008	6,528,579	6,329,375
421,645.710	GOVERNMENT NATL MTG ASSN	8.000%	03/15/2008	429,552	435,636
1,400,000.000	PETROLEUM GEO-SVCS A/S	6.625%	03/30/2008	1,394,869	1,317,862
4,344,796.000	FRANCE (GOVT OF) 5.25% 25APR2008	5.250%	04/25/2008	5,163,446	4,691,143
340,000.000	AIRTOUCH COMMUNICATIONS	6.650%	05/01/2008	339,408	334,030
1,290,000.000	FEDERAL NATL MTG ASSN	6.000%	05/15/2008	1,307,140	1,254,525
145,000.000	MORGAN STANLEY CAP I INC	6.540%	05/15/2008	146,739	140,810
420,000.000	UNITED STATES TREAS NTS	5.625%	05/15/2008	451,774	412,125
5,500,000.000	US TREAS NT STRIP 5.625% 15MAY2008	5.620%	05/15/2008	5,564,453	5,396,875
1,700,000.000	CLEAR CHANNEL COMMUNICATIONS INC	6.625%	06/15/2008	1,751,755	1,605,650
1,265,000.000	U S WEST CAP FDG INC	6.375%	07/15/2008	1,305,847	1,201,712
300,000.000	GENERAL ELEC CAP CORP	8.500%	07/24/2008	362,316	337,926
700,000,000.000	JAPAN 1.5% 22SEP08	1.500%	09/22/2008	5,818,139	5,648,442
3,400,000.000	CALIFORNIA INFRASTRUCTURE & ECONOMIC DEV	6.420%	09/25/2008	3,484,331	3,383,952
410,000.000	FIRST UNION COM MTG TR	6.070%	10/15/2008	417,301	386,269
1,840,000.000	ASSOCIATES CORP NORTH AMER	6.250%	11/01/2008	1,881,773	1,755,838
3,400,000.000	RAYTHEON CO	6.150%	11/01/2008	3,458,862	3,209,906
10,000.000	CITICORP	6.375%	11/15/2008	10,334	9,487
2,160,000.000	COMCAST CABLE COMMUNICATIONS INC	6.200%	11/15/2008	2,200,003	2,009,059
200,000.000	HOUSEHOLD FIN CORP	6.500%	11/15/2008	199,580	190,702
2,040,000.000	UNITED STATES TREAS NTS	4.750%	11/15/2008	1,975,216	1,875,209
380,000.000	DISNEY WALT CO NEW	5.620%	12/01/2008	379,886	350,683
177,813.300	FEDERAL HOME LN MTG CORP	16.000%	12/01/2008	170,880	181,314

BANKERS TRUST COMPANY, NEW YORK

INVESTMENTS HELD
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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
2,400,000.000	BANKAMERICA CORP	5.875%	02/15/2009	2,384,301	2,203,416
1,590,000.000	MERRILL LYNCH & CO INC	6.000%	02/17/2009	1,582,160	1,468,842
1,750,000.000	PEPSI BOTTLING HLDGS INC	5.625%	02/17/2009	1,689,259	1,615,058
700,000.000	BRITISH SKY BROADCASTING GROUP PLC	6.875%	02/23/2009	697,095	638,617
1,000,000.000	AT & T CORP	6.000%	03/15/2009	956,379	939,790
350,000.000	HERTZ CORP	6.250%	03/15/2009	347,214	326,120
580,000.000	WACHOVIA CORP NEW	6.150%	03/15/2009	578,034	547,706
735,000.000	COUNTRYWIDE HOME LNS INC	6.250%	04/15/2009	731,161	676,590
3,500,000.000	FIRST UN NATL BANK-CHASE MANHATTAN BK	6.645%	04/15/2009	3,400,887	3,425,030
1,000,000.000	NORFOLK SOUTHN CORP	6.200%	04/15/2009	996,580	940,340
200,000.000	UNITED STATES TREAS NTS	5.500%	05/15/2009	196,519	195,656
1,260,000.000	US STRIP 15MAY09 0%	0.000%	05/15/2009	463,693	691,891
3,500,000.000	DLJ COML MTG CORP	7.300%	06/10/2009	3,552,471	3,539,375
1,185,000.000	HSBCHLDGS PLC	7.500%	07/15/2009	1,179,691	1,179,691
2,103,542.000	SPAIN(KINGDOM OF) 5.15% 30JUL09	0.000%	07/30/2009	2,599,826	2,227,624
87,349.010	FEDERAL HOME LN MTG CORP	20.500%	11/01/2009	82,287	92,683
806,818.690	FEDERAL NATL MTG ASSN	7.000%	12/01/2009	824,342	811,603
79,853.000	FEDERAL NATL MTG ASSN	8.000%	01/01/2010	73,468	82,155
559,789.860	FEDERAL NATL MTG ASSN	6.500%	10/01/2010	565,913	553,140
224,689.430	FEDERAL NATL MTG ASSN	7.500%	11/01/2010	231,781	228,972
18,006.450	FEDERAL NATL MTG ASSN	6.500%	02/01/2011	18,203	17,793
280,000.000	CRIIMI MAE COML MTG TR	7.000%	03/02/2011	271,819	243,776
44,885.040	FEDERAL NATL MTG ASSN	8.500%	08/01/2011	40,875	47,110
586,356.490	FEDERAL NATL MTG ASSN	7.500%	09/01/2011	604,863	597,532
3,400,000.000	CIT RV TR	6.090%	02/15/2012	3,399,657	3,374,024
29,285.990	FEDERAL NATL MTG ASSN	7.000%	03/01/2012	29,922	29,432
532,290.700	FEDERAL NATL MTG ASSN	7.000%	03/01/2012	543,851	534,952
160,000.000	GE CAP MTG SVCS INC	7.650%	03/25/2012	164,075	162,600
1,527,419.940	FEDERAL HOME LN MTG CORP	7.000%	04/01/2013	1,548,478	1,536,004
890,941.810	FEDERAL NATL MTG ASSN	6.000%	04/01/2013	902,079	862,262
75,339.530	FEDERAL NATL MTG ASSN	6.500%	05/01/2013	75,681	74,350

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607,757.200	FEDERAL NATL MTG ASSN	6.500%	06/01/2013	610,511	599,777
378,682.140	GOVERNMENT NATL MTG ASSN	10.000%	06/15/2013	416,077	401,093
84,234.330	FEDERAL NATL MTG ASSN	6.500%	07/01/2013	85,340	83,128
36,150.960	FEDERAL NATL MTG ASSN	11.750%	08/01/2013	34,747	39,670
420,011.260	FEDERAL NATL MTG ASSN	6.500%	08/01/2013	425,524	414,497
390,084.510	FEDERAL NATL MTG ASSN	6.500%	08/01/2013	394,351	384,963
10,077,388.920	FEDERAL HOME LN MTG CORP	7.000%	09/01/2013	10,268,292	10,134,024
4,481,156.600	FEDERAL HOME LN MTG CORP	6.000%	12/01/2013	4,489,305	4,341,120
1,185,518.130	FEDERAL NATL MTG ASSN	6.000%	12/01/2013	1,173,848	1,147,356
1,934,701.950	FEDERAL HOME LN MTG CORP	6.000%	01/01/2014	1,938,220	1,874,243
10,616.560	FEDERAL HOME LN MTG CORP	24.000%	02/01/2014	10,741	11,455
995,099.000	FEDERAL NATL MTG ASSN	6.500%	06/01/2014	994,477	982,033
2,010,000.000	UNITED STATES TREAS BDS	7.250%	05/15/2016	2,198,123	2,214,759
253,864.230	FEDERAL HOME LN MTG CORP	18.000%	06/01/2016	251,827	267,845
906,068.050	GOVERNMENT NATL MTG ASSN	9.000%	09/15/2016	902,845	964,673
376,799.760	FEDERAL HOME LN MTG CORP	16.000%	02/01/2017	362,652	390,376
197,631.160	FEDERAL HOME LN MTG CORP	16.000%	08/01/2017	189,795	204,849
1,410,000.000	EOP OPER LTD PARTNERSHIP	7.250%	02/15/2018	1,369,054	1,294,013
119,178.930	FEDERAL HOME LN MTG CORP	17.000%	10/01/2018	114,385	125,182
73,933.580	FEDERAL NATL MTG ASSN	8.500%	01/01/2019	71,208	77,523
244,327.880	FEDERAL NATL MTG ASSN	0.000%	01/25/2019	179,883	195,919
4,690,000.000	SPRINT CAP CORP	6.900%	05/01/2019	4,611,443	4,342,846
236,583.220	GREEN TREE RECREATIONAL EQUIP & CONSUMER	6.180%	06/15/2019	236,583	236,888
60,634.790	GOVERNMENT NATL MTG ASSN	9.500%	08/15/2019	61,320	65,084
162,978.030	GOVERNMENT NATL MTG ASSN	9.500%	09/15/2019	162,310	174,936
2,356,615.380	FEDERAL NATL MTG ASSN GTD REMIC PASS THR	9.000%	09/25/2020	2,503,459	2,472,961
5,700,000.000	UNITED STATES TREAS BDS	7.875%	02/15/2021	6,366,834	6,778,554
2,052,455.740	FEDERAL NATL MTG ASSN	9.000%	04/25/2021	2,086,721	2,162,118
1,760,000.000	UNITED STATES TREAS BDS	8.125%	08/15/2021	2,270,813	2,149,118
4,932,191.200	FHA	7.430%	05/01/2022	4,518,200	5,021,612
438,771.940	GOVERNMENT NATL MTG ASSN	7.500%	02/15/2023	451,661	444,529

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2,289.650	FEDERAL NATL MTG ASSN	8.500%	03/01/2023	2,407	2,345
247,925.540	FIRSTPLUS RESIDUAL TR	8.500%	05/15/2023	246,853	210,737
753,026.700	GOVERNMENT NATL MTG ASSN	7.000%	05/15/2023	770,558	747,612
72,630.540	GOVERNMENT NATL MTG ASSN	7.000%	06/15/2023	74,321	72,108
118,548.750	GOVERNMENT NATL MTG ASSN	7.500%	07/15/2023	122,031	120,104
61,959.220	GOVERNMENT NATL MTG ASSN	6.500%	10/15/2023	62,647	60,081
504,163.420	GOVERNMENT NATL MTG ASSN	6.500%	12/15/2023	509,756	488,877
2,400,000.000	QUEBEC PROV CDA	7.125%	02/09/2024	2,550,873	2,336,616
283,865.630	GOVERNMENT NATL MTG ASSN	7.000%	02/15/2024	289,765	281,649
542,409.880	GOVERNMENT NATL MTG ASSN	7.000%	04/15/2024	553,682	538,174
316,157.600	GOVERNMENT NATL MTG ASSN	8.000%	09/15/2024	325,148	325,936
830,700.190	FEDERAL NATL MTG ASSN	8.500%	12/01/2024	873,274	868,082
111,096.780	CWMBS INC MTG PASS THRU	7.425%	12/26/2024	113,840	112,667
378,483.550	GOVERNMENT NATL MTG ASSN	7.000%	07/15/2025	379,844	374,816
206,242.080	FEDERAL HOME LN MTG CORP	8.000%	08/01/2025	213,685	212,493
222,850.430	GOVERNMENT NATL MTG ASSN	7.000%	08/15/2025	226,855	220,691
293,167.480	GOVERNMENT NATL MTG ASSN	7.000%	09/15/2025	294,221	290,327
333,111.770	GOVERNMENT NATL MTG ASSN	7.000%	09/15/2025	334,465	329,884
400,000.000	NEWS AMER HLDGS INC	7.700%	10/30/2025	367,409	387,456
328,345.770	FEDERAL HOME LN MTG CORP	8.500%	11/01/2025	340,146	343,020
21,437.380	GOVERNMENT NATL MTG ASSN	7.500%	02/15/2026	21,441	21,685
146,267.900	FEDERAL NATL MTG ASSN	6.500%	04/01/2026	146,771	141,650
8,156.350	GOVERNMENT NATL MTG ASSN	8.000%	05/15/2026	8,504	8,401
206,052.680	FEDERAL HOME LN MTG CORP	99.999%	06/01/2026	175,853	143,850
362,008.050	FEDERAL HOME LN MTG CORP	99.999%	07/01/2026	307,048	252,613
293,524.930	FEDERAL HOME LN MTG CORP	8.000%	07/01/2026	292,974	302,055
460,000.000	WMX TECHNOLOGIES INC	7.100%	08/01/2026	464,567	469,011
3,236,267.710	FEDERAL HOME LN MTG CORP	6.500%	09/15/2026	3,236,772	3,177,594
338,404.440	FEDERAL HOME LN MTG CORP	8.000%	11/01/2026	346,151	348,238
2,073,051.840	GOVERNMENT NATL MTG ASSN	7.500%	02/15/2027	2,132,008	2,097,016
19,860,000.000	UNITED STATES TREAS BOND	6.625%	02/15/2027	21,803,198	21,011,284

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22,926.160	GOVERNMENT NATL MTG ASSN	7.500%	05/15/2027	22,403	23,191
61,238.130	GNMA I & II - SINGLE ISSUER	7.500%	06/15/2027	62,922	61,946
20,055.940	GOVERNMENT NATL MTG ASSN	7.500%	06/15/2027	20,626	20,288
226,144.810	GOVERNMENT NATL MTG ASSN	7.000%	06/15/2027	227,629	223,671
182,243.670	GOVERNMENT NATL NATL ASSN	7.500%	07/15/2027	184,522	184,350
207,971.960	GOVERNMENT NATL MTG ASSN	7.000%	07/15/2027	209,044	205,697
198,836.930	PNC MTG SECS CORP	6.600%	07/25/2027	198,787	197,833
229,576.350	GOVERNMENT NATL MTG ASSN	7.500%	08/15/2027	232,195	232,230
192,291.610	GOVERNMENT NATL MTG ASSN	7.000%	08/15/2027	196,363	190,188
1,835,000.000	UNITED STATES TREASURY BOND	6.375%	08/15/2027	1,873,963	1,883,462
436,758.560	GOVERNMENT NATL MTG ASSN	7.000%	09/15/2027	444,607	431,980
17,930.930	GOVERNMENT NATL MTG ASSN	8.000%	10/15/2027	18,696	18,469
261,018.100	GOVERNMENT NATL MTG ASSN	7.000%	10/15/2027	263,669	258,163
1,253,767.460	FEDERAL NATL MTG ASSN	7.500%	11/01/2027	1,288,638	1,269,038
235,404.100	GOVERNMENT NATL MTG ASSN	7.000%	11/15/2027	237,795	232,829
34,856.420	GOVERNMENT NATL MTG ASSN	7.000%	11/15/2027	35,085	34,475
4,571,636.430	GOVERNMENT NATL MTG ASSN	7.500%	11/15/2027	4,659,036	4,624,485
8,980,000.000	UNITED STATES TREAS BD	6.125%	11/15/2027	9,472,256	8,932,316
3,302,135.060	FIRST UNION-LEHMAN BROS COML MTG TR	1.534%	11/18/2027	300,658	263,874
6,387.340	GOVERNMENT NATL MTG ASSN	6.000%	11/20/2027	6,451	6,477
3,277,983.260	MORTGAGE CAP FDG INC	1.367%	11/20/2027	281,600	237,654
881,549.780	FEDERAL NATL MTG ASSN	6.500%	12/01/2027	866,141	852,617
1,288,774.820	FEDERAL NATL MTG ASSN	6.500%	12/01/2027	1,266,247	1,246,477
871,501.170	FEDERAL NATL MTG ASSN	6.500%	12/01/2027	856,268	842,899
1,115,375.250	GOVERNMENT NATL MTG ASSN	8.000%	12/15/2027	1,162,953	1,148,837
4,627,544.620	GOVERNMENT NATL MTG ASSN	7.500%	12/15/2027	4,716,040	4,681,039
394,356.150	GNMA I & II - SINGLE ISSUER	7.000%	01/15/2028	399,039	390,042
2,652,110.080	GOVERNMENT NATL MTG ASSN	7.500%	01/15/2028	2,729,920	2,685,261
595,000.000	HERTZ CORP	7.000%	01/15/2028	586,277	549,572
601,088.010	FEDERAL HOME LN MTG CORP	6.500%	02/01/2028	123,667	185,021
4,099.850	FEDERAL NATL MTG ASSN	0.000%	02/01/2028	3,075	2,803

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218,109.120	GOVERNMENT NATL MTG ASSN	7.000%	02/15/2028	222,710	215,723
315,280.110	GOVERNMENT NATL MTG ASSN	7.000%	02/15/2028	318,482	311,831
25,338.450	FEDERAL NATL MTG ASSN	6.500%	03/01/2028	25,532	25,006
250,500.260	GNMA I & II - SINGLE ISSUER	6.500%	04/15/2028	249,013	241,497
239,049.570	GNMA I & II - SINGLE ISSUER	6.500%	04/15/2028	237,630	230,458
93,160.420	GNMA I & II - SINGLE ISSUER	6.500%	04/15/2028	91,785	89,812
37,903.490	GOVERNMENT NATL MTG ASSN	6.500%	04/15/2028	37,344	36,541
37,753.090	GOVERNMENT NATL MTG ASSN	6.500%	04/15/2028	37,529	36,396
555,000.000	NEWS AMER INC	7.300%	04/30/2028	545,526	509,362
169,096.140	FEDERAL NATL MTG ASSN	6.500%	05/01/2028	37,201	52,208
3,808,381.410	FEDERAL NATL MTG ASSN	6.500%	06/01/2028	3,781,998	3,683,390
445,000.000	COASTAL CORP	6.950%	06/02/2028	439,647	407,113
1,217,186.890	GOVERNMENT NATL MTG ASSN	7.000%	06/15/2028	1,244,764	1,203,871
8,788,213.750	GOVERNMENT NATL MTG ASSN	7.500%	06/15/2028	9,046,171	8,898,066
770,000.000	GREEN TREE FINL CORP	7.240%	06/15/2028	769,639	773,365
621,658.280	FEDERAL HOME LN MTG CORP	8.500%	07/01/2028	654,587	649,440
145,247.470	FEDERAL NATL MTG ASSN	6.500%	07/01/2028	144,476	140,480
492,231.070	FEDERAL NATL MTG ASSN	6.500%	07/01/2028	489,616	476,076
394,972.330	FEDERAL NATL MTG ASSN	6.500%	07/01/2028	392,164	382,009
4,803,988.450	GOVERNMENT NATL MTG ASSN	7.000%	07/15/2028	4,882,701	4,751,433
5,196,191.400	GOVERNMENT NATL MTG ASSN	7.000%	07/15/2028	5,281,330	5,139,345
522,907.290	GREEN TREE RECREATIONAL	6.550%	07/15/2028	523,071	527,488
500,000.000	U S WEST CAP FDG INC	6.875%	07/15/2028	531,515	456,950
185,000.000	UNITED STATES TREAS BD	5.500%	08/15/2028	190,351	169,593
370,000.000	WORLDCOM INC GA	6.950%	08/15/2028	399,426	350,742
636,009.070	FEDERAL NATL MTG ASSN	6.500%	09/01/2028	633,326	615,135
558,166.650	FEDERAL NATL MTG ASSN	6.500%	09/01/2028	555,812	539,848
645,650.870	FEDERAL NATL MTG ASSN	6.500%	09/01/2028	642,927	624,461
2,250,000.000	COCA COLA ENTERPRISES INC	6.750%	09/15/2028	2,281,882	2,087,235
955,658.630	GOVERNMENT NATL MTG ASSN	7.000%	09/15/2028	975,742	945,204
2,116,185.480	FEDERAL NATL MTG ASSN	7.000%	10/01/2028	2,147,267	2,096,992

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9,662,363.980	FEDERAL NATL MTG ASSN	6.500%	10/01/2028	9,715,695	9,345,245
1,208,526.440	FEDERAL NATL MTG ASSN	6.500%	10/01/2028	1,208,338	1,168,863
352,614.710	FEDERAL NATL MTG ASSN	6.500%	10/01/2028	350,521	341,923
415,000.000	FORD MTR CO DEL	6.625%	10/01/2028	416,038	373,575
705,000.000	MOTOROLA INC	6.500%	11/15/2028	702,067	626,766
300,000.000	PETRO-CDA	7.000%	11/15/2028	295,137	276,171
650,000.000	SPRINT CAP CORP	6.875%	11/15/2028	645,149	589,303
1,855,000.000	UNITED STATES TREAS BD	5.250%	11/15/2028	1,838,101	1,648,334
285,000.000	DEN NORSKE STATS OLJESELSKAP A S	6.500%	12/01/2028	282,945	258,039
1,169,162.000	FEDERAL HOME LN MTG CORP	6.000%	12/01/2028	1,151,533	1,102,660
6,846,752.170	FEDERAL NATL MTG ASSN	6.000%	12/01/2028	6,762,727	6,450,873
1,154,493.220	FEDERAL NATL MTG ASSN	6.000%	12/01/2028	1,110,659	1,087,740
210,000.000	MONSANTO CO	6.600%	12/01/2028	209,244	189,126
310,000.000	SEARS ROEBUCK ACCEP CORP	6.500%	12/01/2028	300,774	270,608
356,909.920	GOVERNMENT NATL MTG ASSN	6.500%	12/15/2028	359,698	344,083
7,696,419.800	FEDERAL NATL MTG ASSN	7.000%	01/01/2029	7,852,694	7,626,613
8,642,627.850	FEDERAL NATL MTG ASSN	6.000%	01/01/2029	8,542,920	8,142,911
634,032.930	GOVERNMENT NATL MTG ASSN	6.500%	01/15/2029	638,640	611,246
183,503.770	GOVERNMENT NATL MTG ASSN	6.500%	01/15/2029	184,880	176,909
1,680,000.000	TYCO INTL FROUP S A	6.875%	01/15/2029	1,716,736	1,531,958
185,000.000	PROVIDENT BK HOME EQUITY LN TR	6.910%	01/25/2029	184,913	185,934
54,601.260	FEDERAL NATL MTG ASSN	6.500%	02/01/2029	54,755	52,809
381,390.070	FEDERAL NATL MTG ASSN	6.500%	02/01/2029	382,463	368,873
594,767.250	FEDERAL NATL MTG ASSN	6.500%	02/01/2029	596,440	575,247
575,674.790	FEDERAL NATL MTG ASSN	6.500%	02/01/2029	577,294	556,781
625,000.000	FORD MOTOR CO DEL	6.375%	02/01/2029	617,278	542,556
992,341.610	GOVERNMENT NATL MTG ASSN	6.500%	02/15/2029	986,139	956,677
465,000.000	UNITED STATES TREAS BD	5.250%	02/15/2029	440,785	418,574
508,495.100	FEDERAL HOME LN MTG CORP	6.500%	03/01/2029	503,569	492,127
1,362,039.590	FEDERAL NATL MTG ASSN	6.500%	03/01/2029	1,361,827	1,317,337
440,000.000	LOWES COS INC	6.500%	03/15/2029	437,897	392,392

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2,939,816.850	GOVERNMENT NATL MTG ASSN	7.000%	04/15/2029	2,989,252	2,907,655
3,140,024.270	GOVERNMENT NATL MTG ASSN	7.000%	04/15/2029	3,192,826	3,105,672
803,787.150	GOVERNMENT NATL MTG ASSN	7.000%	04/15/2029	817,303	794,994
3,383,839.400	GOVERNMENT NATL MTG ASSN	7.000%	04/15/2029	3,440,741	3,346,820
979,277.080	FEDERAL HOME LN MTG CORP	6.500%	05/01/2029	972,851	947,754
480,000.000	TIME WARNER INC	6.625%	05/15/2029	475,483	423,456
2,245,000.000	FEDERAL NATL MTG ASSN	6.500%	06/01/2029	2,216,938	2,171,319
5,365,000.000	RESIDENTIAL ACCREDIT LNS INC	6.750%	06/25/2029	5,399,370	5,399,336
985,000.000	LIBERTY MEDIA CORP	8.500%	07/15/2029	982,311	982,311
2,043,370.570	ASSET SECURITIZATION CORP	7.100%	08/13/2029	2,105,869	2,062,517
1,850,000.000	GREEN TREE FIN CORP	6.040%	11/01/2029	1,825,141	1,831,500
753,180.000	GMAC COML MTG SEC INC	6.420%	05/15/1931	767,583	728,001
3,531,994.110	DEUTSCHE MTG & ASSET RECEIVING CORP	1.118%	06/15/1931	250,101	204,926
220,000.000	GMAC COML MTG SECS INC	6.175%	05/15/1933	223,335	208,388
238,772.960	GMAC COML MTG SEC INC	6.150%	05/15/1935	241,748	233,069
450,000.000	SOLUTIA INC	6.720%	10/15/1937	449,892	440,289
3,950,000.000	ENRON CORP	6.750%	11/15/1937	3,998,817	3,839,835
475,000.000	BOEING CO	6.625%	02/15/1938	474,075	426,336
560,000.000	PROVIDENT FIN GR I	7.405%	03/15/1938	560,000	524,720
4,000,000.000	SKANDINAVISKA ENSKILDA BANKEN NY	6.500%	12/29/1949	3,985,352	3,804,320
165,000.000	CHRYSLER CORP	7.450%	02/01/1997	181,468	164,208
TOTAL FIXED INCOME				620,382,072	604,062,693

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<u>EQUITY</u>					
46,600.000	ABBOTT LABS COM			1,530,176	2,114,475
28,670.000	ABN-AMRO HLDGS COM STK			464,326	620,883
59,200.000	ACE LTD COM			1,124,725	1,672,400
50,500.000	ACTEL CORP			611,995	744,875
1,600.000	ADFORCE INC			41,986	37,600
1,100.000	ADOBE SYS INC COM			51,252	90,372
61,400.000	ADVANCED MICRO DEVICES INC COM			1,652,420	1,109,038
39,300.000	AES CORP			844,388	2,284,313
59,081.000	AETNA INC			4,428,289	5,284,057
1,000.000	AFFYMETRIX INC			43,379	49,375
3,600.000	AFLAC CORP			164,349	172,350
28,715.000	AHOLD NV COM STK NLG0.50			952,994	989,049
13,600.000	AIR PRODS & CHEMS INC COM			473,465	547,400
3,400.000	ALBANY MOLECULAR RESH INC			78,122	101,150
800.000	ALBERTO CULVER CO COM			9,737	21,300
22,658.000	ALBERTSONS INC COM			1,024,832	1,168,303
2,900.000	ALCAN ALUM LTD COM			78,517	92,619
28,920.000	ALCATEL COM STK EUR10			3,875,138	4,070,929
18,400.000	ALCOA INC			839,234	1,138,500
2,285.000	ALLEGHENY TELEDYNE INC			43,439	51,698
13,800.000	ALLERGAN INC			335,491	1,531,800
63,800.000	ALLIED SIGNAL INC COM			3,009,956	4,019,400
10,100.000	ALLIED WASTE INDS INC			186,518	199,475
187,200.000	ALLIED ZURICH ORD GBP0.25			2,062,058	2,353,279
29,400.000	ALLMERICA FINL CORP			1,166,117	1,787,888
54,348.000	ALLSTATE CORP			2,208,446	1,949,735
7,500.000	ALLTEL CORP COM			381,405	536,250
3,100.000	ALPHA INDS INC COM			85,457	147,638

BANKERS TRUST COMPANY, NEW YORK

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
3,600.000	ALPHARMA INC			115,470	128,025
30,600.000	ALTERA CORP			914,218	1,126,463
569.000	ALUSUISSE LONZA			471,295	663,211
54,300.000	ALZA CORP CL A			1,731,946	2,762,513
5,200.000	AMBAC INC			154,921	297,050
1,400.000	AMERADA HESS CORP COM			69,858	83,300
1,500.000	AMEREN CORP			56,616	57,563
20,100.000	AMERICA ONLINE INC DEL			1,755,294	2,211,000
5,000.000	AMERICAN CLASSIC VOYAGES CO			85,000	120,000
2,700.000	AMERICAN ELEC PWR INC COM			103,503	101,419
12,200.000	AMERICAN EXPRESS CO			845,206	1,587,525
10,640.000	AMERICAN GEN CORP COM			617,529	801,990
800.000	AMERICAN GREETINGS CORP CL A			20,386	24,100
46,800.000	AMERICAN HOME PRODS CORP			2,028,426	2,685,150
57,236.000	AMERICAN INTL GROUP INC COM			4,612,611	6,710,921
85,200.000	AMERICAN PWR CONVERSION			976,869	1,714,650
27,900.000	AMERICAN STD CDS INC			937,126	1,339,200
6,600.000	AMERICREDIT CORP			114,391	105,600
35,300.000	AMERITECH CORPORATION			1,510,967	2,594,550
47,900.000	AMGEN INC			1,519,190	2,915,913
14,400.000	AMR CORP DEL COM			902,950	982,800
11,300.000	AMSURG CORP			91,272	85,456
1,800.000	ANADARKO PETE CORP COM			62,746	66,263
4,700.000	ANCOR COMMUNICATIONS INC			98,723	152,163
1,012.000	ANDREW CORP COM			14,311	19,165
37,500.000	ANHEUSER BUSCH COS INC COM			1,845,976	2,660,156
3,300.000	ANTEC CORPORATION			81,358	105,806
72,350.000	AON CORP COM			1,287,832	2,984,438
1,300.000	APACHE CORP COM			48,464	50,700
1,500.000	APPLE COMPUTER			60,578	69,469

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
5,200.000	APPLIED MATLS INC COM			105,526	384,150
2,500.000	APPLIED MICRO CIRCUITS CORP			55,056	205,625
91,300.000	ARCADIA FINL LTD			674,120	707,575
8,761.000	ARCHER DANIELS MIDLAND CO			135,892	135,248
128,240.000	ARGENTARIA EURO.75(REGD)			1,386,800	2,921,338
7,900.000	ARMSTRONG WORLD INDS INC COM			447,764	456,719
600.000	ASARCO INC COM			15,650	11,288
1,200.000	ASHLAND INC			39,705	48,150
57,168.000	ASSOCIATES FIRST CAP CORP			2,139,404	2,522,538
27,700.000	ASTRAZENECA GROUP ORD USD0.25			784,275	1,071,498
106,019.000	AT & T CORP			3,964,153	5,917,185
55,800.000	AT&T CORP			1,177,232	2,050,650
15,400.000	ATLANTIC RICHFIELD CO COM			1,160,967	1,286,863
1,800.000	ATWOOD OCEANICS INC COM			57,294	56,250
99,100.000	AUSPEX SYS INC			738,782	1,077,713
700.000	AUTODESK INC COM			16,070	20,694
8,200.000	AUTOMATIC DATA PROCESSING INC COM			132,218	360,800
67,300.000	AUTONATION INC DEL			1,050,977	1,198,781
30,500.000	AUTOZONE INC			891,880	918,813
4,800.000	AVALONBAY CMNTYS INC			167,463	177,600
8,800.000	AVANT CORP			138,606	111,100
1,600.000	AVERY DENNISON CORP			27,458	96,600
3,200.000	AVIATION SALES CO			120,076	126,400
61,000.000	AVON PRODS INC COM			2,620,400	3,385,500
6,500.000	AVT CORP			177,638	246,188
11,570.000	AXA EUR9.15			1,371,265	1,411,499
34,460.000	BAKER HUGHES INC COM			976,173	1,154,410
300.000	BALL CORP COM			9,181	12,675
49,600.000	BANGKOK BK (FORGN)			119,921	185,621
20,300.000	BANK NEW YORK INC COM			400,197	744,756

BANKERS TRUST COMPANY, NEW YORK

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
81,796.000	BANK OF AMERICA CORP			4,259,539	5,996,669
16,297.000	BANK ONE CORP			492,841	970,690
18,900.000	BANKBOSTON CORP			890,730	966,263
55,320.000	BARCLAYS BANK COM STK ORD GBP1			941,517	1,609,721
800.000	BARD C R INC COM			23,710	38,250
27,400.000	BARNES & NOBLE INC			1,001,666	750,075
5,200.000	BARRICK GOLD CORP			138,364	100,750
43,600.000	BASF AG NPV			1,579,488	1,926,637
6,100.000	BATTLE MTN GOLD CO CL A			44,213	14,869
700.000	BAUSCH & LOMB INC COM			26,774	53,550
58,200.000	BAXTER INTL INC			3,005,730	3,528,375
1,055.000	BAYER MOTOREN WERK			911,542	725,673
11,270.000	BAYERISCHE NPV			782,591	732,196
14,800.000	BB & T CORP			542,492	542,975
47,300.000	BCE INC COM			1,825,499	2,332,481
153,000.000	BCO BRADESCO SA SPONS ADR EACH REPR 1000			1,300,959	768,060
89,018.000	BCO SANTANDER CENTRAL H COM STK			551,534	927,175
1,680.000	BEAR STEARNS COS INC COM			94,348	78,540
6,000.000	BEC ENERGY			246,840	247,500
19,400.000	BECTON DICKINSON & CO COM			702,492	582,000
38,430.000	BELL ATLANTIC CORP COM			1,601,524	2,512,361
57,700.000	BELLSOUTH CORP COM			1,625,754	2,661,413
600.000	BEMIS INC COM			14,921	23,850
3,500.000	BERINGER WINE ESTATES HLDGS INC			135,917	146,234
23,500.000	BEST FOODS			877,570	1,163,250
1,600.000	BETHLEHEM STL CORP COM			16,610	12,300
9,800.000	BIOGEN INC			227,931	630,263
1,700.000	BIOMET INC COM			27,244	67,575
900.000	BISYS GROUP INC			43,849	52,650
1,100.000	BLACK & DECKER CORP			33,268	69,438

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INVESTMENTS HELD
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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
1,600.000	BLOCK H & R INC COM			49,886	80,000
14,700.000	BMC SOFTWARE INC			702,719	793,800
28,000.000	BOC GROUP			362,453	547,289
34,074.000	BOEING CO COM			1,242,332	1,499,256
700.000	BOISE CASCADE CORP COM			20,208	30,013
5,400.000	BOSTON SCIENTIFIC CORP			74,354	237,263
5,485.000	BRAMBLES INDS ORD			148,134	144,495
400.000	BRIGGS & STRATTON CORP COM			17,662	23,100
77,800.000	BRISTOL MYERS SQUIBB CO			3,323,966	5,480,038
283,200.000	BRIT AMER TOBACCO ORD GBP0.25			2,069,503	2,662,812
795,000.000	BRITISH STEEL ORD			1,483,008	2,058,303
6,400.000	BROOKS AUTOMATION INC			161,481	173,200
1,000.000	BROWN FORMAN CORP			35,366	65,188
15,700.000	BROWN TOM INC			150,558	244,331
2,700.000	BROWNING FERRIS INDS INC COM			71,361	116,100
1,400.000	BRUNSWICK CORP COM			31,447	39,025
3,400.000	BUCA INC			40,800	56,100
3,300.000	BUCKLE INC COM			87,062	94,875
151,804.000	BURLINGTON NORTN SANTA FE CORP			3,750,152	4,705,924
2,662.000	BURLINGTON RES INC			109,502	115,132
2,500.000	BURR BROWN CORP COM			91,106	91,563
11,800.000	BUSINESS OBJECTS S A			207,259	430,700
89,950.000	CABLE & WIRELESS			761,609	1,146,352
12,300.000	CABLE DESIGN TECH			247,345	189,881
2,400.000	CABLETRON SYS INC			87,701	31,200
99,400.000	CADBURY SCHWEPPES ORD GBP0.125			435,691	633,001
2,700.000	CALPINE CORP			114,470	145,800
6,300.000	CAMPBELL SOUP CO COM			165,981	292,163
81,000.000	CANON INC			1,845,615	2,328,808
3,000.000	CAPITAL ONE FINL CORP			128,905	167,063

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
2,400.000	CARDINAL HEALTH INC			95,248	153,900
900.000	CAREER ED CORP			26,100	30,431
19,850.000	CARNIVAL CORP			900,670	962,725
2,000.000	CAROLINA PWR & LT CO COM			61,742	85,625
800.000	CASE CORP			41,724	38,500
3,600.000	CATALINA MARKETING CORP			235,260	331,200
3,400.000	CATAPULT COMMUNICATIONS CORP			41,400	64,175
19,100.000	CATERPILLAR INC DEL			765,898	1,146,000
9,600.000	CBS CORP			181,169	418,200
31,100.000	CCC INFORMATION SVCS GROUP			485,162	400,413
11,227.000	CENDANT CORP			287,196	230,154
800.000	CENTEX CORP COM			13,216	30,050
7,880.000	CENTRAIS GERAD COM STK			0	29,999
3,200.000	CENTRAL & SOUTH WEST CORP COM			87,378	74,800
34,300.000	CENTURY ALUM CO			488,775	212,231
38,025.000	CENTURYTEL INC			565,532	1,511,494
1,800.000	CERIDIAN CORP			32,318	58,838
23,800.000	CHAMPION ENTERPRISES INC COM			515,595	443,275
9,800.000	CHAMPION INTL CORP COM			458,383	469,175
60,060.000	CHASE MANHATTAN CORP NEW			2,902,309	5,195,190
8,800.000	CHECK POINT SOFTWARE TECH			228,959	471,900
46,500.000	CHECKPOINT SYS INC			814,143	415,594
17,600.000	CHEVRON CORP COM			1,137,269	1,673,100
8,671.000	CHRIS CRAFT INDS INC COM			352,639	408,621
14,600.000	CHUBB CORP COM			1,015,914	1,014,700
58,600.000	CIA ANOM NAC TELEF ADS-REP 7 CL'D'SHS			1,716,318	1,596,850
89,500.000	CIA CERVEJARIA ADR			1,296,801	1,012,469
50,600.000	CIGNA CORP COM			2,055,007	4,503,400
3,600.000	CINAR FILMS INC			72,449	88,200
2,400.000	CINCINNATI FINL CORP COM			105,266	90,150

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
1,916.000	CINERGY CORP			49,188	61,312
26,600.000	CIRCUIT CITY STORES INC COM			897,058	2,473,800
98,600.000	CISCO SYS INC.			2,049,834	6,353,538
8,500.000	CITADEL COMMUNICATIONS CORP			227,286	307,594
550,000.000	CITIC PACIFIC			1,713,202	1,754,436
215,162.000	CITIGROUP INC			5,758,289	10,220,195
2,500.000	CLARIFY INC			52,769	103,125
6,300.000	CLARK / BARDES HLDGS INC			65,704	119,700
3,600.000	CLEAR CHANNEL COMMUNICATIONS INC			127,713	248,175
1,500.000	CLOROX CO COM			59,598	160,219
25,000.000	CMS ENERGY CORP COM			610,707	1,046,875
3,000.000	COASTAL CORP COM			56,355	120,750
42,300.000	COCA COLA CO COM			1,376,810	2,622,600
19,100.000	COCA COLA ENTERPRISE INC			681,247	568,225
32,200.000	COLGATE PALMOLIVE CO COM			1,207,586	1,585,850
900.000	COLUMBIA ENERGY GROUP			28,443	56,419
9,197.000	COLUMBIA/HCA HEALTHCARE CORP			278,550	209,807
9,400.000	COMCAST CORP			88,191	361,313
2,200.000	COMERICA INC COM			62,739	130,763
21,433.000	COMMSCOPE INC			347,545	659,065
16,391.000	COMPANIA TELEFONIC EUR3.0051			737,748	789,547
51,962.000	COMPAQ COMPUTER CORP			889,971	1,230,850
41,075.000	COMPUTER ASSOC INTL INC COM			1,740,568	2,248,856
3,800.000	COMPUTER NETWORK TECHNOLOGY CORP			84,030	82,175
31,100.000	COMPUTER SCIENCES CORP COM			1,776,520	2,151,731
50,300.000	COMPUWARE CORP COM			1,470,088	1,600,169
8,397.000	COMVERSE TECHNOLOGY INC			156,684	633,974
27,400.000	CONAGRA INC COM			670,076	729,525
58,300.000	CONOCO INC			1,365,408	1,625,113
48,324.000	CONSECO INC COM			1,825,414	1,470,862

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
13,900.000	CONSOLIDATED EDISON INC			671,166	628,975
3,200.000	CONSOLIDATED GRAPHICS INC			156,139	160,000
1,500.000	CONSOLIDATED NAT GAS CO COM			66,303	91,125
36,100.000	CONSOLIDATED STORES CORP COM			1,221,544	974,700
9,050.000	CONSTELLATION ENERGY GROUP INC			233,489	268,106
1,800.000	COOPER INDS INC COM			73,766	93,600
1,200.000	COOPER TIRE & RUBBER CO COM			24,294	28,350
500.000	COORS ADOLPH CO CL B			19,015	24,750
6,700.000	CORINTHIAN COLLEGES INC			138,897	126,463
56,600.000	CORNING INC			2,054,930	3,969,075
1,200.000	CORPORATE EXECUTIVE BRD CO			22,800	42,675
2,800.000	COST PLUS INC CALIF			82,468	127,400
3,026.000	COSTCO COS INC			54,326	242,269
35,100.000	COUNTRYWIDE CR INDS INC COM			1,115,477	1,500,525
21,275.000	COVANCE INC			422,715	509,270
35,300.000	COVENTRY HEALTH CARE INC			543,234	386,094
2,700.000	COX RADIO INC			135,432	146,475
975.000	CRANE CO COM			17,722	30,652
6,900.000	CREDENCE SYS CORP			216,754	256,163
2,800.000	CREE RESH INC			131,831	215,425
7,100.000	CROWN CORK & SEAL INC COM			342,600	202,350
5,100.000	CSG SYS INTL INC			104,587	133,556
3,200.000	CSX CORP COM			132,182	145,200
600.000	CUMMINS ENGINE INC COM			23,750	34,275
4,800.000	CVS CORP			99,063	243,600
8,200.000	CYPRESS SEMICONDUCTOR CORP COM			130,745	140,425
1,050.000	CYPRUS AMAX MINERALS CO			27,328	16,013
2,050.000	DANA CORP COM			53,983	94,428
1,900.000	DANAHER CORP COM			91,157	110,438
2,300.000	DARDEN RESTAURANTS INC			19,613	50,169

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100.000	DATA GEN CORP COM			958	1,456
17,400.000	DAYTON HUDSON CORP COM			561,770	1,131,000
101,300.000	DE BEERS CENT LINK UNITS(DFD)			2,733,968	2,427,372
3,700.000	DEERE & CO COM			93,844	144,994
99,400.000	DELL COMPUTER CORP			2,080,499	3,677,800
55,330.000	DELPHI AUTOMOTIVE SYS CORP			986,487	1,023,605
2,000.000	DELTA AIR LINES INC DEL COM			62,334	115,250
1,000.000	DELUXE CORPORATION			32,053	38,813
18,190.000	DEN DANSKE BANK AF			1,376,722	1,972,776
4,900.000	DENDRITE INTL INC			132,839	177,013
76,000.000	DEUTSCHE TELEKOM NPV			1,936,146	3,189,853
407,700.000	DEVELOPMENT BK(FR)			3,174,845	4,981,004
435,964.000	DIAGEO ORD 28 101/108P			4,035,763	4,552,745
14,000.000	DIAL CORP			165,185	520,625
6,700.000	DII GROUP INC			177,957	249,994
1,600.000	DILLARDS INC			52,237	56,200
1,500.000	DIONEX CORP COM			54,742	60,750
63,249.000	DISNEY (WALT) COMPANY			1,451,829	1,948,860
30,500.000	DOLE FOOD COMPANY			961,159	895,938
3,125.000	DOLLAR GEN CORP COM			58,610	90,625
14,800.000	DOLLAR TREE STORES INC			371,006	651,200
9,400.000	DOMINION RES INC V A COM			401,902	407,138
2,200.000	DONNELLEY R R & SONS CO COM			73,571	81,538
3,400.000	DOVER CORP COM			54,074	119,000
15,500.000	DOW CHEM CO COM			1,581,985	1,966,563
1,600.000	DOW JONES & CO INC COM			55,525	84,900
1,400.000	DRIL-QUIP INC			33,730	32,113
9,100.000	DSP COMMUNICATIONS INC			108,456	262,763
3,000.000	DSP GROUP INC			101,255	108,000
34,900.000	DTE ENERGY			1,079,764	1,422,175

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15,400.000	DUPONT E I DE NEMOURS & CO COM			498,485	1,052,013
5,084.000	DUKE ENERGY CORPORATION			179,023	276,760
2,600.000	DUN & BRADSTREET CORP DEL			51,578	92,138
2,000.000	DUPONT PHOTOMARKS INC			80,075	95,750
1,850.000	DYCOM INDS INC COM			48,913	103,600
3,300.000	E-TEK DYNAMICS INC			110,817	156,956
500.000	EASTERN ENTERPRISES			12,854	19,875
15,800.000	EASTMAN CHEM CO			888,619	817,650
4,600.000	EASTMAN KODAK CO COM			262,716	311,650
900.000	EATON CORP COM			45,101	82,800
2,000.000	ECOLAB INC COM			30,084	87,250
5,400.000	EDISON INTL			105,014	144,450
7,200.000	EDUCATION MGMT CORP			161,907	149,400
29,850.000	EDWARDS A.G. INC COM			590,088	962,663
700.000	EG & G INC COM			13,944	24,938
22,100.000	EL PASO ENERGY CORP DEL			757,853	777,644
12,250.000	ELEC DE PORTUGAL PTE1000			248,636	220,568
73,400.000	ELECTRONIC DATA SYS CORP NEW			3,220,565	4,156,275
10,100.000	ELECTRONICS FOR IMAGING INC			238,453	518,888
168,600.000	ELETROBRAS ADR ADR REPR 50 COM			3,009,808	1,592,933
13,000.000	ELF AQUITAINE			552,093	956,313
18,870.000	ELF AQUITAINE			1,812,360	2,769,105
23,350.000	ELSEVIER NVEUR0.06			355,665	270,896
50,600.000	EMC CORP MASS COM			873,148	2,783,000
29,800.000	EMERSON ELEC CO COM			1,681,509	1,875,538
28,089.000	EMI GROUP ORD 14P			219,708	225,367
4,400.000	EMI GROUP ORD 25P			35,661	35,251
27,600.000	ENERGY EAST CORP			448,395	717,600
2,275.000	ENGELHARD CORP COM			42,743	51,472
355,797.000	ENI SPA (REGD) ITL1000			1,850,655	2,124,435

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
4,700.000	ENRON CORP COM			152,789	384,225
2,400.000	ENTERCOM COMMUNICATIONS CORP			70,356	102,600
73,800.000	ENERGY CORP NEW			1,922,234	2,306,250
14,700.000	EQUIFAX INC			517,599	524,606
24,500.000	EQUITABLE COS INC			1,219,152	1,641,500
9,200.000	EQUITY OFFICE PPTYS TR			250,212	235,750
5,400.000	EQUITY RESIDENTIAL PPTYS TR			247,479	243,338
6,250.000	ERICSSON(LM)(TEL SEK2.50 SER'B'			142,727	200,321
24,100.000	EVEREST REINS HLDGS INC			733,462	786,263
8,200.000	EVN AG			1,233,976	1,199,093
5,100.000	EXCHANGE APPLICATIONS INC			100,474	207,825
1,200.000	EXODUS COMMUNICATIONS INC			101,412	143,925
25,100.000	EXPRESS SCRIPTS INC			420,649	1,510,706
46,700.000	EXXON CORP COM			2,171,462	3,601,738
14,900.000	FAIRFIELD CMNTYS INC			265,502	240,263
86,620.000	FDX CORP			1,995,717	4,699,135
54,200.000	FEDERAL HOME LN MTG CORP			2,543,920	3,143,600
9,100.000	FEDERAL MOGUL CORP COM			456,814	473,200
21,600.000	FEDERAL NATL MTG ASSN COM			824,893	1,474,200
19,800.000	FEDERATED DEPT STORES INC			863,853	1,048,163
3,600.000	FIFTH THIRD BANCORP COM			87,688	239,625
1,900.000	FINANCIAL SEC ASSURN HLDGS LTD			101,840	98,800
7,100.000	FIRST AMERN CORP TENN COM			202,831	295,094
74,174.000	FIRST DATA CORP			2,382,798	3,629,890
13,400.000	FIRST SEC CORP DEL COM			201,532	365,150
50,086.000	FIRST UN CORP COM			2,175,090	2,360,303
9,600.000	FIRSTAR CORP NEW WIS			279,205	268,800
3,200.000	FIRSTENERGY CORP			84,606	99,200
71,500.000	FLANDERS CORP			548,842	250,250
65,926.000	FLEET FINL GROUP INC			2,620,932	2,925,466

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
16,700.000	FLEETWOOD ENTERPRISES INC COM			541,661	441,506
56,100.000	FLEMING COS INC COM			870,102	652,163
10,700.000	FLEXTRONICS INTL LTD			512,534	593,850
1,300.000	FLUOR CORP COM			71,855	52,650
600.000	FMC CORP COM NEW			36,935	40,988
81,300.000	FOOD LION INC CL A			672,654	965,438
51,300.000	FORD MOTOR CO DEL COM			2,258,752	2,895,244
51,000.000	FOREST OIL CORP			740,381	640,688
49,600.000	FORT JAMES CORP			1,611,673	1,878,600
26,500.000	FORTUNE BRANDS INC			810,462	1,096,438
4,600.000	FORWARD AIR CORP			92,000	129,375
68,100.000	FOSTER WHEELER CORP COM			1,038,104	957,656
2,800.000	FPL GROUP INC			113,136	152,950
23,800.000	FRANKLIN RESOURCES INC COM			619,495	966,875
3,000.000	FREEPORT-MCMORAN COPPER & GOLD INC			92,631	53,813
2,000.000	FRONTIER CORP			33,830	117,250
1,000.000	FRUIT OF THE LOOM			27,780	9,750
18,000.000	FUJI PHOTOFILM			634,977	681,095
50,900.000	FURNITURE BRANDS INTL INC			956,652	1,418,838
15,000.000	GANNETT INC COM			773,218	1,070,625
24,262.000	GAP STORES INC COM			655,872	1,222,198
28,600.000	GATEWAY INC			1,564,691	1,689,188
3,600.000	GATX CORP COM			138,929	137,025
5,200.000	GEMSTAR INTL GROUP LTD			192,010	339,300
1,800.000	GENERAL DYNAMICS CORP COM			52,631	123,975
74,800.000	GENERAL ELECTRIC CO COM			3,962,956	8,452,400
71,000.000	GENERAL INSTR CORP DEL			1,452,906	3,017,500
12,000.000	GENERAL MILLS INC COM			916,232	964,500
9,200.000	GENERAL MOTORS CORP COM			331,777	607,200
1,951.000	GENSYME CORP			4,289	8,597

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
19,000.000	GENTEX CORP			345,001	532,000
2,325.000	GENUINE PARTS CO COM			58,325	81,375
10,900.000	GENZYME CORP COM			193,596	528,650
4,400.000	GEONCO			92,293	141,900
18,400.000	GEORGIA PAC CORP COM			780,519	871,700
4,900.000	GILAT SATELLITE NETWORKS LTD			243,091	257,250
46,400.000	GILLETTE CO COM			1,775,402	1,902,400
56,370.000	GLAXO WELLCOME PLC			786,092	1,566,524
12,100.000	GLOBAL INDUSTRIES LTD			137,095	155,031
1,900.000	GLOBIX CORP			70,300	83,956
900.000	GOLDEN WEST FINL CORP DEL COM			43,744	88,200
800.000	GOODRICH B F CO COM			25,813	34,000
2,400.000	GOODYEAR TIRE & RUBR CO COM			97,007	141,150
10,000.000	GPU INC			365,532	421,875
1,100.000	GRACE W R & CO DEL NEW			17,519	20,900
9,600.000	GRAINGER W W INC COM			439,330	516,600
72,248.000	GRANADA GP ORD			931,811	1,340,415
600.000	GREAT ATLANTIC & PAC TEA INC COM			17,052	20,288
700.000	GREAT LAKES CHEM CORP COM			37,276	32,244
38,000.000	GREEN POINT FINANCIAL GROUP			1,360,835	1,246,875
300,900.000	GREY WOLF INC			788,375	752,250
57,500.000	GTE CORP COM			2,704,920	4,341,250
4,400.000	GUIDANT CORP			94,570	224,950
53,900.000	HALLIBURTON CO COM			1,911,556	2,438,975
4,400.000	HAMILTON BANCORP INC FLA			142,930	105,600
34,100.000	HARCOURT GENERAL INC			1,624,975	1,758,281
18,700.000	HARLEY DAVIDSON INC			813,750	1,016,813
1,250.000	HARRAHS ENTMT INC			30,074	27,578
1,400.000	HARRIS CORP DEL COM			37,834	54,863
3,200.000	HARTFORD FINL SVCS GROUP INC			72,819	186,600

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
10,700.000	HARTFORD LIFE INC			547,124	563,088
2,475.000	HASBRO INC COM			34,116	69,145
900.000	HCR MANOR CARE INC			21,794	21,769
60,318.000	HEALTH MGMT ASSOC INC NEW			415,591	678,578
4,800.000	HEALTHSOUTH CORP			95,772	71,400
4,900.000	HEINZ H J CO COM			149,155	245,613
800.000	HELMERICH & PAYNE INC COM			21,112	18,900
1,500.000	HERCULES INC COM			28,916	58,969
2,000.000	HERSHEY FOODS CORP COM			67,149	118,750
25,100.000	HEWLETT PACKARD CO COM			1,103,169	2,522,550
4,100.000	HI / FN INC			178,207	312,113
34,100.000	HIBERNIA CORP			495,316	534,944
2,900.000	HIGH SPEED ACCESS CORP			54,665	74,313
124,761.000	HILTON GRP			493,597	494,600
3,600.000	HILTON HOTELS CORP COM			47,184	51,075
10,600.000	HITACHI LTD ADR 10 COM			856,994	1,001,038
420,000.000	HITACHI ORD			3,884,004	3,938,352
61,200.000	HMT TECHNOLOGY CORP			602,207	153,000
6,400.000	HNC SOFTWARE INC			180,664	197,200
24,635.000	HOECHST AG NPV			1,025,948	1,115,269
53,100.000	HOME DEPOT INC COM			1,214,675	3,421,631
2,100.000	HOMESTAKE MNG CO COM			31,347	17,194
15,000.000	HONDA MOTOR CO			483,221	635,738
15,000.000	HONEYWELL INC COM			1,157,117	1,738,125
63,739.000	HOUSEHOLD INTL CORP COM			2,325,656	3,019,635
105,200.000	HSBC HOLDINGS ORD COM STK			3,040,653	3,837,089
1,800.000	HUMANA INC COM			46,999	23,288
60,000.000	HUME INDS(M) BHD			382,530	66,825
14,500.000	HUNT J B TRANS SVC INC COM			270,342	235,625
3,080.000	HUNTINGTON BANCSHARES INC COM			96,334	107,800

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
235,000.000	HUTCHISON WHAMPOA			1,145,398	2,127,717
40,300.000	IDEXX LABS INC			640,703	939,494
2,000.000	IKON OFFICE SOLUTIONS INC			62,956	30,000
11,500.000	ILLINOIS TOOL WKS INC COM			694,202	940,125
49,100.000	IMC GLOBAL INC			1,274,690	853,113
103,000.000	IMPERIAL CHEMICAL			1,312,687	1,017,986
4,400.000	IMS HEALTH INC			63,830	137,500
2,600.000	INCO LTD COM			80,729	46,800
94,631.000	ING GROEP NV CVANLG1			4,142,987	5,123,366
31,450.000	INGERSOLL RAND CO COM			1,262,325	2,032,456
51,400.000	INNOVATIVE CLINICAL SOLUTIONS LTD			772,311	75,491
35,000.000	INPUT/OUTPUT INC			490,593	264,688
39,900.000	INTEGRATED HEALTH SERVICES INC			707,995	319,200
115,800.000	INTEL CORP COM			4,005,609	6,890,100
4,700.000	INTERMEDIA COMMUNICATIONS			151,771	141,000
83,700.000	INTERNATIONAL BUSINESS MACHS CORP COM			5,203,066	10,818,225
1,700.000	INTERNATIONAL FLAVORS & FRAGRANCES INC			72,726	74,800
6,625.000	INTERNATIONAL NETWORK SVC			202,357	267,484
30,994.000	INTERNATIONAL PAPER CO COM			1,381,641	1,557,449
3,900.000	INTERNATIONAL SPEEDWAY CORP			121,082	185,250
55,000.000	INTERNEURON PHARMACEUTICALS INC			497,119	151,250
10,900.000	INTERPUBLIC GROUP COS INC COM			588,166	944,213
1,200.000	INTERVU INC			71,178	45,975
20,265.000	INTIBRANDS INC			535,370	960,054
715,766.000	INVENSYS			4,892,147	3,387,591
5,200.000	INVITROGEN CORP			73,450	128,375
1,950.000	IRON MTN INC DEL			56,490	55,819
1,925,000.000	ISCOR R1			1,410,753	602,908
36,600.000	ISPAT INTL N V			790,555	404,888
1,300.000	ITT INDS INC			25,029	49,563

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3,700.000	JAKKS PACIFIC INC			77,700	110,306
273,772.000	JARDINE MATH(SING REG.) USD0.25			1,811,126	1,368,860
1,575.000	JEFFERSON PILOT CORP COM			27,277	104,245
36,600.000	JOHNSON & JOHNSON			2,051,966	3,586,800
13,800.000	JOHNSON CTLS INC COM			663,944	956,513
53,500.000	JONES APPAREL GROUP INC			975,144	1,835,719
5,800.000	JONES INTERCABLE INC			204,687	284,200
600.000	JOSTENS INC COM			12,709	12,638
59,300.000	K MART CORP COM			877,293	978,450
5,400.000	K V PHARMACEUTICAL			95,464	83,700
600.000	KANSAS CITY SOUTH INDS INC			35,118	38,288
35,000.000	KAO CORP			510,202	983,142
100.000	KAUFMAN & BROAD HOME CORP COM			1,777	2,488
28,300.000	KELLOGG CO COM			1,072,589	933,900
14,510.000	KERR MCGEE CORP COM			608,654	728,221
6,200.000	KEYCORP NEW			107,681	199,175
1,500.000	KEYENCE Y50			223,914	262,474
58,860.000	KIMBERLY CLARK CORP COM			2,872,613	3,355,020
44,300.000	KING WORLD PRODUCTIONS INC COM			968,216	1,542,194
47,287.000	KINGFISHER ORD GBP0.12.5			313,198	544,128
1,200.000	KLA-TENCOR CORPORATION			54,036	77,850
36,000.000	KNIGHT RIDDER INC			1,882,195	1,982,250
18,200.000	KOHL'S CORP			607,265	1,399,125
80,069.000	KONINKLIJKE KPN NV NLG1.00			2,935,247	3,756,976
74,000.000	KOREA ELECTRIC COM STK KRW5000			1,520,285	3,074,966
7,825.000	KOREA TELECOM SPONSORED ADR			215,657	313,000
61,600.000	KROGER CO COM			1,458,078	1,720,950
54,700.000	KYOCERA CORP			2,751,236	3,208,596
4,700.000	LABOR READY INC			129,442	152,750
14,700.000	LAFARGE CORP COM			553,980	520,931

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3,300.000	LAIDLAW INC			31,622	24,338
5,400.000	LAM RESH CORP COM			148,387	252,113
8,000.000	LAMAR ADVERTISING CL			273,438	327,500
8,700.000	LANSTAR SYS INC			224,721	314,015
4,900.000	LASER VISION CTRS INC			69,921	308,700
3,000.000	LASON INC			108,946	148,875
7,000.000	LATTICE SEMICONDUCTOR CORP			349,086	435,750
8,900.000	LEAR CORP			2,584,271	2,930,275
9,400.000	LEHMAN BROS HLDGS INC			574,984	583,975
11,800.000	LEXMARK INTL GROUP INC			626,811	772,900
29,780.000	LILLY ELI & CO COM			1,755,106	2,132,993
3,176.000	LIMITED INC COM			65,763	144,111
3,200.000	LINCOLN NATL CORP IND COM			70,265	167,400
18,400.000	LITTON INDS INC COM			912,830	1,328,250
24,800.000	LIZ CLAIBORNE INC COM			1,074,943	905,200
101,450.000	LLOYDS TSB GROUP COM STK GBP0.25			539,345	1,375,268
99,670.000	LOCKHEED MARTIN CORP			3,379,257	3,712,708
22,300.000	LOEWS CORP COM			1,560,701	1,764,488
600.000	LONGS DRUG STORES INC COM			13,019	20,738
18,300.000	LONGVIEW FIBRE CO (WASHINGTON)			202,398	285,938
30,800.000	LOUISIANA PAC CORP COM			657,371	735,350
14,000.000	LOWES COS INC COM			381,340	793,625
1,400.000	LSI LOGIC CORP COM			52,542	64,575
65,863.000	LUCENT TECHNOLOGIES INC			1,690,127	4,441,636
39,000.000	LYONDELL PETROCHEMICAL CO			1,002,413	804,375
8,500.000	MACK CALI RLTY CORP			261,825	262,969
3,500.000	MACROMEDIA INC			136,367	123,375
4,200.000	MAIL COM INC			32,615	79,013
27,300.000	MAIL-WELL INC			364,119	441,919
800.000	MALLINCKRODT INC NEW			28,509	29,100

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20,641.000	MANNESMANN AG ORD NPV			883,261	3,080,079
24,600.000	MARINE DRILLING COS INC			269,100	336,713
391,000.000	MARKS & SPENCER			2,650,838	2,261,933
3,600.000	MARRIOTT INTL INC NEW			88,009	134,550
16,750.000	MARSH & MCLENNAN COS INC COM			895,407	1,267,766
7,984.000	MARTIN MARIETTA MATLS INC			80,960	471,056
127,400.000	MASCO CORP COM			2,911,256	3,678,675
100,000.000	MATSUSHITA ELEC.IN			1,530,641	1,941,500
97,009.000	MATTEL INC COM			2,427,757	2,534,360
33,700.000	MAXIM INTEGRATED PRODS INC			1,279,618	2,241,050
4,950.000	MAY DEPT STORES CO COM			125,571	202,331
1,200.000	MAYTAG CORP COM			23,771	83,775
1,400.000	MBIA COM			68,621	90,650
76,975.000	MBNA CORP			1,701,518	2,357,359
800.000	MCDERMOTT INTL INC COM			17,385	22,600
47,500.000	MCDONALDS CORP COM			1,293,432	1,953,438
15,600.000	MCGRAW HILL COMPANIES INC			519,730	841,425
59,639.000	MCI WORLD COM INC			2,054,516	5,132,681
4,795.000	MCKESSON HBOC INC			340,398	154,339
8,000.000	MCLEODUSA INC			345,909	440,000
10,100.000	MCN CORP COM			184,125	209,575
1,600.000	MEAD CORP COM			38,098	66,800
36,300.000	MEDIAONE GROUP INC			2,233,045	2,699,813
3,900.000	MEDICAL MANAGER CORP			126,439	172,575
8,200.000	MEDIMMUNE INC			307,231	555,550
3,400.000	MEDQUIST INC			98,639	148,750
28,800.000	MEDTRONIC INC COM			1,726,947	2,242,800
7,200.000	MELLON BK CORP COM			82,052	261,900
61,000.000	MENTOR GRAPHICS CORP COM			585,779	781,563
1,900.000	MERCANTILE BANCORPORATION INC COM			101,240	108,538

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51,600.000	MERCK & CO INC COM			2,401,656	3,799,050
18,000.000	MERCURY INTERACTIVE CORP			451,050	636,750
800.000	MEREDITH CORP COM			19,708	27,700
12,429.000	MERISTAR HOSPITALITY CORP			324,378	278,876
29,500.000	MERRILL LYNCH & CO INC COM			1,791,141	2,345,250
2,000.000	METRIS COS INC			54,032	81,500
3,200.000	METRO NETWORKS INC			149,531	170,800
1,800.000	MGIC INVT CORP			58,687	87,525
49,480.000	MICHELIN 'B' REG			2,212,627	2,024,205
3,600.000	MICREL INC			236,003	266,400
2,700.000	MICRON TECHNOLOGY INC COM			89,115	109,350
119,600.000	MICROSOFT CORP COM			3,124,011	10,786,425
76,100.000	MID ATLANTIC MED SVS INC			878,138	751,488
500.000	MILACRON INC			14,453	9,250
600.000	MILLIPORE CORP COM			20,035	24,338
1,100.000	MINIMED INC			75,213	84,631
17,500.000	MINNESOTA MNG & MFG CO COM			1,258,862	1,521,406
4,200.000	MIPS TECHNOLOGIES INC			107,797	201,338
2,600.000	MIRAGE RESORTS INC			62,397	43,550
652,000.000	MITSUBISHI HVY IND			2,508,221	2,644,835
25,200.000	MOBIL CORP COM			1,677,954	2,488,500
2,400.000	MODEM MEDIA POPPE TYSON INC			106,474	54,900
33,000.000	MONSANTO CO COM			1,168,298	1,305,563
8,200.000	MORGAN J P & CO INC COM			949,498	1,152,100
41,643.000	MORGAN STANLEY DEAN WITTER DISCOVER & CO			2,991,838	4,273,613
17,400.000	MOTOROLA INC COM			1,134,284	1,648,650
1,100.000	MULTEX SYS INC			43,038	28,738
15,000.000	MURATA MFG			693,489	986,447
4,800.000	MUTUAL RISK MANAGEMENT LTD			181,687	160,200
56,700.000	MYLEX CORP COM			550,419	329,569

BANKERS TRUST COMPANY, NEW YORK

INVESTMENTS HELD
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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
4,400.000	NABISCO GROUP HLDG CORP			77,037	86,075
31,400.000	NABISCO HLDGS CORP			1,236,044	1,350,200
200.000	NACCO INDUSTRIES INC			9,806	14,700
900.000	NALCO CHEM CO COM			29,165	46,688
4,700.000	NATIONAL CITY CORP COM			212,134	307,850
1,900.000	NATIONAL INSTRS CORP			59,440	76,713
51,100.000	NATIONAL SEMICONDUCTOR CORP COM			936,755	1,293,469
14,000.000	NATIONAL SVC INDS INC COM			524,781	504,000
67,950.000	NATL AUSTRALIA ORD AUD1			832,323	1,124,404
256,508.000	NATL POWER ORD50P			2,028,256	1,868,012
32,570.000	NATL WESTMINSTER COM STOCK			628,471	690,521
22,740.000	NAVISTAR INTL CORP			388,725	1,137,000
14,200.000	NCO GROUP INC			402,787	539,600
1,300.000	NEON SYS INC			19,500	43,388
823.000	NESTLE SA (REGD)			1,066,453	1,482,840
1,600.000	NEW CENTY ENERGIES INC			76,982	62,100
51,800.000	NEW YORK TIMES CO CL A			1,731,559	1,906,888
31,555.000	NEWELL RUBBERMAID INC			1,382,760	1,463,363
2,064.000	NEWMONT MNG CORP COM			76,941	41,022
17,800.000	NEW PARK RES INC			129,033	157,975
155,638.000	NEWS CORP ORD			809,417	1,327,888
67,700.000	NEXTEL COMMUNICATIONS INC			1,529,088	3,397,694
43,600.000	NIAGRA MOHAWK HLDGS INC			547,569	700,325
14,800.000	NICE SYS LTD			405,128	407,925
900.000	NICOR INC COM			28,715	34,256
3,900.000	NIKE INC CL B			141,621	247,163
10,200.000	NIPPON TELEG & TEL CORP			564,989	638,775
15,100.000	NOKIA CORP			1,128,771	1,382,594
2,000.000	NORDSTROM INC COM			39,203	67,000
54,100.000	NORFOLK SOUTHN CORP COM			1,750,940	1,629,763

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INVESTMENTS HELD
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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
9,140.000	NORTEL NETWORKS CORP			289,873	793,466
1,400.000	NORTHERN STS PWR CO MINN COM			31,692	33,863
1,600.000	NORTHERN TR CORP COM			120,932	155,200
1,000.000	NORTHROP GRUMMAN CORP			49,723	66,313
955.000	NOVARTIS AG CHF20(REGD)			985,916	1,394,475
4,400.000	NOVEL DEMIN HOLDINGS LTD			87,268	35,612
4,900.000	NOVELL INC			92,843	129,850
0.000	NTT MOBILE COMMUNI JPY50			141,157	270,984
80.000	NTT MOBILE-NEW COM STOCK			564,629	1,070,716
1,000.000	NUCOR CORP COM			42,970	47,438
16,700.000	NUEVO ENERGY CO			633,836	221,275
1,900.000	O'REILLY AUTOMOTIVE INC			78,605	95,713
3,200.000	OAK INDS INC			149,862	140,400
77,300.000	OAKLEY INC			742,145	550,763
5,000.000	OCCIDENTAL PETE CORP COM			108,575	105,625
92,000.000	OFFICE DEPOT INC COM			1,809,902	2,029,750
33,200.000	OMNICOM GROUP COM			1,352,084	2,656,000
400.000	ONEOK INC NEW			10,958	12,700
61,050.000	ORACLE CORP			887,738	2,266,481
3,000.000	ORBOTECH LIMITED			131,269	156,375
53,550.000	OUTBACK STEAKHOUSE INC			1,297,149	2,105,184
1,000.000	OWENS CORNING			35,791	34,375
2,000.000	OWENS ILL INC			80,185	65,375
5,300.000	P G & E CORP			147,041	171,919
2,400.000	P P & L RES INC			56,888	73,800
1,130.000	PACCAR INC COM			27,934	60,314
4,300.000	PACIFIC CORP COM			90,413	79,013
1,600.000	PALL CORP COM			37,934	35,500
5,175.000	PALM HBR HOMES INC			131,597	129,698
4,000.000	PARAMETRIC TECHNOLOGY CORP			89,540	55,500

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
6,000.000	PARKER HANNIFIN CORP COM			203,396	274,500
8,600.000	PARTNERRE HOLDINGS LTD			288,157	321,425
12,900.000	PATTERSON ENERGY INC			71,693	127,388
3,450.000	PAYCHEX INC COM			114,974	109,969
800.000	PE CORP			28,126	91,800
17,670.000	PEARSON ORD			363,851	359,026
51,400.000	PECO ENERGY CO			1,533,295	2,152,375
4,000.000	PEGASUS SYS INC			66,718	149,750
17,200.000	PENNEY J C INC COM			774,475	835,275
14,300.000	PENTAIR INC COM			271,081	654,225
500.000	PEOPLES ENERGY CORP COM			17,562	18,844
3,200.000	PEOPLESOFT INC			72,964	55,200
900.000	PEP BOYS MANNY MOE & JACK COM			30,337	18,900
24,100.000	PEPSI BOTTLING GROUP INC			554,300	557,313
20,000.000	PEPSICO INC COM			446,077	773,750
15,700.000	PEREGRINE SYS INC			277,832	403,294
5,600.000	PERFORMANCE FOOD GROUP CO			150,130	152,250
201,400.000	PETROL BRAS SPONS ADR-EACH REPR 100 PRE			2,709,563	3,101,157
132,300.000	PFIZER INC COM			3,212,727	4,806,900
2,900.000	PHARMACEUTICAL PROD DEV INC			78,524	79,388
6,905.000	PHARMACIA & UPJOHN INC			260,357	392,290
800.000	PHELPS DODGE CORP COM			45,766	49,550
88,500.000	PHILIP MORRIS COS INC COM			2,724,427	3,556,594
29,800.000	PHILLIPS PETE CO COM			1,261,325	1,499,313
59,700.000	PHILLIPS VAN HEUSEN CORP			797,597	597,000
77,600.000	PICTURETEL CORP			475,140	620,800
7,000.000	PINNACLE SYS INC			112,835	235,375
3,000.000	PIONEER HIBRED INTL INC			51,520	116,813
3,700.000	PITNEY BOWES INC COM			81,817	237,725
3,200.000	PLACER DOME INC COM			64,641	37,600

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INVESTMENTS HELD
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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
17,300.000	PLAYBOY ENTERPRISES INC			529,347	459,531
3,500.000	PLEXUS CORP			121,513	105,438
3,100.000	PLX TECHNOLOGY INC			45,853	146,863
4,400.000	PMC-SIERRA INC			72,106	259,325
39,200.000	PNC BANK CORP COM			2,135,390	2,258,900
700.000	POLAROID CORP COM			30,376	19,250
400.000	POTLATCH CORP COM			16,393	17,575
2,200.000	POWER INTEGRATIONS INC			48,772	160,875
2,500.000	PPG INDS INC COM			105,600	147,656
45,200.000	PRAXAIR INC			2,259,757	2,211,975
11,500.000	PRENTISS PTYS TR			246,159	271,688
49,400.000	PRECISION RESPONSE CORP			487,208	276,329
30,200.000	PROCTER & GAMBLE CO COM			1,759,573	2,695,350
3,100.000	PROFESSIONAL DETAILING INC			65,182	72,850
14,700.000	PROFIT RECOVERY GROUP INTL INC			421,410	695,494
1,100.000	PROGRESSIVE CORP OHIO COM			117,980	159,500
2,100.000	PROVIDIAN FINL CORP			27,934	195,825
112,780.000	PRUDENTIAL CP ORD			1,040,342	1,660,412
4,000.000	PSINET INC			177,971	175,000
3,500.000	PUBLIC SVC ENTERPRISE GROUP INC			103,324	142,844
400.000	PULTE CORP			6,659	9,225
2,600.000	QLOGIC CORP			203,169	343,200
32,000.000	QUAKER OATS CO COM			1,944,554	2,124,000
10,300.000	QUALCOMM INC			256,559	1,478,050
12,600.000	RAILTRACK GROUP ORD 25P			297,768	257,601
26,200.000	RALSTON - RALSTON PURINA GROUP			680,633	797,463
15,400.000	RAYCHEM CORP CALIF COM			535,761	569,800
59,700.000	RAYTHEON CO			3,244,370	4,208,850
2,800.000	RCN CORP			98,660	116,550
2,700.000	REALNETWORKS INC			159,508	185,963

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
3,100.000	REALTY INFORMATION GROUP INC			106,950	134,850
173,200.000	RECKITT & COLMAN ORD 10 10/19P			2,098,705	1,805,987
600.000	REEBOK INTL LTD COM			18,123	11,175
9,900.000	REGION FINL CORP			308,488	380,531
21,999.000	RELIANT ENERGY INC			665,418	607,722
12,800.000	RENAL CARE GROUP INC			290,401	331,200
14,500.000	REPUBLIC NY CORP COM			600,207	988,719
31,400.000	REPUBLIC SVCS INC			602,491	777,150
12,600.000	RESEARCH IN MOTION LTD			130,690	255,150
15,000.000	REYNOLDS METALS CO COM			879,183	885,000
1,466.000	REYNOLDS RJ TOB HLDGS INC			38,528	46,546
11,900.000	RFS HOTEL INVS INC			189,596	149,494
24,700.000	RHONE POULENC SA			1,255,261	1,143,919
11,300.000	RISK CAP HLDGS INC			237,300	152,550
24,100.000	RITE AID CORP COM			533,411	593,463
117.000	ROCHE HOLDINGS AG			969,704	1,202,663
2,900.000	ROCKWELL INTL CORP			86,794	176,175
3,474.000	ROHM & HAAS CO COM			75,627	148,948
4,000.000	ROHM CO.			470,807	626,237
8,600.000	ROWAN COS INC COM			117,934	156,950
14,190.000	ROYAL DUTCH PETROL (BR) ORD NLG1.25			570,166	831,177
50,400.000	ROYAL DUTCH PETE CO			2,084,315	3,036,600
144,545.000	ROYAL & SUN ALLIAN COM STK			1,304,742	1,296,439
600.000	RUSSELL CORP COM			18,916	11,700
3,400.000	RYANAIR HLDGS PLC			97,268	180,200
1,300.000	RYDER SYS INC COM			34,516	33,475
1,600.000	SAFECO CORP COM			49,354	70,600
54,975.000	SAFETY-KLEEN CORP NEW			986,615	996,422
38,600.000	SAFEWAY INC			965,208	1,910,700
10,620.000	SAFEWAY PLC ORD 25P			69,055	42,562

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<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MAKET VALUE</u>
28,700.000	SAKS INC			726,584	828,713
6,500.000	SANDISK CORP			165,354	292,500
4,000.000	SANMINA CORP COM			159,620	303,500
58,015.000	SANTA FE SNYDER CORP			472,954	464,120
12,700.000	SARA LEE CORP COM			195,967	288,131
65,354.000	SBC COMMUNICATIONS INC			2,444,121	3,790,532
104,800.000	SCHERING PLOUGH CORP COM			2,053,211	5,502,000
0 0.000	SCHLUMBERGER LTD			1,731,067	1,961,575
5,625.000	SCHWAB CHARLES CORP NEW COM			105,700	613,125
1,100.000	SCIENTIFIC ATLANTA INC COM			17,851	39,600
3,200.000	SDL INC			121,287	163,400
3,300.000	SEAGATE TECHNOLOGY			89,572	84,563
5,400.000	SEAGRAM LTD COM			183,033	272,025
5,689.000	SEALED AIR CORP NEW			318,953	369,074
20,600.000	SEARS ROEBUCK & CO COM			907,740	917,988
700.000	SECURITY FIRST TECHNOLOGIES CORP			30,550	31,588
900.000	SEI INVESTMENT COMPANY			93,745	79,425
1,804.000	SEMPRA ENERGY			36,384	40,816
62,400.000	SENSORMATIC ELECTRS CORP COM			1,108,542	869,700
40,100.000	SEQUENT COMPUTER SYS INC COM			615,403	711,775
39,300.000	SERVICE CORP INTL COM			681,403	756,525
400.000	SHARED MED SYS CORP COM			22,458	26,100
195,662.000	SHELL TRANS TRADIN 25P REG			1,205,249	1,467,311
2,200.000	SHERWIN WILLIAMS CO COM			39,354	61,050
9,300.000	SHIRE PHARMACEUTICALS GROUP PLC			189,118	241,800
29,000.000	SHISEIDO CO JPY50			477,214	434,615
2,400.000	SHOWCASE CORP			21,600	20,700
1,800.000	SIEBEL SYS INC			40,121	119,363
1,400.000	SIGMA ALDRICH CORP COM			31,852	48,213
2,632.000	SILICON GRAPHICS INC COM			67,175	43,099

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700.000	SIME DARBY BERHAD			2,733	826
29,000.000	SINGAPORE PRESS HD COM STK (POST RECON L			505,796	499,090
30,500.000	SLM HLDG CORP			901,876	1,397,281
13,700.000	SMURFIT-STONE CONTAINER CORP			234,708	281,706
850.000	SNAP ON INC			23,508	30,759
75,500.000	SOLETRON CORP			1,436,170	5,034,906
1,300.000	SONAT INC COM			47,731	43,063
17,100.000	SONY CORP			1,662,117	1,843,640
129,300.000	SOUTH AFRICAN BREW ORD USD0.10			962,299	1,106,713
37,816.000	SOUTHDOWN INC COM			2,224,210	2,429,678
9,800.000	SOUTHERN CO COM			213,134	259,700
1,200.000	SOUTHTRUST CORP COM			47,418	46,050
3,600.000	SOUTHWEST AIRLS CO COM			32,338	112,050
300.000	SPRINGS INDS INC			12,518	13,088
37,500.000	SPRINT CORP			1,293,858	1,987,500
4,750.000	SPRINT CORP			104,688	270,750
39,600.000	ST JUDE MED INC COM			1,241,596	1,410,750
3,614.000	ST PAUL COS INC COM			91,600	114,970
23,400.000	STANLEY WKS COM			634,280	753,188
4,950.000	STAPLES INC			106,520	153,141
2,300.000	STATE STREET CORP			132,256	196,363
4,050.000	STEINER LEISURE LTD			111,037	122,766
34,600.000	STERLING SOFTWARE INC COM			752,570	914,738
2,500.000	SUMMIT BANCORP			127,408	104,531
38,300.000	SUN MICROSYSTEMS COM			707,385	2,637,913
1,100.000	SUNOCO INC			25,528	33,206
4,400.000	SUNTRUST BKS INC COM			192,711	305,525
2,000.000	SUPERVALU INC			28,222	51,750
414,500.000	SWIRE PACIFIC 'A'			2,126,449	2,051,424
704.000	SWISS REINSURANCE CHF10 (REGD)			763,079	1,340,435

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3,200.000	SWISSCOM AG CHF25			819,232	1,204,168
3,750.000	SYNOVUS FINCL CORP			78,800	74,531
4,800.000	SYSCO CORP COM			69,629	143,100
84,300.000	TAHERA CORP			61,497	7,756
42,000.000	TAKEDA CHEM.INDSTR			1,275,231	1,946,622
3,000.000	TANDY CORP COM			30,901	146,625
750.000	TEKTRONIX INC COM			19,300	22,641
6,820.000	TELE DANMARK COM STK			254,288	335,690
17,600.000	TELEBRAS ADR-EACH			0	1,100
17,600.000	TELEBRAS SPON ADR REP 1000 PRF HOLDR			1,226,280	1,584,000
34,099.000	TELECOM CORP			95,603	146,355
152,673.000	TELECOM ITALIA SPA ITL1000			867,258	1,587,031
34,100.000	TELEFONO MEX ADR			1,176,227	2,755,706
5,600.000	TELLABS INC COM			74,605	378,350
133,215.000	TELSTRA CORP LTD ORD AUD1			305,521	763,332
8,600.000	TEMPLE INLAND INC COM			457,705	590,175
4,600.000	TENET HEALTHCARE CORP			96,547	85,388
2,600.000	TENNECO INC NEW			107,391	62,075
33,800.000	TEXACO INC COM			1,743,125	2,108,275
12,500.000	TEXAS INSTRS INC COM			852,206	1,800,000
3,625.000	TEXAS UTILS CO COM			139,051	150,211
2,400.000	TEXTRON INC COM			72,565	197,550
2,300.000	THERMO ELECTRON CORP COM			69,190	46,144
800.000	THOMAS & BETTS CORP COM			30,548	37,800
59,170.000	TI GROUP ORD 25P			576,974	396,394
39,700.000	TIME WARNER INC			1,719,401	2,883,213
2,500.000	TIME WARNER TELECOM INC			35,000	72,500
1,200.000	TIMES MIRROR CO NEW			30,118	71,100
16,800.000	TIMKEN CO COM			332,406	327,600
78,200.000	TJX COS INC			1,548,223	2,605,038

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6,000.000	TMP WORLDWIDE INC			156,666	381,000
19,160.000	TNT POST GROEP NV NLG1			0	457,414
36,400.000	TOKIO MARINE & FIR			1,837,108	2,042,950
23,200.000	TOMMY HILFIGER			1,255,953	1,699,400
1,600.000	TORCHMARK CORP COM			30,010	54,600
46,500.000	TOSCO CORP			1,163,587	1,206,094
10,420.000	TOTAL B TOTAL FINA SA			1,078,180	1,344,274
11,000.000	TOTAL FINA S A			541,324	708,813
6,700.000	TOWNE SVCS INC			47,738	52,763
17,000.000	TOYS R US INC COM			403,219	351,688
1,600.000	TRANSAMERICA CORP COM			34,022	120,000
5,950.000	TRANSWITCH CORP			125,311	281,881
400.000	TRIBUNE CO NEW COM			39,409	121,975
10,900.000	TRICO MARINE SVCS INC			83,443	71,531
2,260.000	TRICON GLOBAL RESTAURANTS INC			41,420	122,323
1,600.000	TRW INC COM			62,669	87,800
1,000.000	TUPPERWARE CORP			38,744	25,500
51,141.000	TYCO INTL LTD NEW			3,272,082	4,845,610
65,500.000	TYSON FOODS INC COM CLA			1,147,341	1,473,750
1,100.000	U S AIRWAYS GROUP INC COM			18,654	47,919
9,700.000	U S LIQUIDS INC			198,090	202,488
19,134.000	U S WEST INC NEW			768,102	1,124,123
4,260.000	UBS AG(UNITED BK) CHF20(REGD)			1,335,595	1,271,478
27,956.000	ULTRAMAR DIAMOND SHAMROCK			788,570	609,790
32,900.000	UNICOM CORP			955,640	1,268,706
7,857.000	UNILEVER NV			291,275	548,026
22,200.000	UNION CARBIDE CORP COM			1,157,479	1,082,250
3,700.000	UNION PAC CORP COM			159,310	215,756
3,133.000	UNION PAC RES GROUP INC			77,609	51,107
1,800.000	UNION PLANTERS CORP COM			88,180	80,438

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AS OF JUNE 30, 1999

<u>QUANTITY OR MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
2,500.000	UNISYS CORP COM			16,271	97,344
29,900.000	UNITED HEALTHCARE CORP COM			1,557,952	1,872,488
6,100.000	UNITED INTL HLDGS INC			343,336	412,513
8,500.000	UNITED RENTALS INC			238,685	250,750
24,400.000	UNITED TECHNOLOGIES CORP COM			1,065,096	1,756,800
3,800.000	UNOCAL CORP COM			105,907	150,575
,887.000	UNUMPROVIDENT CORP			552,622	596,063
56,812.000	US BANCORP DEL			1,209,939	1,896,101
12,400.000	USG CORP			606,272	694,400
2,400.000	UST INC			76,252	70,350
4,200.000	USX-MARATHON GROUP INC			83,017	136,763
800.000	USX-US STEEL GROUP			24,557	21,600
1,400.000	V F CORP COM			34,330	59,850
15,025.000	VEBA AG DEM5			834,240	883,186
27,500.000	VENCOR INC NEW			325,802	4,125
18,500.000	VENTAS INC			322,518	99,438
2,400.000	VERIO INC			74,659	166,800
2,300.000	VERISIGN INC			93,155	198,375
11,100.000	VERITAS SOFTWARE CO			552,719	1,053,806
9,580.000	VIACOM INC CLASS B			189,939	421,520
26,600.000	VIAD CORP			343,885	822,938
746.000	VIAG AG			373,631	352,344
2,500.000	VIATEL INC			70,903	140,313
3,700.000	VISX INC DEL			71,268	292,994
4,200.000	VITESSE SEMICONDUCTOR CORP			80,863	283,238
25,266.000	VIVENDI COM STK EUR5.5			1,771,728	2,046,658
116,700.000	VODAFONE AIRTOUCH ORD USD0.10			628,652	2,299,417
4,000.000	VODAFONE GROUP PLC			202,130	788,000
19,100.000	WABASH NATL CORP			527,135	370,063
2,600.000	WACHOVIA CORP			110,400	222,463

BANKERS TRUST COMPANY, NEW YORK

INVESTMENTS HELD
AS OF JUNE 30, 1999

<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
135,200.000	WAL MART STORES INC COM			2,460,896	6,523,400
34,400.000	WALGREEN CO COM			474,341	1,010,500
21,800.000	WARNACO GROUP INC CL A			823,384	583,150
18,700.000	WARNER LAMBERT CO COM			737,121	1,292,638
8,070.000	WASHINGTON MUT INC			207,224	286,989
8,000.000	WASTE CONNECTIONS INC			165,619	244,000
84,027.000	WASTE MGMT INC DEL			3,984,312	4,516,451
28,700.000	WATSON PHARMACEUTICALS INC			1,233,625	1,006,294
3,700.000	WEBTRENDS CORP			145,605	170,663
12,600.000	WELLPOINT HEALTH NETWORKS INC NEW			655,572	1,069,425
88,430.000	WELLS FARGO & CO NEW			2,455,543	3,780,383
2,000.000	WENDYS INTL INC COM			37,790	57,000
64,302.000	WESTPAC BANK. ORD COM STOCK			443,371	417,103
10,600.000	WESTVACO CORP COM			308,011	307,400
3,000.000	WEYERHAEUSER CO COM			125,620	206,250
5,900.000	WHIRLPOOL CORP COM			338,505	436,600
1,600.000	WILLAMETTE INDS INC COM			47,970	73,700
4,910.000	WILLIAMS COS COM			63,295	208,982
2,200.000	WINN DIXIE STORES INC COM			78,447	81,263
1,400.000	WORTHINGTON INDS INC COM			27,558	23,013
13,330.000	WPP GROUP ORD			114,114	112,729
1,600.000	WRIGLEY WM JR CO COM			76,778	142,700
138,600.000	XEROX CORP COM			4,390,508	8,186,063
24,800.000	YELLOW CORP			636,757	440,200
16,900.000	YORK INTERNATIONAL CORP NEW			820,255	723,531
16,100.000	3 COM CORP COM			769,465	429,669
11,950.000	99 CENTS ONLY STORES			426,264	596,753
TOTAL EQUITY				594,543,720	818,115,375

BANKERS TRUST COMPANY, NEW YORK

INVESTMENTS HELD
AS OF JUNE 30, 1999

<u>QUANTITY OR</u> <u>MATURITY VALUE</u>	<u>SECURITY DESCRIPTION</u>	<u>PERCENT</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
<u>REALESTATE</u>					
4,635,000.000	AIRPORT COMMERCE CENTER			5,869,153	4,635,000
20,147,058.630	CAMELBACK POINTE APARTMENTS			20,147,059	20,147,059
15,412,985.690	CITIBANK OFFICE PLAZA			15,412,986	15,412,986
5,200,000.000	COPPERWOOD SQUARE SHOPPING CENTER			6,655,346	5,200,000
23,854,925.310	CRESCENT VII			23,854,925	23,854,925
17,250,000.000	DEERWOOD APTS			14,367,706	17,250,000
4,700,000.000	MILPITAS WAREHOUSE			3,123,134	4,700,000
7,500,000.000	PINE GROVE OFFICE COMPLEX			10,388,815	7,500,000
13,300,000.000	PLAZA PASEO REAL SHOPPING CENTER			12,992,084	13,300,000
3,625,000.000	SADDLEBACK FINANCIAL CENTER			6,553,723	3,625,000
TOTAL REAL ESTATE				119,364,931	115,624,970
TOTAL INVESTMENTS				1,366,451,377	1,568,895,453

BANKERS TRUST COMPANY
NEW YORKINDUSTRY ANALYSIS OF EQUITIES
AS OF JUNE 30, 1999

	<u>MARKET VALUE</u>	<u>% OF PORTFOLIO</u>
BUILDING-FOREST PRODUCTS	7,668,344	0.94%
CHEMICAL	16,051,607	1.96%
METALS-ALUMINUM	2,263,756	0.28%
METALS-OTHER	1,264,339	0.15%
METALS-STEEL	1,516,188	0.19%
PAPER	4,774,261	0.58%
TOTAL BASIC INDUSTRY	33,538,495	4.10%
 AEROSPACE	 14,012,736	 1.71%
ELECTRICAL EQUIPMENT	31,081,827	3.80%
ELECTRONICS	41,684,745	5.10%
MACHINERY-AGRICULTURAL	144,994	0.02%
MACHINERY-OTHER	15,516,996	1.90%
MACHINERY-TOOLS	1,040,322	0.13%
OFFICE EQUIPMENT	84,074,653	10.28%
POLLUTION CONTROL	274,075	0.03%
TOTAL CAPITAL GOODS STOCK	187,830,348	22.96%
 AUTOMOTIVE	 20,099,100	 2.46%
ELECTRICAL HOUSEHOLD APPLIANCE	520,375	0.06%
HOME FURNISHINGS	1,939,463	0.24%
TIRE AND RUBBER	169,500	0.02%
TOTAL CONSUMER DURABLE STOCK	22,728,438	2.78%

BANKERS TRUST COMPANY
NEW YORKINDUSTRY ANALYSIS OF EQUITIES
AS OF JUNE 30, 1999

	<u>MARKET VALUE</u>	<u>% OF PORTFOLIO</u>
BEVERAGE	8,702,709	1.06%
CONTAINER	1,310,775	0.16%
COSMETIC	5,384,000	0.66%
FOOD	19,643,613	2.40%
HOTEL-MOTEL	94,625	0.01%
HOTEL-RESTAURANT	4,578,316	0.56%
LEISURE RECREATION	9,233,740	1.13%
PHOTOGRAPHIC	330,900	0.04%
PUBLISHING	9,729,956	1.19%
RETAILING	47,121,008	5.76%
SERVICE	35,760,317	4.37%
SOAP	4,441,419	0.54%
TEXTILE AND APPAREL	10,273,469	1.26%
TOBACCO	3,673,489	0.45%
TV-RADIO BROADCASTERS	34,870,831	4.26%
TOTAL CONSUMER NON-DURABLE STOCK	195,149,167	23.85%
OIL-INTERNATIONAL	18,232,954	2.23%
COAL	14,700	0.00%
OIL-DOMESTIC	16,082,126	1.97%
OIL-SERVICE	8,614,448	1.05%
TOTAL ENERGY RELATED STOCK	42,944,228	5.25%
BANKS	44,684,396	5.46%
BUILDING-OTHER	9,596,446	1.17%
FINANCE	61,114,845	7.47%

BANKERS TRUST COMPANY
NEW YORKINDUSTRY ANALYSIS OF EQUITIES
AS OF JUNE 30, 1999

	<u>MARKET VALUE</u>	<u>% OF PORTFOLIO</u>
INSURANCE	45,991,336	5.62%
INVESTMENT COMPANIES	4,435,609	0.54%
REAL ESTATE	1,851,144	0.23%
SAVINGS AND LOAN	198,638	0.02%
TOTAL FINANCE AND BUILDING STOCK	167,872,414	20.52%
DRUG	31,794,808	3.89%
MEDICAL SUPPLY AND SERVICES	29,784,719	3.64%
TOTAL HEALTH CARE STOCKS	61,579,527	7.53%
TRANSPORTATION-AIR TRANSPORT	1,438,219	0.18%
TRANSPORTATION-OTHER	14,886,021	1.82%
TOTAL TRANSPORTATION STOCKS	16,324,240	2.00%
UTILITY-ELECTRIC	24,276,376	2.97%
UTILITY-NATURAL GAS	2,551,791	0.31%
UTILITY-TELEPHONE	41,299,856	5.05%
TOTAL UTILITY STOCKS	68,128,023	8.33%
MISCELLANEOUS	22,02,0414	2.69%
TOTAL EQUITY INVESTMENTS	818,115,294	100.00%

STATEMENT OF INVESTMENT POLICY

BOARD OF ADMINISTRATION

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

GENERAL ENVIRONMENT

Investments in the San Jose Police and Fire Department Retirement Plan are subject to the restrictions specified in the San Jose Municipal Code 3.36.540. Further investment management guidelines are imposed by the Board of Administration.

INVESTMENT GUIDELINES

General

The Board Shall:

- (1) Require that the Retirement System be actuarially sound to assure that all disbursement obligations will be met.
- (2) Attempt to insure that investment earnings be sufficiently high to provide a funding source, along with contributions from City employees and the City, in order to offset liabilities in perpetuity.
- (3) Strive for the highest total return on invested funds consistent with safety in accordance with accepted investment practices.

Asset Allocation

The following policy has been identified by the Board of Administration as having the greatest expected investment return, and the resulting positive impact on asset values and funded status without exceeding a prudent level of risk. The Board determined this policy after evaluating the implications of increased investment return versus increased variability of return for a number of potential investment policies with varying commitments to stocks and bonds.

It shall be the policy of the Plan to invest its assets in accordance with the maximum and minimum range, valued at market, for each asset class as stated below:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Actual</u>	<u>Maximum</u>
Bonds	25%	35%	43%	60%
Bonds - Global	0%	10%	7%	15%
Stocks - U.S.	30%	35%	40%	40%
Stocks - International	0%	10%	7%	15%
Real Estate	0%	10%	3%	15%

It is understood that the fund managers at any point in time may not be fully invested. However,

managers are expected to be fully funded and cash positions in excess of 7% require the manager to notify the Board of Administration in writing. While the Plan's assets may be partially invested in cash equivalents, for asset allocation purposes these funds shall be considered invested in the asset classes of the respective managers. In turn, each manager's performance will be evaluated on the total amount of funds under its management.

The asset allocation ranges established by this investment policy represent the long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy range. Any divergence should be of a short-term nature. The Board of Administration will review the asset mix of the Plan on a quarterly basis and cause the asset mix to be rebalanced to within the policy range as necessary.

Investment managers may request temporary exemptions from guideline limits by submitting written requests to the Board of Administration for prior approval. For special situations, the Board of Administration can grant special exemptions from the guidelines. In no case can a manager actively exceed guideline limits without formal prior approval by the Board.

Diversification

Investment diversification is consistent with the intent to minimize the risk of large losses to the Plan. Consequently, the total fund will be constructed by the individual portfolio managers to attain prudent diversification in several asset classes. To ensure adequate diversification, no manager will hold more than 5% of its portion of the total Plan assets in any single security with the exception of government backed securities and real estate equity. As a general rule, Plan assets placed with an investment manager will not represent more than 10% of that manager's total assets.

Volatility

Consistent with the desire for adequate diversification, the investment policy is based on the assumption that the volatility (the standard deviation of returns) of the portfolio will be relative to that of the market. Consequently, it is expected that the volatility of a commitment-weighted composite of the market indices, e.g., S&P 500 Index for stocks and Salomon Brothers Broad Grade Index for bonds and U.S. T-Bills for cash, will be commensurate with the Plan's volatility.

Liquidity

Presently there is not a requirement to maintain significant liquid reserves for the payment of pension benefits. The Board has authorized the Board of Administration Secretary to review the projected cash flow requirements at least annually and indicate to investment managers the required liquidity.

Contributions are expected to be in excess of net benefit payments over the foreseeable future, resulting in a positive cash flow, which will be reinvested by the fund manager who receives the cash flow.

Fixed Income

The Board shall require that the majority of the fixed income portfolio be invested in high qual

Fixed Income (continued)

ity, (investment grade) marketable bonds as provided in Section 3.36.540. Whether a global fixed income manager is employed, or separate domestic and international fixed income managers are employed, they are to invest in accordance with the following guidelines:

- (1) Portfolio investments will be composed primarily of fixed income securities (including short term obligations) denominated in either United States or foreign currencies. Securities may be issued by domestic or foreign governments, domestic or foreign government agencies and instrumentalities, international banks or other international organizations, corporations or other forms of business organizations.
- (2) The investment manager may also purchase securities of other categories; including, options and financial futures contracts traded over-the-counter or on organized securities exchanges, commodities exchanges or Boards of Trade. These investments may be used within prudent limits to manage risk, lower transaction costs, or augment returns as long as leverage is not applied. Derivative securities should not be utilized by portfolio managers to materially increase a portfolio's duration as characterized by its stated investment style. The manager will invest the assets at such times, in such amounts and in such investments as the manager shall determine in its discretion.
- (3) Deposits in banks or banking institutions, domestic or foreign, may be made. Because the fundamental objective is to enhance the rate of return calculated in U.S. dollars, and currency exchange gains and losses are included in the calculation of total return, currency hedging shall be permitted, at the discretion of the manager, to protect the value of specific investments in U.S. dollar terms.
- (4) Forward or future contracts for foreign currencies may be entered into for hedging purposes or pending the selection and purchase of suitable investments in, or the settlement of any such securities transactions, as the case may be.
- (5) All bonds and notes in which the assets are invested, and which mature one year or more from the date of original issues, shall carry a rating of "BBB" or better by either Standard & Poors or Moodys Investor Services; or, if unrated, shall be of equivalent quality in the judgment of the investment manager to a similar domestic issue. Managers may, with prior written authorization, invest a maximum of 20% of their fixed income portfolio in bonds or notes that are rated B or BB.
- (6) The fund will be valued in United States dollars on the last business day of each month, and on such other "Valuation Dates" as the Board may deem appropriate. For valuation purposes, all foreign currency, foreign deposits and securities quoted in foreign currencies shall be converted into dollars pursuant to methods consistently followed and uniformly applied.

- (7) The manager may invest a portion of the assets in commingled accounts with specific mandates such as high yield trust funds with prior approval by the Board.

Domestic Common Stock

The primary emphasis of the common stock portfolio will be on high quality, readily marketable securities offering potential for above average return as protection against inflation. The maximum amount of common stock to be held is 55% of the Fund's assets valued at market. Common stock investments are limited to those meeting all of the following criteria as set forth in Section 3.36.540:

- (1) Stocks will be restricted to those large enough to be readily marketable and traded on a national exchange.
- (2) Corporations must have total assets of at least \$50 million or gross sales of at least \$150 million and at least 5 million shares of common stock outstanding.
- (3) Investment in any corporation shall not exceed 5% of the outstanding shares of the corporation.
- (4) Not more than 5% of the total assets at cost may be invested in preferred stocks.
- (5) Not more than 5% of any Investment Manager's portfolio at cost shall be invested in the common stock of any corporation.
- (6) The manager will invest the assets at such times, in such amounts and in such investments as the manager shall determine in its discretion.
- (7) Approximately 15% of the domestic equity assets will be passively managed (indexed).

International Common Stock

- (1) The portfolio will be invested primarily in non-U.S. common stocks. Investment in American Depositary Receipts (ADR's) is permitted but they will not be considered U.S. equities. U.S. equities are not permitted. The maximum amount of international common stock to be held is 15% of the Fund's total assets valued at market. A maximum of 20% of a manager's international equity portfolio may be invested in emerging markets.
- (2) Currency hedging will be permitted as part of a defensive strategy to protect the portfolio's underlying assets.
- (3) Holding cash or cash equivalents, either U.S. or non-U.S., for the purpose of protecting

International Common Stock (continued)

the portfolio against perceived adverse equity market conditions abroad, will not be permitted. However, while the manager is expected to remain fully invested over time, cash and cash equivalent holdings will be permitted up to maximum of 10% of the manager's portfolio for the purpose of making country and security adjustments to the portfolio.

- (4) To ensure proper diversification, the fund will be invested in a wide variety of economic sectors and countries. No one equity position will represent more than a total of 5% of the portfolio.

Real Estate

The Board may elect to invest in commercial, industrial, and residential real estate or real estate related debt instruments provided that:

- (1) The real estate is defined as any real property within the United States improved by multifamily dwelling, industrial or commercial buildings.
- (2) Real estate related debt instruments shall be defined as first mortgages.
- (3) The fund shall at no time:
 - (a) Invest directly or indirectly more than 25% of the fund's assets, valued at cost, in real estate investment as defined hereinabove; nor,
 - (b) Invest directly or indirectly more than 5% of the fund's assets, valued at cost, in any one property, project, or debt instrument regardless of the manner of investment.
- (4) The investment advisors employed by the Board to assist in the location and acquisition of real estate must bring their proposal to the Board for approval.

Credit Unions

No retirement fund assets shall be deposited in any such institution in excess of an amount insured by an agency of the Federal Government, and shall be made only if the rate of return and degree of safety offered are competitive with other investment opportunities.

Manager Discretion

Subject to these guidelines and policies, the Fund's Investment Managers have full discretion to

sell, substantiate, redeem or convert securities as they deem advisable. It is the intention of the Board to contract with an independent agency to vote domestic equity proxies according the plan proxy voting guidelines. However, international equity proxies are to be voted by the investment managers.

With the consent of the Board, compliance with the foregoing guidelines may be waived, either with respect to a specific transaction or transactions, or generally. The Board will, in addition, consult with the investment manager from time to time, at the investment manager's request, as to the continuing applicability of the guidelines and whether amendments may be appropriate.

Performance Goals

In order to insure that investment opportunity available over a specific time period are fairly evaluated, the Board of Administration will utilize comparative performance statistics to evaluate investment results. Accordingly, each investment manager is expected to achieve the following minimum performance standards over a rolling five year time period or a full market cycle.

Domestic Equity Managers

- (1) Performance within the top half of Mercer's Equity Funds Universe.
- (2) Net of fees, manager performance shall exceed by 200 basis points, the return of:
the S&P 500 Stock Index for large-cap equity managers,
the S&P Mid-cap Stock Index for mid-cap equity managers, or
the Russell 2000 Stock Index for small-cap equity managers.
- (3) The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the manager's benchmark index without a corresponding increase in performance above that index.

Domestic Fixed Income Managers

- (1) Performance within the top half of Mercer's Bond Funds Universe.
- (2) Net of fees, manager performance shall exceed by 50 basis points, the return of the Lehman Brothers Aggregate Bond Index.
- (3) The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the Lehman Brothers Aggregate Bond Index without a corresponding increase in performance above the index.

International Equity Managers

- (1) Performance within the top half of Mercer's International Equity Fund Universe.

- (2) Net of fees, manager performance shall exceed by 200 basis points, the return of the Morgan Stanley EAFE Index for international equity managers.
- (3) The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the MSCI EAFE Index without a corresponding increase in performance above the index.

International Fixed Income Managers

- (1) Performance above median in Mercer's International Bond Fund Universe.
- (2) Net of fees, manager performance shall exceed by 50 basis points, the return of the Salomon Brothers World Government Bond Index.
- (3) The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the Salomon Brothers World Government Bond Index without a corresponding increase in performance above the index.

Real Estate Managers

- (1) Performance above median in Mercer's Real Estate Funds Universe.
- (2) Net of fees, manager performance shall exceed by 200 basis points, the return of the National Counsel of Real Estate Investment Fiduciaries (NCREIF) Pacific Index.
- (3) The risk associated with the manager's portfolio must not exceed that of the NCREIF Pacific Index without a corresponding increase in performance above the index.

Periodic Reviews of Manager Performance

The performance of each manager will be reviewed versus its benchmark every quarter. These benchmarks consist of both asset class indexes and peer group universes. Each manager's risk adjusted performance should exceed their passive index benchmark and each manager should be above the median of an appropriate universe.

As good managers will occasionally have poor performance for several periods, there is some grace period permitted for performance to improve. Conversely, the performance will be reviewed with sufficient frequency to permit identification of substandard performance as quickly as possible.

Procedure:

1. Each manager is expected to produce performance equal to or better than their benchmark index for one quarter, one year, three year, and five year cumulative periods.

Managers are considered to achieve this objective if their performance exceeds their benchmark for two of the three periods of one year or longer or any three periods.

2. Each manager is expected to produce above median performance in an appropriate peer group for one quarter, one year, three year, and five year cumulative periods. Managers are considered to achieve this objective if they rank above the median manager for two of the three periods of one year or longer and the performance in the third period is not less than the 62nd percentile.
3. If there is a failure to meet any objectives, the following rules should be applied:
 - a) A manager's failure to meet either objective for one or two quarters is not a cause for concern.
 - b) A manager's failure to meet either objective for three successive quarters merits probationary status.
 - c) A manager's failure to meet either objective for four successive quarters should result in termination. Upon a critical review of the manager, the Investment Committee may grant a further two quarters for improvement to take place upon officially recognizing the substandard performance and explicitly granting an extension of time for improvement. At the time of granting such extraordinary extension, the Investment Committee may delegate to the Administrator the authority to direct the manager to immediately suspend all trading except as specifically directed by the Administrator.

During the period of any such extraordinary extension, the investment staff should monitor the portfolio and transactions of such manager to ensure that excessive risk is not being taken in an attempt to "catch up". If in the judgment of the Administrator, such manager is managing the portfolio in such a manner that indicates that excessive risk is being taken, the Administrator should use the previously delegated authority to terminate or restrict the manager's activities.

Extraordinary Reviews of Managers

If an event occurs within a manager's organization or is likely to impact the manager's organization, the Administrator shall make a determination whether such event compromises the investment process or in any other manner might negatively impact the management of the Plan's assets.

Such events would include but are not limited to:

- a) Loss of any significant investment professional directly involved with the management of Plan assets or of such significance to the manager's overall investment process as to call into question the future efficacy of that process.

- b) Sale, offer for sale, or offer to purchase the manager's business to/by another entity.
- c) Significant financial difficulty or loss of a sizable portion of the manager's assets under management.
- d) Filing or announcement of regulatory action of non-trivial nature, particularly that involving violations of the Investment Advisers Act of 1940, the Securities Act of 1933, or the Securities Exchange Act of 1934, or any state Blue Sky Law to which the manager is subject.
- e) Any other event which in the discretion of the Administrator appear to put the Fund's assets at risk of loss, either actual or opportunity.



September 24, 1999

Mr. Ed Overton
Secretary, Board of Administration
San Jose Police & Fire Department Retirement Plan
777 North First Street, Suite 750
San Jose, CA 95112

Dear Mr. Overton:

For the fiscal year ending June 30, 1999 investment returns again exceeded expectations. One year ago it was hard to imagine another year of double digit returns but the 11.2% total return of the Plan was exceptional and well ahead of the actuarial assumption rate of 8.0%. We continue to be less optimistic about a repeat performance but last year's return of 11.2% was near the top third of the public fund peer universe.

Financial markets continued to be quite volatile in the Fall, 1998 due to the Asian Crisis. However, things settled down considerably over the last six months and even the international emerging country equity markets rebounded nicely. The Retirement Plan's international equity managers produced returns of 14.5% for the year and domestic (U.S.) equity managers did even better with a 15.4% return.

Real estate equity managers produced more subdued returns of 9.1% due to the low inflationary environment. On the other hand, the Federal Reserve expressed some concerns over the return of inflation by raising interest rates in late June. The bond markets had been anticipating the increase in rates and consequently investment returns for bond managers were negative in the last half of the fiscal year. The end result for the fiscal year was a return of 2.2% for domestic bond managers and a return of 5.0% for the global bond manager.

Although bond returns were low, the Plan's asset allocation to equities provided a significant benefit to the total return. These asset allocation decisions were made by the Retirement Board based on maintaining a long term investment horizon. This patient strategy continued to provide exceptional returns.

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Suite 2000
Los Angeles CA 90017

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A Marsh & McLennan Company



Mr. Ed Overton
September 24, 1999
Page 2

Considering the exceptional investment returns, it should also be noted that the asset allocation model adopted by the Retirement Board is more conservative than the average U.S. public retirement plan. The defensive allocation strategy combined with a well diversified mix of investment managers should be an advantage when the capital markets go through a downturn. That statement is not intended as a prediction but as confirmation that the asset mix is prudent.

It has been our pleasure to work with the Trustees and staff in establishing, implementing and maintaining a sound investment policy. Thank you for the opportunity to be of service.

Respectfully submitted,

A handwritten signature in cursive script, reading "Tom Lightvoet", with a long horizontal flourish extending to the right.

Thomas J. Lightvoet
Principal

TJL/LSP/ap

Audited Financials



**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Financial Statements
with Supplementary Information

June 30, 1999 and 1998

(With Independent Auditors' Report Thereon)

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

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500 E. Middlefield Road
Mountain View, CA 94043

Independent Auditors' Report

The Board of Administration
City of San Jose Police and Fire Department
Retirement Plan:

We have audited the financial statements of the City of San Jose Police and Fire Department Retirement Plan (the Plan) as of and for the years ended June 30, 1999 and 1998, as listed in the accompanying table of contents as "Financial Statements." These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the City of San Jose Police and Fire Department Retirement Plan's net assets as of June 30, 1999 and 1998, and changes in those net assets for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information included in Schedules 5 through 8 is not a required part of the basic financial statements, but is required by the Governmental Accounting Standards Board. We were unable to apply certain limited procedures to the Year 2000 information because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the City of San Jose (the City) is or will become Year 2000 compliant, that the City's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become Year 2000 compliant. The aforementioned supplementary information, except for Schedules 5 through 8 that are marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

August 31, 1999



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Statements of Defined Benefit Pension Plan Net Assets

June 30, 1999 and 1998

(In thousands)

	<u>1999</u>	<u>1998</u>
Assets:		
Receivables:		
Employee contributions	\$ 646	601
Employer contributions	1,241	955
Brokers and others	19,100	32,182
Accrued investment income	7,946	16,888
Total receivables	<u>28,933</u>	<u>50,626</u>
Investments, at fair value (Note 3):		
Securities and other	1,299,075	1,237,073
Real estate	117,289	98,348
Loaned securities for cash and noncash collateral	129,720	87,968
Securities lending collateral	95,193	70,712
Total investments	<u>1,641,277</u>	<u>1,494,101</u>
Total assets	<u>1,670,210</u>	<u>1,544,727</u>
Liabilities:		
Payable to brokers	19,549	50,050
Securities lending collateral, due to borrowers (Note 3)	95,193	70,712
Other liabilities	3,102	2,233
Total liabilities	<u>117,844</u>	<u>122,995</u>
Plan net assets held in trust for pension benefits (a schedule of funding progress is presented on Schedule 5)	<u>\$ 1,552,366</u>	<u>1,421,732</u>

See accompanying notes to financial statements.

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Statements of Postemployment Healthcare Plan Net Assets

June 30, 1999 and 1998

(In thousands)

	<u>1999</u>	<u>1998</u>
Assets:		
Receivables:		
Employee contributions	\$ 86	85
Employer contributions	163	102
Brokers and others	320	696
Accrued investment income	138	324
Total receivables	<u>707</u>	<u>1,207</u>
Investments, at fair value (Note 3):		
Securities and other	22,416	20,958
Real estate	2,024	1,666
Loaned securities for cash and noncash collateral	2,238	1,490
Securities lending collateral	1,573	1,147
Total investments	<u>28,251</u>	<u>25,261</u>
Total assets	<u>28,958</u>	<u>26,468</u>
Liabilities:		
Payable to brokers	307	1,081
Securities lending collateral, due to borrowers (Note 3)	1,573	1,147
Other liabilities	59	40
Total liabilities	<u>1,939</u>	<u>2,268</u>
Plan net assets held in trust for postemployment healthcare benefits	<u>\$ 27,019</u>	<u>24,200</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN
 Statements of Changes in Postemployment Healthcare Plan Net Assets
 Years ended June 30, 1999 and 1998
 (In thousands)

	<u>1999</u>	<u>1998</u>
Additions:		
Contributions (Note 4):		
Employer	\$ 3,041	2,904
Employees	1,679	1,800
Total contributions	<u>4,720</u>	<u>4,704</u>
Investment income:		
Interest income	655	643
Dividend income	155	158
Net appreciation in fair value of investments	1,399	5,397
Net rental income	153	88
Less investment expenses	<u>(89)</u>	<u>(74)</u>
Net investment income	<u>2,273</u>	<u>6,212</u>
Total additions	<u>6,993</u>	<u>10,916</u>
Deductions:		
Health insurance premiums	4,156	3,306
Administrative expenses and other	<u>18</u>	<u>18</u>
Total deductions	<u>4,174</u>	<u>3,324</u>
Net increase	2,819	7,592
Plan net assets held in trust for postemployment healthcare benefits:		
Beginning of year	<u>24,200</u>	<u>16,608</u>
End of year	<u>\$ 27,019</u>	<u>24,200</u>

See accompanying notes to financial statements.

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Notes to Financial Statements

June 30, 1999 and 1998

(1) Description of the Plan

The following description of the City of San Jose Police and Fire Department Retirement Plan (the Plan) is provided for general information purposes only. Employees and members should refer to the City of San Jose Municipal Code for more complete information.

(a) General

The Plan, consisting of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan, was established in 1961 and last amended June 30, 1997, to provide retirement benefits for employees of the Police and Fire Department of the City of San Jose (the City). The Plan is considered to be a part of the City's financial reporting entity and is included in the City's general purpose financial statements as a pension trust fund. The Plan is administered by the Retirement Administrator, an employee of the City, under the direction of a Board of Administration. The contribution and benefit provisions and all other requirements are established by City ordinance. The Plan is responsible for all direct administrative costs except for certain support services, which are provided by the City.

All sworn officers of the City's Police and Fire Department are required to be members of the Plan. Total payroll amounted to approximately \$162,100,000 and \$149,550,000 for 1999 and 1998, respectively. Covered payroll amounted to approximately \$140,826,000 and \$131,511,000 in 1999 and 1998, respectively.

Participants of the Postemployment Healthcare Plan are also participants of the Defined Benefit Pension Plan. As of June 30, 1999 and 1998, employee membership data related to the Plan was as follows:

	<u>1999</u>	<u>1998</u>
Defined Benefit Pension Plan:		
Retirees and beneficiaries currently receiving benefits	1,070	1,016
Terminated vested members not yet receiving benefits	24	35
Active members	2,016	1,994
Total	<u>3,110</u>	<u>3,045</u>
Postemployment Healthcare Plan:		
Retirees and beneficiaries currently receiving benefits	985	925
Terminated vested members not yet receiving benefits	3	35
Active members	2,016	1,989
Total	<u>3,004</u>	<u>2,949</u>

The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

(Continued)

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Notes to Financial Statements

June 30, 1999 and 1998

(b) Pension Benefits

An employee with 10 or more years of service who resigns and leaves his/her contributions in the Plan; an employee who reaches the normal retirement age of 55 with 20 years of service; an employee of age 50 with 25 years of service; an employee of any age with 30 years of service; or an employee of age 70 with no service requirement is entitled to monthly pension benefits equal to 2.5% of their final salary for each year of service up to 20 years. For each year of service after 20 years, an employee is entitled to 3% of their final average monthly salary up to a maximum benefit of 80% of their final compensation. Final compensation is the average monthly salary during the highest 12 consecutive months of service, limited to 108% of salary paid during the 12 months immediately proceeding the last 12 months of service. These benefit rates and formulas are based on the outcome of the arbitration process and approval by the Plan Board in July 1998. In addition, retirement benefits are adjusted for an annual cost-of-living allowance (COLA). The current maximum increase in the COLA is 3% per year.

If employees terminate employment before completing 10 years of service, the right to receive their portion of the accumulated plan benefits attributable to the City's contributions is forfeited; however, an employee's accumulated contribution plus 2% interest per annum is refunded. Refunds are paid out on a lump-sum basis. The forfeited amount of the City's contributions remains in the Plan.

(c) Death Benefits

An annual annuity of up to 37.5% of an employee's final compensation is paid to a surviving spouse until remarriage if: (1) an employee's death is service related; or (2) an employee's death is non-service related and occurs with at least 20 years of service; or (3) a retiree dies who was retired from service or who received a service related disability. Additionally, an annual benefit for dependent children up to 18 years of age, or up to 22 years of age if a full-time student, is paid at a rate of 25% of final compensation per child with a maximum family benefit of 75% of final compensation if death is service related.

If an employee's death is nonservice related and the employee has at least 2 years of service, the Plan allows for an annual annuity of 24% of the employee's final compensation for the first 2 years of service, plus 0.75% for each year thereafter, to be paid to his/her surviving spouse until remarriage (maximum of 37.5% of final compensation). These benefits are also paid to the surviving spouse of a retiree on a nonservice related disability. Additionally, annual benefits for dependent children up to 18 years of age, or 22 years of age if a full-time student, are as follows:

- One child – 25% of final compensation
- Two children – 37.5% of final compensation
- Three or more children – 50% of final compensation

The maximum annual benefit paid to a family under any circumstances is 75% of final compensation. If the employee has no spouse or children, a lump sum equal to the greater of the employee's accumulated contributions or \$1,000 is paid to his/her estate.

(Continued)

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Notes to Financial Statements

June 30, 1999 and 1998

(d) Disability Benefits

If an employee suffers a service related disability before retirement, an annual benefit is paid equal to the greater of: (1) 50% of final compensation; or (2) 2.5% of final compensation, multiplied by the number of years of service (maximum of 30 years).

If an employee with at least 2 years of service suffers a nonservice related disability, an annual benefit is paid equal to 32% of final compensation for the first 2 years of service plus 1% of final compensation for each successive year, up to a maximum of 50% of final compensation for an employee with up to 20 years of service. For employees with more than 20 years of service, the benefit paid is 3% of final compensation multiplied by the number of years of service, not to exceed 80% of final compensation.

(e) Postemployment Healthcare Benefits

The City of San Jose Municipal Code provides that retired employees with 15 years or more of service, their survivors, or those retired employees who are receiving a pension benefit of at least 37.5% of final compensation are entitled to payment of 100% of the lowest priced medical insurance plan available to an active police and fire employee.

(f) Plan Termination

In the event the Plan is terminated, there is no provision for the distribution of net assets.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed. Activities of the Defined Benefit Pension Plan and the Postemployment Healthcare Plan are accounted for separately. It is required that transactions of the Defined Benefit Pension Plan be accounted for in two funds: a Retirement Fund and a Cost-of-Living Fund.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the disclosed amount of additions and deletions during the reporting periods. Actual results could differ from those estimates.

(b) Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Investments that do not have an established market are reported at estimated fair value. The fair value of real estate investments is based on independent appraisals.

Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned. Rental income is recognized as earned, net of expenses.

(Continued)

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Notes to Financial Statements

June 30, 1999 and 1998

(c) Plan Net Assets Held in Trust for Pension and Postemployment Healthcare Benefits

The Plan is required by the City of San Jose Municipal Code to establish various reserves in the plan net assets (fund balance). The Defined Benefit Pension Plan Net Assets are allocated between the Retirement Fund and the Cost-of-Living Fund (see Schedule 1). The Postemployment Healthcare Plan Net Assets are in the Retirement Fund only (see Schedule 2). As of June 30, 1999, the fund balance, totaling \$1,579,385,000 on a combined basis for both the Retirement Fund and the Cost-of-Living Fund, is allocated as follows (in thousands):

	Retirement Fund	Cost-of-Living Fund	Total 1999	Total 1998
Employee contributions \$	98,882	31,716	130,598	121,773
Unrealized gains on investments held	159,610	46,522	206,132	179,106
General reserve	919,894	322,761	1,242,655	1,145,053
Total \$	<u>1,178,386</u>	<u>400,999</u>	<u>1,579,385</u>	<u>1,445,932</u>

(d) Allocation of Investment Income

Earnings on investments, excluding unrealized gains and losses are recorded first in the general reserve category of fund balance. An allocation is made biweekly from the general reserve category to the employee contributions category of fund balance based on the balance in that account at an annual rate of 2%, as specified by the City of San Jose Municipal Code. Any earnings in excess of 2% remain in the general reserve category.

(3) Investments

The Plan's investments for both the Defined Benefit Pension Plan and the Postemployment Healthcare Plan are categorized to give an indication of the level of custodial risk assumed by the Plan at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a qualifying financial institution's trust department or agent in the Plan's name, where the financial institution acts as the Plan's counterparty. Category 3 includes uninsured and unregistered investments for which the securities are held by a broker or dealer, or by its agent, or by a qualifying financial institution's trust department or agent, but not in the Plan's name. There were no investments in Category 2 as of June 30, 1999.

(Continued)

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Notes to Financial Statements

June 30, 1999 and 1998

The categorization of the Plan's investments (both for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan) as of June 30, 1999, was as follows (in thousands):

	<u>Category 1</u>	<u>Category 3</u>	<u>Total</u>
Short-term foreign currency investments \$	—	17,141	17,141
U.S. Treasury bonds and notes:			
Not on securities loan	22,982	—	22,982
Loaned securities for noncash collateral	28,107	—	28,107
U.S. government sponsored agencies	165,879	—	165,879
Foreign government bonds:			
Not on securities loan	113,083	—	113,083
Domestic corporate bonds:			
Not on securities loan	160,055	—	160,055
Loaned securities for noncash collateral	2,902	—	2,902
Foreign corporate bonds	19,376	—	19,376
Domestic equity securities:			
Not on securities loan	604,583	—	604,583
Loaned securities for noncash collateral	4,602	—	4,602
Foreign equity securities:			
Not on securities loan	169,832	—	169,832
Loaned securities for noncash collateral	3,016	—	3,016
Collective short-term investment fund	—	48,559	48,559
	<u>\$ 1,294,417</u>	<u>65,700</u>	1,360,117
Real estate investments			119,313
Loaned securities for cash collateral			93,332
Securities lending collateral			96,766
Total investments, at fair value			<u>\$ 1,669,528</u>

Of the Plan's total investments, the following table presents the allocation as presented on the accompanying statements of defined benefit pension plan net assets and postemployment healthcare plan net assets as of June 30, 1999 (in thousands):

Investments:	
Defined Benefit Pension Plan	\$ 1,641,277
Postemployment Healthcare Plan	<u>28,251</u>
	<u>\$ 1,669,528</u>

(Continued)

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Notes to Financial Statements

June 30, 1999 and 1998

The collective short-term investment fund is used for overnight investment of all excess cash in the Plan's funds. It is invested by the Plan Custodian, and held in the Plan Custodian's name. This fund consists of:

- Short-term fixed obligations of the U.S. government or any federal agency, or of other issuers that are fully guaranteed by the U.S. government or a federal agency as to repayment of principal and the payment of interest;
- Repurchase agreements with major banks and U.S. government securities dealers that are collateralized by obligations of the U.S. government or a federal agency, or obligations fully guaranteed by the U.S. government or a federal agency; and
- Fully insured bank deposits.

The loaned securities represent securities on loan to brokers or dealers or other borrowers. The custodial agreement with the Plan Custodian authorizes such custodian to loan securities in the Plan's investment portfolio under such terms and conditions as the Plan Custodian deems advisable and to permit the loaned securities to be transferred into the name of the borrowers. The Plan receives a fee from the borrower for the use of the loaned securities. If the loaned securities are not returned by the borrower, the Plan Custodian is responsible for replacement of the loaned securities with other securities of the same issuer, class and denomination, or if such securities are not available on the open market, the Plan Custodian is required to credit the Plan's account with the market value of such unreturned loaned securities. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the Plan or borrowers.

The loaned securities as of June 30, 1999, consisted of U.S. Treasury bonds and notes, domestic corporate bonds, domestic equity securities, and foreign equity securities. In return, the Plan receives collateral in the form of cash or securities at 102% to 105% of the principal plus accrued interest for reinvestment.

Securities lent at year-end for cash collateral are presented as unclassified in the preceding categorization of the Plan's investments; securities lent for noncash collateral are classified according to the category of the related collateral.

Securities lending collateral represents investments in a securities lending collateral investment pool purchased with cash collateral, as well as securities collateral that the Plan may pledge or sell without a borrower default.

As of June 30, 1999, the underlying securities loaned by the Plan as a whole amounted to approximately \$131,958,000. The cash collateral and the noncash collateral as a whole totaled \$96,766,000 and \$41,129,000, respectively. The Plan has no exposure to credit risk related to the securities lending transactions as of June 30, 1999.

Real estate investments include a warehouse, retail center, and office building located in Northern California; an industrial complex, office building, and retail center in Southern California; apartment complexes in Houston, Texas, and in Colorado Springs, Colorado; and an office building in Denver, Colorado. The properties located in California are jointly owned with the City's other retirement fund. The properties have leases with various terms.

(Continued)

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Notes to Financial Statements

June 30, 1999 and 1998

The Plan has made investments in forward currency contracts, which are unrecorded commitments to purchase or sell stated amounts of foreign currency. Gains or losses on the disposition of the commitments are recorded at the time of settlement. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. As of June 30, 1999, total commitments in forward currency contracts to purchase and sell foreign currencies were \$11,545,000 and \$29,810,000, respectively, with market values of \$11,406,000 and \$29,223,000, respectively. As of June 30, 1998, the Plan had commitments in foreign currency contracts to purchase and sell foreign currencies of \$33,307,000 and \$35,074,000, respectively, with market values of \$32,993,000 and \$34,031,000, respectively.

(4) Contributions – Funding Policy

Contributions to the Defined Benefit Pension Plan for both the City and the participating employees are based upon an actuarially determined percentage of each employee's base salary sufficient to provide adequate assets to pay benefits when due. Contributions to the Postemployment Healthcare Plan for both the City and the participating employees are based upon an actuarially determined percentage of each employee's base salary sufficient to provide adequate assets to pay benefits when due, over the next 10 years. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability shown in the Schedule of Funding Progress for the Defined Benefit Pension Plan (see Schedule 5).

Contribution rates for the City and the participating employees for 1999 and 1998 were established in accordance with actuarially determined requirements computed through actuarial valuations performed as of June 30, 1995 and 1997, and approved by the Police and Fire Retirement Plan Board of Administration. For the period from July 1, 1997 through March 7, 1998, pursuant to the requirements of the June 30, 1995 actuarial valuation, the City contributed 19.92% and 1.69% of annual covered payroll for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively, and participating employees were required to contribute 8.01% and 1.39%, respectively, of their annual covered payroll.

For the period from March 8, 1998 through November 14, 1998, pursuant to the requirements of the June 30, 1997 actuarial valuation, the City contributed 15.61% and 1.67% of annual covered payroll for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively, and participating employees were required to contribute 8.31% and 1.39%, respectively, of their annual covered payroll. For the period from November 15, 1998 through June 30, 1999, the City contributed 18.43% and 1.67% of annual covered payroll for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively, and participating employees were required to contribute 8.31% and 1.39%, respectively, of their annual covered payroll to such plans. Contributions to the Defined Benefit Pension Plan and the Postemployment Healthcare Plan made by the City and the participating employees totaled \$35,991,000 and \$4,720,000, respectively, for 1999 and \$34,413,000 and \$4,704,000, respectively, for 1998.

(5) Concentrations

No investments in any one organization represent 5% of fund net assets.

SUPPLEMENTARY INFORMATION

Schedule 1

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Combining Schedule of Defined Benefit Pension Plan Net Assets

June 30, 1999

(In thousands)

	<u>Retirement Fund</u>	<u>Cost-of-Living Fund</u>	<u>Total</u>
Assets:			
Receivables:			
Employee contributions	\$ 474	172	646
Employer contributions	670	571	1,241
Brokers and others	13,744	5,356	19,100
Accrued investment income	5,910	2,036	7,946
Total receivables	<u>20,798</u>	<u>8,135</u>	<u>28,933</u>
Investments, at fair value:			
Securities and other	963,172	335,903	1,299,075
Real estate	86,961	30,328	117,289
Loaned securities for cash and noncash collateral	96,178	33,542	129,720
Securities lending collateral	67,588	27,605	95,193
Total investments	<u>1,213,899</u>	<u>427,378</u>	<u>1,641,277</u>
Total assets	<u>1,234,697</u>	<u>435,513</u>	<u>1,670,210</u>
Liabilities:			
Payable to brokers	13,181	6,368	19,549
Securities lending collateral, due to borrowers	67,588	27,605	95,193
Other liabilities	2,561	541	3,102
Total liabilities	<u>83,330</u>	<u>34,514</u>	<u>117,844</u>
Plan net assets held in trust for pension benefits	\$ <u>1,151,367</u>	<u>400,999</u>	<u>1,552,366</u>

See accompanying independent auditors' report.

Schedule 3

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Combining Schedule of Changes in Defined Benefit Pension Plan Net Assets

Year ended June 30, 1999

(In thousands)

	<u>Retirement Fund</u>	<u>Cost-of-Living Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 12,524	10,998	23,522
Employees	9,219	3,250	12,469
Total contributions	<u>21,743</u>	<u>14,248</u>	<u>35,991</u>
Investment income:			
Interest income	28,347	9,509	37,856
Dividend income	6,685	3,184	9,869
Net appreciation in fair value of investments	60,497	21,846	82,343
Net rental income	6,632	2,677	9,309
Less investment expenses	<u>(3,843)</u>	<u>(1,163)</u>	<u>(5,006)</u>
Net investment income	<u>98,318</u>	<u>36,053</u>	<u>134,371</u>
Total additions	<u>120,061</u>	<u>50,301</u>	<u>170,362</u>
Deductions:			
Retirement benefits	30,519	6,688	37,207
Death benefits	1,531	—	1,531
Refund of contributions	132	35	167
Administrative expenses and other	<u>776</u>	<u>47</u>	<u>823</u>
Total deductions	<u>32,958</u>	<u>6,770</u>	<u>39,728</u>
Net increase	87,103	43,531	130,634
Plan net assets held in trust for pension benefits:			
Beginning of year	<u>1,064,264</u>	<u>357,468</u>	<u>1,421,732</u>
End of year	<u>\$ 1,151,367</u>	<u>400,999</u>	<u>1,552,366</u>

See accompanying independent auditors' report.

Schedule 4

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Combining Schedule of Changes in Postemployment Healthcare Plan Net Assets

Year ended June 30, 1999

(In thousands)

	<u>Retirement Fund</u>	<u>Cost-of-Living Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 3,041	—	3,041
Employees	1,679	—	1,679
Total contributions	<u>4,720</u>	<u>—</u>	<u>4,720</u>
Investment income:			
Interest income	655	—	655
Dividend income	155	—	155
Net appreciation in fair value of investments	1,399	—	1,399
Net rental income	153	—	153
Less investment expenses	(89)	—	(89)
Net investment income	<u>2,273</u>	<u>—</u>	<u>2,273</u>
Total additions	<u>6,993</u>	<u>—</u>	<u>6,993</u>
Deductions:			
Health insurance premiums	4,156	—	4,156
Administrative expenses and other	18	—	18
Total deductions	<u>4,174</u>	<u>—</u>	<u>4,174</u>
Net increase	2,819	—	2,819
Plan net assets held in trust for postemployment healthcare benefits:			
Beginning of year	24,200	—	24,200
End of year	<u>\$ 27,019</u>	<u>—</u>	<u>27,019</u>

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 5

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN
 Required Supplementary Information – Schedule of Funding Progress
 Defined Benefit Pension Plan
 (Unaudited – See accompanying independent auditors' report.)
 (In thousands)

Actuarial valuation date	Actuarial value of assets ^(b)	Actuarial accrued liability (AAL)	Unfunded (overfunded) AAL	Funded ratio	Annual covered payroll	Unfunded (overfunded) AAL as a percentage of annual covered payroll
June 30, 1991 \$	573,358	550,609	(22,749)	104.4%	\$ 93,686	(24%)
June 30, 1993	714,592	716,123	1,531	99.8%	98,831	2%
June 30, 1995	854,414	828,739	(25,675)	103.1%	109,196	(24%)
June 30, 1997	1,124,294	996,646	(127,648)	112.8%	129,850	(98%)
June 30, 1997 ^(a)	1,124,294	1,026,099	(98,195)	109.6%	129,850	(76%)

Actuarial valuations have been performed biennially (through June 30, 1997).

- (a) The second June 30, 1997, actuarial valuation reflects the impact of improved Police and Fire Department retirement benefit formula awarded in the arbitration process and enacted on July 31, 1998. The improved benefit will be paid retroactively to all members who retired on or after February 4, 1996.
- (b) Reported at "smoothed market" value determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a five-year period.

Schedule 6

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Required Supplementary Information – Schedule of Actuarial Methods and Assumptions

Defined Benefit Pension Plan

(Unaudited – See accompanying independent auditors' report.)

Year ended June 30, 1999

Description	Method/Assumption
Valuation date	June 30, 1997
Actuarial cost method	Entry age normal cost method
Amortization method for actuarial accrued liabilities	Level percentage of payroll
Remaining amortization period	20 years
Actuarial asset valuation method	5 year smoothed market
Actuarial assumptions:	
Assumed rate of return on investments	8% per annum
Postretirement mortality	The 1994 Male Group Annuity Mortality Table; with a one year setback, is used for male members. The 1994 Female Group Annuity Mortality Table is used for female members.
Active service, withdrawal, death, disability service retirement	Based upon the June 30, 1997 Experience Analysis
Salary increases	10.75% for employees for the first five years of service; 4.85% to 10.45% for employees after five years of service assuming 4.75% for inflation
Cost-of-living adjustments	3.0% a year

Schedule 7

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Required Supplementary Information – Schedule of Employer Contributions

Defined Benefit Pension Plan

(Unaudited – See accompanying independent auditors' report.)

(In thousands)

Fiscal year ended June 30,		Annual required employer contributions	Percentage contributed
1993	\$	27,569	100%
1994		26,360	100%
1995		22,715	100%
1996		23,601	100%
1997		24,685	100%
1998		23,643	100%
1999		23,522	100%

Schedule 8

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Required Supplementary Information – Year 2000 Disclosure

(Unaudited – See accompanying independent auditors' report.)

The following Year 2000 disclosure information is provided in accordance with Governmental Accounting Standards Board Technical Bulletin 98-1, issued October 1998, and amended by Technical Bulletin 99-1, dated March 29, 1999.

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect operations. For many years, programmers eliminated the first two digits from a year when writing programs. If not corrected, many of these programs will not be able to distinguish, for example, between the year 2000 and the year 1900. The last two digits "00" are the same.

The City of San Jose (the City) has completed an inventory and assessment of mission critical computer systems and other electronic equipment that may be affected by the Year 2000 issue and which are necessary for conducting City operations. The identified critical systems, relative to the Police and Fire Department Retirement Plan, are listed below, along with the stage of progress made through June 30, 1999:

<u>System</u>	<u>Stage</u>
Membership Accounting and Payroll System	Implemented
Financial Accounting and Reporting Systems	Implemented
Technology Support Systems	Validation and Testing

Each system was evaluated in accordance with the guidelines listed below:

Awareness Stage

Encompassed establishing a budget and project plan for addressing the Year 2000 issue.

Assessment Stage

When the organization begins the actual process of identifying all of its systems and individual components of the systems that may be at risk due to the Year 2000 issue.

Remediation Stage

When the organization actually makes changes to systems and equipment to make them Year 2000 compliant.

Schedule 8

**CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

Required Supplementary Information – Year 2000 Disclosure, (Continued)

(Unaudited – See accompanying independent auditors' report.)

Validation and Testing Stage

When the organization validates and tests the changes made during the remediation stage.

Implemented Stage

The organization validates the systems functionality and brings them operationally on-line.

In addition to internal resources, the City has committed over \$10,000,000 for Year 2000 efforts city-wide. Contingency plans continue to be developed to ensure mission critical operational functions will proceed without significant interruption after January 1, 2000.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of remediation efforts will not be fully determinable until the year 2000 and thereafter. Although management believes the efforts to overcome the Year 2000 problem will be successful, management cannot assure that the City of San Jose is, or will be, Year 2000 ready; that the City's remediation efforts will be successful in whole or in part; or that parties with whom the City does business will be Year 2000 ready.