



1998-99

ANNUAL REPORT

FEDERATED
CITY
EMPLOYEES'
RETIREMENT
SYSTEM



CITY OF SAN JOSÉ, CALIFORNIA

777 NORTH FIRST STREET SUITE 750
SAN JOSE, CALIFORNIA 95112-6311
(408) 277-5137 FAX (408) 293-6986



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 Federated City Employees' Retirement System 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 10.6 percent, increasing the market value of the portfolio by \$102.6 million. Investments contributed 69.9 percent of the Fund's Income.
- ◆ The Board contracted Independent Fiduciary Services, Inc. to conduct a comprehensive review of the administrative structure and alternatives for managing the Federated retirement System
- ◆ 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 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,

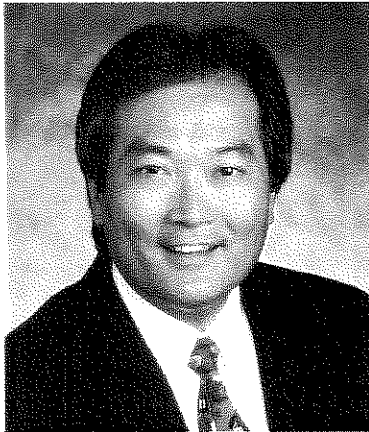
BRADLEY MAMURA, Chair
Board of Administration

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BOARD OF ADMINISTRATION

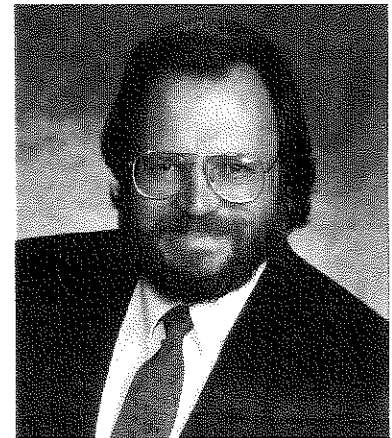
The Retirement Plan is administered by a five-member Board of Administration composed of a City Council member, a member of from the Civil Service Commission, two City employees elected by members of the system, and a public member who is not connected with the City and has significant banking or investment experience selected by the four Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08.300 of the San Jose Municipal Code.

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



Bradley Imamura, Chairman

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



Tony Cokely, Vice Chairman

Employee Representative elected to the Board in November 1983. His current term expires November 30, 1999.



Linda LeZotte

City Council member appointed to the Board in January 1999.



Jeffrey Perkins

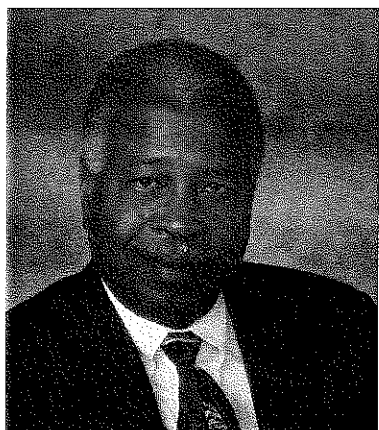
Public member appointed to the Board in June 1996. His current term expires November 30, 1998.



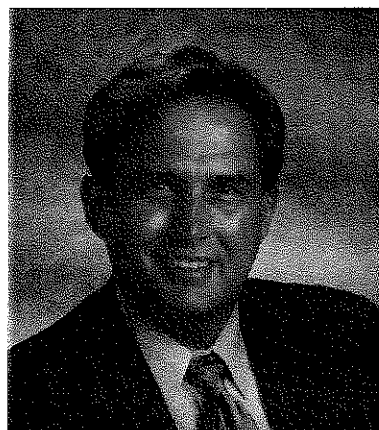
Tanya Young

Civil service commission member appointed in February 1999. Her current term expires December 1, 2003.

DEPARTMENT OF RETIREMENT SERVICES ADMINISTRATION



Edward F. Overton
Retirement Administrator



Thomas J. Webster
Senior Retirement Officer

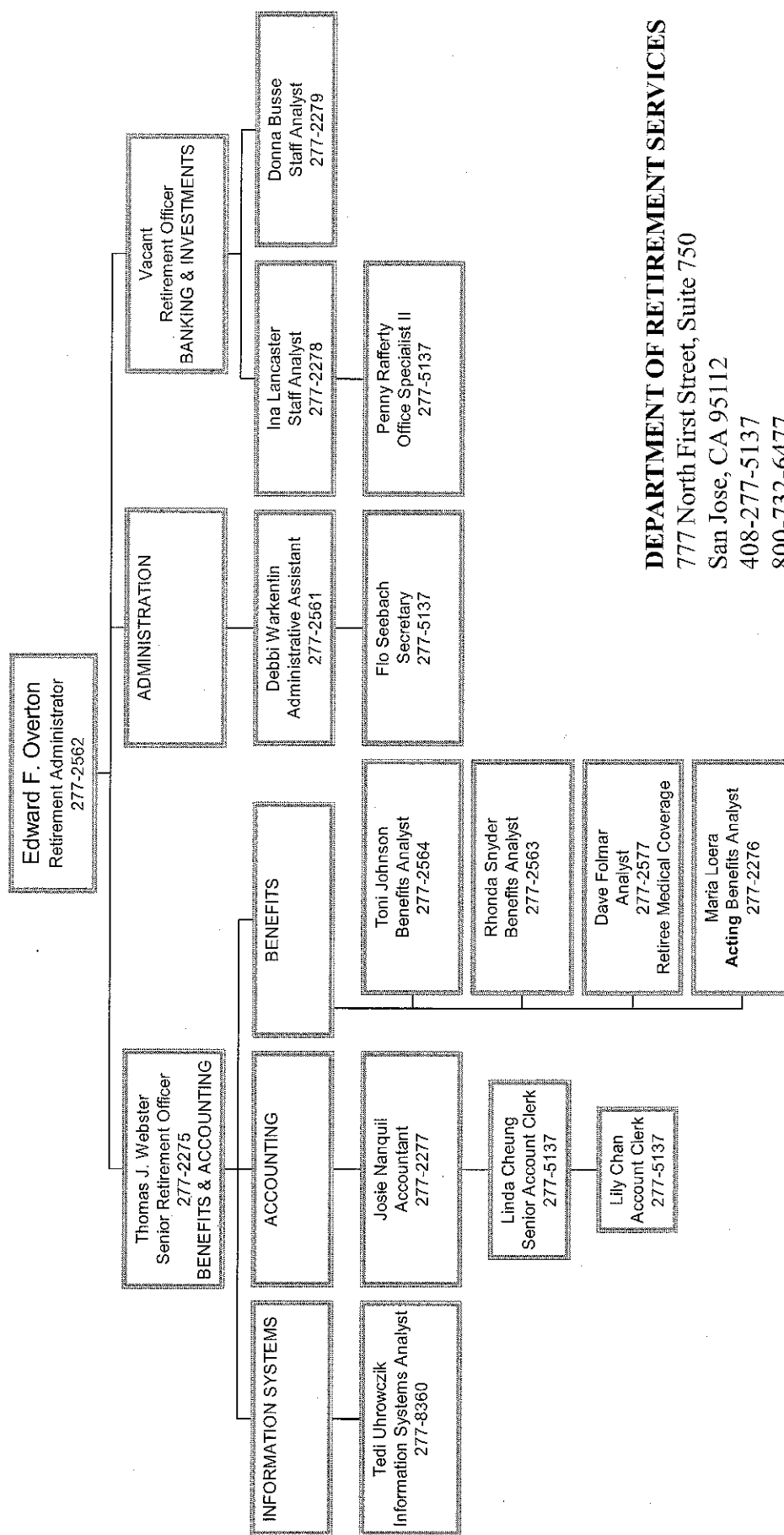
The Board of Administration engages the following consultants to assist in making investments and developing a sound retirement system:

CUSTODIAN BANK	Bank of New York
ACTUARY	Watson Wyatt Worldwide
INVESTMENT COUNSEL	Atlanta Capital; Julius Baer; Bank of Ireland; Brandywine; CIGNA; DRA; Eagle Asset Management; MIG Realty Advisors; Northern Trust Quantitative Advisors; and Scudder Kemper are retained for full-time investment counsel.
AUDITOR	Peat Marwick Main & Co.
PENSION CONSULTANT	Bank of New York, Callan Associates

PUBLIC MEETINGS

The Board of Administration meets on the second 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

408-277-5137

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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 3,954 contributing members in the System as of June 30, 1999.
2. 74 members received service retirements during the period of July 1, 1998 through June 30, 1999.
3. 9 members retired because of disabilities during the period of July 1, 1998 through June 30, 1999.
4. There are 1,496 retirees and 283 survivors and 27 ex-spouses receiving benefits from the System as of June 30, 1999.
5. There are 228 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, 89 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 \$857,704,637 in the Regular Fund and \$250,573,623 in the Cost-of-Living Fund.
8. The Fund paid a total of \$3,446,938 for benefits in June of 1999 which included \$3,063,001 for Pension and Survivor Benefits and \$383,937 for Medical and Dental insurance. In June of 1998, the Fund paid \$3,199,172 for these benefits.
9. The annual time-weighted return for the entire portfolio was 10.57 % 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 \$99,907,000, and averaged about \$8,325,583 per month.

RETIREMENTS

SERVICE RETIREMENTS

ALVAREZ, DAVID	GAMINO, PETER	MELOTT, LEE
ALVES, MARIE	GIROT, SUZANNE	MESA, VIKKI
ATKINS, ROBERT	GODDARD, JOAN	MURDOCK, BRUCE
AVILA, ROBERT	GONDA, ROBERT	NEUFELD, MARLIN
BALANGUE, BARBARA	GRIGGS, FRANCES	PACHECO, ALFRED
BERRY, ROBERT	GRIMM, MELVIN	PALOVCSIK, JUDY
BERTRAND, MARILYN	GUNDRED, GEORGE	PARKER, PARKER
BURCH, DORRIS	HOLMES, PEARL	RIOS-SAMANIEGO, MARIA
BYERS, ELENORE	HURSH, FRANK	ROBLES, BEN
CADMAN, RAYMOND	INAMI, MARY	RODRIGUEZ, CRISTOBAL
CARRILLO, CECILIA	JONES, JAMES	SCHAEFFER, TOMA
CHAVEZ, RUBEN	JONES, ELLIS	SERRANO, JOE
COATS, ROBERT	KAHN, NANCY	SHARPS, BETTY
CORNELIUS, GENE	KAWASAKI, WAYNE	STONE, DOUGLAS
DANFORTH, PATRICK	KEANE, MAUREEN	TAORMINA, KATHRYN
DEL PONTE, CRAIG	KENNEDY, JOYCE	VREELAND, MARY
DIANGSON, LYDIA	KINAGA, ROSE	WACHTER, DOUGLAS
EATON, DAVUD	LANE, JOHN	WALLACE, DONALD
ECK, KEVIN	LAPPIN, MARGIT	WELLS, DARLENE
FAZ, CRUZ	LE ROY, CAROLYN WADE	WILLIAMS, JAMES
FENRICH, WALTER	LEBIECKI, HELEN	WILSON, VIRGINIA
FENWICK, KENT	LOPEZ, MARY LOUISE	ZEMKE, DENNIS
FERNANDEZ, RAMIRO	MARSH, WILLIAM	ZOUZOULAS, GARY
GABRIELSON, MARY	MC CAUGHEY, NEOMA	ZUNIGA, JAMES
GALLEGOS, LAURA-LEE	MC DOWELL, GARY	

DEFERRED VESTED RETIREMENTS

CAVATAIO, PASQUALE	MEMBRENO, ANDREA	POLK, SHARON-RAE
CONRAD, J D	MITCHELL, RONALD	WISINSKI, MARGARET
EDWARDS, BARBARA	NEWKIRK, WILLIAM	

SERVICE-CONNECTED DISABILITY RETIREMENTS

BRUCH, CAROLE	HERNANDEZ, ISAAC	SANCHEZ, RAUL
CUEVAS, EMILIA	HERRERA, ARTURO	SOLIZ, PHILLIP

NON-SERVICE CONNECTED DISABILITY RETIREMENTS

AMADOR, CAROL	HARWOOD, JAMES	QUINTANA, LEE
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DEATHS

DEATHS AFTER RETIREMENT

BIRKEY, MONROE C
BRIDGES, AYLEENE
CALAIS, EUGENE R
CHALMERS, WILLIAM R
CHIRICHIGNO, MARVIN P
CIREROL, MICHAEL G
CURRAN, JAMES
CZUBIAK, EDITH
DAVIS, GEORGE E
DAY, DENNIS N
FALCONE, JIMMY R
FONTES, MAXINE S

GALINSKI, MARTIN F
HOENES, HARRY S
KING, EVERETT A
LEMIEUX, THOMAS R
MAC DONALD, MARY R
MENDOZA, JOSE F
MURRAY, CHRISTINA C
NICKELL, BENNIE D
NICKSON, FRANK E
NORGAARD, RICHARD J
OISETH, EDMUND R
PADILLA, JOSE G

PRESTOSA, ANGELO D
PRICE, RICHARD E
RUIZ, MAGDALENO M
SALISBURY, HERBERT E
SCATES, ORVAL T
SCHMIDT, FRED
SCHRECKENGOST, RALPH W
TANNERY, DONALD L
WEAVER, JOHN R
YAMAMOTO, ROBERT T

DEATHS BEFORE RETIREMENT

BARNACHIE, ADRIAN A
GAETA, GILBERT

HERNANDEZ, JOSE
WEEKS, WARREN W

ZINN, RONNIE N

SUMMARY OF THE PRINCIPAL PROVISIONS OF THE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM SAN JOSE, CALIFORNIA

MEMBERSHIP

Mandatory for all full-time non-safety employees.

MEMBER CONTRIBUTION

All members contribute 5.31% of base salary.

CITY'S CONTRIBUTION

The City contributes 16.52% of the base salary. The financing is designed to provide reserves sufficient to meet the accrued and accruing liabilities under the prescribed benefit schedule. (Rates are reviewed following each actuarial survey.)

RETIREMENT

Members may retire at age 55 with five or more years of service or at any age with 30 years of service.

RETIREMENT ANNUITY

The retirement annuity payable is the Final Average Salary multiplied by 2 1/2% per year of service (75% of the Final Average Salary maximum).

FINAL AVERAGE SALARY

The average monthly salary for the highest thirty-six (36) consecutive months.

DISABILITY RETIREMENT

A non-service connected disability annuity is available to members with five (5) or more years of service if the disability is permanent and prevents the member from performing any work in his/her present classification. The base non-service connected disability annuity is the greater of 40% of the Final Average Salary or the earned retirement allowance (Final Average Salary X 2 1/2% X Number of Years of Service). The annuity will be reduced by .5% for each year of age under 55. For those entering the System on or after September 1, 1998, the calculation is as follows: 20% of Final Average Salary for 6 years of service; add 2% for each year of service in excess of 6 years but less than 16 years; add 2.5% for each year of service in excess of 16 years of service.

A service connected disability is available if the disability is permanent and directly due to and caused by actual performance of employment within the City. The minimum service-connected disability annuity is 40% of the final average salary. There is no minimum service requirement for a service-connected

disability nor reduction factor due to age.

TERMINATION BENEFITS

Upon termination, the member will be paid all of his or her accumulated contributions and interest in full satisfaction of all rights and benefits under this Retirement System except that a member terminating with at least five (5) years of service may elect to leave the accumulated contributions and interest on deposit.

DEFERRED RETIREMENT

Contributions left on deposit by a member terminating with at least five (5) years of service (vesting) entitle the employee to a retirement annuity upon attaining age 55.

RECIPROCITY

Effective December 9, 1994, the City entered into an agreement with the California Public Employees' Retirement System (PERS) that extends reciprocal benefits to members. In certain situations, this agreement results in improved retirement benefits for members who move from one eligible retirement system to another.

COST OF LIVING

The Board of Administration determines the change in the cost of living (COL) each year using the most current December Consumer Price Index. This Index is in accordance with San Jose Municipal Code "for all urban consumers (CPI-U) San Francisco-Oakland Metropolitan Area" as 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 receives no COL adjustment for the first year, then receives a pro-rated adjustment for the months before the next April first. Survivors will be paid their next COL adjustment at the same time it would have been paid to the retiree. There is no break in the COL schedule.

DEATH BEFORE RETIREMENT

The surviving spouse of an eligible employee who dies before retirement will receive a retirement allowance determined by the years of service times 2 1/2% times the final average salary (minimum of 40% and maximum of 75%). Unmarried children are entitled to an allowance to age 18 (22 if they are full time students) if there is no spouse. The allowance is as follows:

- 1 child receives 25% of the spousal benefit
- 2 children share 50% of the spousal benefit
- 3+ children share 75% of the spousal benefit

The beneficiary, in the event that no family members are eligible for a monthly allowance, is entitled to a return

of the member's contributions and interest plus a death benefit of one month's salary for each year of service (up to six).

If the employee is 55 and has 20 or more years of service at the time of death, his/her spouse will retain the survivorship allowance for life. If not, the spouse loses the allowance upon a remarriage.

DEATH AFTER RETIREMENT

The surviving spouse receives one-half* of the member's retirement allowance until death and a \$500 death benefit (* At the time of retirement, the member may select an alternative option allowing for a survivorship allowance of up to 100% of the member's allowance). If there is no surviving spouse, dependant children are eligible for an allowance. The allowance is:

- 1 child receives 25% of spousal benefit
- 2 children share 50% of spousal benefit
- 3+ children share 75% of spousal benefit

MANAGEMENT

The System is under the management of a five (5) member Board of Administration consisting of a City Council person, a Civil Service Commissioner, a public member with significant banking or investment experience, and two elected employees who are members of the Retirement System.

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.

Bank of New York is employed as custodian of fund assets and collector of investment income.

ACTUARIAL SOUNDNESS

Watson Wyatt and Company is retained for regular, continuing actuarial services. Plan and benefit provisions are periodically reviewed to assure continuing soundness.

INVESTMENT AUTHORITY AND POLICY

The investment authority is broad and allows maximum utilization of the System's resources. Nationally known investment advisory services including Scudder Kemper; Atlanta aCapital; Bank of Ireland; Julius Baer; Brandywine; DRA; Eagle Asset Management; MIG Realty Advisors; Cigna Investment Management and Northern Trust are retained for full-time investment counsel. The Bank of New York and Callan Associates are retained as the pension consultants.

Fund Performance

SYSTEM 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	32,387,000	10,733,000	99,907,000	143,027,000
1998	32,693,000	11,129,000	140,928,000	184,750,000
1997	31,441,000	11,376,000	113,039,000	155,856,000
1996	28,411,000	12,876,000	80,420,000	121,707,000
1995	27,111,000	12,269,000	35,353,000	74,733,000
1994	22,348,000	10,086,000	43,362,000	75,796,000
1993	22,801,000	10,391,000	47,498,000	80,690,000
1992	20,454,000	9,423,000	44,086,000	73,963,000
1991	18,307,000	8,433,000	32,010,000	58,750,000
1990	11,974,000	5,477,000	34,133,000	51,584,000
10 Year Total	247,927,000	102,193,000	670,736,000	1,020,856,000

SIZE OF SYSTEM

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Active*	3,733	3,705	3,798	3,589	3,528	3,558	3,693	3,860	4,019	4,182
Retired	1,016	1,222	1,092	1,252	1,320	1,327	1,342	1,385	1,408	1,496
Survivors**	139	163	178	181	218	227	257	280	321	310
Total	4,888	5,090	5,068	5,022	5,066	5,112	5,292	5,525	5,748	5,988

* Includes Deferred Vested Members

** Includes Ex-Spouses

CONTRIBUTIONS AND REVENUE

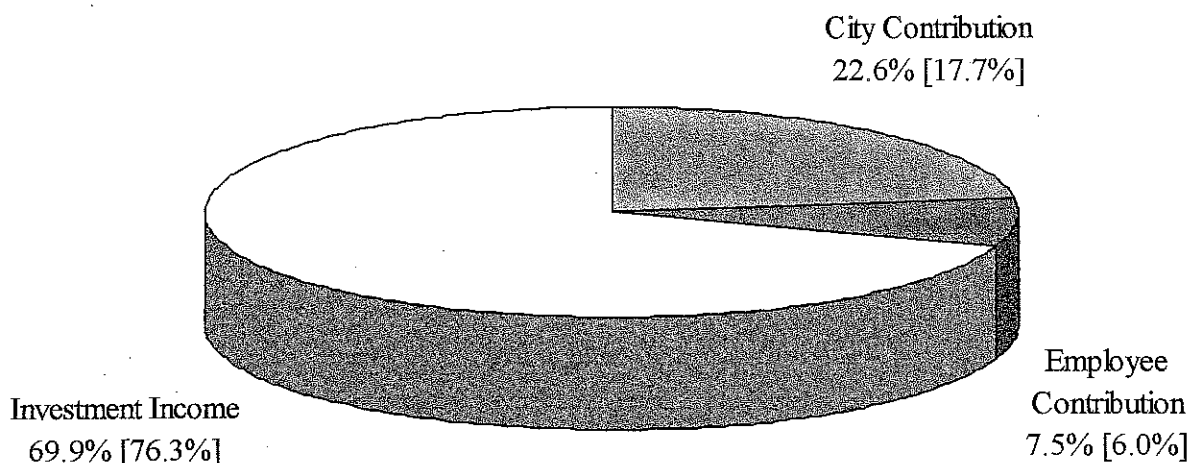
Each member in the Retirement Plan contributes the following percentage of pay:

	Employee	City
Current Service	3.20	10.42
Prior Service	0.02	0.16
Cost of Living	1.14	3.59
Early Retirement - 87	0.00	0.24
Early Retirement - 92	0.00	0.32
Early Retirement - 93	0.00	0.26
Medical	0.87	0.92
Dental	0.08	0.23
Reciprocity	0.00	0.38
Total	5.31%	16.52%

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

City Contribution	22.6%	\$32,387,000
Employee Contribution	7.5%	\$10,733,000
Investment Income	69.9%	\$99,907,000
Total Revenue	100.0%	\$143,027,000

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



PORTFOLIO PERFORMANCE REPORT

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

	6/30/99 Portfolio Cost	Income	Income Rate of Return
Atlanta Capital ¹	70,252,360	3,490,114	5.0%
Julius Baer	63,648,848	5,626,532	8.8%
Bank of Ireland	94,138,098	911,026	1.0%
Brandywine ²	32,670,810	170,810	0.5%
Cigna	22,173,757	2,340,205	10.6%
DRA ³	6,660,027	160,027	2.4%
Eagle Asset Mgt	38,994,592	-1,850,558	-4.8%
MIG	61,039,563	4,694,498	7.7%
Northern Trust	301,168,664	101,808,375	33.8%
Scudder Kemper	365,990,601	25,417,429	6.9%
Wilmington Liquidation ⁴	1,792,395	5,735,279	N/A
Cash		230,650	N/A
TOTAL	1,062,417,796	148,734,388	13.5%⁵

Measured on Basis of Total Increase in Market Value
In Millions

	6/30/99 Market Value	6/30/98 Market Value	Total Yield ⁶
Atlanta Capital ¹	92.0	N/A	N/A
Julius Baer	61.1	53.5	5.08%
Bank of Ireland	110.2	72.8	7.76%
Brandywine ²	33.6	N/A	N/A
Chancellor LGT	N/A	81.7	N/A
Cigna	23.6	20.8	14.25%
DRA ³	6.7	N/A	N/A
Eagle Asset	38.6	37.6	-4.97%
MIG	55.5	51.9	15.36%
Northern Trust Quantitative	323.1	193.4	23.79%
Scudder Kemper	358.2	419.3	2.92%
Wilmington ⁴	1.8	70.8	N/A
Total	1,104.4	1,001.8	10.57%

1 Funded September 1998

2 Funded June 1999

3 Funded October 1998

4 Terminated May 1999

5 Not including liquidation income

6 Gross of Fees

Source: Callan Associates, Inc. June 30, 1999 Report and Bank of New York Year End Report June 30, 1999

PERFORMANCE BENCHMARK COMPARISON

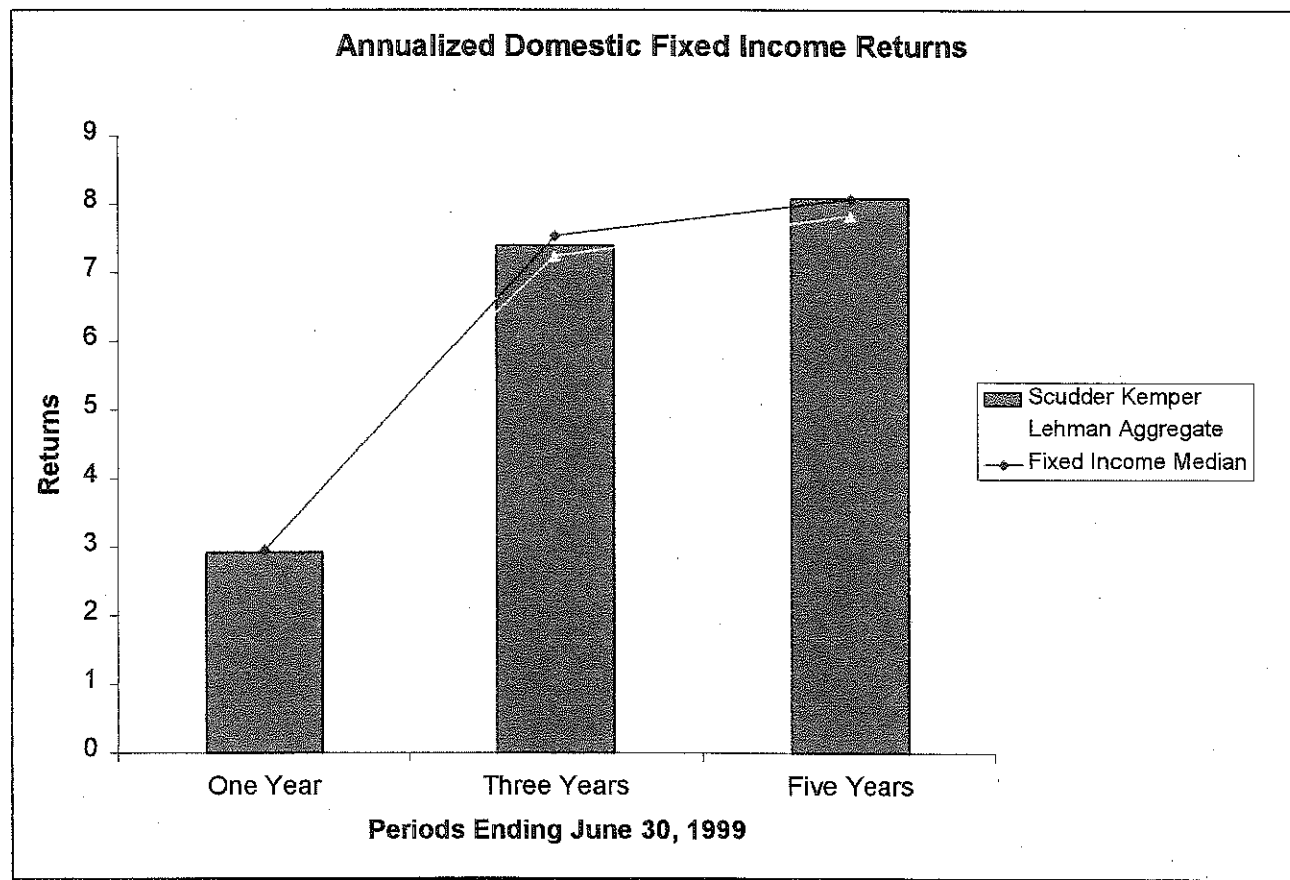
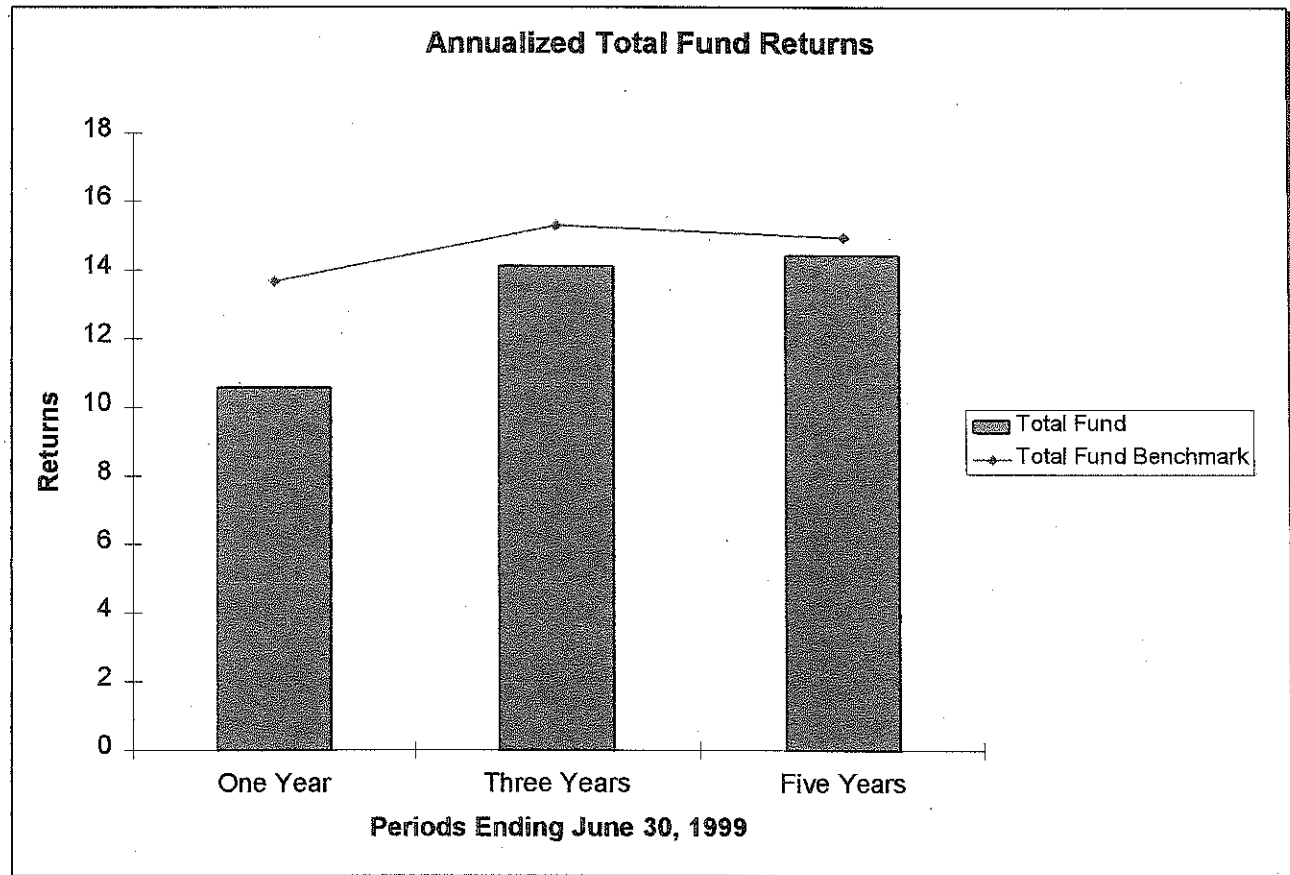
	One Year	Three Years	Five Years
DOMESTIC BOND PERFORMANCE			
Scudder Kemper	2.92	7.39 +	8.09 ++
TUCS Fixed Income Median	2.96	7.53	8.08
Lehman Brothers Aggregate	3.13	7.24	7.83
INTERNATIONAL BOND PERFORMANCE			
Julius Baer	5.08 ++	N/A	N/A
TUCS Int'l Fixed Income Median	4.61	6.82	9.66
Salomon Non-U.S. Govt Bond Index	4.85	2.62	5.45
DOMESTIC STOCK PERFORMANCE			
Northern Trust Quantitative (Core)	23.79 ++	29.53 ++	28.21 ++
TUCS Domestic Equity Median	15.10	22.94	24.25
Standard & Poors 500	22.74	29.10	27.86
Atlanta Capital (Large Cap Growth)	*33.18 +	N/A	N/A
TUCS Domestic Equity Median	*32.35	22.94	24.25
TUCS Large Growth Style Median	*38.67	28.72	28.24
Standard & Poors 500	*36.17	29.10	27.86
Eagle Asset Mgt. (Small Cap Growth)	-4.97	N/A	N/A
TUCS Domestic Equity Median	15.10	22.94	24.25
TUCS Small Growth Style Median	1.04	11.75	21.10
Russell 2000 Small Growth Index	8.30	8.62	15.32
INTERNATIONAL STOCK PERFORMANCE			
Bank of Ireland	7.76 ++	N/A	N/A
TUCS Int'l. Equity Funds Median	7.68	10.74	11.15
EAFE	7.58	8.81	8.20
REAL ESTATE			
MIG Realty Advisors	15.36 ++	12.31	10.37 +
CIGNA	14.25 ++	N/A	N/A
DRA	*7.00	N/A	N/A
TUCS Real Estate Median	10.16	12.68	10.16
NCREIF	12.62	13.60	11.33
TUCS Real Estate Median	*7.49		
NCREIF	*8.90		
TOTAL PERFORMANCE			
Total Fund	10.57	14.12	14.44
Bank of New York Total Fund Benchmark	13.67	15.30	14.95

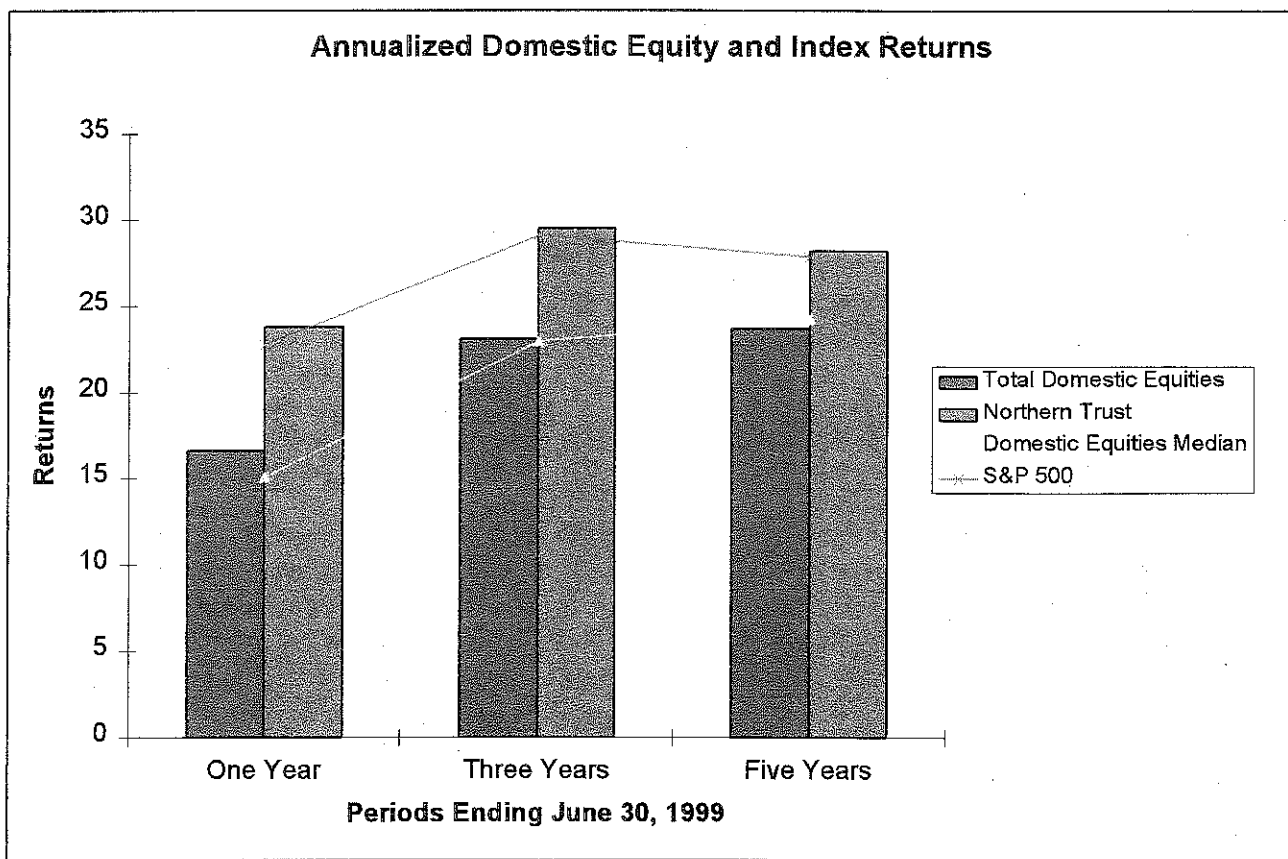
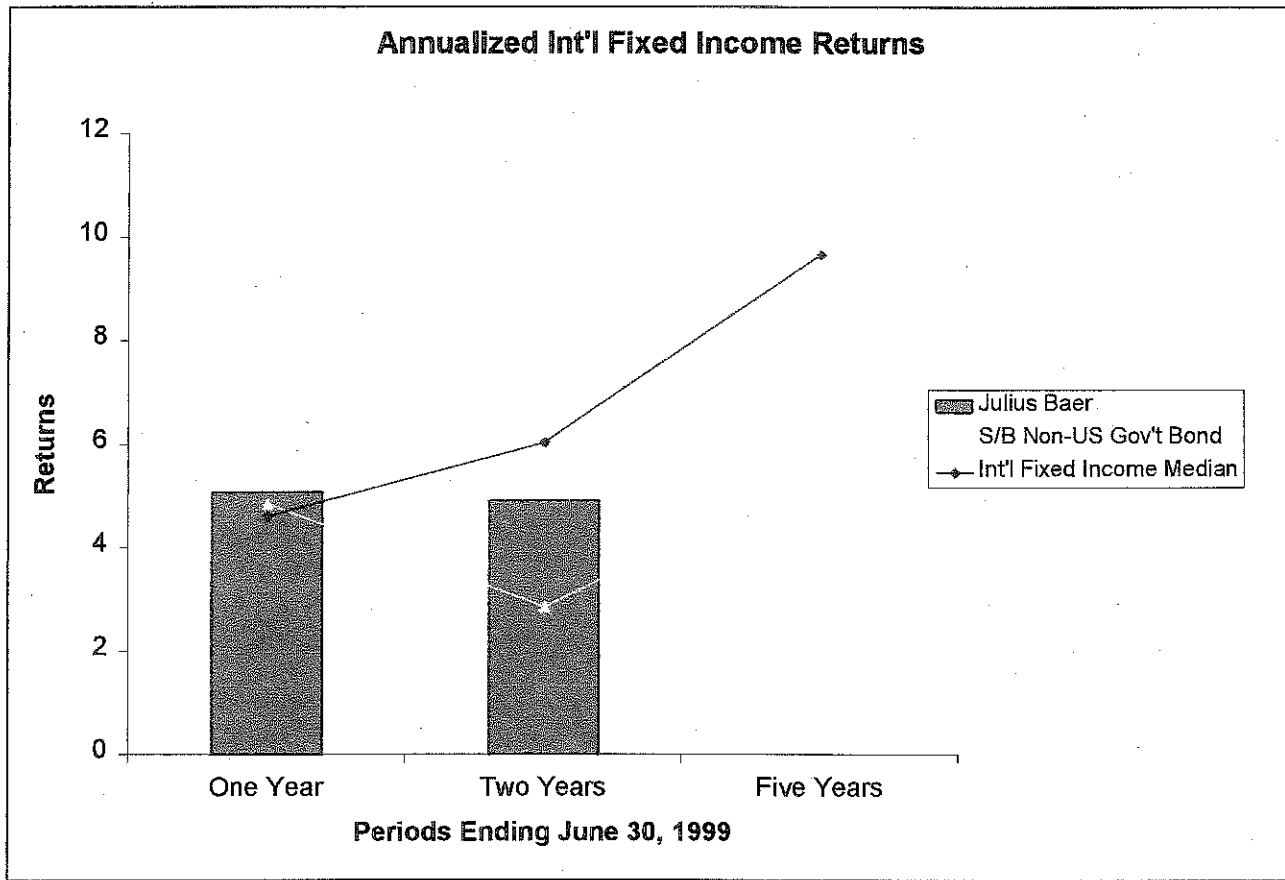
* Three Quarters

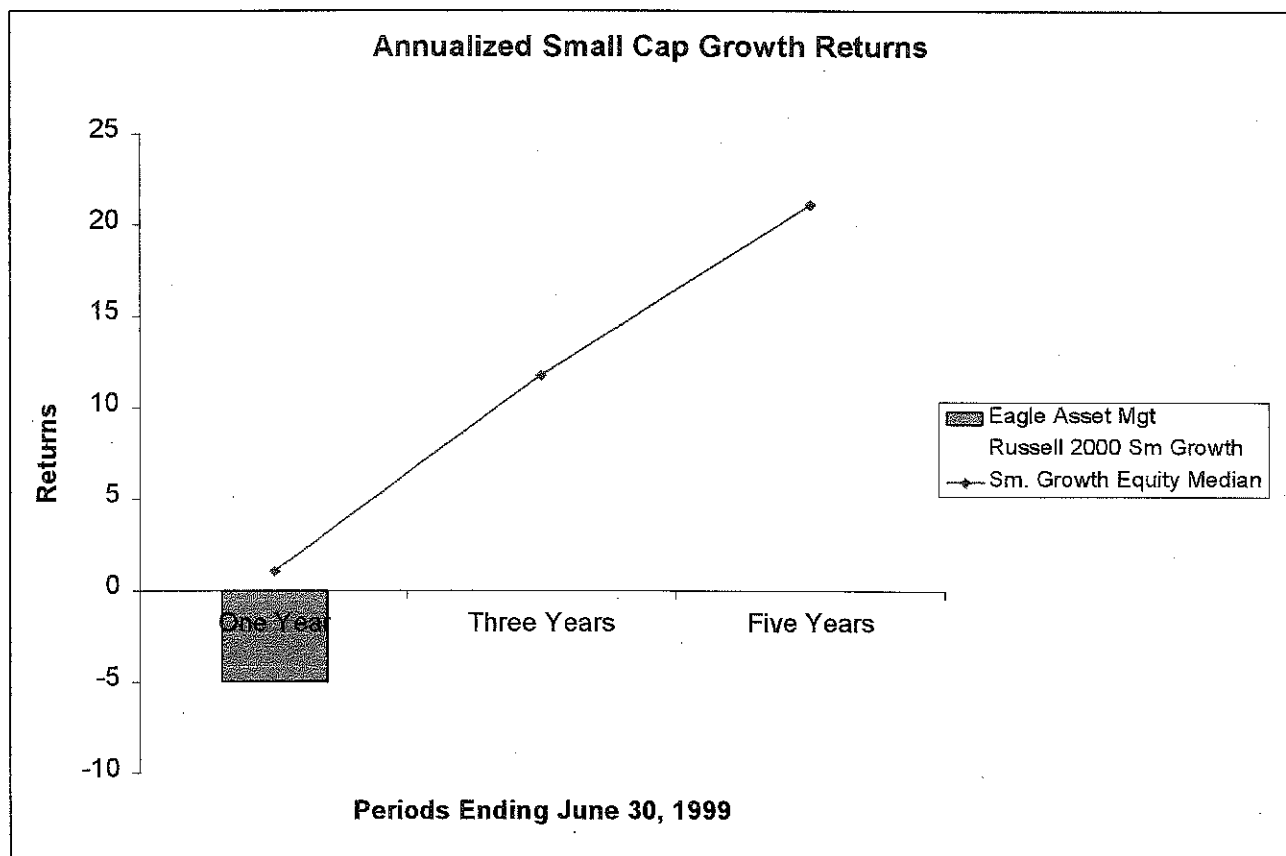
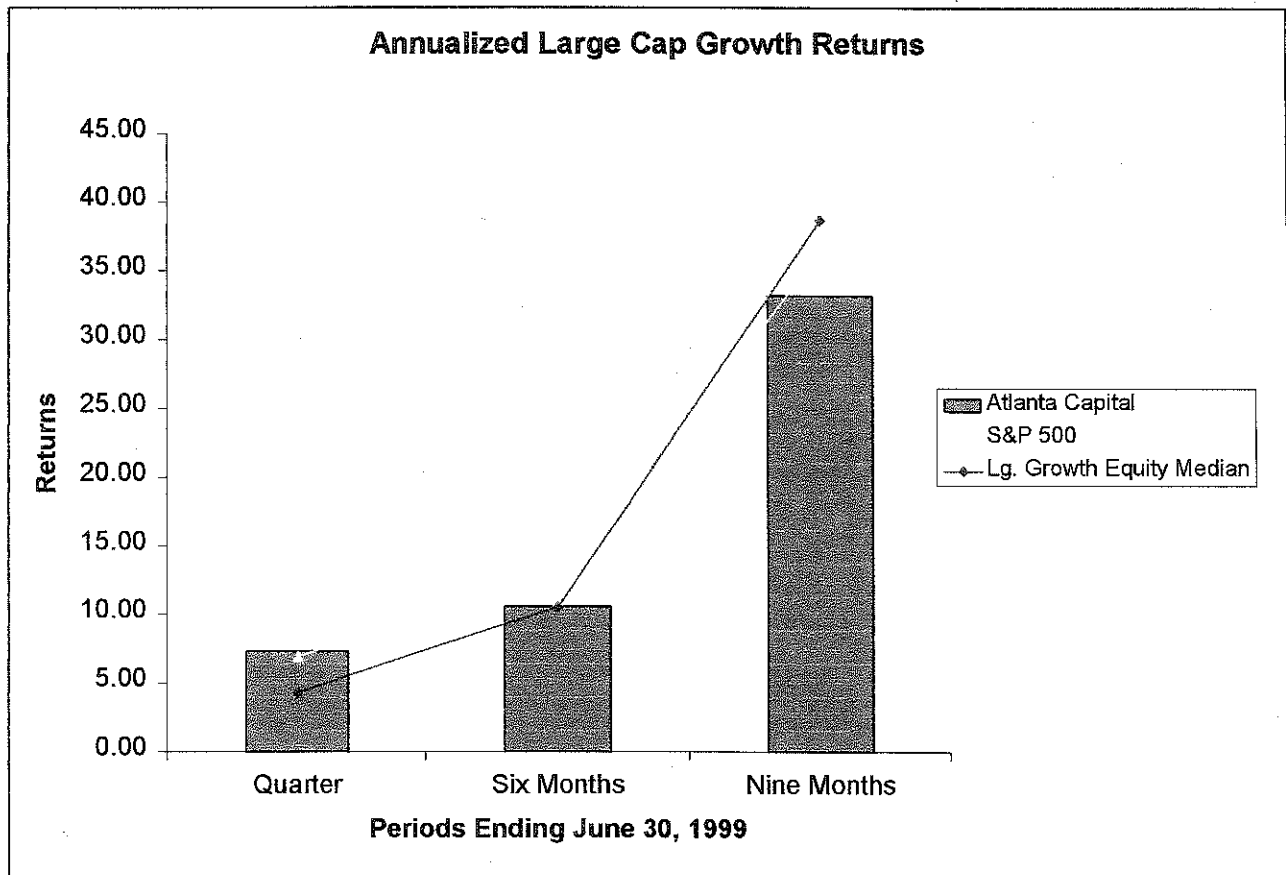
Note: Each "+" represents a benchmark the manager has out performed

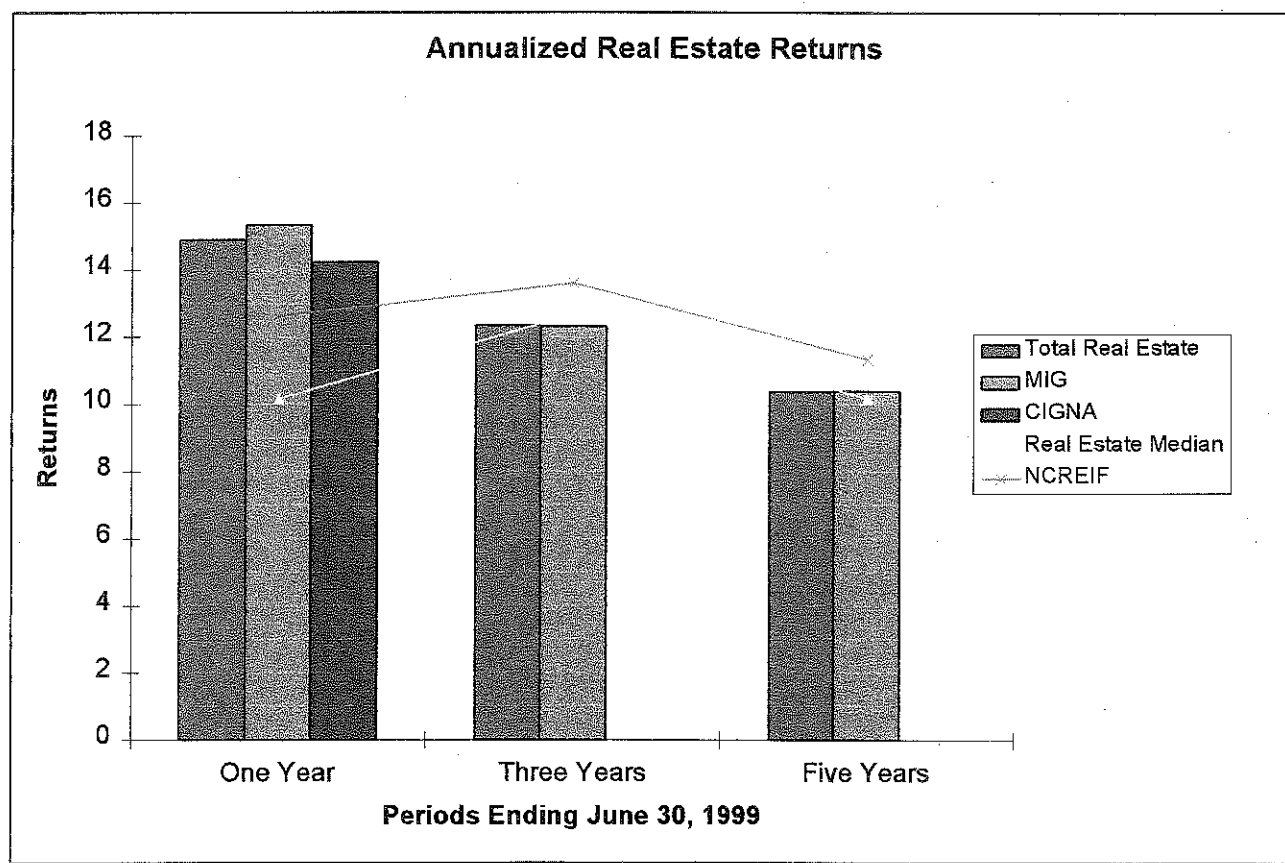
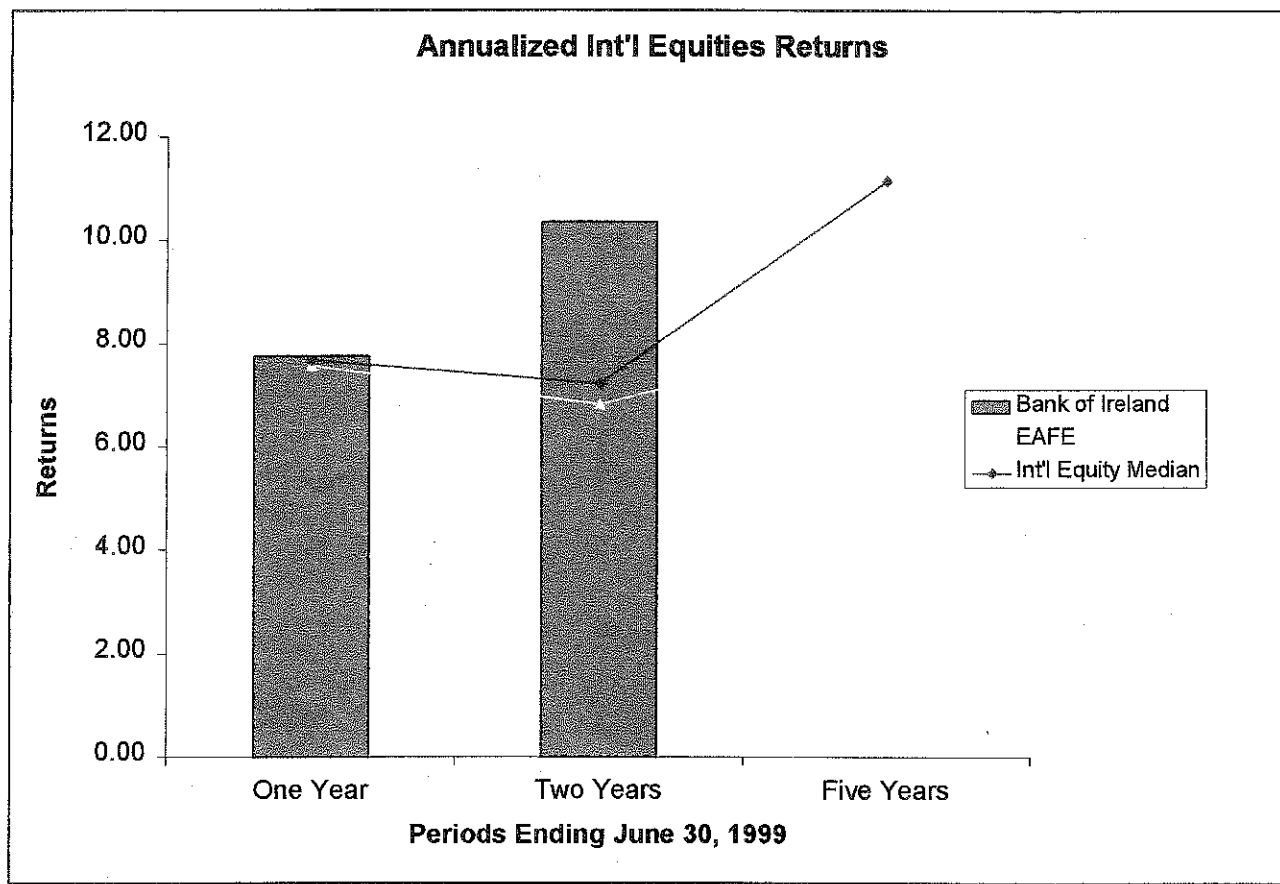
"TUCS" stands for Trust Universe Comparison Service

Source: Bank of New York Performance Measurement June 30, 1999 Report



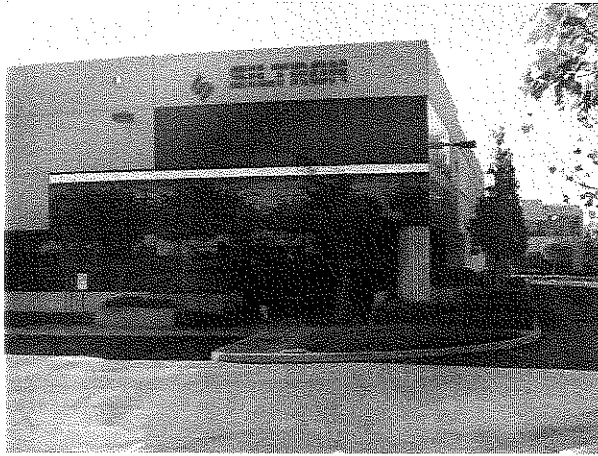






Fund Investments

INVESTMENT PROPERTIES



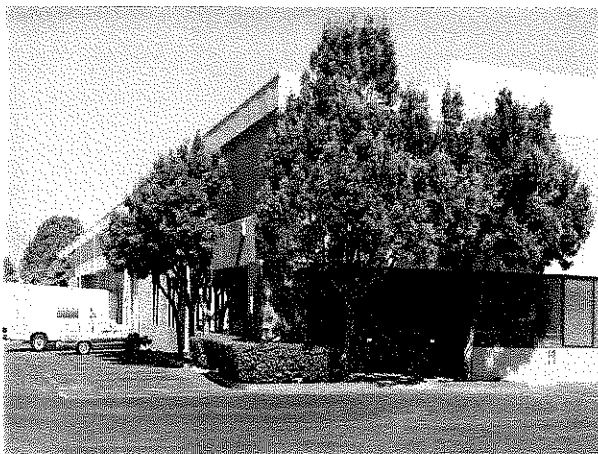
Airport Commercenter

278,470 s.f. industrial complex consisting of four one-story buildings located in Ontario, CA. Acquired jointly with the Police and Fire Retirement Plan in April 1989.



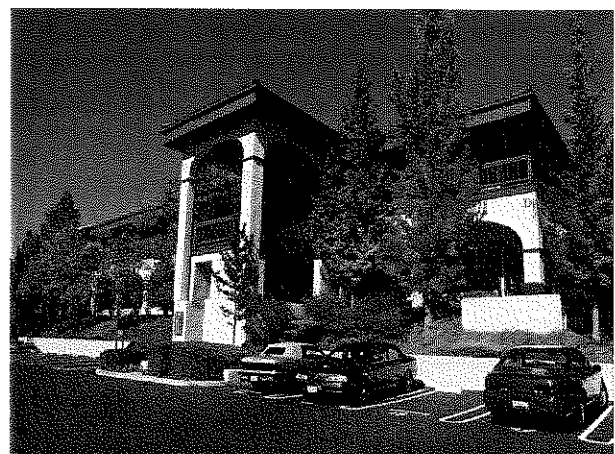
Copperwood Square Shopping Center

138,990 s.f. retail shopping center in Citrus Heights, CA. Acquired jointly with the Police and Fire Retirement Plan in June 1987.



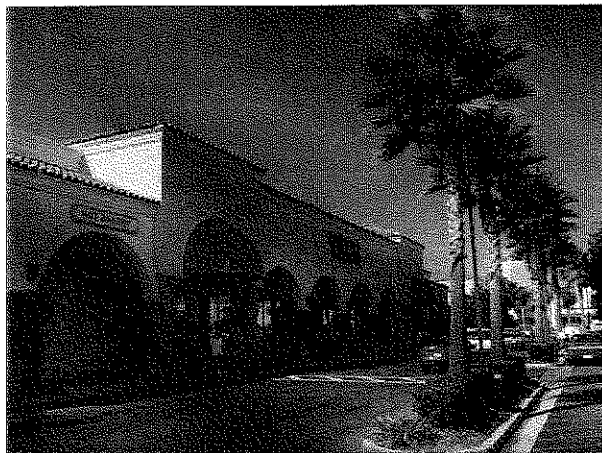
Milpitas Warehouse

145,152 s.f. warehouse/distribution building, equally divided into four bays. Acquired jointly with the Police and Fire Retirement Plan in February 1986.



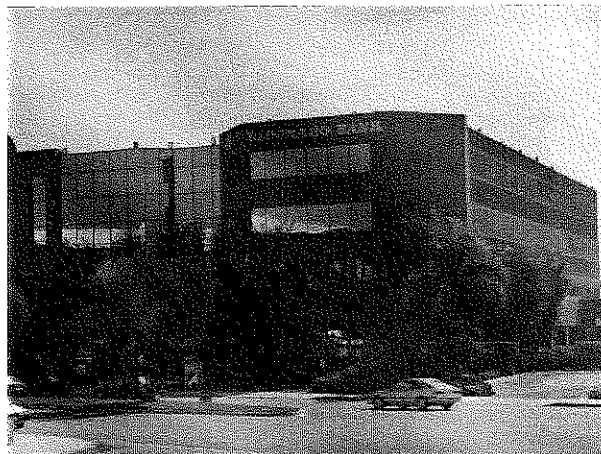
Pine Grove Office Complex

85,956 s.f. five-building office complex located in Orinda, CA. Acquired jointly with the Police and Fire Retirement Plan in September 1990.



Plaza Paseo Real

147,213 s.f. retail shopping center located in Carlsbad, CA. Acquired jointly with the Police and Fire Retirement Plan in May 1993.



Saddleback Financial Center

72,711 s.f. mid-rise office building located in Laguna Hills, CA. Acquired jointly with the Police and Fire Retirement Plan in January 1988.



The Manors at Providence Lakes

266,236 s.f. apartment complex with 260 luxury apartments located in Brandon (Tampa), Florida. Acquired in September 1997

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CASH & CASH EQUIVALENTS					
381.140	AUSTRALIAN DOLLAR	0.0000%	251.69	251.97	251.97
2,447,336.410	CANADIAN DOLLAR	0.1505%	1,664,281.46	1,658,648.87	1,658,648.87
1,798.690	CANADIAN DOLLAR	0.0001%	1,185.25	1,219.04	1,219.04
52.750	DANISH KRONA	0.0000%	7.42	7.32	7.32
224,066.670	EURO	0.0210%	232,889.94	231,012.76	231,012.76
15,400.400	EURO	0.0014%	15,945.23	15,877.81	15,877.81
3,318,362.000	GREEK DRACHMA	0.0010%	10,738.69	10,539.50	10,539.50
504.840	HONG KONG DOLLAR	0.0000%	65.13	65.07	65.07
17,645,409.000	JAPANESE YEN	0.0132%	146,011.91	145,926.31	145,926.31
142,428.360	MALAYSIAN DOLLAR	0.0034%	34,159.77	37,486.08	37,486.08
131.990	MEXICAN PESO (NEW)	0.0000%	12.91	13.99	13.99
6,254.890	NEW ZEALAND DOLLAR	0.0003%	3,346.88	3,310.71	3,310.71
33,176.300	PHILIPPINES PESO	0.0001%	858.28	874.21	874.21
422.550	POUNDS STERLING	0.0001%	665.74	665.73	665.73
37,608.550	POUNDS STERLING	0.0054%	59,384.60	59,252.28	59,252.28
194.260	SINGAPORE DOLLAR	0.0000%	113.85	114.17	114.17
149.480	SWEDISH KRONA	0.0000%	17.63	17.63	17.63
8,376.500	SWEDISH KRONA	0.0001%	1,012.90	987.96	987.96
101.160	SWISS FRANCS	0.0000%	66.51	65.11	65.11
512.420	THAILAND BAHT	0.0000%	13.89	13.91	13.91
2,539,119.640	U.S. DOLLARS	0.2304%	2,539,119.64	2,539,119.64	2,539,119.64
-137,250.000	U.S. DOLLARS	-0.0125%	-137,250.00	-137,250.00	-137,250.00
81,551.520	U.S. DOLLARS	0.0074%	81,551.52	81,551.52	81,551.52
-1,244,146.870	U.S. DOLLARS	-0.1129%	-1,244,146.87	-1,244,146.87	-1,244,146.87
-129,395.900	U.S. DOLLARS	-0.0117%	-129,395.90	-129,395.90	-129,395.90
TOTAL CASH & CASH EQUIVALENTS		0.2972%	3,280,908.07	3,276,228.82	3,276,228.82

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FORWARD CONTRACTS					
-4,364,000.000	FORWARD AUD/EUR	-0.2714%	07/13/1999	-2,908,606.18	-2,990,946.02
2,716,105.940	FORWARD EUR/AUD	0.2639%	07/13/1999	2,908,606.18	2,908,606.18
5,470,188.680	FORWARD EUR/GBP	0.5142%	07/28/1999	5,726,740.97	5,667,498.19
1,851,991.270	FORWARD EUR/GBP	0.1757%	07/26/1999	1,961,443.75	1,936,315.17
2,002,925.100	FORWARD EUR/GBP	0.1909%	07/26/1999	2,085,446.21	2,104,341.58
-2,751,040.530	FORWARD EUR/JPY	-0.2644%	07/19/1999	-2,914,022.53	-2,914,022.53
-2,920,000.000	FORWARD EUR/JPY	-0.2719%	08/09/1999	-2,996,715.93	-2,996,715.93
-3,624,000.000	FORWARD GBP/EUR	-0.5196%	07/28/1999	-5,726,740.97	-5,726,740.97
-1,230,000.000	FORWARD GBP/EUR	-0.1780%	07/26/1999	-1,961,443.75	-1,961,443.75
-1,301,000.000	FORWARD GBP/EUR	-0.1892%	07/26/1999	-2,085,446.21	-2,085,446.21
362,213,000.000	FORWARD JPY/EUR	0.2792%	07/19/1999	2,914,022.53	3,077,462.81
365,000,000.000	FORWARD JPY/EUR	0.2734%	08/09/1999	2,996,715.93	3,013,695.26
-263,245,000.000	FORWARD JPY/USD	-0.1981%	07/21/1999	-2,246,117.75	-2,183,819.98
-105,681,000.000	FORWARD JPY/USD	-0.0800%	08/31/1999	-877,880.41	-882,127.76
-140,452,000.000	FORWARD JPY/USD	-0.1063%	08/24/1999	-1,141,143.97	-1,171,112.65
-152,921,000.000	FORWARD JPY/USD	-0.1156%	08/18/1999	-1,265,902.32	-1,273,929.80
-228,113,000.000	FORWARD JPY/USD	-0.1732%	09/16/1999	-1,948,309.95	-1,908,879.25
-121,619,000.000	FORWARD JPY/USD	-0.0922%	09/09/1999	-1,013,225.69	-1,016,602.27
1,141,143.970	FORWARD USD/JPY	0.1035%	08/24/1999	1,141,143.97	1,141,143.97
877,880.410	FORWARD USD/JPY	0.0796%	08/31/1999	877,880.41	877,880.41
1,948,309.950	FORWARD USD/JPY	0.1768%	09/16/1999	1,948,309.95	1,948,309.95
1,013,225.690	FORWARD USD/JPY	0.0919%	09/09/1999	1,013,225.69	1,013,225.69
1,265,902.320	FORWARD USD/JPY	0.1149%	08/18/1999	1,265,902.32	1,265,902.32
2,246,117.750	FORWARD USD/JPY	0.2038%	07/21/1999	2,246,117.75	2,246,117.75
720,000.000	FORWARD USD/ZAR	0.0653%	08/23/1999	720,000.00	720,000.00
720,000.000	FORWARD USD/ZAR	0.0653%	08/23/1999	720,000.00	720,000.00
-4,373,280.000	FORWARD ZAR/USD	-0.0650%	08/23/1999	-720,000.00	-716,426.14
-4,369,680.000	FORWARD ZAR/USD	-0.0649%	08/23/1999	-720,000.00	-715,836.39
TOTAL FORWARD CONTRACTS		0.0001%		0.00	96,449.63

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SHORT-TERM INVESTMENTS					
28.690	COLLECTIVE SHORT TERM INVEST FD	0.0000%		28.69	28.69
1,785,295.810	COLLECTIVE SHORT TERM INVEST FD	0.1620%		1,785,295.81	1,785,295.81
990,992.630	COLLECTIVE SHORT TERM INVEST FD	0.0899%		990,992.63	990,992.63
1,446,627.120	COLLECTIVE SHORT TERM INVEST FD	0.1313%		1,446,627.12	1,446,627.12
19,762,425.810	COLLECTIVE SHORT TERM INVEST FD	1.7930%		19,762,425.81	19,762,425.81
3,863,747.380	COLLECTIVE SHORT TERM INVEST FD	0.3506%		3,863,747.38	3,863,747.38
675.660	COLLECTIVE SHORT TERM INVEST FD	0.0001%		675.66	675.66
397,238.370	COLLECTIVE SHORT TERM INVEST FD	0.0360%		397,238.37	397,238.37
433,626.460	COLLECTIVE SHORT TERM INVEST FD	0.0393%		433,626.46	433,626.46
1,151,556.670	COLLECTIVE SHORT TERM INVEST FD	0.1045%		1,151,556.67	1,151,556.67
TOTAL SHORT-TERM INVESTMENTS		2.7066%		29,832,214.60	29,832,214.60

FIXED INCOME

1,800,000.000	ASSOCIATES CORP N A	0.1551%	11/01/2008	1,839,334.29	1,710,000.00
1,000,000.000	AT&T CORP	0.0844%	03/15/2009	956,369.54	930,000.00
4,130,000.000	AUSTRALIA(CMNWLTH)	0.2899%	08/15/2008	3,281,793.45	3,195,184.88
2,400,000.000	BANK AMERICA 5.875 15FEB2009	0.1998%	02/15/2009	2,384,303.98	2,202,000.00
300,000.000	BG 7% INSTRUMENTS	0.0433%	04/04/2000	495,443.02	476,714.89
400,000.000	BURMAH CASTROL PLC	0.0363%	03/31/2009	436,000.21	400,372.10
3,400,000.000	CALIFORNIA INFRASTRUCTURE PG&E	0.3070%	09/25/2008	3,486,859.39	3,383,952.00
500,000.000	CAPITAL ONE BK	0.0449%	06/01/2001	499,594.32	494,375.00
1,650,000.000	CAPITAL ONE BK M/T/N	0.1508%	06/20/2000	1,670,788.94	1,662,375.00
3,150,000.000	CAPITAL ONE FINL CORP	0.2726%	05/01/2006	3,143,980.16	3,004,312.50
3,075,000.000	CARRAMERICA RLTY CORP	0.2664%	07/01/2007	3,014,549.49	2,936,625.00
3,400,000.000	CIT RV TR	0.3061%	02/15/2012	3,399,628.72	3,374,024.00
1,700,000.000	CLEAR CHANNEL COMMUNICATIONS	0.1463%	06/15/2008	1,751,754.10	1,612,875.00

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2,550,000.000	COCA COLA ENTERPRISE NTS	0.2140%	09/15/2028	2,563,921.13	2,358,750.00
2,160,000.000	COMCAST CABLE	0.1825%	11/15/2008	2,200,010.85	2,011,500.00
3,100,000.000	COMDISCO INC INDUSTRIAL FIXED RATE NOTE	0.2788%	08/01/2001	3,100,000.00	3,072,875.00
400,000.000	CORP ANDINA DE FOM	0.0380%	05/06/2004	420,157.57	418,833.48
1,150,000.000	COUNTRYWIDE HOME LNS INC	0.1043%	06/15/2004	1,150,309.29	1,150,000.00
755,000.000	COUNTRYWIDE HOME LNS INC M/T/N	0.0631%	04/15/2009	751,040.83	695,543.75
2,300,000.000	COUNTRYWIDE HOME LNS INC M/T/N	0.2068%	10/16/2000	2,300,000.00	2,279,875.00
2,800,000.000	CSC HLDGS INC SR NT	0.2413%	07/15/2008	2,766,401.50	2,660,000.00
3,700,000.000	CSXT TRADE RECEIVABLES MASTER TR	0.3281%	06/25/2003	3,690,155.33	3,615,936.00
1,800,000.000	DEAN WITTER DISCOVER & CO NTS	0.1635%	03/15/2000	1,803,897.87	1,802,250.00
2,000,000.000	DISCOVER CARD MASTER TR I	0.1783%	11/16/2004	1,999,062.50	1,965,200.00
3,600,000.000	DLJ COML MTG CORP	0.3266%	06/10/2009	3,654,000.00	3,600,000.00
380,000.000	ENRON CORP 4.375 0	0.0345%	04/08/2005	402,677.64	380,575.13
3,735,000.000	ENRON CORP NT V/R	0.3296%	11/15/2037	3,783,819.70	3,632,287.50
3,400,000.000	EOP OPER LTD PARTNERSHIP	0.2988%	02/15/2005	3,393,724.93	3,293,750.00
2,350,000.000	ERP OPERATING LTD	0.2134%	06/23/2004	2,348,549.48	2,351,668.50
33,000,000.000	EURO INV BANK 0 E	0.0340%	12/31/2018	351,898.94	374,751.33
312,000.000	EUROPEAN INV BANK	0.0475%	06/10/2003	573,483.45	523,900.50
640,000.000	FED HOME LOAN BK 5	0.0900%	06/10/2003	1,078,667.05	992,489.59
4,190,000.000	FEDERAL HOME LN MTG CORP	0.3703%	09/15/2026	4,179,377.64	4,081,666.31
2,750,000.000	FEDERAL HOME LN MTGE CORP GRP#306580	0.0093%	10/01/2018	92,964.52	102,890.98
2,000,000.000	FEDERAL NATL MTG ASSN GTD REMIC	0.2413%	09/25/2020	2,420,832.81	2,659,807.85
2,000,000.000	FEDERAL NATL MTG ASSN REMIC TR V/R	0.0106%	01/25/2019	93,209.61	116,403.87
869,062.000	FEDERAL NAT'L MTGE ASSN POOL # 1003	0.0065%	01/01/2010	61,193.02	71,397.88
2,352,553.000	FEDERAL NAT'L MTGE ASSN POOL # 251403	0.1715%	12/01/2027	1,918,911.48	1,890,794.37
326,822.000	FEDERAL NAT'L MTGE ASSN POOL # 251477	0.0254%	01/01/2028	283,939.52	279,779.08
5,980,000.000	FEDERAL NAT'L MTGE ASSN POOL # 252256	0.4936%	02/01/2029	5,603,465.12	5,440,432.97
15,029,590.000	FEDERAL NAT'L MTGE ASSN POOL # 433287	1.2572%	06/01/2028	14,224,092.07	13,856,853.63
3,971,481.000	FEDERAL NAT'L MTGE ASSN POOL # 446689	0.3005%	10/01/2028	3,444,002.95	3,312,339.06

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6,930,000.000	FEDERAL NAT'L MTGE ASSN POOL # 452415	0.5853%	12/01/2028	6,761,167.78	6,450,872.96
12,877,500.000	FEDERAL NAT'L MTGE ASSN POOL # 479193	1.0858%	01/01/2029	12,553,564.88	11,967,967.32
430,000.000	FEDERAL NAT'L MTGE ASSN POOL# 398115	0.0331%	12/01/2027	369,764.91	364,346.87
2,100,000.000	FED'L HOME LOAN MTGE CORP GRP # 170170	0.0054%	06/01/2016	55,388.22	59,057.46
990,851.000	FED'L HOME LOAN MTGE CORP GRP # 170202	0.0029%	11/01/2016	29,556.34	31,776.00
5,002,201.000	FED'L HOME LOAN MTGE CORP GRP # 170215	0.0281%	02/01/2017	284,710.96	309,936.37
1,500,000.000	FED'L HOME LOAN MTGE CORP GRP # 181213	0.0056%	11/01/2009	53,504.31	62,129.10
1,972,500.000	FED'L HOME LOAN MTGE CORP GRP # 200055	0.0031%	10/01/2001	32,564.66	33,772.55
3,200,000.000	FED'L HOME LOAN MTGE CORP GRP # 180049	0.0122%	12/01/2008	124,196.99	134,777.28
1,000,000.000	FED'L HOME LOAN MTGE CORP GRP # 188797	0.0002%	02/01/2014	2,077.71	2,206.60
1,019,075.000	FED'L HOME LOAN MTGE CORP GRP # 189828	0.0014%	06/01/2003	13,915.09	15,042.67
2,675,276.000	FED'L HOME LOAN MTGE CORP GRP # 298968	0.0115%	08/01/2017	115,615.09	126,278.11
6,301,350.000	FED'L HOME LOAN MTGE CORP GRP # E74648	0.5412%	01/01/2014	6,168,733.69	5,964,776.62
14,485,700.000	FED'L HOME LOAN MTGE CORP GRP # G10830	0.9958%	08/01/2013	11,132,613.99	10,975,665.69
3,533,504.780	FHA INSD PROJ MTG SER #37	0.3305%	05/01/2022	3,233,377.02	3,642,937.42
3,560,000.000	FHLMC GOLD 30 YR 7% JUL TBA	0.3204%	07/01/2029	3,519,115.63	3,531,092.80
275,000.000	FINLAND(REP OF) 8%	0.0417%	04/07/2003	495,022.84	459,691.61
4,500,000.000	FINOVIA CAP CORP	0.4037%	10/15/2001	4,479,126.90	4,449,375.00
3,500,000.000	FIRST UN NATL BANK-CHASE	0.3107%	04/15/2009	3,400,886.72	3,425,030.00
3,570,000.000	FNMA 30 YR JULY 7.00% TBA	0.3218%		3,515,334.38	3,546,571.88
320,000.000	FNMA 6.875 07JUN20	0.0469%	06/07/2002	554,538.47	516,411.20
3,500,000.000	FORD MTR CR CO	0.3060%	02/23/2004	3,485,681.64	3,373,125.00
399,000.000	FRANCE (GOVT OF) 3	0.0366%	07/12/2004	414,576.05	403,100.53
3,000,000.000	GENERAL ELEC CAP CORP M/T/N	0.2671%	04/15/2002	3,000,000.00	2,943,750.00
500,000.000	GENERAL MOTORS ACC	0.0447%	02/09/2006	577,181.17	493,178.90
1,000,000.000	GENREAL MTRS ACCEP CORP	0.0877%	11/10/2003	996,637.25	966,250.00
926,346.850	GERMANY(FED REP) 5	0.0893%	01/04/2028	1,097,386.08	984,479.67
940,000.000	GERMANY(FED REP) 5	0.0910%	08/20/2001	1,106,730.76	1,003,350.75
605,000.000	GERMANY(FED REP) 5	0.0594%	01/04/2008	658,361.54	654,194.31

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2,000,000.000	GERMANY(FED REP) 5	0.1932%	05/21/2001	2,217,612.58	2,129,633.83
2,579,000.000	GERMANY(FED REP) 5	0.2513%	11/12/2002	2,878,992.17	2,769,561.57
2,758,098.520	GERMANY(FED REP) 6	0.2986%	07/04/2007	3,433,313.17	3,291,466.86
630,000.000	GERMANY(FED REP) 6	0.0648%	07/04/2007	839,016.73	714,353.17
3,630,000.000	GERMANY(FED REP) 6	0.3675%	09/15/2003	4,248,986.05	4,050,540.65
1,500,000.000	GERMANY(FED REP) 6	0.1540%	01/05/2006	1,699,956.83	1,697,747.88
562,421.070	GERMANY(FEDERAL RE	0.0530%	03/17/2000	641,047.04	584,524.03
425,550.000	GOV'T NAT'L MTG ASSN POOL# 425826	0.0283%	01/15/2028	317,027.93	311,547.03
4,042,063.000	GOV'T NAT'L MTGE ASSN POOL # 164658	0.0590%	09/15/2016	607,597.39	649,878.04
2,504,444.000	GOV'T NAT'L MTGE ASSN POOL # 278249	0.0059%	08/15/2019	61,600.30	65,199.19
2,015,868.000	GOV'T NAT'L MTGE ASSN POOL # 278446	0.0273%	09/15/2019	278,701.75	300,688.68
4,791,900.000	GOV'T NAT'L MTGE ASSN POOL # 478233	0.3501%	06/15/2028	3,926,120.89	3,858,224.16
4,572,655.000	GOV'T NAT'L MTGE ASSN POOL # 478280	0.3678%	06/15/2028	4,167,372.80	4,053,381.09
10,300,000.000	GOV'T NAT'L MTGE ASSN POOL # 492494	0.9228%	04/15/2029	10,456,940.34	10,170,907.00
4,718,984.000	GOV'T NAT'L MTGE ASSN POOL # 780498	0.2459%	01/15/2027	2,759,708.53	2,710,586.77
3,017,797.000	GOV'T NAT'L MTGE ASSN POOL # 780716	0.1757%	02/15/2028	1,977,064.77	1,936,032.96
48,201.000	GOV'T NAT'L MTGE ASSN POOL # 0478226	0.0035%	06/15/2028	39,245.84	38,567.28
6,864,382.000	GOV'T NAT'L MTGE ASSN POOL # 418272	0.5643%	12/15/2027	6,272,090.36	6,219,239.23
4,950,000.000	GOV'T NAT'L MTGE ASSN POOL # 458363	0.3091%	12/15/2027	3,435,335.93	3,406,388.53
3,487,255.000	GOV'T NAT'L MTGE ASSN POOL # 461040	0.1651%	12/15/2027	1,835,271.42	1,819,806.58
2,937,238.000	GOV'T NAT'L MTGE ASSN POOL # 461058	0.2127%	12/15/2027	2,364,768.59	2,344,842.03
1,184,444.000	GOV'T NAT'L MTGE ASSN POOL # 483122	0.1053%	08/15/2028	1,193,434.44	1,160,789.94
2,188,798.000	GOV'T NAT'L MTGE ASSN POOL # 483123	0.1798%	08/15/2028	2,036,953.75	1,981,236.04
157,000,000.000	GREECE(REP OF) 7.5	0.0499%	05/20/2013	530,352.05	550,260.44
75,000,000.000	GREECE(REP OF) 8.7	0.0240%	04/08/2005	264,152.87	264,578.37
116,800,000.000	GREECE(REP OF) 8.9	0.0362%	04/01/2003	416,404.26	398,793.08
300,000,000.000	GREECE(REP OF) 8.9	0.0951%	03/21/2004	995,830.35	1,047,737.02
1,500,000.000	GREEN TREE FINL CORP	0.1351%	08/01/2018	1,479,843.75	1,489,290.00
3,300,000.000	GS ESCROW CORP	0.2957%	08/01/2001	3,281,565.52	3,258,750.00

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410,000.000	HALIFAX PLC, WEST	0.0368%	03/24/2009	446,079.27	405,674.83
155,000,000.000	HELLENIC REP 6.60	0.0449%	01/15/2004	558,197.15	495,251.71
480,000.000	HOUSEHOLD FINANCE	0.0438%	06/24/2009	499,333.22	482,804.98
270,000.000	HUTCHISON WHAMPOA	0.0255%	03/16/2006	299,869.60	281,265.08
575,000.000	IMPERIAL CHEMICAL	0.0858%	08/21/2007	992,587.71	946,135.22
10,000,000.000	INTERNATIONAL BANK	0.0236%	05/14/2012	264,288.61	259,615.38
20,000,000.000	INTERNATIONAL BANK	0.0090%	12/31/2025	112,203.77	99,137.93
15,000,000.000	INTL BANK RECON+DV	0.0338%	04/11/2002	302,788.51	372,768.19
449,936.850	INVESTOR AB 5 25 N	0.0421%	06/30/2008	527,927.71	464,403.14
198,100,000.000	JAPAN 2.3 SER 198	0.1547%	09/20/2007	1,766,598.19	1,704,787.13
225,800,000.000	JAPAN 2.6 SER193 2	0.1806%	03/20/2007	2,053,074.12	1,990,670.13
278,600,000.000	JAPAN(GOVT)3.1 SER	0.2306%	09/20/2006	2,602,712.02	2,541,384.04
679,000.000	KON KPN NV 4.75 NT	0.0624%	11/05/2008	743,698.46	687,588.20
1,800,000.000	LEAR CORP	0.1592%	05/15/2005	1,800,000.00	1,755,000.00
3,150,000.000	LEHMAN BROTHERS HLDGS INC M/T/N	0.2812%	12/27/2002	3,181,462.49	3,098,812.50
245,000.000	LLOYDS BANK 7 3/8	0.0363%	03/11/2004	427,584.00	400,047.90
3,300,000.000	LOCKHEED MARTIN	0.2987%	05/15/2006	3,436,769.73	3,291,750.00
1,550,000.000	MBNA MASTER CR CARD TR II	0.1420%	11/15/2004	1,606,429.69	1,564,942.00
1,600,000.000	MCI COMMUNICATIONS CORP	0.1439%	04/15/2012	1,596,092.08	1,586,000.00
2,900,000.000	MELLON FINL CO SUB NT	0.2789%	08/15/2001	3,103,973.35	3,074,000.00
1,590,000.000	MERRILL LYNCH & CO INC	0.1331%	02/17/2009	1,582,162.22	1,466,775.00
2,400,000.000	MERRILL LYNCH & CO INC M/T/N	0.2137%	01/15/2002	2,400,000.00	2,355,000.00
4,784,000.000	NEW ZEALAND(GOVT)	0.2361%	07/15/2009	2,711,929.98	2,601,830.87
2,700,000.000	NEWS AMER INC	0.2444%	05/21/2034	2,700,000.00	2,693,250.00
2,750,000.000	NIAGARA MOHAWK PWR CORP	0.2526%	10/01/2005	2,773,084.44	2,784,375.00
5,530,000.000	NORWAY(KINGDOM OF)	0.0630%	05/15/2009	750,760.17	694,587.67
11,020,000.000	NORWAY(KINGDOM OF)	0.1356%	01/15/2007	1,594,584.38	1,494,071.16
1,775,000.000	PEPSI BOTTLING *PP*	0.1463%	02/17/2009	1,711,792.25	1,613,031.25
1,860,000.000	PETROLEUM GEO-SVCS A/S	0.1688%	03/31/2007	1,873,227.87	1,860,000.00

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1,240,000.000	PETROLEUM GEO-SVCS A/S	0.1063%	03/30/2008	1,235,501.53	1,171,800.00
190,000.000	POWERGEM INV 8.125	0.0294%	06/06/2007	339,883.25	323,891.36
2,150,000.000	PREMIER AUTO TR	0.1964%	03/08/2004	2,149,328.13	2,165,117.19
650,000.000	PUBLIC POWER CORP	0.0559%	03/12/2009	627,834.80	616,605.08
2,350,000.000	QUEBEC PROV CDA DEB	0.2063%	02/09/2024	2,497,790.00	2,273,625.00
3,395,000.000	RAYTHEON CO	0.2899%	11/01/2008	3,451,405.54	3,195,543.75
5,285,000.000	RESIDENTIAL ACCREDIT LNS INC	0.4802%	06/25/2029	5,318,857.03	5,292,927.50
3,200,000.000	ROYAL CARIBBEAN CRUISES LTD	0.2780%	10/15/2007	3,273,545.31	3,064,000.00
3,500,000.000	SKANDINAVISKA ENSKILDA BANKEN	0.3021%	12/29/2049	3,486,910.00	3,329,375.00
7,000,000.000	SPINTAB 5.5 BDS I7	0.0760%	09/17/2003	846,907.16	837,166.51
11,300,000.000	SPINTAB AB 6.25% B	0.1260%	09/18/2002	1,395,314.13	1,389,276.53
4,875,000.000	SPRINT CAP CORP	0.4113%	05/01/2019	4,783,709.73	4,533,750.00
10,800,000.000	STH AFRICA(REP OF)	0.1467%	02/28/2005	1,541,636.69	1,616,770.03
3,340,000.000	SUSA PARTNERSHIP L P NT	0.2970%	11/01/2003	3,291,827.88	3,273,901.40
7,700,000.000	SWEDEN(KINGDOM OF)	0.0906%	10/25/2006	968,898.03	998,794.97
2,100,000.000	TCI COMMUNICATIONS INC	0.2077%	09/15/2004	2,386,028.90	2,289,000.00
1,568,000.000	TREASURY 6 3/4% ST	0.2381%	11/26/2004	2,856,052.95	2,624,783.57
1,676,000.000	TREASURY 8 1/2% ST	0.2795%	12/07/2005	3,332,295.50	3,080,716.35
437,000.000	TREASURY 9 3/4% ST	0.0699%	08/27/2002	855,974.50	770,906.34
2,875,000.000	TRICON GLOBAL RESTAURANTS INC SR NT	0.2595%	05/15/2005	2,870,770.36	2,860,625.00
2,965,000.000	TRW INC *PP*	0.2660%	06/01/2004	2,945,786.80	2,931,643.75
2,915,000.000	TYCO INTL GRP SA	0.2579%	06/15/2005	2,904,880.67	2,842,125.00
1,660,000.000	TYCO INTL GRP SA	0.1376%	01/15/2029	1,696,400.11	1,516,825.00
1,120,000.000	U S TREASURY BOND	0.1007%	11/15/2027	1,216,858.52	1,109,500.00
5,610,000.000	U S TREASURY BONDS	0.6028%	02/15/2021	6,136,665.75	6,644,343.75
16,620,000.000	U S TREASURY BONDS	1.5875%	02/15/2027	18,241,937.36	17,497,743.75
8,900,000.000	U S TREASURY BONDS	0.8249%	08/15/2027	9,680,512.77	9,091,906.25
2,750,000.000	U S TREASURY NOTE	0.2451%	08/15/2003	2,757,631.95	2,701,875.00
15,415,000.000	U S TREASURY NOTES	1.4182%	10/31/2001	15,959,934.82	15,631,773.44

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2,500,000.000	U S TREASURY NOTES	0.2245%	03/31/2001	2,473,806.42	2,474,218.75
3,000,000.000	U S TREASURY NOTES	0.2666%	05/15/2008	2,932,453.21	2,938,125.00
3,390,000.000	U S TREASURY NOTES	0.3078%	06/30/2000	3,405,866.74	3,392,118.75
563,000.000	UK TREASURY 6.5 11	0.0838%	12/07/2003	957,152.03	923,373.97
3,960,000.000	USA WASTE SVCS INC	0.3602%	10/01/2007	4,073,006.62	3,969,900.00
3,400,000.000	WESTPOINT STEVENS INC	0.3023%	06/15/2005	3,489,934.50	3,332,000.00
3,075,000.000	WORLDCOM INC GA	0.2738%	08/15/2005	3,044,622.54	3,017,343.75
	TOTAL FIXED INCOME	35.6862%		403,748,939.10	393,329,409.32

EQUITY

44,550.000	ABN AMRO HLDGS NV	0.0871%		837,555.35	959,959.05
6,100.000	ACCEPTANCE INS COS INC	0.0083%		94,105.42	91,881.25
21,500.000	ACTION PERFORMANCE COS INC	0.0644%		731,187.05	709,500.00
18,500.000	ACX TECHNOLOGIES INC	0.0273%		225,422.50	300,625.00
900.000	ADAMS RES & ENERGY INC	0.0006%		7,141.50	7,087.50
29,000.000	ADOBE SYS INC COM	0.2162%		767,340.00	2,382,531.25
24,000.000	ADTRAN INC	0.0792%		788,045.05	873,000.00
9,300.000	ADVO INC	0.0175%		190,836.00	192,975.00
2,300.000	ADVOCAT INC	0.0004%		4,313.48	4,456.25
42,560.000	AHOLD (KON) NV NLG	0.1328%		1,476,925.92	1,463,376.81
9,335.000	ALCATEL ALSTHOM	0.1188%		1,581,231.48	1,308,916.50
3,100.000	ALLIED RESEARCH CORPORATION	0.0017%		22,630.00	18,600.00
144,975.000	ALLIED ZURICH ORD	0.1651%		1,813,288.05	1,819,271.01
3,600.000	ALTERNATIVE RES CORP	0.0023%		25,384.68	25,200.00
903.000	ALUSUISSE-LONZA GR	0.0956%		884,990.48	1,053,190.01
6,000.000	AMCAST INDUSTRIAL CORP	0.0089%		100,620.00	97,875.00
9,600.000	AMERCO	0.0196%		215,344.32	216,000.00
25,300.000	AMERICA WEST HLDG CORP CL B	0.0433%		490,114.13	477,537.50

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3,200.000	AMERICAN DENTAL TECHNOLOGIES INC	0.0011%		10,933.50	12,000.00
17,100.000	AMERICAN EXPRESS COMPANY	0.2019%		1,706,838.21	2,225,137.50
12,000.000	AMERICAN HOMESTAR CORP	0.0075%		85,452.56	82,500.00
14,800.000	AMERICAN INTERNATIONAL GROUP INC COM	0.1574%		1,346,841.57	1,735,300.00
10,900.000	AMERIPATH INC	0.0085%		93,121.19	94,012.50
1,700.000	AMERON INTERNATIONAL CORP COM	0.0068%		65,909.00	75,012.50
6,200.000	AMPCO-PITTSBURGH CORP	0.0072%		74,524.00	79,437.50
1,800.000	AMREP CORPORATION COMMON	0.0009%		10,120.50	10,237.50
31,700.000	AMRESO INC	0.0185%		214,604.39	204,068.75
4,100.000	AMWEST INS GROUP INC COM	0.0034%		41,219.50	37,925.00
3,500.000	ANDERSONS INC	0.0040%		45,277.05	44,625.00
15,100.000	ARCTIC CAT INC	0.0122%		126,097.27	134,956.25
2,400.000	ARK RESTAURANTS CORP	0.0024%		24,372.00	26,400.00
8,500.000	ARKANSAS BEST CORP DEL	0.0077%		77,817.50	84,468.75
15,400.000	ARM FINL GROUP INC	0.0119%		213,559.15	130,900.00
16,200.000	ARNOLD INDS COM	0.0227%		262,401.77	250,087.50
65,000.000	ARTESYN TECHNOLOGIES INC	0.1308%		1,157,674.00	1,442,187.50
9,200.000	ARVIN INDUSTRIES INCORPORATED	0.0316%		367,949.92	348,450.00
43,625.000	ASTRAZENECA USD 0.	0.1532%		1,564,673.16	1,688,038.33
1,700.000	ATCHISON CASTING CORP	0.0015%		16,995.75	16,787.50
34,400.000	AUTOZONE INC	0.0940%		1,058,215.08	1,036,300.00
21,500.000	AVANT CORP COM	0.0246%		250,580.83	271,437.50
35,000.000	AVID TECHNOLOGY INC	0.0512%		1,208,774.58	564,375.00
37,800.000	AVON PRODUCTS INC COM	0.1903%		1,007,445.48	2,097,900.00
17,345.000	AXA UAP	0.1913%		2,183,061.72	2,108,369.97
2,400.000	AZTEC MFG CO	0.0021%		24,048.00	23,400.00
3,400.000	BAIRNCO CORP COM	0.0023%		22,797.82	25,500.00
1,500.000	BALCHEM CORP CL B	0.0008%		8,467.50	8,625.00
7,500.000	BALDWIN TECHNOLOGY INC CL A	0.0020%		24,150.00	22,031.25

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1,100.000	BALTEK CORP	0.0010%		10,551.75	10,725.00
136,496.000	BANCO SANT CENTRAL	0.1288%		1,112,366.11	1,419,939.38
0.000	BANCO SANTANDER SA	0.0000%		0.00	0.00
86,300.000	BANGKOK BANK THB10	0.0287%		208,921.62	316,160.11
81,350.000	BARCLAYS PLC ORD G	0.2148%		1,775,804.43	2,367,243.62
12,800.000	BARNES GROUP INC COM	0.0253%		295,168.00	278,400.00
6,900.000	BARNETT INC	0.0047%		62,522.97	51,750.00
2,000.000	BARRY R G CORP OHIO COM	0.0015%		16,370.00	16,500.00
0.000	BAYER MOTOREN WERK	0.0000%		0.00	0.00
17,015.000	BAYERISCHE HYPO UN	0.1003%		1,187,892.53	1,105,175.41
1,557.000	BAYERISCHE MOTOREN	0.0971%		1,281,074.07	1,070,713.20
2,900.000	BAYOU STL CORP LA PLACE CL A	0.0010%		11,286.50	10,875.00
0.000	BCO SANTANDER SA E	0.0000%		0.00	0.00
2,700.000	BEAZER HOMES USA INC COM	0.0057%		63,841.50	62,437.50
25,000.000	BELL & HOWELL COMPANY NEW	0.0858%		767,845.00	945,312.50
3,800.000	BELL MICROPRODUCTS INC	0.0024%		26,120.44	26,125.00
38,500.000	BERGEN BRUNSWIG CORP CL A COM	0.0603%		1,249,737.60	664,125.00
39,400.000	BESTFOODS	0.1769%		2,115,506.25	1,950,300.00
66,600.000	BEVERLY ENTERPRISES INC	0.0487%		474,370.02	536,962.50
55,300.000	BIOMET INC	0.1994%		1,730,996.64	2,198,175.00
900.000	BLACK HAWK GAMING & DEV INC	0.0006%		7,170.75	6,862.50
3,600.000	BLONDER TONGUE LABORATORIES INC COM	0.0021%		23,747.25	22,950.00
14,500.000	BLUEGREEN CORP	0.0072%		81,277.50	78,843.75
45,600.000	BMC SOFTWARE INC	0.2234%		2,325,755.00	2,462,400.00
6,500.000	BON-TON STORES INC	0.0038%		42,648.45	41,843.75
1,100.000	BOSTON ACOUSTICS INC COM	0.0018%		20,022.09	19,662.50
1,900.000	BOUNDLESS CORP COM NEW	0.0010%		10,488.00	11,162.50
8,150.000	BRAMBLES INDS LTD	0.0195%		219,731.81	214,441.07
135,000.000	BRIGHTPOINT INC COM	0.0743%		1,089,807.08	818,437.50

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164,375.000	BRITISH AMERICAN	0.1403%		1,299,717.63	1,546,068.02
5,800.000	BROWN & SHARPE MFG CO CL A COM	0.0029%		32,741.00	31,537.50
1,800.000	BSB BANCORP INC (DEL)	0.0044%		45,841.50	48,600.00
15,200.000	BUCKEYE TECHNOLOGIES INC	0.0209%		228,630.75	230,850.00
5,500.000	BUILDING MATLS HLDG CORP	0.0057%		66,680.90	63,250.00
33,000.000	BURR BROWN CORP	0.1097%		875,874.95	1,208,625.00
200.000	BUSINESS RESOURCE GROUP	0.0001%		649.76	662.50
135,500.000	CABLE + WIRELESS O	0.1568%		1,459,619.08	1,728,123.00
13,700.000	CABLE DESIGN TECHNOLOGIES CORP	0.0192%		199,934.50	211,493.75
153,350.000	CADBURY SCHWEPPES	0.0881%		916,518.83	970,639.96
1,800.000	CADMUS COMMUNICATIONS CORP	0.0022%		23,622.84	24,750.00
600.000	CAGLES INC CL A	0.0010%		10,836.00	10,762.50
8,200.000	CAMERON ASHLEY BLDG PRODUCTS, INC.	0.0078%		87,026.50	85,587.50
4,300.000	CANNONDALE CORP	0.0044%		39,291.50	48,912.50
92,000.000	CANON INC JPY50	0.2402%		2,033,939.81	2,647,700.96
3,600.000	CARBIDE/GRAPHITE GROUP INC COM	0.0047%		41,620.68	51,525.00
10,000.000	CARENSITE INC	0.0430%		180,000.00	473,750.00
3,900.000	CAREMATRIX CORP	0.0044%		43,626.57	48,506.25
53,300.000	CARNIVAL CORPORATION COM	0.2345%		1,766,572.36	2,585,050.00
5,200.000	CASCADE CORP	0.0066%		71,529.00	72,800.00
70,000.000	CASH AMERICA INTERNATIONAL INC	0.0818%		1,141,162.00	901,250.00
345.840	CASH HELD AT NORTHERN TRUST	0.0000%		345.84	345.84
2,700.000	CASTLE DENTAL CTRS INC	0.0015%		19,234.26	16,875.00
7,700.000	CAVALIER HOMES INC COM	0.0057%		62,716.50	63,043.75
43,500.000	CBRL GROUP INC	0.0683%		1,207,339.50	753,093.75
30,000.000	CDI CORP	0.0927%		1,126,324.40	1,021,875.00
38,700.000	CELLSTAR CORP	0.0277%		289,421.64	304,762.50
18,300.000	CENTRAL GARDEN & PET CO	0.0170%		238,359.94	187,575.00
42,000.000	CERNER CORP COM	0.0799%		1,147,401.70	880,687.50

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3,300.000	CFI PROSERVICES INC	0.0034%		41,114.70	37,125.00
9,100.000	CHARTWELL RE CORP	0.0154%		132,075.75	169,487.50
10,500.000	CHASE INDS INC COM	0.0080%		86,272.50	88,593.75
6,100.000	CHAUS BERNARD INC	0.0016%		17,522.25	17,918.75
4,600.000	CHROMCRAFT REVINGTON INC	0.0060%		72,110.98	66,412.50
36,200.000	CHS ELECTRONICS INC COM NEW	0.0144%		157,884.30	158,375.00
62,000.000	CISCO SYS INC	0.3625%		1,272,549.69	3,995,125.00
25,000.000	CITADEL COMMUNICATIONS CORP	0.0821%		400,000.00	904,687.50
22,100.000	CKE RESTAURANTS INC	0.0326%		291,434.91	359,125.00
7,300.000	CLEVELAND CLIFFS INC COM	0.0214%		272,934.59	236,337.50
12,300.000	CMP GROUP INC	0.0292%		249,813.00	322,106.25
3,300.000	COAST DENTAL SVCS INC	0.0014%		22,374.00	15,468.75
1,400.000	COBRA ELECTRS CORP	0.0005%		5,453.00	5,600.00
24,500.000	COCA COLA CO COM	0.1378%		1,484,840.73	1,519,000.00
53,000.000	COHERENT INC	0.0896%		1,040,607.63	987,125.00
6,300.000	COLE NATL CORP NEW CL A	0.0045%		57,810.69	50,006.25
21,900.000	COLGATE PALMOLIVE COMPANY COMMON	0.1957%		1,896,917.66	2,157,150.00
14,900.000	COMMERCE GROUP INC MASS	0.0330%		336,922.00	363,187.50
32,000.000	COMMERCIAL FEDERAL	0.0673%		1,087,589.49	742,000.00
9,000.000	COMMERCIAL INTERTECH CORP	0.0130%		142,579.15	143,437.50
3,300.000	COMMERCIAL METALS CO COM	0.0085%		87,114.60	94,050.00
1,400.000	COMMUNITY BK SYS INC COM	0.0032%		33,334.00	35,525.00
45,000.000	COMPX INTL INC	0.0730%		1,102,975.62	804,375.00
2,500.000	CONCORD CAMERA CORP	0.0012%		12,770.25	13,125.00
17,000.000	CONCUR TECHNOLOGIES INC	0.0434%		739,500.00	478,125.00
3,700.000	CONGOLEUM CORP NEW CL A	0.0024%		29,211.50	26,593.75
2,800.000	CONSOLIDATED DELIVERY & LOGISTICS INC	0.0009%		13,118.00	9,800.00
14,700.000	CONSOLIDATED FREIGHTWAYS CORP	0.0171%		196,821.85	188,803.13
100.000	COOKER RESTAURANT CORP	0.0001%		568.50	556.25

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1,800,000	CORRPRO COS INC	0.0014%		16,554.24	15,525.00
13,800,000	CORUS BANKSHARES INC	0.0398%		440,764.00	439,012.50
3,100,000	COVENANT TRANS INC CL A	0.0044%		37,592.59	48,825.00
1,500,000	CPAC INC	0.0011%		11,857.50	12,562.50
10,600,000	CREDIT ACCEP CORP MICH	0.0058%		55,758.12	63,600.00
20,000,000	DAIN RAUSCHER CORP	0.0982%		1,107,818.75	1,082,500.00
1,500,000	DATA PROCESSING RES CORP	0.0032%		19,369.35	35,437.50
5,600,000	DAYTON SUPERIOR CORP	0.0094%		98,537.00	103,950.00
1,800,000	DEL GLOBAL TECHNOLOGIES CORP	0.0016%		16,929.00	17,550.00
11,400,000	DEL WEBB CORP	0.0247%		258,666.02	272,175.00
4,800,000	DELPHI FINL GROUP INC CL A	0.0156%		165,737.32	172,200.00
3,000,000	DELTA FINL CORP	0.0017%		18,748.75	19,125.00
1,100,000	DENALI INC	0.0007%		8,684.50	8,250.00
50,600,000	DENTSPLY INTL INC NEW COM	0.1326%		1,222,618.57	1,461,075.00
119,300,000	DEV BK SINGAPORE S	0.1317%		1,163,974.02	1,451,372.32
152,177,000	DIAGEO ORD GBP 28.	0.1451%		1,698,564.81	1,599,165.28
45,300,000	DIEBOLD INC COMMON	0.1182%		1,199,108.78	1,302,375.00
5,100,000	DIXIE GROUP INC CL A	0.0039%		43,653.00	43,270.31
52,687,000	DOLLAR GEN CORP	0.1386%		1,152,731.10	1,527,923.00
3,500,000	DONEGAL GROUP INC	0.0036%		37,743.65	39,812.50
14,200,000	DRESS BARN INC	0.0206%		211,744.60	227,200.00
4,900,000	DREW INDS INC	0.0055%		61,952.17	60,331.25
15,000,000	DRKOOP COM INC	0.0217%		135,000.00	239,062.50
8,000,000	DURA AUTOMOTIVE SYS INC	0.0241%		235,740.00	266,000.00
9,200,000	DVI INCL	0.0143%		140,856.60	157,550.00
800,000	EASTERN CO	0.0013%		14,240.00	14,300.00
47,900,000	ECOLAB INC COM	0.1896%		1,877,638.84	2,089,637.50
1,500,000	EDO CORPORATION COMMON	0.0010%		10,509.75	10,875.00
19,600,000	ELEC DE PORTUGAL P	0.0313%		416,695.42	344,539.62

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29,000.000	ELECTRONIC DATA SYS CORP	0.1490%		1,125,102.86	1,642,125.00
19,000.000	ELI LILLY & CO COM	0.1235%		1,434,351.02	1,360,875.00
35,150.000	ELSEVIER NV ORD	0.0368%		540,014.61	405,884.12
19,300.000	EMERSON ELECTRIC COMPANY	0.1102%		1,200,270.60	1,214,693.75
44,583.000	EMI GROUP ORD GBP0	0.0324%		344,420.96	356,997.50
60,000.000	EMS TECHNOLOGIES INC	0.0789%		780,458.55	870,000.00
9,800.000	ENCORE WIRE CORP	0.0081%		92,475.74	88,812.50
2,400.000	ENGLE HOMES INC	0.0030%		32,830.73	33,000.00
24,700.000	ENHANCE FINL SVCS GROUP INC	0.0443%		484,016.31	487,825.00
115,618.000	ENI ITL1000(REGD)	0.0616%		708,283.51	679,452.37
6,900.000	ENNIS BUSINESS FORMS INC	0.0054%		61,651.50	59,081.25
36,700.000	EQUIFAX INC	0.1188%		1,394,274.72	1,309,731.25
9,300.000	ERICSSON(LM)TEL SE	0.0271%		212,442.86	298,899.58
54,200.000	ETHYL CORPORATION COMMON	0.0295%		272,051.00	325,200.00
2,700.000	EZCORP INC CLA N/V	0.0017%		19,571.76	18,562.50
24,000.000	FANNIE MAE COM STK	0.1486%		1,449,064.80	1,638,000.00
2,000.000	FANSTEEL INC (DEL)	0.0010%		10,078.40	11,000.00
8,400.000	FEDDERS INC COM	0.0050%		50,379.00	55,650.00
1,800.000	FIBERMARK INC COM	0.0022%		24,824.88	23,737.50
7,000.000	FIDELITY NATL FINL INC COM	0.0127%		118,038.50	140,000.00
4,400.000	FINLAY ENTERPRISES INC	0.0053%		55,935.88	58,850.00
4,100.000	FIRST ALLIANCE CO	0.0013%		14,047.83	14,093.75
2,300.000	FIRST CTZNS BANCSHARES INC N C CL A	0.0169%		185,865.99	185,725.00
5,900.000	FIRST REP BK SAN FRANCISCO	0.0155%		157,441.50	170,731.25
4,400.000	FIRSTFID FINANCIAL CORP	0.0077%		83,285.00	84,700.00
13,600.000	FLEETWOOD ENTERPRISES INC COMMON	0.0326%		348,758.40	359,550.00
1,600.000	FLEXSTEEL IND S INC	0.0019%		21,598.08	21,300.00
17,000.000	FPIC INS GROUP INC	0.0748%		795,400.00	824,500.00
13,600.000	FRANKLIN COVEY CO COM	0.0091%		125,453.80	100,300.00

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5,900.000	FRENCH FRAGRANCES INC COM	0.0039%		45,602.66	43,143.75
700.000	FRESH AMER CORP	0.0009%		9,714.74	9,800.00
7,800.000	FRIEDE GOLDMAN INTL INC	0.0098%		113,792.98	107,737.50
1,600.000	FRIEDMAN INDUSTRIES INC	0.0006%		6,696.00	6,700.00
6,200.000	FRIEDMANS INC CL A	0.0049%		53,959.84	53,862.50
8,800.000	FRONTIER INS GROUP INC NEW	0.0123%		131,814.62	135,300.00
3,500.000	FROZEN FOOD EXPRESS INDS COM	0.0024%		24,689.48	26,687.50
43,500.000	FRUIT OF THE LOOM INC CL A (CAYMAN IS)	0.0385%		451,024.09	424,125.00
27,000.000	FUJI PHOTO FILM CO	0.0928%		968,098.24	1,022,659.61
1,200.000	GARAN INC	0.0035%		36,258.48	38,550.00
7,600.000	GARDEN RIDGE CORP COM	0.0033%		43,215.88	36,100.00
8,800.000	GARDNER DENVER INC	0.0129%		151,778.00	141,900.00
2,000.000	GENERAL CHEM GROUP INC	0.0006%		7,745.00	6,250.00
6,000.000	GENERAL CIGAR HLDGS INC	0.0043%		46,335.00	46,875.00
1,000.000	GENERAL EMPLOYMENT ENTERPRISES INC	0.0005%		5,560.00	5,500.00
80,000.000	GENESCO INCORPORATED COMMON	0.1057%		1,089,980.00	1,165,000.00
1,100.000	GENESEE & WYO INC	0.0010%		11,881.43	11,343.75
33,200.000	GILLETTE COMPANY COMMON	0.1235%		896,988.44	1,361,200.00
85,050.000	GLAXO WELLCOME PLC	0.2141%		2,157,542.24	2,359,674.91
2,100.000	GOVERNMENT TECHNOLOGY SVCS INC	0.0008%		9,053.73	8,662.50
108,050.000	GRANADA GROUP GBPO	0.1821%		1,662,250.31	2,007,044.85
6,100.000	GREENBRIER COS INC	0.0058%		61,097.51	64,050.00
13,800.000	GRIFFON CORP	0.0098%		105,506.52	107,812.50
9,600.000	GUILFORD MILLS INC	0.0090%		99,376.00	99,600.00
7,600.000	GULF IS FABRICATION INC	0.0082%		78,993.90	90,725.00
6,500.000	HAMILTON BANCOEP INC FLA	0.0142%		154,351.25	156,000.00
4,200.000	HARDINGE BROS INC	0.0067%		67,457.46	73,762.50
18,900.000	HARLEYSVILLE GROUP	0.0352%		364,978.77	387,450.00
18,800.000	HAWAIIAN AIRLS INC NEW COM	0.0048%		52,716.14	52,875.00

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7,500.000	HEALTHCARE RECOVERIES INC	0.0032%		31,631.25	35,625.00
2,500.000	HEALTHCARE SVC GROUP INC	0.0022%		25,267.56	24,375.00
18,600.000	HERBALIFE INTL INC	0.0185%		210,639.42	203,437.50
3,400.000	HERLEY INDUSTRIES INC	0.0040%		43,664.50	44,412.50
28,500.000	HEWLETT PACKARD COMPANY	0.2599%		1,580,304.85	2,864,250.00
175,600.000	HILTON GROUP GBPO.	0.0632%		730,729.57	696,486.16
37,005.000	HOECHST AG NPV	0.1520%		1,467,001.21	1,674,879.78
1,800.000	HOLLY CORPORATION NEW PAR \$0.01	0.0022%		24,204.80	24,075.00
3,300.000	HOME PRODS INTL INC	0.0025%		30,417.75	28,050.00
22,000.000	HONDA MOTOR CO COM	0.0847%		738,749.71	933,344.36
,500.000	HORIZON HEALTH CORP COM	0.0010%		10,678.22	10,875.00
32,000.000	HORIZON HEALTH CORP COM	0.0210%		636,640.00	232,000.00
11,100.000	HOVNANIAN ENTERPRISES INC	0.0088%		89,786.75	97,125.00
17,200.000	HSBC HOLDINGS PLC	0.0567%		588,075.92	625,204.62
30,000.000	HUGHES SUPPLY INC COM	0.0808%		1,012,245.18	890,625.00
53,000.000	HUME INDS(M)BHD ST	0.0058%		284,667.41	63,887.35
15,200.000	HUNT JB TRANS SVCS INC COM	0.0224%		232,731.76	247,000.00
55,000.000	IMCO RECYCLING INC	0.0855%		1,032,012.65	941,875.00
29,400.000	INACOM CORP	0.0337%		306,495.00	371,175.00
66,675.000	ING GROEP NV CVA N	0.0041%		0.00	45,230.89
66,675.000	ING GROEP NV NLGI	0.3265%		3,305,413.90	3,598,640.16
70,000.000	INSPIRE INS SOLUTIONS INC	0.0921%		1,250,987.45	1,015,000.00
43,500.000	INTEL CORPORATION	0.2348%		1,421,926.60	2,588,250.00
17,200.000	INTERDIGITAL COMMUNICATIONS	0.0070%		76,504.50	77,400.00
56,000.000	INTERFACE INC CL A	0.0438%		1,084,903.60	483,000.00
34,300.000	INTERFACE INC CL A	0.0268%		259,535.35	295,837.50
48,000.000	INTERIM SVCS INC COM	0.0898%		1,277,598.00	990,000.00
9,900.000	INTERMET CORP COM	0.0136%		138,912.80	149,737.50
44,700.000	INTERNATIONAL SPECIALTY PRODS	0.0413%		421,364.55	455,381.25

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23,000.000	INTERPUBLIC GROUP OF COMPANIES INC	0.1808%		1,468,692.60	1,992,375.00
258,263.000	INVENSYSD ORD 25P	0.1109%		916,313.61	1,222,714.80
11,900.000	JAN BELL MARKETING INC	0.0038%		36,884.06	41,650.00
2,500.000	JASON INC	0.0018%		19,262.50	20,000.00
1,600.000	JOS A BANK CLOTHIERS INC	0.0009%		10,098.08	10,200.00
7,100.000	K2 INC	0.0058%		64,929.50	63,456.25
7,700.000	KAMAN CORPORATION CLASS A COMMON	0.0110%		105,655.86	120,793.75
52,000.000	KAO CORP Y50	0.1327%		838,804.61	1,462,123.72
1,900.000	KELLWOOD COMPANY	0.0047%		51,465.49	51,537.50
2,300.000	KEYENCE CORP Y50	0.0366%		354,129.18	402,861.40
68,694.000	KINGFISHER ORD GBP	0.0718%		516,737.21	791,142.44
3,900.000	KITTY HAWK INC	0.0028%		27,764.52	30,712.50
40,960.000	KONINKLIJKE AHOLD	0.0026%	09/01/1999	0.00	28,361.30
30,015.000	KONINKLIJKE KPN NV	0.1277%		954,709.61	1,408,018.81
11,700.000	KOREA TELECOM ADR	0.0425%		322,452.00	468,000.00
2,100.000	LADY LUCK GAMING CORP	0.0009%		9,009.84	9,712.50
9,900.000	LANDAMERICA FINL GROUP INC	0.0258%		281,440.28	284,625.00
2,200.000	LANDSTAR SYS INC	0.0072%		84,766.00	79,406.25
2,900.000	LIFETIME HOAN CORP COM	0.0024%		28,934.02	26,462.50
1,200.000	LINDBERG CORP	0.0012%		12,898.56	13,500.00
30,600.000	LINEAR TECHNOLOGY CORP COM	0.1867%		1,842,497.54	2,057,850.00
1,400.000	LITCHFIELD FINL CORP COM	0.0022%		23,746.18	23,712.50
151,350.000	LLOYDS TSB GROUP O	0.1867%		1,759,373.72	2,057,840.56
50,000.000	LNR PROPERTY	0.0970%		1,252,849.40	1,068,750.00
6,400.000	LODGIAN INC	0.0038%		41,584.00	42,000.00
34,700.000	LOWES COMPANIES INC COM	0.1785%		1,429,924.67	1,967,056.25
4,700.000	M & F WORLDWIDE CORP COM	0.0034%		38,627.68	37,306.25
5,700.000	M / I SCHOTTENSTEIN HOMES INC NEW COM	0.0095%		107,816.25	105,093.75
20,500.000	MAGNETEK INC	0.0196%		213,245.00	216,531.25

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	57,400.000	MAIL-WELL INC COM	0.0843%		902,815.06	929,162.50
	4,300.000	MAIN ST & MAIN INC	0.0013%		14,439.83	14,781.25
	30,896.000	MANNESMANN AG ORD	0.4182%		2,155,724.30	4,609,241.88
	20,600.000	MASCOTECH INC COM	0.0317%		324,546.16	348,912.50
	3,800.000	MAXWELL SHOE INC	0.0031%		28,792.22	34,437.50
	6,200.000	MAXXIM MED INC COM	0.0131%		98,870.78	144,537.50
	42,000.000	MC DONALDS CORPORATION COMMON	0.1567%		1,397,760.00	1,727,250.00
	2,900.000	MCGRATH RENT	0.0053%		54,280.75	58,000.00
	30,000.000	MEDICAL MANAGER CORP	0.1204%		690,451.61	1,327,500.00
	2,200.000	MEDSTONE INTL INC	0.0015%		17,116.00	16,225.00
	26,000.000	MEDTRONIC INC	0.1837%		1,556,997.00	2,024,750.00
	1,800.000	MERCHANTS BANCSHARES VERMONT	0.0037%		41,486.58	40,950.00
	1,500.000	MERCURY AIR GROUP INC	0.0009%		9,836.55	9,937.50
	10,300.000	MERRILL CORP	0.0136%		156,935.59	149,350.00
	20,400.000	MERRILL LYNCH & CO INC	0.1471%		1,675,861.73	1,621,800.00
	24,800.000	METALS USA INC	0.0287%		275,305.00	316,200.00
	1,800.000	METRIKA SYS CORP	0.0014%		16,308.00	15,750.00
	6,000.000	METROWEST BK MASS	0.0038%		35,805.30	42,000.00
	14,930.000	MICHELIN(CGDE) ""	0.0555%		812,087.53	611,557.20
	52,500.000	MICRO WHSE INC	0.0851%		1,032,352.50	938,437.50
	6,500.000	MICRO WHSE INC	0.0105%		106,470.00	116,187.50
	2,100.000	MIDLAND CO	0.0048%		58,758.42	53,287.50
	15,800.000	MILACRON INC	0.0265%		353,782.69	292,300.00
	700.000	MILLER BLDG SYS INC	0.0004%		4,089.75	4,112.50
	7,600.000	MIM CORP	0.0017%		20,390.88	18,525.00
	4,000.000	MMI COS INC	0.0061%		58,144.00	67,500.00
	1,300.000	MOORE MED CORP	0.0012%		13,676.00	13,568.75
	22,000.000	MURATA MFG CO JPY5	0.1314%		1,006,246.47	1,448,230.23
	56,600.000	MYLAN LABS INC	0.1361%		1,349,514.30	1,499,900.00

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5,700.000	NACCO INDS INC CL A	0.0380%		410,926.08	418,950.00
5,700.000	NATIONAL CITY BANCORPORATION	0.0108%		112,621.00	118,987.50
19,267.000	NATIONAL POWER ORD	0.0127%		149,058.51	139,861.42
3,500.000	NATIONAL TECHNICAL SYS INC	0.0013%		14,214.55	14,437.50
1,500.000	NATIONAL WESTN LIFE INS CO CL A	0.0131%		147,382.50	144,375.00
102,050.000	NATL AUSTRALIA BK	0.1531%		1,537,819.11	1,687,981.20
49,300.000	NATL WESTMINSTER O	0.0947%		938,017.98	1,043,913.92
2,500.000	NATURAL ALTERNATIVES INTL INC	0.0008%		8,644.50	8,593.75
7,600.000	NATURES SUNSHINE PRODS INC COM	0.0072%		96,918.52	79,800.00
11,100.000	NEOMAGIC CORP	0.0085%		87,502.14	93,309.38
1,288.000	NESTLE SA SZF10(RE	0.2107%		1,993,092.95	2,322,147.27
34,500.000	NEWELL RUBBERMAID INC	0.1452%		1,726,851.25	1,599,937.50
235,345.000	NEWS CORPORATION N	0.1817%		1,229,883.84	2,002,399.89
33,700.000	NL INDS INC NEW	0.0340%		383,296.07	374,912.50
34,200.000	NORTEL NETWORKS CORP	0.2694%		1,632,402.10	2,968,987.50
700.000	NORTHERN TECHNOLOGIES INTL CORP	0.0005%		4,739.00	4,987.50
8,840,076.130	NORTHERN TRUST QUANTITATIVE	27.0905%		279,720,607.78	298,588,598.54
1,268,569.620	NORTHERN TRUST QUANTITATIVE (NTQA)2000	2.2270%		21,447,032.27	24,545,426.59
4,200.000	NORTHWEST PIPE CO COM	0.0063%		68,638.50	69,825.00
1,468.000	NOVARTIS AG CHF 20	0.1946%		2,358,916.74	2,144,927.91
30.000	NTT MOBILE COMMUNI	0.0369%		223,366.30	406,880.58
120.000	NTT MOBILE COMMUNI	0.1450%		893,465.19	1,597,750.58
5,700.000	NU HORIZONS ELECTRS CORP COM	0.0037%		34,816.17	40,256.25
4,100.000	NYMAGIC INC	0.0058%		57,994.50	64,062.50
10,400.000	OAKWOOD HOMES CORP	0.0124%		128,521.38	136,500.00
5,200.000	OCULAR SCIENCES INC	0.0082%		80,866.76	90,350.00
97,000.000	OFFICE DEPOT INC	0.1942%		1,903,431.95	2,140,062.50
2,400.000	OI CORP	0.0010%		11,408.87	10,500.00
4,100.000	ONTRACK DATA INTL INC	0.0018%		19,726.33	19,731.25

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11,600.000	ORION CAPITAL CORP	0.0378%		340,343.78	416,150.00
2,700.000	OROAMERICA INC	0.0017%		19,487.25	18,900.00
4,300.000	OXFORD INDUSTRIES INC	0.0110%		121,611.75	121,743.75
3,500.000	P A M TRANSN SVCS INC	0.0031%		31,386.25	34,562.50
1,700.000	PACIFIC CREST CAP INC	0.0024%		26,241.71	25,925.00
1,300.000	PARKVALE FINL CORP	0.0026%		27,014.00	28,275.00
1,800.000	PATRICK INDS INC COM	0.0026%		22,891.50	28,125.00
7,000.000	PAUL HARRIS STORES INC	0.0043%		43,744.42	47,687.50
26,270.000	PEARSON ORD 25P	0.0489%		540,675.80	538,876.89
2,700.000	PEDIATRIX MED GROUP COM	0.0052%		52,943.25	57,375.00
4,900.000	PENN TREATY AMERN CORP	0.0107%		123,317.32	117,906.25
1,600.000	PENN VIRGINIA CORP RESTR	0.0029%		31,376.00	31,600.00
1,600.000	PERCON ACQUISITION INC	0.0012%		12,348.00	12,900.00
2,300.000	PERINI CORP	0.0012%		11,474.24	13,081.25
18,500.000	PFIZER INC COM	0.1830%		1,100,292.97	2,016,500.00
0.000	PHARMACIA + UPJOHN	0.0000%		0.00	0.00
25,800.000	PHILLIPS PETROLEUM COMPANY COMMON	0.1178%		1,275,445.14	1,298,062.50
6,600.000	PILLOWTEX CORP	0.0098%		116,333.08	107,662.50
25,000.000	PITNEY BOWES INCORPORATED	0.1457%		1,326,171.16	1,606,250.00
4,400.000	PITTSTON BAX GROUP	0.0038%		42,749.96	41,800.00
26,500.000	POLYCOM INC	0.0938%		747,051.85	1,033,500.00
6,900.000	POWELL INDS INC	0.0058%		68,107.16	63,825.00
35,900.000	PRIME HOSPITALITY CORP COM	0.0391%		403,115.85	430,800.00
1,400.000	PRIMESOURCE CORP	0.0008%		8,617.00	8,575.00
3,600.000	PROFESSIONALS GROUP INC	0.0110%		99,895.68	121,500.00
9,100.000	PROGRESSIVE CORP OHIO	0.1197%		1,285,842.74	1,319,500.00
12,000.000	PROMEDCO MANAGEMENT COMPANY	0.0042%		49,063.43	46,125.00
1,600.000	PROPHET 21 INC	0.0011%		13,314.24	11,600.00
900.000	PROVIDENCE & WORCESTER RR CO	0.0012%		12,618.00	12,712.50

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172,625.000	PRUDENTIAL CORP GB	0.2303%		2,175,605.71	2,538,846.92
5,500.000	PSC INC	0.0049%		53,594.76	53,968.75
26,800.000	PUBLIC SERVICE CO NEW MEXICO COMMON	0.0483%		544,602.90	532,650.00
1,900.000	PULASKI FURNITURE CORP COM	0.0035%		38,472.72	38,712.50
600.000	Q E P INC	0.0004%		4,571.15	4,537.50
3,800.000	QUAKER CHEMICAL CORP	0.0056%		63,726.00	61,750.00
3,600.000	R & B INC	0.0027%		30,558.16	29,700.00
6,000.000	RAILTEX INC COM	0.0076%		83,248.70	83,250.00
20,250.000	RAILTRACK GROUP OR	0.0375%		473,433.04	413,793.35
16,100.000	RAINFOREST CAFE INC	0.0074%		85,941.99	81,506.25
3,000.000	RAVEN INDS INC	0.0044%		47,715.00	48,000.00
1,900.000	RAYTEL MED CORP	0.0008%		9,260.22	8,787.50
26,000.000	RCM TECHNOLOGIES INC	0.0313%		697,169.35	344,500.00
5,600.000	RDO EQUIP CO	0.0048%		53,785.76	52,500.00
7,600.000	RECOTON CORP	0.0063%		75,715.69	69,112.50
1,600.000	REFAC	0.0009%		10,832.00	10,400.00
4,500.000	REMEDYTEMP INC	0.0055%		61,860.07	60,750.00
10,700.000	RESOURCE BANCSHARES MTG GROUP INC	0.0100%		115,449.19	109,675.00
5,100.000	RESPONSE ONCOLOGY INC	0.0014%		15,612.63	14,981.25
3,000.000	RICHARDSON ELECTRS LTD	0.0019%		18,657.24	20,437.50
31,000.000	RICHFOOD HLDGS INC	0.0496%		409,565.24	546,375.00
176.000	ROCHE HLDGS AG GEN	0.1642%		1,867,682.87	1,810,298.66
6,000.000	ROHM CO JPY50	0.0853%		666,691.11	940,291.10
10,200.000	ROLLINS TRUCK LEASING CORP	0.0103%		108,125.78	113,475.00
2,700.000	ROWE COMPANIES (THE)	0.0026%		29,838.51	28,181.25
21,520.000	ROYAL DUTCH PETROL	0.1143%		1,033,691.98	1,260,228.55
9,400.000	RURAL / METRO CORP	0.0082%		74,601.22	90,475.00
16,400.000	RYANS FAMILY STEAK HOUSE	0.0173%		190,670.64	190,650.00
9,700.000	RYLAND GROUP INC	0.0261%		276,163.85	287,968.75

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1,300.000	S & K FAMOUS BRANDS INC COM	0.0011%		12,470.25	12,106.25
16,450.000	SAFEWAY GBP0.25	0.0060%		86,285.62	65,764.34
3,200.000	SANDERSON FARMS INC	0.0041%		41,296.00	45,600.00
2,600.000	SAVOIR TECHNOLOGY GROUP INC	0.0022%		24,737.44	24,375.00
41,500.000	SAWTEK INC	0.1727%		1,093,990.59	1,903,812.50
31,600.000	SBC COMMUNICATIONS INC	0.1663%		1,750,594.48	1,832,800.00
3,000.000	SCAN-OPTICS INC	0.0012%		10,346.32	13,125.00
46,800.000	SCHERING PLOUGH CORP COM	0.2229%		786,009.52	2,457,000.00
34,700.000	SCHLUMBERGER LIMITED COM	0.2005%		1,915,632.50	2,209,956.25
20,700.000	SCHULMAN A INC	0.0323%		356,491.89	355,781.25
6,800.000	SCHWEITZER-MAUDUIT INTL INC	0.0093%		110,284.75	102,000.00
25,000.000	SCI SYS INC	0.1075%		731,713.50	1,184,375.00
2,200.000	SCOTSMAN INDS INC COM	0.0043%		48,669.50	47,437.50
1,200.000	SCPIE HLDGS INC	0.0036%		33,634.56	39,150.00
1,800.000	SEATTLE FILMWORKS INC	0.0005%		5,622.84	5,512.50
18,300.000	SELECTIVE INS GROUP INC	0.0317%		342,542.35	348,843.75
10,300.000	SEROLOGICALS CORP RESTR	0.0076%		82,065.25	83,687.50
37,300.000	SERVICEMASTER CO	0.0635%		830,882.94	699,375.00
302,465.000	SHELL TRNSPT+TRDG	0.2055%		1,906,887.75	2,264,726.46
42,000.000	SHISEIDO CO JPY50	0.0572%		641,479.92	630,069.47
12,500.000	SIERRA HEALTH SVCS INC COM	0.0164%		195,194.10	180,468.75
8,300.000	SILGAN HLDGS INC	0.0150%		162,358.69	164,962.50
79,000.000	SIME DARBY BHD MY	0.0094%		242,169.64	103,545.20
11,800.000	SIMPSON INDUSTRIES INC	0.0110%		119,017.86	120,950.00
45,000.000	SINGAPORE PRESS HO	0.0696%		718,483.38	766,970.32
5,900.000	SKYLINE CORP COM	0.0157%		180,304.00	172,943.75
1,000.000	SMITHWAY MTR XPRESS CORP	0.0009%		9,780.00	10,000.00
500.000	SOFTWARE SPECTRUM INC	0.0007%		7,890.00	8,125.00
25,600.000	SONY CORP JPY50	0.2507%		2,269,629.57	2,762,818.39

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5,400.000	SOS STAFFING SVCS INC	0.0026%		31,275.72	28,350.00
5,200.000	SOUTHERN ENERGY HOMES INC	0.0025%		25,687.51	27,625.00
49,200.000	SOUTHTRUST CORP	0.1713%		1,760,749.50	1,888,050.00
1,000.000	SPECIALTY CATALOG CORP	0.0003%		3,311.30	3,625.00
9,100.000	SPLASH TECHNOLOGY HLDGS INC	0.0058%		72,145.71	63,984.38
1,600.000	STANDARD MGMT CORP	0.0010%		10,038.69	10,500.00
20,300.000	STANDARD PAC CORP NEW COM	0.0239%		270,518.50	263,900.00
5,500.000	STANDEX INTL CORP	0.0137%		145,486.30	150,562.50
4,400.000	STARRET L S CO CL A	0.0107%		121,714.00	118,250.00
4,700.000	STEEL TECHNOLOGY	0.0040%		44,784.75	44,356.25
6,300.000	STEPAN CO	0.0145%		157,059.10	159,862.50
5,000.000	STERLING FINL CORP WASH COM	0.0063%		75,306.50	69,062.50
73,000.000	STEWART ENTERPRISES INC COM CL A	0.0964%		1,633,596.52	1,063,062.50
6,000.000	STEWART INFORMATION SERVICES CORP	0.0115%		107,185.00	126,750.00
900.000	STRATTEC SECURITY CORP	0.0028%		28,264.50	30,375.00
20,100.000	STRAYER ED INC	0.0560%		575,025.27	616,818.75
10,000.000	SUBURBAN LODGES AMER INC	0.0058%		68,244.50	64,375.00
1,800.000	SUMMA INDS	0.0021%		20,079.00	23,287.50
37,000.000	SUN MICROSYSTEMS INC COM	0.2312%		895,142.85	2,548,375.00
110,000.000	SUNGLASS HUT INTL INC COM	0.1715%		1,228,112.45	1,890,625.00
35,000.000	SUPERIOR SVCS INC	0.0847%		1,069,114.90	934,062.50
1,118.000	SWISS REINSURANCE	0.1933%		1,881,314.40	2,130,072.09
52,000.000	SYKES ENTERPRISES INC	0.1575%		1,123,477.50	1,735,500.00
7,300.000	SYMS CORP	0.0054%		58,318.24	59,312.50
8,000.000	SYSTEMAX INC	0.0090%		80,956.00	99,000.00
63,000.000	TAKEDA CHEM INDS J	0.2652%		2,004,631.97	2,922,841.55
1,200.000	TANDY BRANDS ACCESSORIES INC	0.0019%		19,023.50	20,550.00
2,500.000	TB WOODS CORP	0.0024%		29,350.00	26,718.75
13,200.000	TBC CORP COM	0.0085%		92,205.52	93,225.00

THE BANK OF NEW YORK		INVESTMENTS HELD AS OF JUNE 30, 1999			
QUANTITY OR MATURITY VALUE	SECURITY DESCRIPTION	PERCENT	MATURING	TOTAL COST	MARKET VALUE
1,300.000	TECH OPS SEVCON INC	0.0015%		17,053.01	16,087.50
0.000	TELE DANMARK A/S S	0.0000%		0.00	0.00
11,620.000	TELE DANMARK AS SH	0.0518%		581,565.56	570,714.25
51,086.000	TELECOM CORP OF NZ	0.0197%		247,321.87	217,670.52
228,912.000	TELECOM ITALIA SPA	0.2156%		1,637,187.11	2,376,603.55
24,007.000	TELEFONICA DE ESP	0.1049%		1,076,606.04	1,156,129.47
194,720.000	TELSTRA CORP NPV	0.1011%		534,357.13	1,114,796.88
2,700.000	TFC ENTERPRISES INC	0.0006%		6,331.01	6,075.00
88,400.000	TI GROUP ORD 25P	0.0541%		836,351.81	596,093.70
27,850.000	TNT POST GROEP NV	0.0602%		581,266.35	663,278.46
16,800.000	TOLL BROTHERS INC	0.0327%		377,145.04	360,150.00
15,810.000	TOTAL FINA SA FRF	0.1850%		1,683,676.04	2,039,143.98
3,400.000	TOWER AIR INC COM	0.0008%		9,239.50	9,137.50
2,900.000	TRANSPORT CORP OF AMER INC COM	0.0034%		35,593.25	37,337.50
2,700.000	TRANSTECHNOLOGY CORP	0.0048%		54,054.00	53,156.25
7,400.000	TRIUMPH GROUP INC NEW	0.0171%		222,906.50	188,700.00
24,000.000	TYCO INTL LTD COM	0.2063%		1,492,605.14	2,274,000.00
8,100.000	U S HOME CORP NEW COM	0.0261%		278,160.84	287,550.00
6,400.000	U S XPRESS ENTERPRISES INC CL A	0.0062%		61,142.24	68,400.00
7,000.000	U.S. BANCORP PA	0.0100%		108,266.02	110,250.00
6,386.000	UBS AG CHF20(REGD)	0.1730%		2,002,751.46	1,907,250.26
0.000	UBS AG SZF100(BR)	0.0000%		0.00	0.00
2,700.000	UNICO AMERN CORP	0.0025%		28,262.25	27,506.25
12,700.000	UNIFIRST CORP	0.0212%		226,187.00	233,362.50
20,600.000	UNIVERSAL CORP VA	0.0531%		559,215.68	585,812.50
0.000	URALITA ESP 360.0	0.0000%		0.00	0.00
3,000.000	USA TRUCK INC	0.0025%		26,058.90	27,468.75
4,200.000	VDI MEDIA	0.0025%		25,326.00	27,300.00
21,710.000	VEBA AG DEM5	0.1158%		1,252,704.41	1,275,831.71

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2,200.000	VERTEX COMM CORP	0.0027%		31,394.00	30,112.50
3,700.000	VESTCOM INTL INC	0.0012%		14,926.17	12,950.00
1,200.000	VIAG AG DM50	0.0514%		612,026.76	566,637.66
28,500.000	VIVENDI EUR 5.5 RF	0.0000%	07/07/1999	0.00	0.00
37,892.000	VIVENDI ORD //	0.2784%		2,898,172.24	3,068,685.84
0.000	VIVENDI ORD FRF100	0.0000%		0.00	0.00
184,900.000	VODAFONE GROUP GBP	0.3298%		1,848,849.42	3,635,548.96
55,000.000	WACKENHUT CORP COM SER B	0.1198%		1,132,793.25	1,320,000.00
29,300.000	WARNER LAMBERT CO COM	0.1838%		1,352,680.50	2,025,362.50
27,500.000	WEST TELESERVICES CORP	0.0234%		217,387.50	257,812.50
9,900.000	WESTAFF INC	0.0053%		66,503.25	58,162.50
92,627.000	WESTPAC BANKING CO	0.0546%		636,833.74	601,334.85
5,700.000	WILMAR INDS INC COM	0.0067%		62,336.91	74,100.00
6,500.000	WIT CAP GROUP INC	0.0201%		58,500.00	221,000.00
10,300.000	WLR FOODS INC	0.0076%		78,525.14	83,687.50
8,800.000	WOLVERINE TUBE INC	0.0201%		212,078.24	221,100.00
12,700.000	WORLD ACCEP CORP SC NEW	0.0058%		72,100.20	63,896.88
35,000.000	WORLD COLOR PRESS INC DEL COM	0.0873%		1,083,038.00	962,500.00
2,800.000	WORLD FUEL SVCS CORP	0.0037%		37,906.00	41,300.00
19,745.000	WPP GROUP GBP0.10	0.0152%		169,280.11	167,362.41
10,600.000	YELLOW CORP COM	0.0171%		182,440.27	188,150.00
5,600.000	YORK GROUP INC	0.0038%		42,605.36	42,000.00
TOTAL EQUITIES		53.7253%		531,842,182.21	592,154,785.09

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REAL ESTATE					
3,930,000.000	AIRPORT COMMERCE CENTER	0.4205%		5,830,402.11	4,634,998.77
6,121.200	CIGNA COMMINGLED REAL ESTATE	2.1419%		22,173,728.71	23,608,238.28
5,600,000.000	COPPEROOD SQUARE SHOPPING CENT	0.4718%		6,228,204.07	5,199,999.84
55,038.630	DRA GROWTH AND INCOME FUND, II	0.4994%		5,503,863.00	5,503,863.00
15,550,000.000	MANORS AT PROVIDENCE LAKES	1.4086%		15,525,691.50	15,525,690.69
3,200,000.000	MILPITAS WAREHOUSE	0.4264%		3,019,611.55	4,700,000.00
9,000,000.000	PINE GROVE ACQUISITION	0.6805%		10,113,580.68	7,499,999.70
12,939,001.690	PLAZA PASEO REAL CARLSBAD	1.2067%		12,943,434.69	13,299,999.84
3,600,000.000	SADDLEBACK FINANCIAL CENTER	0.3289%		6,383,653.23	3,624,999.84
	TOTAL REAL ESTATE	7.5847%		87,722,169.54	83,597,789.96
	TOTAL INVESTMENTS	100.0001%		1,056,426,413.52	1,102,190,427.79

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INDUSTRY ANALYSIS OF EQUITIES
AS OF JUNE 30, 1999

	<u>MARKET VALUE</u>	<u>% OF PORTFOLIO</u>
BUILDING	5,818,962	0.98%
BUSINESS PRODUCTS & SERVICES	11,423,775	1.93%
CHEMICALS	1,441,925	0.24%
DIVERSIFIED COMPANIES	2,725,188	0.46%
CONTAINERS	164,962	0.03%
HOSPITAL SUPPLIES & MEDICAL SVCS	8,981,744	1.52%
METALS & MINING	2,575,125	0.43%
PULP & PAPER	356,588	0.06%
TEXTILES	294,552	0.05%
TOTAL MATERIALS & SERVICES	33,782,820	5.70%
MACHINERY	1,751,694	0.30%
MISCELLANEOUS CAPITAL GOODS	6,624,325	1.12%
OFFICE EQUIPMENT	3,857,325	0.65%
POLLUTION CONTROL	950,125	0.16%
TOTAL CAPITAL GOODS & SERVICES	13,183,469	2.23%
AUTOS, TIRES & RELATED PRODUCTS	3,563,387	0.60%
CONSUMER APPLIANCES & ELECTRONICS	30,538	0.01%
HOME FURNISHINGS	262,269	0.04%
MISCELLANEOUS CONSUMER DURABLES	187,575	0.03%
TOTAL CONSUMER DURABLE STOCK	4,043,769	0.68%

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INDUSTRY ANALYSIS OF EQUITIES
AS OF JUNE 30, 1999

	<u>MARKET VALUE</u>	<u>% OF PORTFOLIO</u>
APPAREL & SHOES	2,158,344	0.36%
BEVERAGE	1,519,000	0.26%
BROADCASTING & PUBLISHING	2,152,300	0.36%
COSMETIC & RELATED PRODUCTS	5,739,194	0.97%
DRUGS & HEALTH CARE PRODUCTS	9,438,069	1.59%
FOODS	2,691,150	0.45%
LEISURE	3,387,706	0.57%
PHOTOGRAPHIC	330,900	0.06%
MISC. CONSUMER NON-DURABLES	26,463	0.00%
RESTAURANTS, FOOD SERVICE & LODGING	3,667,100	0.62%
RETAILING	11,948,798	2.02%
TOBACCO	632,688	0.11%
TOTAL CONSUMER NON-DURABLE STOCK	43,360,811	7.38%
OIL & COAL	3,810,544	0.64%
OIL SERVICE	23,400	0.00%
TOTAL ENERGY	3,833,944	0.64%
BANKS & OTHER FINANCIAL GROUPS	15,990,172	2.7%
INSURANCE	5,541,200	0.94%
TOTAL FINANCIAL	21,531,372	3.64%

BANK OF NEW YORK

INDUSTRY ANALYSIS OF EQUITIES
AS OF JUNE 30, 1999

	<u>MARKET VALUE</u>	<u>% OF PORTFOLIO</u>
RAILROAD EQUIPMENT	64,050	0.01%
TRANSPORTATION PRODUCTS & SVCS	2,266,453	0.38%
TOTAL TRANSPORTATION STOCKS	2,330,503	0.39%
AEROSPACE & DEFENSE	173,950	0.03%
COMPUTER EQUIPMENT & SOFTWARE	26,548,703	4.48%
ELECTRICAL EQUIPMENT & ELECTRONICS	8,502,847	1.44%
TOTAL TECHNOLOGY	35,335,500	5.95%
UTILITIES - ELECTRIC	580,087	0.09%
UTILITIES - TELECOMMUNICATION	3,816,700	0.63%
TOTAL UTILITIES	4,396,787	0.72%
MISCELLANEOUS	107,388,768	18.12%
COMMINGLED FUNDS - EQUITY	323,124,371	54.55%
TOTAL EQUITY INVESTMENTS	592,212,113	100.00%

INVESTMENT POLICY STATEMENT

The purpose of this Investment Policy Statement (IPS) is to assist the San Jose Federated City Employees' Retirement System's Board ("Board") and its delegate in effectively supervising, monitoring and evaluating the investment of the System's assets. The System's investment program is defined in the various sections of the IPS by:

- * Stating in a written document the Board's attitudes, expectations, objectives and guidelines for the investment of all the System's assets.
- * Setting forth an investment structure for managing all the System's assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.
- * Providing guidelines for the investment System that control the level of overall risk and liquidity assumed in that System, so that all the System's assets are managed in accordance with stated objectives.
- * Encouraging effective communications between the Board, the investment consultant (Consultant) and the money managers.
- * Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the money managers on a quarterly basis, or as deemed appropriate.
- * Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the System's assets.

This IPS has been formulated, based upon consideration by the Board of the financial implications of a wide range of policies, and describes the prudent investment process that the Board deems appropriate.

The objectives of the System have been established in conjunction with a comprehensive review of the current and projected financial requirements. The Board shall:

- (1) Require that the Retirement System be sufficiently funded to assure that all disbursement obligations will be met.
- (2) Attempt to insure that the 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 investment funds consistent with safety in accordance with accepted investment practices and maintain an appropriate asset allocation policy that is compatible with the objectives of the System.

- (4) Control costs of administering the System's assets and managing the investments.

Asset Allocation Policy

The following policy has been identified by the Board 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 System to invest its assets in accordance with the maximum and minimum range, valued at market value, for each asset class as stated below:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Domestic Stocks	37%	42%	47%
Large Cap Equity		32%	
Small Cap Equity		10%	
International Stocks	6%	10%	14%
Domestic Bond	29%	34%	39%
International Bonds	3%	6%	9%
Real Estate	5%	8%	11%

The investment policy is expected to have a high likelihood of meeting the objectives outlined in the "Statement of Investment Objectives" section which preceded this section.

(Procedure 453)

The Investment Policy, including asset allocation, is intended to provide a means for controlling the overall risk of the portfolio while ensuring that investment earnings will be sufficiently high to provide a funding source to offset liabilities in perpetuity. The policy should not unduly constrain the discretionary, tactical decision-making process of the investment managers so that the funds earn the highest total returns while remaining in accordance with accepted investment practices.

The Investment Policy and the asset allocation are generated using certain market assumptions. These assumptions include the expected median return and standard deviation for each asset category and the expected correlation coefficients among the asset classes. When these presumptions change, the policy needs to be modified to compensate for those changes so that the Retirement System remains sufficiently funded to meet all distribution needs.

Time Horizon

The asset allocation ranges established by this investment policy represent the long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside the policy range. These divergences should be of a short term nature. The Administrator will review the asset mix of the Plan on a semi-monthly basis and cause the asset mix to be rebalanced to within the policy range as necessary and in accordance with the rebalancing guidelines set forth in Proce-

cedure 454. Additionally, the Board will review the strategic asset allocation on an annual basis to determine if there is a need to make any changes.

Risk Tolerances and Volatility

The Board recognizes the difficulty of achieving the System's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Board also recognizes that some risk must be assumed to achieve the System's long-term investment objectives.

In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered.

Consistent with the desire for adequate diversification, the Investment Policy is based on the expectation that the volatility (the standard deviation of returns) of the total System will be similar to that of the market. Consequently, it is expected that the volatility of the total System will be reasonably close to the volatility of a commitment weighted composite of market indices.

Rebalancing of Strategic Allocation

(Procedure 454)

The Plan's asset allocation will be reviewed relative to the targets on a semi-monthly basis and action will be taken to re-balance to within the target ranges by means of asset transfers among the categories.

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the System.

General guidelines for re-balancing the portfolio are as follows:

- (1) When the allocation to a particular asset class reaches 95-100% of the maximum or 100-105% of the minimum, the fund will be re-balanced to the target over the following 60 days. The cash surplus within the Fund will be used to rebalance the portfolios. If the cash surplus is not sufficient, the following rebalancing procedures shall be implemented.
- (2) Transfers shall first be taken from asset classes above the maximum range, then from asset classes above the target but below the maximum. If there is only one manager in the asset class, transferred assets shall first consist of cash in the portfolio. If the cash is not sufficient, then the manager will be requested to liquidate that portion of the portfolio which will result in the manager's portfolio coming within the specific target range.
- (3) Transfers shall first be made to asset classes below the minimums, then to asset classes below the targets, unless the managers in those classes are already holding excess cash or they feel it would be imprudent to increase their size.
- (4) Transfers to or from the Domestic Stock asset class should be made such that the asset class

remains style neutral. The portfolio should remain biased towards large capitalization over small capitalization. Transferred assets shall first consist of cash in the portfolios. If the cash is not sufficient, then the managers will be requested to liquidate that portion of the portfolios which will result in the asset class coming within the specific target range and remaining balanced between Growth and Value.

- (5) Since the Domestic Equity Class represents a large part of the Fund, it can be balanced internally through the use of secondary targets established within the class. The table below provides an example of how balances within the class are maintained. To determine whether the target is met for each of these categories, a subtotal is computed for the assets held by each group of managers. The percentage of the total portfolio that each group represents is determined, and compared against the target levels. When the allowable variation is exceeded, the procedures for adjustments between asset classes are then applied within the domestic equities class to meet the secondary target levels.

Asset Allocation Model Secondary Targets Within the Domestic Equity Class

<u>Portfolio Category:</u> <u>Form of Investment</u> <u>Management</u>	<u>As a Percentage</u> <u>of the Domestic</u> <u>Equity Portfolio</u>	<u>As the Equivalent</u> <u>Percentage of the</u> <u>Total Portfolio</u>	<u>Allowable Variation</u> <u>from the Percentage</u> <u>of Total Portfolio</u>
Index Fund	50%	21%	+/- 4.5%
Large Cap Value	18%	7.5%	+/- 1.5%
Large Cap Growth	18%	7.5%	+/- 1.5%
Small Cap Value	7%	3.0%	+/- 0.75%
Small Cap Growth	7%	3.0%	+/- 0.75%

- (6) All transfers should be made in accordance with the cash management policy.

Liquidity

The Board has authorized the Plan administrator to review the projected cash flow needs of the System at least annually and indicate to the investment managers the required liquidity. If necessary, cash flow needs will be coordinated through the System's rebalancing procedures as described in the previous section. If additional funds are required from the System's equity managers, the Administrator will communicate the cash flow requirements giving advanced written notice so the managers have sufficient time to comply.

Diversification

Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, issuers, or industries.

Specifically, no single investment shall exceed the guidelines established under the Manager and Securities Guidelines section.

As a general rule, System assets placed with an investment manager will not represent more than 10% of

that manager's assets.

Supervision

The Investment Manager shall continually supervise the investment securities in the Fund, and shall purchase, sell, substitute, redeem, or convert securities as they should deem advisable.

(This section is currently under consideration and is subject to change.)

Brokerage Policy

All transactions effected for the System will be "subject to the best price and execution." The lowest commission rate need not mean the best realized price. Execution capability, price and overall effectiveness shall be considered, along with commission rate.

Any manager who is engaged in or has a direct pecuniary interest in a business other than investment counseling, such as a broker or dealer in securities shall not be permitted to use such business with regard to the System assets without prior written approval by the Board.

If a manager utilizes brokerage from the plan assets to effect "soft dollar" transactions, detailed records will be kept and communicated to the Board.

The Plan's investment managers shall follow the direction of the Board. It is the policy of the Board to instruct the investment managers to direct transaction orders to particular broker-dealers, including equity, fixed income, both domestic and international. The instructions from the Board currently is for the investment managers to direct as much as possible of the Plan's commission business as is practicable, subject to the best price and execution. The instruction and direction is to be construed within the normal activity of the investment manager, with no increased or decreased trading activity to occur because of the instruction. Where given discretion to establish and execute transactions through accounts with one or more broker-dealer firms as it may select, the manager must attempt to obtain "best available price and most favorable execution" with respect to all of the portfolio transactions.

Soft Dollars accumulated through the System's brokerage program may be used to pay for any System expense permitted under the regulations of the Department of Labor (including, but not limited to, legal, accounting, education, management, etc.) and approved by the Board.

Performance Objectives

Investment performance will be measured quarterly but it is not expected that the performance goals identified below will be satisfied in any single quarter or year. It is expected that these goals will be satisfied over a rolling five-year period or a full market cycle. However, action by the Board with regard to retention or dismissal of investment managers is not precluded by virtue of these time periods.

Total Fund Investments

The total fund's performance, in aggregate, will be expected to achieve a rate of return which exceeds a

fund benchmark representative of the Asset Allocation objectives as follows:

Standard & Poor's 500	32%
Morgan Stanley Capital International EAFE	10%
Lehman Aggregate Bond Index	34%
Salomon Brother World Govt. Non-Dollar Bond Index	6%
Callan Real Estate Composite Index	8%

(Procedure 452)

Specific guidelines and benchmarks are established below for each category of managers. Generally, however, investment managers are expected to perform within the top half of an appropriate database, rank in the top half of a database of similarly styled managers, and earn an average return which exceeds an appropriate index over rolling five year periods.

Managers are considered to have achieved this objective if their performance meets all guidelines on a cumulative five year annualized period. If the performance is longer than five years, the manager is expected to satisfy the performance objectives in a majority of the rolling five year periods.

Investment managers with less than five years of experience with the Fund are considered to have achieved performance objectives if their performance meets guidelines in the majority of the annualized time periods since inception. Their performance in any period should not be below the 62nd percentile.

If managers with less than five years experience with the Fund fail to meet any investment objectives, the following should be applied:

- * If a manager fails to meet investment objectives for one or two consecutive quarters, this may not be a cause for concern.
- * If a manager fails to meet investment objectives for three consecutive quarters, they merit probationary status.
- * If a manager fails to meet investment objectives for four consecutive quarters, they should be critically reviewed by the Board and considered for termination. The Board may grant the manager an extended probation after officially recognizing the substandard performance.

Fixed-Income Investments

The objectives for investment managers of the domestic fixed-income component of the total portfolio are:

- (1) Earn an average annual return from income and capital appreciation which exceeds the Lehman Aggregate Bond Index over a rolling five year time period net of fees. If the performance history extends beyond five years, the manager will be required to exceed the index over a majority of the rolling five year periods.
- (2) Achieve performance results that will rank in the top half of a broad fixed-income manager data base.

- (3) Achieve performance results which will rank in the top half of investment managers which utilize a similar investment style.

Domestic Equity Investments

The objectives for investment managers of the domestic equity component of the total portfolio are :

- (1) Achieve returns which exceed an appropriate index, (i.e. S&P 500, NASDAQ, etc.) over a rolling five year time period net of fees. If the performance history extends beyond five years, the manager will be required to exceed the index over a majority of the rolling five year periods.
- (2) Achieve returns that will rank in the top half of a broad database of domestic equity managers.
- (3) Achieve performance results which will rank in the top half of investment managers which utilize a similar investment style.

Passive Equity Investment

The objective for investment managers of the passive domestic equity component of the total portfolio is to achieve returns equal to the appropriate index with minimal tracking error.

International Equity Investments

The objectives for investment managers of the international equity component of the total portfolio are:

- (1) Achieve returns which exceed that of the Morgan Stanley Capital International Europe, Australia, Far East Index over a rolling five year time period net of fees. If the performance history extends beyond five years, the manager will be required to exceed the index over a majority of the rolling five year periods.
- (2) Achieve returns that rank in the top half of a broad international equity manager database.
- (3) Achieve performance results in the top half of investment managers which utilize a similar style of investment.

International Fixed-Income Investments

The objective for the investment managers of the international fixed-income component of the total portfolio are :

- (1) Achieve rates of return which exceed the Salomon Brothers World Government Non-Dollar Bond Index over a rolling five year time period net of fees. If the performance history extends beyond five years, the manager will be required to exceed the index over a majority of the rolling five year periods.
- (2) Achieve performance results that will rank in the top half of a broad international fixed-income manager database.

- (3) Achieve returns that will rank in the top half of investment managers which utilize a similar investment style.

Real Estate Investments

- (1) Achieve returns which exceed an appropriate index , (i.e. NCRIF) net of fees over a market cycle
- (2) The real estate manager(s) will be expected to achieve returns that rank in the upper half of a broad universe of real estate funds.

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NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

ONE WALL STREET, NEW YORK, N. Y. 10286

October 14, 1999

Mr. Ed Overton
Retirement Administrator
Federated City Employees' Retirement System of San Jose
777 N. First Street
San Jose, California 95110

Dear Mr. Overton:

The fiscal year ending June 30, 1999 proved volatile for the capital markets. Nevertheless, the total return of the Federated City Employees' Retirement System of San Jose was 10.57%, in excess of the actuarial assumed rate of 8.00%.

As of the beginning of the fiscal year, the U. S. equity market had experienced several years of extraordinary increases. A frequent theme in stock market commentaries was the vulnerability of the market, since by many measures it had become relatively expensive. As it turned out, the forces that contributed to a sharp decline in the stock market during the summer of 1998 were not widely anticipated: financial turmoil in Southeast Asia, defaults of Russian bonds, and a crisis-driven bailout of a major hedge fund. In response, the Federal Reserve initiated a series of cuts in the discount rate to help calm the markets. These moves were successful. As market participants realized that the U. S. economy was basically in sound shape and would likely continue to expand, the stock market experienced a strong recovery during the fourth quarter of 1998 that continued into the first half of 1999. The total return of the S&P 500 was 22.74% during the fiscal year ending June 30.

The backdrop for these stock market gyrations has been continued strong economic growth in the United States with very little inflation. Real GDP rose 3.9% during the twelve-month period ending June 30, 1999, while the consumer price index rose 2.0%. The unemployment rate was a relatively low 4.3% as of June 1999. As bond market participants registered concerns that continued strong economic growth with a low unemployment rate could create inflationary pressures, bond prices fell and interest rates rose during the first half of 1999. As a result, the total return of the Lehman Brothers Aggregate Bond Index was only 3.13% during the fiscal year.

The San Jose Federated City Employees' Retirement System Board has adopted an Investment Policy, including asset allocation, that recognizes the need to control risk while providing a funding source for liabilities in perpetuity. As a result, the asset allocation must allow the plan to withstand many types of market environments. During the fiscal year, the Board increased its allocation to equities in recognition of the long-term benefits of equity exposure for

THE BANK OF NEW YORK

the System. Nevertheless, the allocation to equities is still relatively conservative compared to many other plans. Despite this conservative posture, the plan's total return of 10.57% ranked only slightly below median compared to all master trust plans in the Trust Universe Comparison Service (TUCS). (TUCS is a service supported by a group of major master trust/custody banks, including The Bank of New York, to allow peer group comparisons of participating plans.) At the same time, by one measure of risk, the standard deviation of total returns over a period of several years, the System has one of the most favorable rankings in the TUCS universe.

The percent of assets managed by equity managers was 45.6% at the beginning of the fiscal year and 54.3% at the end of the fiscal year. Within this group, index fund assets comprised the largest share for any manager. These index fund assets contributed favorably to the total return of the plan, as many active domestic equity managers throughout the country had difficulty beating their benchmarks. For most of the fiscal year, the best performance was provided by companies with very large market capitalizations and growth-oriented characteristics. The other domestic equity managers for the System were appointed relatively recently. These managers utilize disciplines to control risk, but which tended to keep them from purchasing some of the "hot" technology stocks. As a result, their relatively conservative stance, which may prove helpful in a market correction, hurt their peer group comparisons somewhat during the fiscal year. Nevertheless, the combined effect for the System was a total return for the U.S. equity composite of 16.64%, slightly above the median return.

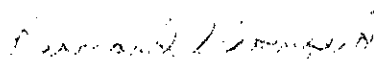
The value-oriented approach utilized by the manager of international equities led to very slight outperformance of its benchmark and a peer group ranking just above the median.

The domestic fixed income portfolio had a total return slightly below its benchmark but right at the median return. The international fixed income portfolio was slightly above the benchmark return, with a favorable second quartile peer group ranking.

The real estate portfolio benefited from a favorable environment for real estate, with a total return well above longer-run returns.

The concerns about the stock market that were present at the beginning of the last fiscal year – relatively expensive valuations and persistent fears that inflationary pressures may yet emerge – will also likely be present in the current fiscal year. The run-up in equity prices, particularly large cap growth stocks, has been so intense during that last several years that it seems unlikely that this performance can be repeated. Moreover, the bulging U.S. trade deficit may become an increasingly prominent concern. Nevertheless, the current economic expansion in the United States has demonstrated remarkable staying power, and the economy remains well positioned for continued growth. The System has adopted a relatively conservative stance with its asset allocation that should serve it well in the years ahead.

Yours truly,


Bernard Schoenfeld
Vice President

Audited Financials



**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Financial Statements
with Supplementary Information

June 30, 1999 and 1998

(With Independent Auditors' Report Thereon)

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

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500 E. Middlefield Road
Mountain View, CA 94043

Independent Auditors' Report

The Board of Administration
City of San Jose Federated City Employees'
Retirement System:

We have audited the financial statements of the City of San Jose Federated City Employees' Retirement System (the System) 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 System'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 Federated City Employees' Retirement System's net assets as of June 30, 1999 and 1998, and the 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
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

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	\$ 462	374
Employer contributions	1,561	1,355
Brokers and others	7,436	514
Accrued investment income	6,513	6,111
Total receivables	<u>15,972</u>	<u>8,354</u>
Investments, at fair value (Note 3):		
Securities and other	873,784	754,498
Real estate	77,194	70,816
Loaned securities for cash and noncash collateral	82,178	110,275
Securities lending collateral	72,331	96,782
Total investments	<u>1,105,487</u>	<u>1,032,371</u>
Total assets	<u>1,121,459</u>	<u>1,040,725</u>
Liabilities:		
Payable to brokers	9,290	567
Securities lending collateral, due to borrowers (Note 3)	72,331	96,782
Other liabilities	1,870	1,629
Total liabilities	<u>83,491</u>	<u>98,978</u>
Plan net assets held in trust for pension benefits (a schedule of funding progress is presented on Schedule 5)	\$ <u>1,037,968</u>	<u>941,747</u>

See accompanying notes to financial statements.

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Statements of Postemployment Healthcare Plan Net Assets

June 30, 1999 and 1998

(In thousands)

	<u>1999</u>	<u>1998</u>
Assets:		
Receivables:		
Employee contributions	\$ 101	82
Employer contributions	116	101
Brokers and others	503	33
Accrued investment income	442	419
Total receivables	<u>1,162</u>	<u>635</u>
Investments, at fair value (Note 3):		
Securities and other	59,302	51,748
Real estate	5,239	4,857
Loaned securities for cash and noncash collateral	5,577	7,563
Securities lending collateral	4,906	6,637
Total investments	<u>75,024</u>	<u>70,805</u>
Total assets	<u>76,186</u>	<u>71,440</u>
Liabilities:		
Payable to brokers	630	39
Securities lending collateral, due to borrowers (Note 3)	4,906	6,637
Other liabilities	135	79
Total liabilities	<u>5,671</u>	<u>6,755</u>
Plan net assets held in trust for postemployment healthcare benefits	<u>\$ 70,515</u>	<u>64,685</u>

See accompanying notes to financial statements.

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Statements of Changes in Defined Benefit Pension Plan Net Assets

Years ended June 30, 1999 and 1998

(In thousands)

	<u>1999</u>	<u>1998</u>
Additions:		
Contributions (Note 4):		
Employer	\$ 30,139	30,367
Employees	8,812	9,078
Total contributions	<u>38,951</u>	<u>39,445</u>
Investment income:		
Interest income	27,637	26,245
Dividend income	6,056	7,858
Net appreciation in fair value of investments	55,829	93,964
Net rental income	6,434	4,423
Less investment expenses	(2,465)	(2,076)
Net investment income	<u>93,491</u>	<u>130,414</u>
Total additions	<u>132,442</u>	<u>169,859</u>
Deductions:		
Retirement benefits	34,846	32,035
Death benefits	47	84
Refund of contributions	646	1,980
Administrative expenses and other	682	782
Total deductions	<u>36,221</u>	<u>34,881</u>
Net increase	96,221	134,978
Plan net assets held in trust for pension benefits:		
Beginning of year	<u>941,747</u>	<u>806,769</u>
End of year	<u>\$ 1,037,968</u>	<u>941,747</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM
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	\$ 2,248	2,326
Employees	1,921	2,051
Total contributions	<u>4,169</u>	<u>4,377</u>
Investment income:		
Interest income	1,887	1,805
Dividend income	413	541
Net appreciation in fair value of investments	3,846	8,009
Net rental income	440	303
Less investment expenses	(170)	(144)
Net investment income	<u>6,416</u>	<u>10,514</u>
Total additions	<u>10,585</u>	<u>14,891</u>
Deductions:		
Health insurance premiums	4,711	4,161
Administrative expenses and other	44	59
Total deductions	<u>4,755</u>	<u>4,220</u>
Net increase	5,830	10,671
Plan net assets held in trust for postemployment healthcare benefits:		
Beginning of year	<u>64,685</u>	<u>54,014</u>
End of year	<u>\$ 70,515</u>	<u>64,685</u>

See accompanying notes to financial statements.

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

June 30, 1999 and 1998

(1) Description of the System

The following description of the City of San Jose Federated City Employees' Retirement System (the System) 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 System, consisting of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan, was established in 1941 and last amended December 9, 1994, to provide retirement benefits for certain employees of the City of San Jose (the City). The System 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 System is administered by the Retirement Administrator, an employee of the City, under the direction of the Federated City Employees' Retirement System Board of Administration (the Board of Administration). The contribution and benefit provisions and all other requirements are established by City ordinance. The System is responsible for all direct administrative costs except for certain support services, which are provided by the City.

All full-time and eligible part-time employees of the City, except employees who are members of the City's Police and Fire Department Retirement Plan, are required to be members of the System. Total payroll, except for Police and Fire employees, amounted to approximately \$206,214,000 and \$193,472,000 for 1999 and 1998, respectively. Covered payroll amounted to approximately \$196,178,000 and \$182,842,000 for 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 System was as follows:

	<u>1999</u>	<u>1998</u>
Defined Benefit Pension Plan:		
Retirees and beneficiaries currently receiving benefits	1,797	1,729
Terminated vested members not yet receiving benefits	100	270
Active members	3,934	3,711
Total	<u>5,831</u>	<u>5,710</u>
Postemployment Healthcare Plan:		
Retirees and beneficiaries currently receiving benefits	1,349	1,273
Terminated vested members not yet receiving benefits	36	241
Active members	3,874	3,634
Total	<u>5,259</u>	<u>5,148</u>

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

(Continued)

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

June 30, 1999 and 1998

(b) Pension Benefits

An employee with 5 or more years of service who reaches the normal retirement age of 55, or an employee of any age with 30 years of service, is entitled to annual pension benefits equal to 2-1/2% of final average annual salary for each year of service up to a maximum benefit of 75% of final compensation. Final compensation is the average annual salary during the highest 3 years of consecutive service. 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 five 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 earnings thereon is refunded. Refunds are paid out on a lump-sum basis. The forfeited amount of the City's contributions remains in the System.

(c) Death Benefits

If an employee's death before retirement is service related, or is nonservice related and the employee has at least 5 years of service, a surviving spouse is paid an annual annuity benefit equal to 2-1/2% of final compensation multiplied by the number of years of service (minimum of 40% and maximum of 75% of final compensation). If there is no surviving spouse, unmarried children up to 18 years of age, or up to 22 years of age if a full-time student, are entitled to a benefit payment based on the spousal benefit such that no one child shall receive more than 25% of the spousal benefit and the sum for all eligible children shall not exceed 75% of the spousal benefit. If no family members are eligible, the employee's contributions plus one month's salary for each year of service up to a maximum of 6 years of service are returned to the employee's beneficiary or estate.

If an employee dies after retirement, \$500 is paid to the employee's beneficiary or estate. In addition, the employee's surviving spouse continues to receive, for life, 50% of the employee's annual pension benefit as defined above. If there is no surviving spouse, 25% of the spouse's benefit payment is made to each eligible child as defined above, but the maximum benefit to children cannot exceed 75% of the benefit that would have been paid to a surviving spouse.

(d) Disability Benefits

If an employee suffers a service related disability before retirement, the employee may retire regardless of length of service. The annual disability benefit paid for a service related disability is 2-1/2% of final compensation multiplied by the number of years of service. The maximum benefit is 75% and the minimum benefit is 40% of final compensation. The benefit is offset by workers' compensation benefits.

If an employee with at least 5 years of service suffers a nonservice related disability, the annual disability benefit is equal to the greater of: (1) 2-1/2% of final compensation multiplied by the number of years of service, up to a maximum of 30 years; or (2) 40% of final compensation. The benefit is reduced by 1/2% of final compensation for each year an employee's age is under 55.

(Continued)

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

June 30, 1999 and 1998

(e) *Postemployment Healthcare Benefits*

The City of San Jose Municipal Code provides that retired employees with 15 or more years of service, their survivors, or those retired employees who are receiving at least 37.5% of final compensation are entitled to payment of 100% of the lowest priced medical insurance plan available to an active federated City employee. Members and eligible survivors must pay for the difference between the amount of the premium for their selected plan and the portion paid by the System. However, the System pays the entire premium cost for dental insurance coverage.

(f) *System Termination*

In the event the System 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 System 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 revenues and expenses 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
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

June 30, 1999 and 1998

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

The System 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 \$1,108,483,000 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	1998
Employee contributions	\$ 154,771	42,116	196,887	182,663
Employer contributions	204,695	111,486	316,181	277,807
Retired employees' annuity	167,170	2,136	169,306	172,441
Benefits payable	191,739	—	191,739	136,379
Supplemental retiree benefits	15,052	—	15,052	9,330
Contingency reserve	94,717	—	94,717	67,333
Unrealized gains on investments held	30,026	14,600	44,626	106,118
General reserve	—	79,975	79,975	54,361
Total	\$ <u>858,170</u>	<u>250,313</u>	<u>1,108,483</u>	<u>1,006,432</u>

(d) Interest Crediting/Allocation of the Contingency Reserve and General Reserve Accounts

Realized earnings on investments and gains and losses on the sale of investments are recorded in the contingency reserve category of fund balance for the Retirement Fund and in the general reserve category of fund balance for the Cost-of-Living Fund.

Except for the contingency reserve and general reserve accounts, interest is credited to the other reserve accounts of both the Retirement and Cost-of-Living funds based on the average balances of the accounts multiplied by the crediting rate established by the Retirement Board, which was 7.25% during fiscal 1999 and 1998. For the Retirement Fund, interest is allocated from the contingency reserve category of fund balance and is credited to the following fund balance categories: employee contributions, employer contributions, retired employees' annuity, benefits payable, and supplemental retiree benefits. For the Cost-of-Living Fund, interest is allocated from the general reserve account and is credited to the following fund balance categories: employee contributions, employer contributions, and the retired employees' annuity.

(Continued)

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

June 30, 1999 and 1998

(e) Transfers of "Excess Earnings"

Within 90 days of completion of the annual audit of the System's financial statements, any excess earnings as defined by the San Jose Municipal Code remaining in the contingency reserve category of fund balance are to be transferred 90% to the benefit payable and 10% to the supplemental retiree benefits categories of fund balance. As of June 30, 1999, approximately \$63,536,000 and \$7,060,000 were due to be transferred to the fund balance categories of benefits payable and supplemental retiree benefits, respectively.

(3) Investments

The System'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 System at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a qualified financial institution's trust department or agent, in the System's name, where the financial institution acts as the System'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 qualified financial institution's trust department or agent, but not in the System's name. There were no investments in Category 2 as of June 30, 1999.

(Continued)

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

June 30, 1999 and 1998

The categorization of the System'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	\$ —	4,792	4,792
U.S. Treasury bonds and notes:			
Not on securities loan	611	—	611
Loaned securities for noncash collateral	15,159	—	15,159
U.S. government sponsored agencies	120,059	—	120,059
Foreign government bonds	42,365	—	42,365
Domestic corporate bonds:			
Not on securities loan	141,982	—	141,982
Loaned securities for noncash collateral	964	—	964
Foreign corporate bonds	15,678	—	15,678
Domestic equity securities	156,995	—	156,995
Foreign equity securities	97,638	—	97,638
Equity commingled funds	—	323,134	323,134
Collective short-term investment fund	—	29,832	29,832
Total investments	\$ <u>591,451</u>	<u>357,758</u>	949,209
Real estate investments			82,433
Loaned securities for cash collateral			71,632
Securities lending collateral			77,237
Total investments, at fair value		\$ <u>1,180,511</u>	

(Continued)

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

June 30, 1999 and 1998

Of the System'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	\$ 1,105,487
Postemployment Healthcare Plan	<u>75,024</u>
	<u>\$ 1,180,511</u>

The collective short-term investment fund is used for overnight investment of all excess cash in the System's funds. It is invested by the System Custodian, and held in the System 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 System Custodian authorizes such custodian to loan securities in the System's investment portfolio under such terms and conditions as the System Custodian deems advisable and to permit the loaned securities to be transferred into the name of the borrowers. The System receives a fee from the borrower for the use of the loaned securities. If the loaned securities are not returned by the borrower, the System 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 System Custodian is required to credit the System'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 System or borrowers.

The loaned securities as of June 30, 1999, consisted of U.S. Treasury bonds and notes, foreign government bonds, domestic corporate bonds, and domestic equity securities. In return, the System receives collateral in the form of cash or securities at 102% to 107% 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 System'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 System may pledge or sell without a borrower default.

(Continued)

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

June 30, 1999 and 1998

As of June 30, 1999, the underlying securities loaned by the System as a whole amounted to approximately \$87,755,000. The cash collateral and the noncash collateral as a whole totaled \$77,237,000 and \$16,625,000, respectively. The System 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; an apartment complex in Florida; and an interest in a real estate fund managed by a third party. The properties located in California are jointly owned with the City's other retirement fund. The properties have leases with various terms.

(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 15 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 Board of Administration. For the period from July 1, 1997 through January 10, 1998, pursuant to the requirements of the June 30, 1995 actuarial valuation, the City contributed 16.69% and 2.53% of annual covered payroll for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively, and the participating employees were required to contribute 4.60% and 2.10%, respectively, of their annual covered payroll. For the period from January 11, 1998 through June 30, 1999, pursuant to the requirements of the June 30, 1997 actuarial valuation, the City contributed 15.37% and 1.15% of annual covered payroll for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively, and participating employees were required to contribute 4.36% and 0.95%, respectively, of their annual covered payroll. Contributions to the Defined Benefit Pension Plan and the Postemployment Healthcare Plan by the City and the participating employees totaled \$38,951,000 and \$4,169,000, respectively, for 1999 and \$39,445,000 and \$4,377,000, 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
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

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	\$ 341	121	462
Employer contributions	1,196	365	1,561
Brokers and others	5,621	1,815	7,436
Accrued investment income	4,941	1,572	6,513
Total receivables	<u>12,099</u>	<u>3,873</u>	<u>15,972</u>
Investments, at fair value:			
Securities and other	663,245	210,539	873,784
Real estate	58,594	18,600	77,194
Loaned securities for cash and noncash collateral	62,377	19,801	82,178
Securities lending collateral	54,868	17,463	72,331
Total investments	<u>839,084</u>	<u>266,403</u>	<u>1,105,487</u>
Total assets	<u>851,183</u>	<u>270,276</u>	<u>1,121,459</u>
Liabilities:			
Payable to brokers	7,047	2,243	9,290
Securities lending collateral, due to borrowers	54,868	17,463	72,331
Other liabilities	1,613	257	1,870
Total liabilities	<u>63,528</u>	<u>19,963</u>	<u>83,491</u>
Plan net assets held in trust for pension benefits	\$ <u>787,655</u>	<u>250,313</u>	<u>1,037,968</u>

See accompanying independent auditors' report.

Schedule 2

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

Combining Schedule of Postemployment Healthcare 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	\$ 101	—	101
Employer contributions	116	—	116
Brokers and others	503	—	503
Accrued investment income	442	—	442
Total receivables	<u>1,162</u>	<u>—</u>	<u>1,162</u>
Investments, at fair value:			
Securities and other	59,302	—	59,302
Real estate	5,239	—	5,239
Loaned securities for cash and noncash collateral	5,577	—	5,577
Securities lending collateral	4,906	—	4,906
Total investments	<u>75,024</u>	<u>—</u>	<u>75,024</u>
Total assets	<u>76,186</u>	<u>—</u>	<u>76,186</u>
Liabilities:			
Payable to brokers	630	—	630
Securities lending collateral, due to borrowers	4,906	—	4,906
Other liabilities	135	—	135
Total liabilities	<u>5,671</u>	<u>—</u>	<u>5,671</u>
Plan net assets held in trust for postemployment healthcare benefits	\$ <u>70,515</u>	<u>—</u>	<u>70,515</u>

See accompanying independent auditors' report.

Schedule 3

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

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	\$ 23,101	7,038	30,139
Employees	6,511	2,301	8,812
Total contributions	<u>29,612</u>	<u>9,339</u>	<u>38,951</u>
Investments income:			
Interest income	20,973	6,664	27,637
Dividend income	4,596	1,460	6,056
Net appreciation in fair value of investments	42,755	13,074	55,829
Net rental income	4,897	1,537	6,434
Less investment expenses	<u>(1,893)</u>	<u>(572)</u>	<u>(2,465)</u>
Net investment income	<u>71,328</u>	<u>22,163</u>	<u>93,491</u>
Total additions	<u>100,940</u>	<u>31,502</u>	<u>132,442</u>
Deductions:			
Retirement benefits	27,533	7,313	34,846
Death benefits	47	—	47
Refund of contributions	515	131	646
Administrative expenses and other	<u>494</u>	<u>188</u>	<u>682</u>
Total deductions	<u>28,589</u>	<u>7,632</u>	<u>36,221</u>
Net increase	<u>72,351</u>	<u>23,870</u>	<u>96,221</u>
Plan net assets held in trust for pension benefits:			
Beginning of year	<u>715,305</u>	<u>226,442</u>	<u>941,747</u>
End of year	\$ <u>787,656</u>	<u>250,312</u>	<u>1,037,968</u>

See accompanying independent auditors' report.

Schedule 4

CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

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	\$ 2,248	—	2,248
Employees	1,921	—	1,921
Total contributions	<u>4,169</u>	<u>—</u>	<u>4,169</u>
Investments income:			
Interest income	1,887	—	1,887
Dividend income	413	—	413
Net appreciation in fair value of investments	3,846	—	3,846
Net rental income	440	—	440
Less investment expenses	(170)	—	(170)
Net investment income	<u>6,416</u>	<u>—</u>	<u>6,416</u>
Total additions	<u>10,585</u>	<u>—</u>	<u>10,585</u>
Deductions:			
Healthcare insurance premiums	4,711	—	4,711
Administrative expenses and other	44	—	44
Total deductions	<u>4,755</u>	<u>—</u>	<u>4,755</u>
Net increase	5,830	—	5,830
Plan net assets held in trust for postemployment healthcare benefits:			
Beginning of year	<u>64,685</u>	<u>—</u>	<u>64,685</u>
End of year	<u>\$ 70,515</u>	<u>—</u>	<u>70,515</u>

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 5

CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM
 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 ^(a)	Actuarial accrued liability (AAL)	Unfunded AAL	Funded ratio	Annual covered payroll	Unfunded AAL as a % of annual covered payroll
June 30, 1993	\$ 489,865	583,119	93,254	84%	\$ 145,781	64%
June 30, 1994 ^(a)	527,984	620,984	93,000	85%	149,850	62%
June 30, 1995	566,102	658,175	92,073	86%	153,918	60%
June 30, 1996 ^(b)	622,528	696,974	74,446	89%	165,101	45%
June 30, 1997	678,954	735,772	56,818	92%	176,284	32%
June 30, 1998 ^(c)	742,944	789,936	46,992	94%	185,098	25%

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

(a) Average of the June 30, 1993 and June 30, 1995 results.

(b) Average of the June 30, 1995 and June 30, 1997 results.

(c) Results "roll forward" from the June 30, 1997, actuarial valuation results, assuming all actuarial assumptions are met.

(d) Reported at "smoothed market" value determined using a technique that smooths the effect of short-term volatility in the market value of investments over a five-year period.

Schedule 6

**CITY OF SAN JOSE
FEDERATED CITY EMPLOYEE'S RETIREMENT SYSTEM**

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	21 years
Actuarial asset valuation method	5 year smoothed market
Actuarial assumptions: Assumed rate of return on investments	8.25% per annum
Postretirement morality	The 1983 Group Annuity Mortality table for males is used for male members. The 1983 Group Annuity Mortality table for females, with a one year set forward, is used for female members.
Active service, withdrawal, death, disability service retirement	Tables based on current experience
Salary increases	In general, merit and longevity increases plus assumed general wage increase of 4.5% per year
Cost-of-living adjustments	3.0% per year

Schedule 7

CITY OF SAN JOSE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM
 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 contribution	Percentage contributed
1992	\$	19,299	100%
1993		19,689	100
1994		18,922	100
1995		22,546	100
1996		23,756	100
1997 ^(a)		29,455	92
1998		30,367	100
1999		30,139	100

- (a) The difference between the annual required employer contribution and the actual contribution for the fiscal year ended June 30, 1997, was due to the System's selection of a lower contribution rate from among allowable alternatives.

Schedule 8

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

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 Federal City Employees' Retirement System, 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

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Required Supplementary Information – Year 2000 Disclosure, (Continued)

(Unaudited – See accompanying independent auditors' report.)

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 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.