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**POLICE & FIRE
DEPARTMENT
RETIREMENT PLAN**



Annual Report • July 1, 1985 to June 30, 1986 • City of San Jose, California



CITY OF SAN JOSE

801 NORTH FIRST STREET
SAN JOSE, CALIFORNIA 95110

BOARD OF ADMINISTRATION
POLICE AND FIRE DEPARTMENT
RETIREMENT PLAN

(408) 277-5137

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

Dear Mayor and Councilmembers:

The Board of Administration for the Police and Fire Department Retirement Plan is pleased to present its Annual Report for the period July 1, 1985, through June 30, 1986. Some of the significant events worthy of note were:

During fiscal year 1985-86 investments earned 22.3 percent, increasing the market value of the portfolio by \$57.4 million.

An actuarial valuation of the Plan was conducted as of June 30, 1985 by the actuarial firm of Martin E. Segal Company. As a result of the valuation, the Board recommended and the City Council approved two new benefits (dental and the ad hoc cost-of-living increase) without increasing employee or City contributions to the Plan.

At the Board's recommendation, the Council also approved an amendment of the Plan to allow surviving childrens' benefits to be administered through the California Uniform Transfers to Minors Act, testamentary trust, or inter-vivos trust as alternatives to the present system.

The Board approved a contract with Coldwell Bankers to provide property management services for the Plan's first real estate holding.

The Board believes that the professional services rendered by the actuary, 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,

CARM J. GRANDE, Chairman
Board of Administration

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

BOARD OF ADMINISTRATION

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

As of June 30, 1986, the members of the Board were as follows:

- CARMEN J. GRANDE - Chairman. First elected in November 1980 as the employee representative for sworn police personnel. His current term expires on November 30, 1989.
- NANCY IANNI - She is a member of the City Council and is one of its official representatives on the Board. She became a member of the Board in January 1985.
- DONALD RAMOS - Elected as a representative of the employees of the Fire Department on December 1, 1982. His current term expires on November 30, 1987.
- LU RYDEN - She is a member of the City Council and is one of its official representatives on the Board. She became a member of the Board in January 1981.
- FRANK P. NICOLETTI - He is a member of the Civil Service Commission. He was selected to serve on the Board by the members of the Commission on February 6, 1975.

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

- ACTUARY - Martin E. Segal Company.
- INVESTMENT COUNSEL - Scudder, Stevens & Clark, Inc.; Smoot, Miller, Cheney & Company; Loomis, Sayles & Company, Inc.; Investment Advisors, Inc.; Norris, Beggs & Simpson, Inc.
- AUDITOR - Peat, Marwick, Mitchell & Co.

The Board meets on the first Wednesday of each month and holds special meetings as the occasion demands. The meetings are currently held in the Room 204, City Hall, at 9:00 a.m. The meetings are open to the public.

ANNUAL REPORT
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

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BOARD OF ADMINISTRATION
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN
INVESTMENT POLICY STATEMENT

GENERAL ENVIRONMENT

It is the policy of the San Jose Police and Fire Department Retirement Plan to effect economy and efficiency in the public service by providing a means whereby employees who become super-annuated or otherwise incapacitated, without hardship or prejudice, may be replaced by more capable employees, and to that end provide a retirement plan consisting of retirement allowances and death benefits.

Investments in such Retirement Plan are subject to the restrictions specified in the San Jose Retirement Code 3.36.540. Further investment management guidelines are imposed by the Retirement Board.

INVESTMENT GUIDELINES

General

The Board Shall:

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

Fixed Income

The Board shall require that the majority of the portfolio be invested in high quality, marketable bonds as provided in Section 3.36.540. Specifically, retirement funds may be invested only in bonds that meet one or more of the following criteria:

- (1) Securities which are legal investment for Savings Banks in California or Massachusetts or New York.
- (2) Bonds which are direct obligations of, or secured by the full faith and credit of, the Dominion of Canada or any of its provinces, cities or municipal corporations.
- (3) Bonds guaranteed by any solvent corporation which are not in default either as to principal and interest provided:
 - (a) In the case of public utilities, net earnings available for fixed charges for the previous five fiscal years have averaged

not less than two times average fixed charges after depreciation and taxes, and net earnings during either of the last two years have been not less than two times fixed charges.

- (b) In the case of finance companies, net earnings in the last five fiscal years have averaged one and one-half times average fixed charges, and during either of the last two years, net earnings have not been less than one and one-half times fixed charges.
- (c) In the case of any solvent institution other than those described above, the net earnings for its fixed charges for the last five fiscal years have averaged per year not less than three times its average annual fixed charges; and during either of the last two years, net earnings have not been less than three times its fixed charges.

(4) Public Improvement Bonds of San Jose.

Active bond management, including the use of bond swaps to improve total yield, is encouraged. In pursuing this objective, it is possible that certain transactions will temporarily lower the return or change the maturity of the portfolio. Transactions of this type are allowed as long as an optimum balance is achieved between yield to maturity, quality and marketability based on expected market changes.

Short-Term Investments

The Board of Administration will designate a member of the City's staff to make short-term investments of the Fund after consulting investment counsel to determine appropriate maturity.

Common Stock

The primary emphasis of the common stock portfolio will be on high quality, readily marketable securities offering potential for above average growth as protection against inflation. The maximum amount of common stock to be held is 40% of the Fund's assets valued at cost. Common stock investments are limited to those meeting all of the following criteria as set forth in Section 3.36.540:

- (1) 96% of stocks must be registered on a national exchange, although this is not required with preferred stocks or banks and insurance companies which have a net worth of at least \$50 million.
- (2) Corporation must have total assets of at least \$50 million or gross sales of at least \$150 million and at least 5 million shares of common stock outstanding.
- (3) 90% of stocks pay a cash dividend in each of five years next preceding the date of the investment.
- (4) Investment in any corporation shall not exceed 5% of the outstanding shares of the corporation.
- (5) Not more than 5% of the total assets at cost may be invested in preferred stocks.

- (6) Not more than 2% of the total fund at cost shall be invested in the common stock of any corporation.
- (7) Each common and preferred stock purchase must be approved by independent investment counsel.

Real Estate

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

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

Credit Unions

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

Supervision

The Investment Counsel shall continually supervise the investment securities in the Fund, and shall initiate such recommendations for purchase, sale, substitution, redemption or conversion of securities as it should deem advisable.

Performance Goals

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, however, expected that these goals will be satisfied over a full market cycle, or if shorter, a five-year period.

Common stocks will outperform two of the following three measures:

- (1) Standard and Poor's 500 Index
- (2) New York Stock Exchange Index
- (3) SEI Equity Median (300 Institutional Funds)

Fixed income investments will outperform one of the following two measures:

- (1) SEI Median Bond Index
- (2) Shearson Lehman Government-Corporate Bond Index

Investment Reports

The Investment Counsel meets with the Board to discuss the economy and the security markets to assist the Board in determining and re-examining basic investment policies.

The Investment Counsel reviews the policies between meetings in light of changing market conditions or changes in the requirements of the Fund and recommends the appropriate action to the Board.

The Investment Counsel prepares quarterly appraisals giving a listing of securities held and showing the composition, average cost, and market values of the assets under supervision.

SUMMARY OF THE PRINCIPAL PROVISIONS OF
THE POLICE AND FIRE DEPARTMENT RETIREMENT PLAN
San Jose, California

MEMBERSHIP - Mandatory for all full-time employees.

MEMBER CONTRIBUTIONS - All members contribute 9.39% of base salary.

CITY'S CONTRIBUTIONS - The City contributes 27.46% of base salary.

INTEREST - Two percent annual interest is calculated each bi-weekly pay period and added to employee contributions. This interest is derived from investments.

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

MILITARY LEAVE CREDIT - A member is entitled to credit for City service if military service was performed during: (1) a time of war, (2) a national emergency proclaimed by the President or the Congress, (3) or under orders requested by the United Nations outside the United States or territories, and/or (4) the time a National Conscription Act was in effect.

VESTING OF PENSION CREDIT - After 10 years of service a member may resign his position with the Police or Fire Department and leave his contributions in the Retirement Plan.

SERVICE RETIREMENT - Retirement at age 55 with at least 20 years service, or at any age with 30 years of service.

SERVICE-CONNECTED DISABILITY - Retirement resulting from the result of an injury or disease arising out of and in the course of such member's employment with the City. (No minimum period of service required.)

NON-SERVICE-CONNECTED DISABILITY - Retirement resulting from other than a service-connected disability with at least 2 years service.

MANDATORY RETIREMENT - Age 70.

EARLY SERVICE RETIREMENT - Retirement at age 50 with at least 20 years service. Member's retirement allowance shall be reduced by that amount which the value of such allowance as deferred to age 55 will purchase at the actual age of retirement.

CALCULATIONS FOR RETIREMENT ALLOWANCE

For a Vested Retirement, Service Retirement, Service-Connected Disability with 20 years service, and Non-Service Connected Disability with 20 years service:

CALCULATE: $2\frac{1}{2}\% \times \text{years of service} \times \text{final compensation} = \text{monthly retirement allowance}$. There is a maximum of 75% (30 years of service equals 75%).

For Service-Connected Disability with less than 20 years' service, any age:

CALCULATE: 50% X final compensation = monthly retirement allowance.

For Non-Service Connected Disability from 2 through 19 years of service, any age. There is no non-service connected disability retirement under 2 years service. Thirty-two percent for first 2 years plus 1% interest for each year thereafter.

FINAL COMPENSATION - The meaning of "Final Compensation" is: The average monthly compensation during the highest 12 consecutive months of service; (usually the last 12 months) limited to 108% of the 12 months immediately preceding the last 12 months of service.

SURVIVORSHIP ALLOWANCE

Death after retirement - If you: 1. had been retired for service, or
2. had retired for service-connected disability.

Death before retirement- If you: 3. die at age 55 or older with 20 years' service due to a non-service connected injury or illness, or
4. you die at any age due to a service-connected injury or illness.

The Spouse	will receive 37-1/2% X final compensation.
1 Child	will receive 25% X final compensation.
2 Children	will receive 50% X final compensation.
3 or more Children	will receive 75% X final compensation.

The maximum family benefit is 75% of your final compensation.
Dependent children are paid to age 18 or to age 22 if full-time student.

SURVIVORSHIP ALLOWANCE

Death after retirement - If you: 1. had been retired for non-service connected disability.

Death before retirement- If you: 2. die before age 55 due to a non-service connected injury or illness with 2 or more years' service.

The Spouse	will receive 24% of final compensation for two years of service and 0.75% for each year thereafter. (Maximum 37-1/2%.)
1 Child	will receive 25% X final compensation.
2 Children	will receive 37-1/2% X final compensation.
3 or more Children	will receive 50% X final compensation.

The maximum family benefit is 75% of your final compensation.
Dependent children are paid to age 18 or to age 22 if full-time student.

MANAGEMENT - The Plan is under the management of a Board of Administration of five members consisting of two City Councilpersons, a Civil Service Commissioner, and two elected employees who are members of the Retirement Plan.

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

ADMINISTRATION - A full-time Retirement and Benefits Administrator is employed. He heads the Employee Services Division of the City Personnel Department and serves as Secretary and Executive Officer to the Board of Administration.

The City provides office space, administrative and clerical services of the Personnel Department and fiscal services of the Finance Department without any direct charge.

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

ACTUARIAL SOUNDNESS - Plan and benefit provisions are periodically reviewed by an enrolled actuary to assure continuing soundness.

INVESTMENT AUTHORITY AND POLICY - The investment authority is broad and flexible, allowing maximum utilization of the Plan's resources. Scudder, Stevens and Clark, Inc.; Investment Advisors, Inc.; Loomis Sayles & Company, Inc.; and Smoot, Miller, Cheney & Company; and Norris, Beggs & Simpson, Inc. are retained for full-time investment counsel.

COST OF LIVING - Annually the Bureau of Labor Statistics index for the month of December is compared to the preceding December index number. The Board determines the change to be effective beginning April 1st each year. A maximum of 3% is granted with any excess accumulated for use in future years. A retiree draws no COL increase for the first year, then a pro-rata increase for the months before the next April 1st.

1961 POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

1. There were 1,680 contributing members in the Plan as of June 30, 1986.
2. Thirty one members retired because of disabilities during the period of July 1, 1985 through June 30, 1986.
3. There are 371 members and 77 survivors receiving benefits from the Plan as of June 30, 1986.
4. During the reporting period, three Fire member and 26 Police members left the membership of the Retirement Plan and had their contributions refunded.
5. The Retirement Fund balance as of June 30, 1986 was \$234,921,000 in the Regular Fund and \$58,600,000 in the Cost-of-Living Fund.
6. Payment of pensions and survivors' benefits increased monthly from \$533,700 in June 1985 to \$608,500 for Pension and Survivor Benefits and \$58,800 for Medical for a total of \$667,300 in June 1986.
7. The annual time-weighted return for the entire portfolio was 22.3 percent as of June 30, 1986.
8. Interest, dividends and net gain on sale of investments for the period was \$28,166,000 and averaged about \$2,347,000 per month.

1961 POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

The following persons were granted a monthly retirement allowance during the period of July 1, 1985 to June 30, 1986.

SERVICE RETIREMENT

POLICE DEPARTMENT

Cornelius, James
Ferdinandson, Edward
Heiken, Albert

FIRE DEPARTMENT

Cook, Joe

NON-SERVICE CONNECTED DISABILITY

POLICE DEPARTMENT

None

FIRE DEPARTMENT

None

SERVICE-CONNECTED DISABILITY RETIREMENTS

POLICE DEPARTMENT

Barikmo, Jon W.
Burroughs, Bobby
Campos, Arthur J.
Emmons, James L.
Ilse, Roy
Kregel, John M.
Lanch, Kenneth D.
Lira, Robert P.
Lopez, Daniel M.
Russell, Stanley M.
Stewart, Joseph

FIRE DEPARTMENT

Anderson, Dennis G.	Malvini, Merrill J.
Benson, Lloyd L.	McFerson, Arthur J.
Capp, Walter M.	Pugh, Tommy E.
Crowder, Robert J.	Swanson, Francis E.
Cummins, Gayle L.	Thompson, M. Earl
Dobson, Richard	Tyson, Donald I.
Evans, Merlin C.	Vickers, Wilson R.
Friday, James E.	Wiesendanger, Edwin
Greer, Don R.	Wilson, Roger
Hubbard, Gerald A.	
Kelly, James D.	

DEATHS - AFTER RETIREMENT

POLICE DEPARTMENT

Chew, Arnold	10/27/85
Cleary, Robert	02/07/86

FIRE DEPARTMENT

Bloomfield, Harold	08/30/85
Browder, Samuel	09/24/85
Connett, Theron	11/19/85
Jones, Raymond	10/23/85
Lennon, John	09/24/85
McCarger, John	12/14/85
Sepena, Tony	09/14/85
Stegemiller, James	04/25/86

DEATHS - BEFORE RETIREMENT

POLICE DEPARTMENT

Bunch, Henry	07/29/85
Metz, Edward	03/25/86

FIRE DEPARTMENT

None

MARTIN E. SEGAL COMPANY

SUITE 900
57 POST STREET
SAN FRANCISCO, CALIFORNIA 94104
(415) 392-0930

STATEMENT OF THE ACTUARY

We have prepared an actuarial valuation as of July 1, 1985 of the Police and Fire Department Retirement Plan for the City of San Jose. The actuarial method used was entry-age normal cost, with the unfunded supplemental present value amortized over 32 years from the valuation date. This method will produce stable contribution rates in relation to payroll because average entry age does not vary significantly from year to year.

We wish to thank the Secretary to the Board of Administration and his staff for provision of excellent data and for answering our many questions.

The Plan was amended after July 1, 1985 to increase allowances in payment status. Payment of retiree dental insurance benefits was also authorized.

The actuarial assumptions are the same as used in the prior valuation (July 1, 1983).

The contribution rates for members and the City were computed in accordance with the City Charter. In our opinion, the recommended contribution rates are sufficient to maintain and improve the sound financial condition of the Retirement Plan.

MARTIN E. SEGAL COMPANY

SUITE 900
57 POST STREET
SAN FRANCISCO, CALIFORNIA 94104
(415) 392-0930

Information Required by Accounting Principles Board
Opinion Number 8
San Jose Police and Fire Department Retirement Plan
For Year Beginning July 1, 1985

- 1) The amounts shown below were determined for the Plan based on the actuarial valuation as of July 1, 1985. Benefit improvements were approved by the City Council to

- (a) Pay part of the cost of retiree dental benefits.
- (b) Grant an ad hoc increase effective July 1, 1986 equal to 1% of total monthly allowance times full years retired as of July 1, 1985.

These benefits are included in this statement, though effective dates followed the valuation date.

- 2) The following is the range of the City's contributions under Opinion Number 8. Contributions are shown in dollars and as a percentage of covered payroll of \$62,012,000.

a) Minimum

1) Normal Cost retirement benefits	\$14,164,000 (22.84%)
2) Amortization of Unfunded Supplemental Present Value over 40 years	1,972,000 (3.18%)
3) Retiree health insurance	465,000 (.75%)
4) Retiree dental benefits	155,000 (.25%)
Total	\$16,756,000 (27.02%)

b) Maximum

1) Normal Cost retirement benefits	\$14,164,000 (22.84%)
2) 10% of Unfunded Supplemental Present Value	4,618,000 (7.45%)
3) Retiree health insurance	465,000 (.75%)
4) Retiree dental benefits	155,000 (.25%)
Total	\$19,402,000 (31.29%)

Amortization payment is on the basis of a level percentage of covered payroll assumed to increase 5% per annum. Contributions exclude the permanent cost-of-living benefits which are funded on a pay-as-you-go basis. Funding for retiree health and dental benefits is ten-year term, level in relation to covered payroll, assuming future increases in premiums. Employees contribute 9.39% of pay to the Plan.

- 3) The present value of all vested benefits was \$197,593,000 as of July 1, 1985, against which there were assets of \$255,790,000 at market value. Hence assets exceeded the value of vested benefits. The improvement in (1) (b) above increased the present value of vested benefits as of July 1, 1985 by \$4,870,000 to the value shown. The present values of future retiree health and dental benefits are not included in present value of vested benefits.

In our opinion, the actuarial methods and assumptions are acceptable under Opinion Number 8.

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

INVESTMENT REPORT

of

SCUDDER, STEVENS & CLARK, INCORPORATED
INVESTMENT COUNSEL

June 30, 1986

The economy continues to move sideways. Employment has been rising slowly but gains remain concentrated in the service sector, and manufacturing employment has continued to drop. Spending on housing and consumer durables has strengthened over the last quarter, but industrial production and business investment spending have been weak, reflecting largely the impact of lower oil prices. Business confidence remains positive, and the lower interest rate environment has provided a welcome window of opportunity to re-finance short-term debt. Despite the decline in the dollar, there has been little evidence of a turnaround in our foreign trade position. Meanwhile, inflation has moderated sharply. The collapse in oil prices has pulled the year-over-year increase in the consumer price index down to under 2% for the first time since the early 1960s.

The initial effect of the drop in the dollar and oil prices on business activity has been negative. The "hit" to the energy-related sectors of the economy of lower oil prices has occurred before its beneficial impact on the consumer. The price impact of the lower dollar, raising the value of imports and worsening the trade deficit, has preceded its eventual effect on trade flows of raising export volume and dampening imports. The stimulative effect of lower interest rates has been more visible, but has been confined to housing activity and, intermittently, to auto sales. Over time, all three of these price changes should act as strong, cyclical catalysts. The price of the dollar, oil and credit are three key prices in the global economy. Credit and energy are two principal factors of production, and the price of the dollar is a critical determinant of the global competitiveness of U.S. products. It is difficult to imagine how these unprecedented price declines will not have a major impact on business activity.

While the roots of change can be traced back several decades, this country seems to have moved suddenly from a "stand alone" economy into a web of global interdependence.

- Today, foreign trade represents close to 10% of GNP, almost twice the proportion of two decades ago.
- Technology has permitted the integration of the world financial system. Global capital movements are now a driving force in the foreign exchange and our capital markets.
- Financial integration and economic policy imbalances between the U.S. and the rest of the world have permitted this country to become dependent on foreign savings.
- While we are still the dominant world economic and political power, we are now a debtor nation, a condition which brings new limitations to our conduct of economic policy.

These new global relationships represent "wild cards" in the economic outlook, with unpredictable effects on real growth, inflation, and interest rates. For example, the cyclical trajectory of the economy over the next eighteen months is highly dependent upon the improvement in our trade position and, in turn, on the value of the dollar and the pace of growth abroad. Our new debtor status makes the foreign exchange value of the dollar vulnerable and thereby introduces a new constraint on domestic monetary policy. Our trade deficit is encouraging protectionism. The global economy has become a major determinant of the trend of interest rates. Examples are the participation of the Japanese in our bond market, the impact of the Mexico loan problem on our banking system, and the impact of OPEC politics on bond market psychology.

Nevertheless, the economy appears to be on a slow but comfortable track. There are pockets of depressed activity, but consumer spending, incomes, and employment are all advancing. With the sharp drop in oil prices, inflation has receded. Against this background of slow growth and low inflation, stock and bond prices have strengthened. Looking to the future, we expect continued but uneven growth in the economy, volatile interest rates, and gradually rising inflation pressures.

With these factors in mind, we have continued to favor mortgage-related securities and selected corporate issues for their quality and attractive yields relative to the U.S. Treasury market. The portfolio currently yields 9.90%.

Smoot, Miller, Cheney & Co.

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10 West First South, Salt Lake City, Utah 84101
Telephone 801-328-4836

INVESTMENT REPORT OF SMOOT, MILLER, CHENEY & CO. JUNE 30, 1986

With the stock market having risen some 600 points as measured by the Dow Jones Industrial Average since last September and interest rates down 450 basis points, one could say "the tide is now in and all the boats have risen. It is time to start rowing, looking for leaks and, to be sure, torpedoes."

As the June quarter ended, the market lost its momentum when money investors began to question the strength of the economy and at the same time observed corporate earnings coming under pressure, which caused profit taking to set in, and we witnessed a sizeable correction in a very short period. Exacerbating the problem was the realization that a weaker dollar was doing little to reduce the nation's huge trade deficit and the perceived negative effect that tax reform might have on capital spending.

Obviously, the excesses of the past year have to be washed out of the market before a strong base for another rise in security prices can be established. This could be painful but should be of short duration. With lower interest rates, stable to declining energy costs, low inflation, increasing employment levels, liquidation of excess business inventories and an Administration thoroughly convinced it must stimulate economic activity to achieve success at the polls in November, the factors that normally cause a bear market to appear (high interest rates and inventories, productive capacity strained, rising prices, tight monetary policy, etc.) are simply not in place. While we acknowledge that certain segments of the economy are suffering (i.e., the farm belt, the energy and extractive industries among others) the consumer along with the Federal and State Governments have given no indication yet of "belt-tightening" and if the proposed lower tax rates should go into full effect on January 1, 1987, instead of July 1st, the economic stimulation and growth could be substantial and a sharp increase in corporate earnings could unfold sooner than most investors now believe.

In almost all areas, commodity prices are at very low levels and when one recognizes that most corporations have been on a cost reduction binge for over three years, it would take but little economic stimulation to cause profit margins to expand rather sharply. Now that the dollar decline has reduced the foreign manufacturers profit margins to unrealistically low levels, they are now being forced to face the prospects of either a continuing decline in earnings to protect market share or else raise prices. Either way, as we see it, the U.S. manufacturing industry which accounts for 40% of the nations output of goods and 20% of the employment, is rapidly reaching a positive turning point. In sum, once investors are again persuaded that the

Smoot, Miller, Cheney & Co.

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Page 2.

economy is not about to slip into recession and that interest rates will continue for a while at low levels, they are likely to focus on the prospect of better corporate profits and therefore, companies that have prospects for continued earnings gains, which is where we are focusing your investment dollars, should continue to be worthwhile holdings and resume their long-term advance.

Investment Advisors, Inc.

ECONOMIC AND MARKET REVIEW

SECOND QUARTER

July 1, 1986

Slow economic growth accompanied by a low level of inflation has been occurring due to a combination of forces that have taken on self-sustaining features. This is in contrast to the chief economic diseases of the 1970's - high inflation, high interest rates and high oil prices. The economy of the United States as well as the world economy has changed presenting new challenges of unbalanced economic growth, currency fluctuation, debt service problems and trade imbalances.

A new era of glut is present in the industrial world that transcends commodities because of the increased efficiency of industries where robots are producing products. The consequence is setting off a struggle for jobs and markets. The economies of the United States, Japan and Europe have become closely intertwined since World War II making unilateral policy decisions more difficult. The traditional method of dealing with glut is to let the competitors battle it out in the marketplace with the losers going out of business and the consumer benefiting. This process is painful as workers lose jobs and the implications of national security are raised. We witness it unfolding in the farm belt, parts of industrial America, and the oil patch, bringing forth a growing call for protectionism, the traditional policy response to preserve the status quo. A disinflationary transition has been underway since the late 1970's. This wringing-out process creates a growing wedge between the winners, who have comprehended and adapted to the new ways, and the losers who have not.

More specifically, economic projections for the U.S. economy in the second half are being revised downward. The industrial sector is weak, capital spending is weak and the federal budget deficit is in the peaking process. Fiscal drag is expected to stifle economic growth. The proposed tax bill raises corporate taxes in 1987, but it will be 1988 before the consumer benefits from the tax law change. Furthermore, in order to comply with the Gramm-Rudman deficit reduction targets, federal spending will become more restrained.

Does this mean a recession? No, not if the policy makers have their way. What it indicates is continued monetary stimulus to drive down not only nominal interest rates but also the real rate of interest (the difference between the cost of borrowing and inflation). The current high level of real interest presents an additional drag on the ability of the economy to grow. As time marches forward, a precarious policy balancing act will unfold. We must be concerned about the structural imbalances and adjustments that are occurring as well as the possibility that attempting to fine tune the economy by lowering interest rates may be intensified by declining inflation, oil prices, and the dollar. The result could reignite the economy and accelerate inflationary expectations.

The financial markets are the prime beneficiary of the excess liquidity created by monetary stimulation and of disinflation. This indicates that the secular bull market in bonds and stocks continues to be intact. The positive elements include: a continued (albeit slow) business cycle expansion accompanied by a policy of monetary accommodation, a lack of inflationary pressures, a positive interest rate outlook, a reasonable level of security valuation and a shrinking equity base caused by stock buy-backs and acquisitions. Into this backdrop is flowing a rising stream of dollars from individuals, corporations and foreign investors that will continue to propel the markets to new highs. Periodic market setbacks may be caused by fears of tighter Federal Reserve policy, higher interest rates, higher inflation or economic growth that is either too high or too low.

From a equity portfolio strategy standpoint, our suggestion is to stay with what is working. Predictability commands a premium. A narrowing of stock market leadership is to be expected as more industry groups and individual stocks become vulnerable to the reality of slow economic growth.

Both debt and equity markets benefit from a "muddling through" economy. In contrast, the stock market would be the prime beneficiary of rapid economic growth whereas the bond market would be the prime beneficiary of a recession. Neither of these poles-apart scenarios are currently predictable. The conclusion - a continued good market for fixed income securities and a more ragged environment with a generally positive tone for common stocks, where selectivity and positive earnings momentum will be critical to performance. The bottom line - don't disinvest now, because it is too early to exit.

INVESTMENT DEVELOPMENTS

PREPARED FOR CLIENTS BY
THE RESEARCH DEPARTMENT OF LOOMIS, SAYLES & COMPANY

July 1986

The Economic Outlook At Midyear

The economy performed poorly during the second quarter. Real G.N.P. increased at only a 1.5% rate by our calculations as sluggish production nearly offset a moderate advance of final sales. Industrial production was buffeted by a need to pare stocks of automobiles and by an ongoing slump of oil and gas exploration. Consumer purchases improved at a solid pace, however, so a tension exists within the data. Basic measures of orders and production suggest that the economy is flirting with a cumulative downswing whereas indicators of demand imply that the rate of output growth is temporarily suppressed and will revive soon. Typically, dichotomies such as this are resolved by production getting into harness with final sales and that is precisely our expectation for this episode.

Assuming that consumer purchases of goods and services continue to rise at the 4% or so real rate in evidence thus far this year, inventory curtailment should give way to replenishment of stocks. If, in addition, export sales strengthen because of a cheap dollar, output should receive yet another boost. The realization of and the magnitude of the acceleration of real G.N.P. depend in part on how much of an improvement occurs in the foreign trade position, but in principle the economy is capable of expanding at a 3.5% to 4% pace through mid-1987. If growth does not measure up to this standard in the third quarter, it is likely to do so by the fourth stanza.

Although the tempo of output advance will quicken soon, resource utilization will not become strained. The rate of utilization of manufacturing production facilities will remain under 80%, a middling level, while the unemployment rate will not retreat to the 6% to 6.5% range until mid-1987. Such an absence of bottlenecks suggests that inflation will remain low. Indeed, not only are consumer prices projected to increase a mere 0.5% to 1% in 1986, but inflation only will be in the 2.5% to 3% range by the middle of next year.

A forthcoming, mild quickening of the rate of price gain implies that the inflation premium in interest rates will hold more or less steady. Likewise, continuation of an accommodative monetary policy suggests that borrowing costs will not be nudged up markedly. Private credit demands probably will strengthen moderately in tandem with economic revitalization, however, and there may be a brief period in which interest costs move up. Nonetheless, a sharp rise is highly unlikely and as 1987 unfolds borrowing charges costs may be drifting downward.

Finally, corporate profits are poised to rebound following a mild, but protracted downturn. Even the moderate acceleration of real G.N.P. which we foresee should be sufficient to power net income up 25% to 30% from mid-1986 to mid-1987. In conclusion, the next several quarters should be characterized by low inflation, long-term interest rates comfortably in single-digit territory and by a recovery of corporate profitability. This should be a generally positive setting for the financial markets.

POLICE AND FIRE DEPARTMENT

RETIREMENT FUND PORTFOLIO

June 30, 1986

Maturity Value	Security	Percent	Maturing	Total Cost	Market Value
<u>CASH & CASH EQUIVALENTS</u>					
1,213,500	Investment FD-State Treas			1,201,534	1,201,534
788,600	Commercial Paper		07/01/86	787,706	787,706
924,000	Commercial paper	7.352	07/01/86	924,000	924,000
391,200	Commercial Paper		08/11/86	378,254	378,254
100,000	Commercial Paper		07/09/86	98,640	98,640
284,000	GE Credit	6.776	07/14/86	284,000	284,000
715,900	Commercial Paper		07/24/86	705,271	705,271
124,500	Commercial Paper		07/25/86	122,103	122,103
1,022,000	Commercial Paper		07/31/86	1,004,971	1,004,971
51,600	Commercial Paper		08/11/86	50,266	50,266
70,000	Muni Credit Union C/D	9.250	08/22/86	70,000	70,000
200,000	Commercial Paper		09/10/86	194,917	194,917
742,600	Commercial Paper		09/25/86	724,886	724,886
339,100	Commercial Paper		09/29/86	329,515	329,515
2,500,000	United States Treas Nts	10.375	11/30/86	2,492,187	2,537,500
2,500,000	United States Treas Nts	10.250	03/31/87	2,482,031	2,562,500
2,700,000	US Treasury Nts	10.750	03/31/87	2,702,109	2,781,000
1,500,000	United States Treas Nts	9.125	05/31/87	1,511,250	1,530,000
TOTAL CASH & CASH EQUIVALENTS				<u>\$16,063,640</u>	<u>\$16,287,063</u>

INTERMEDIATE TERM BONDS

2,000,000	GMAC/Med Term Shelf Nts	9.350	08/19/87	2,000,000	2,040,000
2,000,000	GMAC/Med Term Shelf Nts	9.350	08/24/87	2,004,920	2,040,000
1,000,000	United States Treas Nts	12.625	11/15/87	996,580	1,075,000
2,500,000	United States Treas Nts	10.375	02/15/88	2,498,437	2,625,000
2,000,000	United States Treas Nts	9.875	05/15/88	2,022,500	2,100,000
6,500,000	United States Treas Nts	10.500	08/15/88	6,376,641	6,922,500
1,000,000	United States Treas Nts	10.625	12/31/88	1,000,000	1,080,000
2,500,000	United States Treas Nts	11.375	02/15/89	2,503,125	2,750,000
4,500,000	United States Treas Nts	11.750	05/15/89	4,489,861	5,017,500
2,000,000	Texas Commerce Bk C/D	12.000	09/01/89	1,999,060	2,220,000
2,500,000	United States Treas Nts	11.875	10/15/89	2,493,070	2,825,000
2,500,000	United States Treas Nts	12.750	11/15/89	2,493,750	2,887,500
2,700,000	United States Treas Nts	10.500	01/15/90	2,720,625	2,956,500
2,500,000	United States Treas Nts	11.00	02/15/90	2,489,844	2,775,000
2,500,000	United States Treas Nts	11.375	05/15/90	2,478,516	2,825,000
2,500,000	United States Treas Nts	10.750	08/15/90	2,513,281	2,775,000
2,000,000	United States Treas Nts	11.750	01/15/91	2,000,080	2,320,000
3,690,117	FHLMC Coll Mtg Oblig Ser D2	12.375	05/01/91	3,657,252	3,754,694
1,000,000	United States Treas Nts	13.750	05/15/92	998,930	1,285,000
1,000,000	Intl Bk Recon & Dev	14.750	06/01/92	1,000,000	1,310,000
1,500,000	Prov of Ontario Nts F/R NC	14.625	08/31/92	1,500,000	1,965,000

Maturity Value	Security	Percent	Maturing	Total Cost	Market Value
2,500,000	Fed Home Ln Mtg Corp SER C3	11.875	01/31/94	2,514,062	2,668,750
1,000,000	United States Treas Bds	9.000	02/15/94	999,630	1,080,000
TOTAL INTERMEDIATE TERM BONDS				<u>\$53,750,164</u>	<u>\$59,297,444</u>

LONG TERM BONDS

500,000	Household Finance Deb F/R	7.500	08/01/95	500,000	465,000
1,731,044	Coll Mtg Sec Corp CMO E/1	9.950	01/01/96	1,732,126	1,744,027
1,702,650	CMSC GNMA CMO Ser D/1	9.900	03/01/96	1,685,092	1,713,377
2,000,000	Ford Motor Credit NC	8.250	05/15/96	1,983,760	1,980,000
650,000	Prov of Manitoba Deb NC94	14.750	03/15/97	608,400	874,250
250,000	Amoco Co Deb F/R	6.000	01/15/98	247,500	211,250
350,000	Exxon Deb F/R NR/78	6.500	07/15/98	350,000	308,000
1,431,268	FNMA P/T Pool #15848 F/R	11.500	08/01/98	1,417,154	1,507,269
200,000	Beth Steel SF DEB FR	6.875	03/01/99	198,750	131,000
1,000,000	Gen Mtrs Acc Corp DEB FR NC86	8.750	02/01/00	995,000	975,000
500,000	Monsanto Co SF DEB FR NC85	8.500	06/15/00	497,500	477,500
500,000	Ford Motor Cred SF DEB FR NC85	9.700	07/15/00	498,750	505,000
879,000	Ford Motor Cred Sf DEB Fr NC86	9.125	06/01/01	876,802	870,210
1,000,000	Gen Mtrs Acc Corp DEB F/R NC86	8.750	06/15/01	945,800	975,000
2,329,369	Fed Hm Ln Mtg Corp PC#25-8026	8.000	08/01/01	2,157,578	2,221,752
500,000	Mobil Oil Co DEB F/R NR81	7.375	10/01/01	500,000	435,000
300,000	Firestone Tire SF DEB F/R NR81	7.300	10/15/01	300,000	253,500
500,000	Shell Oil DEB F/R NR82	7.250	02/15/02	500,000	435,000
500,000	Procter & Gamble SF DB FR NR82	7.000	05/15/02	495,000	435,000
230,011	GNMA P/T #2733 OF75M	6.500	06/15/03	200,110	207,447
1,000,000	Illinois Bell Tel DEB F/R NC78	8.000	12/10/04	992,500	925,000
500,000	Dow Chemical SF DEB FR NR85	8.500	02/01/05	500,000	462,500
1,200,000	Prov of Ontario DEB FR NC90	8.875	03/01/05	1,151,069	1,182,000
500,000	Bethlehem Steel SF DEB FR NR85	8.450	03/01/05	500,000	345,000
1,250,000	Sears Roebuck SF DEB FR NR86	8.000	04/01/06	1,224,552	1,162,500
566,908	GNMA Pass thru #14197 F/R	8.000	12/15/06	581,081	529,322
439,286	GNMA Pass thru #12752	8.000	12/15/06	450,269	410,161
540,962	GNMA Pass thru #15117 F/R	8.000	12/15/06	537,750	505,096
528,810	GNMA Pass thru #14264 F/R	8.000	01/15/07	542,030	493,749
163,659	GNMA Pass thru #16970M F/R	7.500	05/15/07	158,161	149,502
815,918	Fed Hm Ln Mtg Corp PC#18-8243	8.000	06/01/07	683,332	775,449
2,500,000	CMO Trust #1-4 CL C	8.950	07/20/08	2,498,437	2,522,000
2,001,695	FNMA Pass thru #391	6.500	09/01/08	1,453,731	1,805,328
2,304,461	Fed Hom Ln Mtg Corp PC#183328	8.500	10/01/08	1,860,852	2,151,791
1,724,571	FHLMC P/T #18/0049	8.000	12/01/08	1,558,581	1,634,893
775,332	GNMA Pass thru #31275 F/R	9.000	03/15/09	718,031	751,142
876,220	GNMA Pass thru #31190 F/R	9.000	05/15/09	811,462	848,882
831,984	FED Hm Ln Mtg Corp PC18-1213	10.250	11/01/09	710,306	840,304
500,000	Pacific Tel&Tel DEBS F/R NC79	9.500	06/15/11	500,000	500,000
500,000	New York Tel 1 REF SER W NR78	8.300	08/15/12	505,800	462,500
868,745	GNMA Pass thru #68307	11.500	06/15/13	839,425	914,875
952,164	GNMA Pass thru #68308	11.500	06/15/13	920,029	1,002,724
2,524,129	GNMA Pass thru #64340	11.500	06/15/13	2,415,276	2,658,160
1,526,301	FNMA Pass thru #3343	10.250	07/01/13	1,263,014	1,565,679
2,214,928	GNMA Pass thru #66878	11.500	07/15/13	2,170,630	2,332,541

Maturity Value	Security	Percent	Maturing	Total Cost	Market Value
1,581,481	GNMA Pass thru #66613	11.500	07/15/13	1,549,852	1,665,458
2,040,818	GNMA Pass thru #66614	11.500	07/15/13	2,001,787	2,149,185
1,458,497	FNMA Pass thru #5850	11.750	08/01/13	1,387,395	1,539,589
1,173,450	Fed Hm Ln Mtg PC#24-3081	10.500	08/01/13	1,076,641	1,197,389
500,000	So Cent Bell Tel NR78	8.250	08/01/13	497,700	467,500
2,175,555	Fed Hm Ln Mtg PC18-8797	12.000	02/01/14	2,234,703	2,244,890
1,000,000	Pacific Tel&Tel DEB NC83	9.625	11/01/14	1,000,000	1,000,000
1,504,475	GNMA Pass thru #128705	11.000	03/15/15	1,368,132	1,581,505
933,714	GNMA Pass thru #127752	11.000	04/15/15	849,096	981,520
1,376,978	GNMA Pass thru #130668	12.000	06/15/15	1,387,736	1,456,567
1,017,037	GNMA Pass thru #133930	11.500	07/15/15	1,022,122	1,071,042
1,995,642	GNMA Pass thru #145605	11.000	09/15/15	1,979,427	2,097,819
5,924,014	GNMA Pass thru #140544	11.000	10/15/15	6,288,711	6,227,323
2,000,000	New York Tel DEB NC81	8.250	10/15/15	1,828,402	1,830,000
3,000,000	So Cent Bell TEL NC82	8.250	11/01/15	2,772,360	2,745,000
2,976,000	FNMA Pass thru #6222	9.000	04/01/16	2,786,279	2,883,149
1,250,000	Southern Bell T&T NC81	8.250	04/15/16	1,159,212	1,143,750
7,349,993	Fed Hm Ln Mtg Corp PC#17-0171	9.000	06/01/16	7,244,337	7,014,613
3,000,000	Southern Bell T&T NC82	8.125	05/01/17	2,695,010	2,715,000
1,000,000	New Jersey Bell DEB NC83	8.750	06/01/18	963,750	955,000
3,000,000	Southern Bell T&T NC83	8.625	09/01/18	2,880,440	2,820,000
1,000,000	So Western Bell DEB NC84	9.625	03/15/19	882,500	995,000
TOTAL LONG TERM BONDS				<u>\$88,091,232</u>	<u>\$90,436,979</u>

BOND & PREFERRED CONVERTIBLES

350,000	US Steel Corp CV SUB DEB FR	5.750	07/01/01	<u>\$342,875</u>	<u>\$252,000</u>
TOTAL BOND & PREFERRED CONVERTIBLES				<u>\$342,875</u>	<u>\$252,000</u>

COMMON STOCKS

	Cash & Cash Equivalents			\$4,936,778	\$4,936,778
4,000	Aetna Life & Casualty			230,344	242,500
3,700	Allied-Signal Cos. Inc.			160,784	166,038
6,000	Allied-Signal Cos. Inc.			186,859	269,250
3,600	American Express			149,688	225,000
27,000	American Genl Cp			883,220	1,137,375
4,000	American Intl. Group Inc.			288,104	515,500
5,300	American Std.			168,307	223,263
15,000	Ames Dept. Stores Inc.			404,475	500,625
5,000	Amoco Corp.			249,053	301,250
4,700	Armstrong World Ind.			183,276	301,388
11,000	Automatic Data Processing			295,141	389,125
8,000	Avery Intl. Corp.			294,872	347,000
20,000	Bank of New York			878,210	1,272,500
24,000	Bard C R Inc.			462,180	837,000
10,000	Boise Cascade Corp			583,898	580,000
21,000	Borden Inc.			196,791	1,036,875
6,500	Bristol Myers Co.			364,518	559,000
12,000	Bristol Myers Co.			619,244	1,032,000

Shares	Description	Total Cost	Market Value
8,000	Browning Ferris Inds. Inc.	212,720	304,000
13,000	Brush Wellman Inc.	323,443	409,500
3,700	Burroughs Corp.	220,673	227,550
4,000	CBS Inc.	460,800	578,000
6,600	CSX Corp.	182,477	216,150
15,000	CSX Corp.	523,845	491,250
10,000	Champion Intl. Corp.	280,125	246,250
5,600	Coca-Cola Co.	474,516	702,800
26,162	Colgate/Palmolive Co.	466,207	1,111,885
7,100	Collins & Aikman	162,204	278,675
2,800	Colt Inds.	182,299	195,650
500	Commerce Clearing House	31,250	31,250
7,300	Commonwealth Edison Co.	235,804	234,513
25,000	Community Psychiatric Ctr.	767,718	753,125
11,000	Corning Glass Wks.	636,827	801,625
15,000	Cullinet Software Inc.	226,350	193,125
8,000	Dart & Kraft Inc.	282,325	507,000
4,500	Dart-Kraft Inc.	163,175	285,188
20,000	Data Gen. Corp.	912,277	692,500
16,000	Disney Walt Company	348,700	876,000
8,000	Donnelley R R & Sons Co.	594,944	623,000
10,000	Dow Chem Co.	442,930	573,750
11,400	Eastman Kodak	573,116	668,325
15,000	Eaton Corp.	770,100	1,023,750
3,300	Eaton Corp.	186,313	225,225
30,000	Engelhard Corp.	949,948	840,000
2,600	Federated Dep. Store	147,758	231,075
4,700	First Bk. Sys.	190,226	270,838
18,000	First Interstate Bancorp	1,068,404	1,116,000
3,700	First Interstate Bancorp	195,221	231,250
7,600	First Tenn. Natl. Cor.	190,100	271,700
15,000	Ford Motor Co.	590,775	826,875
500	Freeport-McMoran Engy Ptnr.	8,406	7,625
250	Freeport-McMoran Gold Co.	2,859	1,875
30,000	Freeport-McMoran Inc.	593,910	521,250
4,000	Gannett Inc.	337,860	342,000
2,000	Gen. Dynamics	159,160	153,000
7,500	General Cinema Corp.	354,113	426,563
2,600	General Electric Co.	141,993	210,600
17,000	General Electric Co.	942,192	1,377,000
3,000	General Motors	248,040	232,875
6,000	Gulf & Western Inc.	288,450	426,750
15,000	Handleman Co. Del.	456,645	515,625
15,000	Harcourt Brace Jovan	505,952	543,750
1,500	Henley Group Inc.	31,594	28,875
27,000	Hercules Inc.	689,292	1,434,375
10,000	Hewlett Packard Co.	430,900	410,000
3,100	Honeywell Inc.	186,747	234,825
5,500	Hospital Corp. Amer.	219,763	209,000
7,500	Houston Inds.	234,975	236,250
5,000	International Business Machines	648,244	732,500
7,000	International Business Machines	756,350	1,025,500
1,600	Intl. Business Machines	211,598	234,400
5,500	James Riv. Corp. VA	234,135	228,250
5,800	K-Mart	211,937	329,875

Shares	Description	Total Cost	Market Value
3,100	Kimberly Clark	189,711	284,038
3,700	Lear Siegler	199,671	202,113
3,300	Libbey Owens Ford	250,939	240,900
3,900	Lincoln Natl. Corp.	165,500	206,213
4,000	Lockheed Corp.	207,508	223,000
3,500	Loews Corp.	172,705	240,625
10,000	Loral Corp.	356,400	442,500
40,000	M/A-Com Inc.	765,450	690,000
6,000	MacMillan Inc.	300,540	302,250
5,000	Macy RH & Co. Inc.	316,775	340,000
18,000	Macy RH & Co. Inc.	766,170	1,224,000
16,000	Marion Labs Inc.	446,720	716,000
16,000	Masco Corp.	414,720	528,000
2,700	McDonnell Douglas	217,445	210,263
16,000	Merck & Co. Inc.	605,418	1,672,000
10,000	Mobil Corp.	269,556	316,250
3,200	Morgan JP	173,906	281,200
15,800	Motorola Inc.	595,044	630,025
5,100	NCR Corp.	171,781	262,013
15,000	National Med. Enterprises	358,230	350,625
2,700	Norfolk Southn Corp.	244,883	237,600
5,400	North Amer. Philips	189,727	243,000
4,200	Nynex Corp.	197,537	283,500
7,500	Outboard Marine	168,743	240,000
22,000	Owens-Illinois Inc.	768,443	838,750
3,900	PPG Inds.	245,875	265,688
5,400	Pacific Telesis Group	200,106	303,075
30,000	Pacificorp	892,710	1,091,250
5,000	Panhandle Eastern Corp.	108,440	240,625
30,000	Parker-Hannifin Corp.	606,414	791,250
10,000	Penney JC Inc.	493,198	852,500
3,000	Penney JC Inc.	245,490	255,750
24,000	Philip Morris Cos. Inc.	706,440	1,791,000
4,400	Philip Morris Cos. Inc.	186,186	328,350
10,000	Pillsbury Co.	527,070	808,750
12,000	Potlatch Corp.	598,080	609,000
10,000	Purolator Courier Corp.	188,500	188,750
30,000	RJR Nabisco Inc.	367,697	1,590,000
7,399	RJR Nabisco Inc.	203,953	392,147
18,000	Ralston Purina Co.	291,680	1,314,000
8,000	Raytheon Co.	409,360	509,000
3,000	Royal Dutch Pete - 10 Glor.	178,853	241,500
18,000	Ryder Systems	491,760	526,500
18,000	Safeco Corp.	826,562	1,055,250
12,000	Safeway Stores	254,623	645,000
12,000	Salomon Inc.	599,101	583,500
29,000	San Diego Gas & Electric	781,115	1,047,625
7,800	Schlumberger Ltd.	401,106	268,125
4,000	Scott Paper	162,820	236,000
5,000	Sears Roebuck	185,437	242,500
15,000	Shaklee Corp.	288,225	339,375
20,000	Sherwin Williams Co.	509,350	532,500
9,000	SmithKline Beckman Corp.	818,892	902,250

Shares	Description	Total Cost	Market Value
10,000	Southland Corp.	532,292	547,500
8,200	Southn. Calif. Edison	199,342	257,275
10,000	Southwest Airls. Co.	291,300	208,750
2,500	Southwestern Bell Corp.	193,753	273,750
5,000	Squibb Corp.	444,200	567,500
8,500	Standard Oil Co.	447,185	383,562
15,000	Student Ln. Marketing Assn.	592,440	823,125
20,000	Sysco Corp.	387,650	570,000
12,000	Time Inc.	882,292	1,053,000
13,000	Travelers Corp.	690,450	650,000
4,700	Travelers Corp.	219,684	235,000
20,000	U. S. West Inc.	798,800	1,102,500
4,600	U. S. West Inc.	195,109	253,575
6,500	US Air Group Inc.	224,162	207,188
20,000	USF&G Corp.	796,510	797,500
9,500	Union Pacific Corp.	412,568	540,312
4,800	United Technologies	204,971	237,600
10,000	Wal Mart Stores Inc.	251,915	518,750
17,000	Warner-Lambert Co.	503,735	1,051,875
20,000	Wendy's Intl. Inc.	346,800	312,500
4,700	Westinghouse Elec. Corp.	159,542	252,038
35,000	Westinghouse Elec. Corp.	564,200	1,876,875
4,300	Westvaco Corp.	166,107	216,075
15,000	Yellow Fght. Sys. Inc.	502,875	601,875
TOTAL COMMON STOCKS & CASH EQUIVALENTS		<u>\$62,714,873</u>	<u>\$83,467,304</u>
REAL ESTATE			
Cash & Equivalents		10,653,915	10,653,915
Real Property located at 746-876 South Milpitas Blvd., Milpitas, California APN 086-30-023, 086-30-024		<u>2,200,000</u>	<u>2,200,000</u>
TOTAL REAL ESTATE		<u>12,853,915</u>	<u>12,853,915</u>

Maturity Value	Security	Percent	Maturing	Total Cost	Market Value
<u>COST-OF-LIVING FUND</u>					
<u>CASH & CASH EQUIVALENTS</u>					
7,900	Investment FD-State Treasury			\$ 493,618	\$ 493,618
154,400	Commercial Paper		07/01/86	154,225	154,225
105,000	Commercial Paper	7.352	07/01/86	105,000	105,000
500,000	Fed Farm Cr Bk	15.150	07/21/86	487,188	502,500
750,000	United States Treas Nts	10.375	11/30/86	750,313	761,250
500,000	United States Treas Nts	10.250	03/31/87	496,406	512,500
850,000	US Treasury Nts	10.750	03/31/87	850,664	875,500
250,000	United States Treas Nts	9.125	05/31/87	251,875	255,000
TOTAL CASH & CASH EQUIVALENTS				<u>\$3,589,289</u>	<u>\$3,659,593</u>

<u>INTERMEDIATE TERM BONDS</u>					
500,000	GMAC-Med Term Shelf Nts	9.350	08/19/87	500,000	510,000
500,000	GMAC-Med Term Shelf Nts	9.350	08/24/87	501,210	510,000
500,000	United States Treas Nts	12.625	11/15/87	498,290	537,500
750,000	United States Treas Nts	10.375	02/15/88	749,531	787,500
500,000	United States Treas Nts	9.875	05/15/88	505,625	525,000
1,250,000	United States Treas Nts	10.500	08/15/88	1,225,000	1,331,250
500,000	United States Treas Nts	10.625	12/31/88	500,000	540,000
500,000	United States Treas Nts	11.375	12/15/89	500,625	550,000
1,000,000	United States Treas Nts	11.750	05/15/89	996,884	1,115,000
500,000	Texas Commerce Bk C/D	12.000	09/01/89	499,765	555,000
500,000	United States Treas Nts	11.875	10/15/89	498,335	565,000
750,000	United States Treas Nts	12.750	11/15/89	748,125	866,250
800,000	United States Treas Nts	10.500	01/15/90	800,000	876,000
750,000	United States Treas Nts	11.000	02/15/90	746,953	832,500
500,000	United States Treas Nts	10.500	04/15/90	499,844	547,500
750,000	United States Treas Nts	11.375	05/15/90	743,555	847,500
1,000,000	United States Treas Nts	10.750	07/15/90	968,203	1,110,000
750,000	United States Treas Nts	10.750	08/15/90	744,453	832,500
500,000	United States Treas Nts	11.750	01/15/91	500,020	580,000
922,529	FHLMC Coll Mtg Oblig D2	12.375	05/01/91	914,313	938,674
500,000	United States Treas Nts	13.750	05/15/92	499,465	642,500
500,000	Prov of Ontario Nts F/R NC	14.625	08/31/92	500,000	655,000
500,000	Fed Hm Ln Mtg Corp. SER3	11.875	01/31/94	502,812	533,750
100,000	United States Treas Bds	9.000	02/15/94	99,963	108,000
TOTAL INTERMEDIATE TERM BONDS				<u>\$15,242,971</u>	<u>\$16,896,424</u>

<u>LONG TERM BONDS</u>					
865,522	Coll Mtg Sec Corp SER E-1	9.950	01/01/96	866,063	872,013
851,325	CMSC GNMA SER D-1	9.900	03/01/96	842,546	856,689
750,000	Ford Motor Credit NC	8.250	05/15/96	743,910	742,500
1,000,000	Sal Bros II CMO 84-1 CLB	8.125	11/01/96	815,625	1,002,500
863,896	FNMA Pass thru #15848	11.500	08/01/98	855,527	909,769
50,000	Monsanto Co SF DEB NC85	8.500	06/15/00	49,750	47,750
50,000	Ford Motor Cred DEB NC85	9.700	07/15/00	49,700	50,500
50,000	Gen Mtrs Acc Corp NC86	8.750	06/15/01	47,290	48,750

Maturity Value	Security	Percent	Maturing	Total Cost	Market Value
955,441	Fed Hm Ln Mtg Corp #25-8026	8.000	08/01/01	884,977	911,299
25,000	Mobil Oil Co. NR81	7.375	10/01/01	25,000	21,750
25,000	Firestone Tire NR81	7.300	10/15/01	25,000	21,125
25,000	Shell Oil DEB NR82	7.250	02/15/02	25,000	21,750
50,000	Sun Inc. DEB F/R	7.125	05/01/02	49,500	44,000
500,000	United States Treas Bds	10.750	05/15/03	503,750	630,000
50,000	Sears Roebuck DEB NR86	8.000	04/01/06	50,224	46,500
750,000	CMO Trust #1-4 Cl C	8.950	07/20/08	749,531	756,600
768,154	Fed Hm Ln Mtg Corp #183328	8.500	10/01/08	620,284	717,264
988,424	FHLMC Pass thru #18-0049	8.000	12/01/08	893,288	937,026
177,793	GNMA Pass thru #30303	9.000	03/15/09	164,653	172,246
831,984	Fed Hm Ln Mtg Corp PC18-1213	10.250	11/01/09	710,306	840,304
831,987	FNMA Pass thru #1003	8.000	01/01/10	662,470	776,827
200,000	Dow Chemical SF DEB NR90	11.250	07/15/10	187,000	215,000
25,000	Pacific Tel&Tel NC79	9.500	06/15/11	25,000	25,000
679,573	FNMA Pass thru #23	8.500	08/01/11	540,261	645,594
25,000	New York Tel REF SER NR78	8.300	08/15/12	25,290	23,125
862,212	GNMA Pass thru #68306	11.500	06/15/13	833,113	907,996
305,260	FNMA Pass thru #3343	10.250	07/01/13	252,603	313,136
847,941	GNMA Pass thru #66612	11.000	07/15/13	811,374	891,356
578,146	FNMA Pass thru #5850	11.750	08/01/13	549,961	610,290
876,572	Fed Hm Ln Mtg #25-3081	10.500	08/01/13	804,255	894,454
870,223	Fed Hm Ln Mtg #18-8797	12.000	02/01/14	893,882	897,957
472,274	GNMA Pass thru #111769	11.000	05/15/14	429,474	496,454
50,000	Pacific Tel&Tel DEB NC83	9.625	11/01/14	50,000	50,000
458,993	GNMA Pass thru #130668	12.000	06/15/15	462,579	485,522
997,821	GNMA Pass thru #145605	11.000	09/15/15	989,714	1,048,909
512,342	GNMA Pass thru #140544	11.000	10/15/15	543,883	538,574
1,000,000	So Cent Bell Tel NC82	8.250	11/01/15	939,353	915,000
500,000	FNMA Pass thru #6222	9.000	04/01/16	467,500	484,400
1,889,998	Fed Hm Ln Mtg #17-0171	9.000	06/01/16	1,862,829	1,803,757
500,000	Southern Bell T&T NC82	8.125	05/01/17	442,349	452,500
500,000	Southern Bell T&T NC83	8.625	09/01/18	480,208	470,000
100,000	So Western Bel Tel NC84	9.625	03/15/19	88,250	99,500
TOTAL LONG TERM BONDS				<u>\$21,313,272</u>	<u>\$22,695,686</u>

COMMON STOCKS

	Cash & Cash Equivalents	\$	865,871	\$	865,871
5,000	Aetna Life & Casualty		287,930		303,125
5,000	Allied-Signal Cos. Inc.		217,275		224,375
7,000	American Std.		222,292		294,875
6,100	Armstrong World Ind.		238,688		391,163
4,700	Burroughs Corp.		281,759		289,050
8,500	CSX Corp.		232,732		278,375
9,500	Collins & Aikman		217,033		372,875
3,800	Colt Inds.		246,917		265,525
9,100	Commonwealth Edison Co.		291,826		292,338
8,500	Dana Corp.		238,253		279,438
6,100	Dart-Kraft Inc.		221,192		386,588

Shares	Description	Total Cost	Market Value
4,400	Eaton Corp.	248,267	300,300
3,500	Federated Dep. Store	198,905	311,063
5,900	First Bk Sys.	237,747	339,988
4,600	First Intst. Bancorp	242,143	287,500
9,600	First Tenn Natl. Cor.	239,600	343,200
3,700	Gen Motors	297,638	287,213
2,700	Gen. Dynamics	214,866	206,550
3,500	Gen. Elec.	176,110	283,500
3,900	Honeywell Inc.	234,940	295,425
7,400	Hospital Corp. Amer.	303,390	281,200
9,500	Houston Inds.	299,165	299,250
2,500	Intl. Business Machines	326,377	366,250
7,450	James Riv. Corp. VA	327,285	309,175
7,300	K-Mart	269,586	415,188
3,900	Kimberly Clark	238,175	357,338
4,800	Lear Siegler	260,384	262,200
4,200	Libbey Owens Ford	319,536	306,600
5,200	Lincoln Natl. Corp.	220,666	274,950
5,000	Lockheed Corp.	261,275	278,750
4,500	Loews Corp.	225,760	309,375
3,500	McDonnell Douglas	286,893	272,563
4,300	Morgan JP	233,569	377,863
3,500	Norfolk Southn. Corp.	276,613	308,000
6,700	North Amer. Philips	234,180	301,500
5,200	Nynex Corp.	233,658	351,000
10,000	Outboard Marine	224,990	320,000
6,400	Pacific Telesis Group	230,884	359,200
3,500	Penney JC	286,381	298,375
5,800	Philip Morris Cos. Inc.	245,410	432,825
7,770	RJR Nabisco Inc.	216,859	411,810
3,700	Royal Dutch Pete - 10 Glor.	218,596	297,850
5,300	Scott Paper	215,737	312,700
6,700	Sears Roebuck	252,208	324,950
9,800	Southn. Calif. Edison	238,238	307,475
3,300	Southwestern Bell Corp.	243,565	361,350
6,000	Travelers Corp.	281,079	300,000
5,800	U. S. West Inc.	246,007	319,725
8,200	US Air Group Inc.	285,964	261,375
6,100	United Technologies	263,244	301,950
6,200	Westinghouse Elec.	210,459	332,475
5,700	Westvaco Corp.	220,168	286,425

TOTAL COMMON STOCKS & CASH EQUIVALENTS

\$13,848,285 \$17,198,024

REAL ESTATE

Cash & Equivalents	2,937,944	2,937,944
Real Property located at 746-876 South Milpitas Blvd., Milpitas, California APN 086-30-023, 086-30-024	<u>550,000</u>	<u>550,000</u>

TOTAL REAL ESTATE

3,487,944 3,487,944

	<u>TOTALS</u>	
	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
<u>RETIREMENT FUND</u>		
Cash & Cash Equivalents	\$ 16,063,640	\$ 16,287,063
Intermediate Bonds	53,750,164	59,297,444
Long Term Bonds	88,091,232	90,436,979
Bond & Preferred Convertibles	342,875	252,000
Common Stocks & Cash Equivalents	62,714,873	83,467,304
Real Estate Cash & Equivalents	12,853,915	<u>12,853,915</u>
Amortization	<u>683,248</u>	
TOTAL RETIREMENT FUND	\$234,499,947	\$262,594,705
<u>COST-OF-LIVING FUND</u>		
Cash & Cash Equivalents	\$ 3,589,289	\$ 3,659,593
Intermediate Bonds	15,242,971	16,896,424
Long Term Bonds	21,313,272	22,695,686
Common Stocks & Cash Equivalents	13,848,285	17,198,024
Real Estate Cash & Equivalents	3,487,944	<u>3,487,944</u>
Amortization	<u>202,894</u>	
TOTAL COST-OF-LIVING FUND	\$ 57,684,655	\$ 63,937,671
COMBINED TOTAL	<u>\$292,184,602</u>	<u>\$ 326,532,376</u>

Included in the above investments at cost are cash equivalents amounting to \$4,176,000 which will be applied to liquidate amounts payable to brokers existing at June 30, 1986.

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

PORTFOLIO PERFORMANCE REPORT

Measured On Basis of Dividends And Interest Received

	06/30/86 Portfolio Cost	Annual Income	Income Rate of Return
Scudder	\$199,279,585	\$20,369,231	10.2%
Investment Advisors	23,201,512	565,858	2.4%
Smoot	28,072,032	1,408,145	5.0%
Loomis	25,289,614	1,174,196	4.6%
NBS	16,341,859	1,291,007	7.9%

Measured on Basis of Total Increase in Market Value

	06/30/86 Market Value	06/30/85 Market Value	Total Yield
Scudder	\$209,525,189	\$186,205,949	17.8%
Investment Advisors	27,809,514	19,907,211	31.6%
Smoot	41,487,843	30,018,141	35.9%
Loomis	31,367,971	19,273,146	36.0%
NBS	16,341,859	4,832,901	N/A

PERFORMANCE BENCHMARK COMPARISON

	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>
<u>BOND PERFORMANCE</u>			
Scudder	17.8%	15.3%	17.4%
SEI Bond Funds Median	19.5%	15.0%	17.3%
Shearson Lehman Gov't Corp. Bond Index	20.7%	16.5	18.3%
<u>STOCK PERFORMANCE</u>			
Smoot	35.9%	18.6%	17.9%
Investment Advisors	31.6%	N/A	N/A
Loomis	36.0%	N/A	N/A
SEI Equity Funds Median	34.0%	16.6%	18.7%
Standard & Poor 500	35.9%	19.3%	19.3%
New York Stock Exchange	29.6%	13.9%	13.6%
<u>TOTAL PERFORMANCE</u>			
Total Fund	22.3%	15.2%	17.0%
SEI Public Funds Median	25.2%	15.2%	17.3%

POLICE & FIRE DEPARTMENT RETIREMENT PLAN

INDUSTRY ANALYSIS OF EQUITIES

	<u>Market Value</u>	<u>% of Portfolio</u>
<u>CAPITAL EQUIPMENT</u>		
Aerospace	1,883,676	2.0%
Electrical & Office Equipment	9,457,138	10.0
Machinery	<u>1,200,750</u>	<u>1.2</u>
TOTAL CAPITAL EQUIPMENT	12,541,564	13.2%
<u>CONSUMER DURABLES</u>		
Automotive Equipment	4,166,489	4.4%
Machinery	560,000	0.6
Building Supplies	<u>5,607,265</u>	<u>5.9</u>
TOTAL CONSUMER DURABLES	10,333,754	10.9%
<u>CONSUMER NON-DURABLES</u>		
Cosmetics & Soap	2,702,885	2.8%
Drugs & Hospital Supplies	4,074,625	4.3
Grocery Products	13,279,284	14.0
Publishing	2,465,375	2.6
Retail & Sales	6,157,151	6.5
Entertainment & Leisure	3,491,263	3.7
Services	<u>2,287,075</u>	<u>2.4</u>
TOTAL CONSUMER NON-DURABLES	34,457,658	36.3%
<u>ENERGY</u>		
Oil-Domestic & Crude	1,668,350	1.8%
Oil-Equipment & Service	789,375	0.8
Oil-International	<u>539,350</u>	<u>0.6</u>
TOTAL ENERGY	2,997,075	3.2%
<u>FINANCIAL</u>		
Insurance & Finance	11,882,577	12.5%
Miscellaneous Finance	<u>808,500</u>	<u>0.9</u>
TOTAL FINANCIAL	12,691,077	13.4%
<u>INTERMEDIATES</u>		
Chemicals & Fertilizers	3,680,125	3.9%
Paper	1,710,675	1.8
Metals	841,875	0.9
Miscellaneous Industries	<u>4,454,975</u>	<u>4.7</u>
TOTAL INTERMEDIATES	10,687,650	11.3%
<u>TRANSPORTATION</u>		
Railroads	2,071,687	2.2%
Air	677,313	0.7
Shipping & Freight	<u>790,625</u>	<u>0.8</u>
TOTAL TRANSPORTATION	3,539,625	3.7%
<u>UTILITIES</u>		
Gas & Electric	4,006,601	4.2%
Communications	<u>3,607,675</u>	<u>3.8</u>
TOTAL UTILITIES	7,614,276	8.0%
 TOTAL EQUITIES	 <u>94,862,679</u>	 <u>100.0%</u>

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

PLAN REVENUES

The Plan's Retirement Fund has three principal sources of income. One is the payments made by the employer (City Government). Another is the payments made by the City employee members of the Plan. The third is the interest earnings from the monies invested in bonds 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
1986	\$17,808,000	\$5,931,000	\$28,166,000	\$51,905,000
1985	16,545,000	5,440,000	23,263,000	45,248,000
1984	19,349,000	5,664,000	19,472,000	44,485,000
1983	18,058,000	5,496,000	17,442,000	40,996,000
1982	15,425,000	4,651,000	12,397,000	32,473,000
1981	12,000,000	3,069,000	8,652,000	23,721,000
1980	7,764,000	2,500,000	6,049,000	16,313,000
1979	6,872,000	2,079,000	4,843,000	13,794,000
1978	6,337,000	1,871,000	3,806,000	12,014,000
1977	6,047,000	1,738,000	3,199,000	10,984,000
10 Year Total	\$126,205,000	\$38,439,000	\$127,289,000	\$291,933,000

SIZE OF SYSTEM

	<u>6/78</u>	<u>6/79</u>	<u>6/80</u>	<u>6/81</u>	<u>6/82</u>	<u>6/83</u>	<u>6/84</u>	<u>6/85</u>	<u>6/86</u>
Active	1,407	1,385	1,375	1,523	1,527	1,580	1,576	1,635	1,680
Retired	234	245	272	286	303	313	338	345	371
Survivors	38	49	47	52	60	63	68	65	77
TOTAL	1,679	1,679	1,694	1,861	1,890	1,956	1,982	2,045	2,128

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

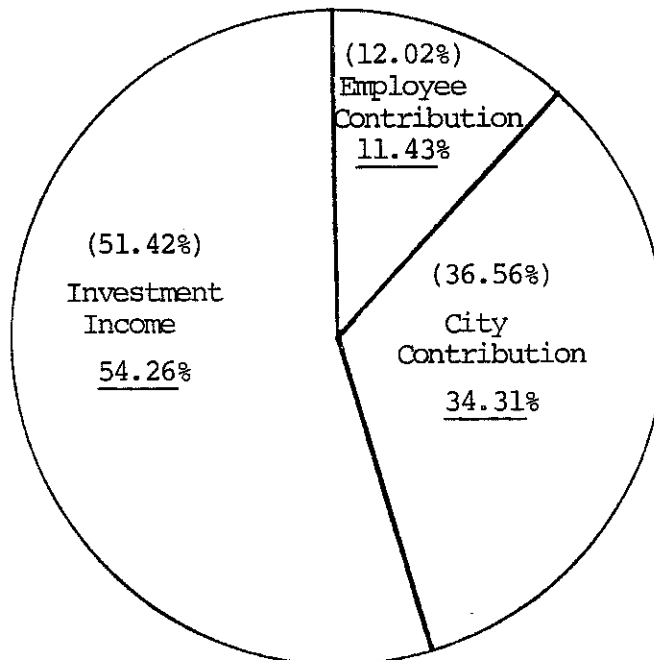
CONTRIBUTIONS AND REVENUE

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

	<u>Employee</u>	<u>City</u>
Current Service	6.23%	16.62%
Prior Service	-0-	.44
Cost of Living	2.33	9.02
1985 COL Adjustment	-0-	.38
Medical	.75	.75
Dental	.08	.25
TOTAL	9.39%	27.46%

The following sources contributed their share of the revenues received by the Retirement Fund in 1985-86:

Employee Contribution	11.43%	\$ 5,931,000
City Contribution	34.31%	17,808,000
Investment Income	<u>54.26%</u>	<u>28,166,000</u>
TOTAL REVENUE	100.00%	\$51,905,000



1984-85 percentages are shown in parentheses.

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDED JUNE 30, 1986

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D MAULDIN, WILLIAM P	17	9/26/44	97.89	320.21	4,907.58
MATRANGA, JOHN	22	2/01/53	170.65	333.52	5,917.92
GUPTILL, LOVELL E	24	7/01/54	217.67	401.76	7,270.80
ANDERSON, ERNEST D	26	8/01/55	226.54	424.08	7,636.89
JONES, IVOR A	34	8/21/57	216.42	429.54	7,582.23
MORSS, KENNETH G	30	9/21/57	217.31	407.21	7,330.53
D MAC LEAN, ARTHUR A	16	11/27/57	250.86	361.52	7,188.00
GARCIA, SIMON	30	2/27/62	278.02	422.47	8,222.28
EDDES, HUGH A	36	7/01/62	325.50	499.76	9,686.76
CAMPBELL, LAWRENCE B	31	2/01/63	417.58	540.21	11,242.38
QUAIN, RALPH C	22	4/01/63	336.44	417.91	8,854.47
S ANDERSON, IRENE C	17	6/13/63	156.44	129.70	3,358.71
FLESNER, FREDERICK J	25	7/28/63	342.48	440.55	9,191.07
PRACNA, EDWARD S	36	9/13/63	431.27	581.18	11,883.99
S SAWYER, BARBARA E	18	1/01/64	224.69	262.62	5,720.01
PARKER, HAROLD C	22	5/01/64	440.09	494.06	10,964.91
D BATTI, GEORGE J	34	5/11/64	352.28	490.98	9,898.08
D EMERY, LOUIS W	15	8/20/64	282.94	322.63	7,108.08
BROWDER, SAMUEL D	22	4/01/65	364.86	397.80	2,287.98
GRAY, RAYMOND T	37	4/01/65	326.78	477.55	9,441.09
S LUNSFORD, PHYLLIS M	37	6/25/65	345.38	384.64	8,568.90
DAVIS, HARVEY	39	9/01/65	371.32	524.91	10,519.86
D HOFFMAN, VERNON D	20	12/06/65	341.08	389.96	8,580.87
ROSQUE, CHARLES J	20	5/03/66	301.42	349.18	7,636.65
D HAAS, CARL G	21	6/07/66	337.89	383.17	8,463.72
D MATTERN, JOHN A	16	7/16/66	391.56	395.46	9,237.96
KIDDER, DONALD R	29	9/01/66	398.52	476.54	10,271.31
S RUSSO, JOSEPHINE	39	2/09/67	159.89	256.04	4,882.17
D CREAMER, WILLIAM M	23	4/15/67	368.40	374.53	8,720.40
D FUSCO, GEORGE W	22	6/10/67	352.07	358.04	8,335.20
S WAKEMAN, LELA C	31	9/08/67	207.15	256.36	5,440.62
D ANDERSON, WILLIAM E	09	11/14/67	377.00	298.57	7,929.72
D TURNAGE, GORDON E	08	3/08/68	365.59	285.28	7,639.80
D BARTOLINI, HERBERT R	08	4/01/68	366.77	286.04	7,662.63
D BREWER, GLENN J	10	2/10/69	385.15	309.72	8,156.28
CHEW, ARNOLD W	01	4/21/69	373.41	208.36	2,327.08
D OSTERMEIER, CLIFFORD C	05	5/20/69	384.77	261.78	7,589.13
D BARR, JACK L	21	7/14/69	394.05	360.66	8,858.70
D HART, JAMES H	01	12/03/69	383.42	237.66	7,290.15
MC CAY, E D	27	2/01/70	999.77	761.88	20,678.01
ERLANDSON, JOHN K	25	7/01/70	595.43	476.10	12,577.47
ANKENBAUER, FRANK J	24	7/05/70	576.31	459.66	12,160.11
D MATSON, ROBERT K	08	8/01/70	461.00	302.46	8,961.36
D STENZEL, EUGENE F	08	8/01/70	461.00	302.46	8,961.36
D DAVIS, DALE D	08	9/01/70	461.00	302.46	8,961.36
D STOUT, BERNARD	24	9/01/70	569.48	455.86	12,035.34
WILSON, JACK E	34	9/01/70	955.53	728.38	19,765.47
CONNETT, THERON F	31	10/01/70	835.79	601.36	7,185.75
D ANDERSON, CLARENCE W	23	12/21/70	545.36	436.66	11,526.84

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDED JUNE 30, 1986

NAME	YRS SERV	DATE RET/OTH	MONTHLY BASE	COL	TOTAL
FISHER, VERN	25	1/03/71	599.87	478.60	12,658.95
D TRUE, ROBERT	31	1/11/71	1,147.89	817.63	23,070.99
D CROSBY, JAMES	29	1/14/71	839.24	634.70	17,300.91
D CANNELL, GEORGE H	33	1/16/71	1,486.60	17.27	29,390.07
S GIBSON, HENRIETTA	25	2/04/71	345.75	264.69	7,165.26
D COOMER, SAM D	09	2/09/71	376.90	261.58	7,494.36
D BATTEN, RUSSEL L	28	3/01/71	1,105.24	776.51	22,087.71
D TANNER, FRANCIS	20	5/01/71	546.62	396.74	11,073.00
BLACKMORE, JOHN R	42	5/17/71	1,953.51	246.08	37,556.37
D MASON, ROLAND S	07	6/22/71	511.45	302.96	9,559.44
D ROLSTON, CHAD C	26	7/01/71	680.42	500.25	13,858.53
D KNAPP, JOHN F	30	7/15/71	1,484.00	935.50	28,399.77
LOWE, WILLIAM C	22	7/15/71	662.48	467.77	13,266.72
D EVANS, CARL L	26	8/01/71	655.23	487.38	13,411.80
D KENNEY, EDWIN	24	8/01/71	744.57	521.52	14,861.16
D PLACE, ROBERT R	11	8/01/71	413.82	276.21	8,099.46
D RICKETTS, EDWARD B	21	9/01/71	583.10	421.25	11,788.95
D FLAIR, GARY L	09	10/12/71	506.35	312.01	9,605.76
D HOULIHAN, EARL E	08	11/11/71	510.71	308.38	9,614.34
D BIBBY, RICHARD A	15	12/01/71	508.13	345.64	10,021.41
D MANTHEY, JAMES E	19	12/01/71	648.63	443.16	12,815.28
D MILLEP, HERBERT W	35	1/03/72	973.81	703.10	19,683.36
D CURTISS, MARVIN W	27	1/04/72	766.04	549.98	15,447.27
S CECIL, GEORGIA L	18	1/26/72	318.63	297.80	7,235.61
D GREEN, LEON R	35	2/01/72	824.68	550.19	16,138.08
GREEN, MARJORIE	35	2/01/72	494.81	330.13	9,683.01
D FRIES, JOSEPH J	22	2/15/72	691.49	482.65	13,781.88
D HIGGINS JR, THOMAS J	24	3/01/72	1,040.20	673.06	20,110.02
D LESLIE, SEAN R	08	3/01/72	530.28	318.44	9,962.16
MARAL, MANUEL G	40	3/01/72	769.75	627.64	16,402.38
D WESTERHOUSE, JAMES	27	3/01/72	857.69	596.97	17,074.59
D SCARPAGE, SAM J	30	4/01/72	771.56	570.31	15,750.72
D TOLLENAAR, CORNEAL S	20	4/01/72	647.13	448.26	12,857.58
D MILLER, ARTHUR R	24	5/01/72	815.35	521.87	15,696.09
D MC CARGAR, JOHN W	02	6/06/72	308.10	142.49	2,703.54
D MILLER, DAVID P	31	7/02/72	944.25	442.40	16,276.29
CARDONA, VELMA F	20	7/16/72	351.67	164.77	6,061.92
D BERNARDO, C DONALD	27	8/01/72	753.53	353.05	12,988.89
D PETERSEN, GUNNER	26	8/01/72	845.49	396.15	14,574.24
D TOUSSAINT, HAROLD P	29	8/01/72	1,013.45	474.84	17,469.33
S HALLER, JEAN M	25	9/06/72	544.62	255.18	9,387.90
D LAMB, WILLIAM J	19	9/15/72	637.31	298.59	10,985.46
S COLLINS, ANTOINETTE N	26	11/20/72	449.36	210.55	7,745.94
D MILLER, JESSE E	25	12/01/72	884.28	414.31	15,242.70
KLEIN, ELMER L	32	1/03/73	1,643.50	770.04	28,329.78
D LARSEN, JAMES D	13	1/15/73	605.17	283.56	10,431.75
S SHANNON, MARJORIE D	35	1/26/73	651.44	305.24	11,229.42
D SCHAEFER, CHARLES L	29	2/14/73	904.83	423.93	15,596.82
D BRENNEMAN JR, VIRGIL A	06	2/15/73	535.00	250.66	9,222.00
D SADLER, BERNICE L	24	2/15/73	546.03	255.83	9,412.08

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 RETIREES AND BENEFICIARIES FOR THE YEAR ENDED JUNE 30, 1986

NAME	YRS SERV	DATE RET/DTN	MONTHLY BASE	COL	TOTAL
D DONOHUE, JAMES W	06	3/04/73	387.73	181.65	6,683.34
S FERNANDEZ, BEVERLY J	23	3/11/73	457.89	431.63	11,204.20
D GILBERT, GEORGE	27	3/15/73	731.12	342.57	12,602.85
D GRAY, LOREN B	30	4/01/73	853.13	399.72	14,705.79
D HOWARD, ORRIN J	20	4/01/73	575.00	269.42	9,911.73
D JONES, JOHN W	34	4/01/73	2,164.79	1,014.28	37,315.53
D LENNON, JOHN F	20	4/01/73	590.70	251.47	2,526.51
D SANCHEZ, JOSEPH X	14	4/01/73	658.00	308.29	11,342.22
D TUMA, FRANK J	27	4/01/73	776.12	363.63	13,378.20
D WALTON, J C	04	4/01/73	527.18	246.99	9,087.09
S GILCHREST, DOROTHY M	24	5/16/73	387.31	268.46	7,697.34
D HOFFMAN, FRED	29	6/01/73	1,031.78	439.29	17,267.19
S LA COUR, JOYCE	12	6/15/73	492.69	209.78	8,245.50
D BRUCE, GORDON J	05	7/01/73	601.42	256.07	10,065.06
D EVANS, DAVID T	26	8/01/73	955.34	406.77	15,988.29
D HARRIS, COY M	27	9/12/73	810.23	344.98	13,559.67
S VASQUEZ, LUPE	22	9/25/73	564.38	240.29	9,445.08
D MARKS JR, LEONARD G	18	10/01/73	1,062.50	452.38	17,781.48
D SILVA, EDWARD N	25	10/01/73	870.38	370.56	14,566.02
D SATARIANO, ANTHONY S	27	11/14/73	807.78	343.91	13,518.42
D CORDONI, JULIUS L	11	12/01/73	664.20	282.79	11,115.66
D BIAS, JAMES B	13	1/02/74	594.64	253.17	9,951.51
D CRAWFORD, JAMES L	14	1/02/74	688.00	292.93	11,514.03
D GOULD, MICHAEL L	09	1/02/74	649.49	249.55	5,394.24
D AUER, JOSEPH M	14	1/02/74	688.00	292.93	11,514.03
D TORGUSON, DONALD L	11	1/02/74	558.96	237.97	9,354.27
D CONROW, DAN R	28	1/05/74	974.21	414.78	16,303.74
D WILLIS, RONALD L	10	1/15/74	478.61	203.78	8,009.76
D MARTINELLI, WALTER L	28	2/01/74	843.22	359.04	14,111.94
D SILFVAST, ROBERT E	17	2/01/74	703.59	299.56	11,774.82
D CHOYCE, JAMES A	14	3/01/74	603.25	256.85	10,095.75
D COLLINS, BARTON L	38	3/01/74	1,709.63	727.90	28,611.36
D GARRINGER, ESTIEL L	26	3/01/74	965.43	411.04	16,156.83
PROVASI, DANTE C	27	3/01/74	868.46	369.73	14,533.74
MAC KENZIE, WILLIAM H	29	4/01/74	1,549.13	659.56	25,925.31
D STEFANINI, MARIO P	29	4/01/74	939.06	399.83	15,715.68
S REBHAN, ETHEL M	21	4/23/74	210.56	229.95	5,170.65
S GARCIA, JENNIE S	27	5/07/74	535.99	205.95	8,708.79
S RUCK, LILLIAN M	20	5/15/74	557.90	214.37	9,064.83
KING, REPNICE M	25	6/01/74	392.86	150.96	6,383.28
FAVORITE, LAWRENCE R	35	6/12/74	1,074.00	412.67	17,450.34
D CORURN, JIMMIE C	18	6/15/74	619.86	238.17	10,071.45
D BERNARDO, RALPH H	30	7/10/74	873.24	335.54	14,188.47
S CAROTTA, SHIRLEY R	29	11/05/74	549.38	366.08	10,745.58
D NURISIO, LOUIS G	14	12/01/74	663.37	254.90	10,778.49
D LIMA, SAM	28	1/02/75	846.83	325.36	13,759.02
D DEVITT, FRANCIS M	28	2/01/75	1,051.73	404.10	17,088.36
D SAPENA, TONY R	29	3/01/75	704.58	242.31	5,005.01
D KINCAID, RICHARD R	32	3/27/75	984.49	378.26	15,995.79
D ANGELO, ANTHONY E	24	4/01/75	801.11	307.81	13,016.34

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 RETIREES AND BENEFICIARIES FOR THE YEAR ENDED JUNE 30, 1986

NAME	YRS SERV	DATE RET/DTN	MONTHLY BASE	COL	TOTAL
D DONALD, PEGGY J	24	4/01/75	535.28	205.67	8,697.18
D FONSECA, CHARLES	30	4/01/75	1,140.75	438.31	18,534.81
D KINNEY, THOMAS R	29	4/01/75	1,161.73	446.36	18,875.52
D SAWYER, HOWARD D	13	4/01/75	657.32	252.56	10,680.06
SILVA, RAYMOND J	23	4/01/75	774.72	297.66	12,587.49
D SINNOTT, GLENN V	28	4/01/75	869.53	334.10	14,128.02
D AZZARELLO, JOSEPH S	33	5/01/75	1,600.25	550.34	25,243.32
D RICHARDS, JOHN K	14	5/01/75	796.34	273.89	12,562.23
S DONALD, PEGGY J	28	5/15/75	1,010.52	347.52	15,940.53
D JACOBSON, GEORGE A	15	6/01/75	771.48	265.32	12,169.80
D RAMBOER, LEO M	28	6/01/75	883.98	304.02	13,944.60
D CUFFARO, MARCO S	26	6/10/75	1,040.01	357.67	16,405.77
S CARDONA, VELMA F	30	7/08/75	547.94	233.29	9,170.01
S HOLDEN, GERTRUDE	16	8/18/75	157.75	187.15	4,048.35
S PERRY, LUCILLE A	27	8/25/75	518.46	220.73	8,676.51
D ROBERTSON, HARRY A	06	9/06/75	708.69	243.74	11,179.50
D KEITH, GARY L	13	10/18/75	700.91	241.08	11,056.92
D DONALD, HOWARD C	28	1/01/76	1,740.78	598.69	27,460.38
KEISER, BETTY J	20	1/02/76	390.67	134.35	6,162.63
HILSCHER, ARTHUR J	29	1/03/76	1,433.45	492.98	22,612.17
D KOSIK, VICTOR A	28	1/03/76	1,039.81	357.60	16,402.62
D FERNANDEZ, GABRIEL J	29	1/06/76	948.11	326.06	14,956.05
D BLOOMFIELD, HAROLD E	24	1/25/76	800.38	243.93	2,088.62
HALLER, LEWIS A	34	2/07/76	1,706.66	586.97	26,922.36
KUEHNIS, FLOYD E	34	2/07/76	1,475.52	507.46	23,275.92
D SULLIVAN, MARIS S	24	3/20/76	1,026.50	353.03	16,192.74
D NELSON, ROBERT P	30	3/21/76	993.62	341.71	15,673.95
D SEIBERT, SAM H	29	3/28/76	1,216.75	418.47	19,193.97
D MURTHA, WILLIAM J	09	4/01/76	663.30	228.12	10,463.40
D RICCI, FRANK J	28	4/01/76	940.03	323.29	14,823.64
D COLE, VERNON S	24	6/13/76	1,033.41	314.95	15,826.89
D WOGILEFSKY, ARTHUR A	09	7/04/76	755.16	230.14	11,565.30
MADDOX, WILLIAM A	28	8/14/76	1,239.51	377.77	18,983.37
S CONVERSA, JESSIE C	30	8/29/76	637.37	219.20	10,054.29
D KEYSER, ORVILLE J	28	9/19/76	1,222.16	372.47	18,717.51
D STEGEMILLER, JAMES R	22	10/18/76	1,242.97	63.14	15,522.64
S SCRIPNER, BETTY J	28	11/14/76	747.77	287.33	12,149.85
D SEKANY, GREGORY A	16	1/03/77	755.70	233.36	11,726.82
D FLORREAGA, PAUL	14	1/12/77	792.82	241.62	12,142.11
S HEEREN, MILDRED	31	2/21/77	43.80	18.08	1,375.98
S AMBURGEY, DORINE	35	2/28/77	801.16	375.37	13,809.93
D LEE, RAYMOND W	29	3/14/77	1,376.86	419.65	21,087.15
D KLEIN, THEODORE P	31	3/19/77	1,881.55	573.44	28,816.38
D CAMPBELL, WILLIAM C	25	3/20/77	1,182.62	360.42	18,112.02
D CLEARY, ROBERT	28	3/20/77	1,676.11	447.13	14,862.68
D DWYER, GEORGE J	27	3/20/77	1,264.22	385.31	19,362.00
D KASICH, ROBERT C	09	4/11/77	790.82	210.96	11,758.74
D DEVENS, LEE E	28	4/17/77	1,671.95	446.02	24,860.43
HICKEY, JANET S	31	4/23/77	1,213.72	323.78	18,045.98
D BRUNE, RALPH F	29	6/01/77	1,390.32	370.89	20,672.82

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NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D ADAMS, VIRGINIA S	22	6/14/77	825.44	220.21	12,273.66
DE CAMP, HOWARD	24	7/06/77	1,114.57	297.33	16,572.72
D BOLTON, HILBERT	30	7/12/77	1,369.66	365.38	20,365.62
D JONES, ROBERT A	10	7/12/77	733.07	195.55	10,899.99
D NELSON, MURRAY E	31	9/02/77	1,185.95	316.39	17,634.24
D CAPURSO, FRANK J	14	9/06/77	788.89	210.47	11,730.33
S BELL, CHERYL J	02	9/11/77	767.45	204.73	11,411.28
D SHANNON, CLARENCE M	22	9/11/77	979.86	261.41	14,569.89
D ZENAHLIK, THOMAS P	09	12/14/77	841.81	224.56	12,516.90
D ROORDA, JAMES R	07	12/18/77	818.44	218.33	12,169.44
D WHEATLEY, MERLIN W	30	1/05/78	1,698.59	453.13	25,256.61
D VITTOE, JOSEPH B	29	1/07/78	1,230.11	328.16	18,290.73
D BENNETT, WILLIAM G	08	1/10/78	844.85	225.39	12,562.35
D PAPA, RICK L	03	1/11/78	731.55	195.16	10,877.61
S MC CUISTION, EVELYNN M	18	1/20/78	688.33	183.63	10,234.92
GERHARD, JOHN K	30	3/04/78	2,832.64	755.65	42,118.89
D WARNING, DONALD A	22	3/14/78	946.48	252.49	14,073.36
D WINDISCH, STEPHEN F	30	3/31/78	1,987.32	530.16	29,549.88
D ALLEN, ROBERT L	21	4/01/78	1,631.93	435.36	24,265.59
D TAMBELLINI, LAWRENCE J	26	4/01/78	1,532.87	408.94	22,792.68
S MURTHA, MARY F	27	4/07/78	188.17	229.50	4,902.51
D OZGA, JAN	10	5/09/78	831.98	191.24	12,010.44
D WELCH, BRADFORD M	05	5/13/78	859.09	197.48	12,401.91
D HOLMES, DANNY R	11	5/14/78	832.53	191.38	12,018.54
D ROBERTSON, ROBERT A	29	6/13/78	1,243.36	285.81	17,949.18
D NEIBAUER, RICHARD J	21	7/08/78	1,060.24	243.72	15,305.70
S HEANEY, CHARLOTTE B	27	9/20/78	298.29	114.63	825.84
D JONES, RAYMOND E	32	10/01/78	1,911.04	370.84	9,127.52
D ESCOBAR, JOSEPH R	21	10/14/78	531.68	122.22	7,675.35
ESCOBAR, PATRICIA M	21	10/14/78	531.67	122.22	7,675.23
D SARGENT, GREGORY S	30	10/14/78	1,738.26	399.57	25,093.53
D EDWARDS, DONALD E	23	10/15/78	1,339.74	307.97	19,340.61
S STEBENTHALL, ROBYN J	08	10/28/78	632.93	145.49	9,137.01
S MILLER, LAURA L	14	11/03/78	865.65	199.00	12,496.71
S GUERTIN, HELEN M	22	11/11/78	197.47	216.53	4,859.46
D VAN DYCK, JON M	16	11/14/78	1,001.37	230.19	14,455.89
D WILLIAMS, RONALD T	13	11/14/78	1,001.37	223.29	14,374.89
S CISSELL, JANE M	15	12/09/78	505.88	194.37	8,219.40
D SHANNON, GRETTAANN	13	1/01/79	720.88	165.71	10,406.70
D PALSTON, LLOYD W	30	1/06/79	1,502.06	345.29	21,683.91
D FUNK, HAROLD S	24	1/14/79	1,185.54	272.52	17,114.49
D NOSEWORTHY, ALEC	31	2/15/79	1,257.92	289.17	18,159.54
S POELLE, JEAN A	17	2/16/79	312.33	253.42	6,640.68
BALLARD, BUCK B	24	2/17/79	1,238.06	284.60	17,872.77
D MC KAY, EDWARD D	32	3/17/79	2,329.43	535.46	33,627.72
D MARSH, LEONARD H	16	3/18/79	971.60	223.34	14,026.08
D MITCHELL, JAMES W	23	3/18/79	1,520.33	349.48	21,947.58
D VAN ETEN, DAVID	31	3/18/79	1,905.82	438.10	27,512.61
D WIEN, WILLIAM A	27	3/30/79	1,397.10	321.16	20,168.67
D URBANI, EDWARD	31	3/31/79	1,457.39	335.02	21,039.03

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NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D KING, JAMES R	27	4/01/79	1,156.51	265.86	16,695.57
D JOST, FRANKLIN D	20	4/29/79	1,014.36	196.83	14,216.76
S LORENZ, RUTH H	25	5/23/79	216.42	214.14	5,053.86
S SIMS, ETHEL J	23	6/14/79	344.70	275.46	7,279.38
S STANLEY, RUTH M	23	6/19/79	204.11	200.25	4,746.30
D MOSS, GENE D	19	7/14/79	1,002.33	194.50	14,048.22
WARNING, LOREN R	22	8/01/79	725.24	140.73	10,164.66
D PIPKINS, ROBERT W	20	8/04/79	990.59	192.23	13,883.79
D EVANS I, HAROLD H	28	8/14/79	1,397.28	271.16	19,583.88
D MC GREW, JAMES M	08	9/09/79	865.65	167.99	12,132.69
D TENBRINK, ROBERT	09	9/11/79	844.93	163.96	11,841.90
D THOMPSON, GARY R	16	9/11/79	1,002.51	194.55	14,050.89
D DE LUCA, PETER P	31	9/15/79	1,301.18	252.51	18,237.03
S MURRAY, VERA E	32	10/04/79	179.87	253.46	5,086.38
D PINCK, GREGORY J	09	10/09/79	843.90	163.76	11,827.77
D GREER, DENNY R	28	10/14/79	1,391.65	270.05	19,504.80
S BAROZZI, MARYANN	26	10/23/79	449.50	210.60	7,748.13
RAGSDALE, ELWIN G	28	11/11/79	1,022.91	198.51	14,336.82
D GERMANO, EUGENE J	32	1/12/80	1,675.15	325.05	23,478.06
D ROY, CHARLES D	24	1/12/80	1,430.19	277.53	20,044.98
D JURADO, JOHN J	19	2/19/80	1,024.49	198.80	14,358.81
D NAGENGAST, THOMAS C	25	3/11/80	1,315.26	255.23	18,434.22
D CUNNINGHAM, ELIZABETH J	23	3/15/80	979.74	190.11	13,731.57
D KEENEY, WILLIAM H	24	3/15/80	1,101.14	213.69	15,433.26
D POLLOCK, DAVID A	19	3/15/80	1,206.88	234.19	16,915.11
D MILLER, DOROTHY H	20	3/16/80	842.39	163.47	11,806.62
D RIST, WAYNE H	25	3/29/80	1,335.07	259.07	18,711.81
D CIRAULO, SALVADOR J	33	3/30/80	1,556.84	302.12	21,820.26
D COTTLE, EDWARD M	26	3/30/80	1,396.64	271.02	19,574.79
D DE LISE, JOSEPH S	23	3/30/80	1,082.04	209.98	15,165.57
D LUCCHESI, GEORGE	28	3/30/80	1,504.12	291.88	21,081.21
D SAN FILIPPO, ROY F	25	3/30/80	1,332.57	258.58	18,676.74
D ONZO, JOSEPH J	24	4/13/80	1,107.69	212.39	15,494.91
D WIENS, GEORGE M	24	4/13/80	1,277.75	245.00	17,873.85
D JAEGER, GEORGE N	10	4/20/80	911.80	174.82	12,754.59
D DORR, DONALD R	20	5/13/80	943.28	177.59	13,156.59
LAIL, HAROLD A	24	5/25/80	987.47	185.90	13,772.82
D WALLACE, GORDON M	25	6/08/80	1,319.76	245.39	18,371.49
D PARADISO, JOSEPH	33	7/05/80	1,586.08	289.39	22,013.97
D RAIKES, FOSTER P	17	7/06/80	873.39	159.33	12,118.05
D BARNETT, JAMES E	30	7/12/80	1,622.22	295.98	22,515.57
S WARRICK, ANTOINETTE D	27	8/11/80	448.41	313.33	8,941.17
D CONVERS JR, FRANCIS E	24	9/13/80	1,278.51	225.87	17,658.18
D NEWMAN, DON M	21	9/14/80	975.00	172.26	13,466.34
S GADSBY, MARY E	22	10/24/80	193.34	236.08	5,040.45
D MEAGHER, ROBERT W	24	1/01/81	1,146.07	189.18	15,672.99
D STRUTHERS, RICHARD M	25	1/01/81	1,384.31	228.52	18,931.14
D BOHN, THEODORE M JR	20	1/06/81	1,434.65	236.81	19,619.40
D MULLINS, FRED R	14	1/12/81	952.00	157.13	13,018.86
D BORCH, HENRY H	25	1/13/81	1,788.64	295.26	24,460.50

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
RETIREES AND BENEFICIARIES FOR THE YEAR ENDED JUNE 30, 1986

NAME	YRS SERV	DATE RET/DTM	MONTHLY BASE	COL	TOTAL
D BROWN, WILLIAM J	29	1/17/81	2,172.83	358.67	29,714.43
D PETERSON, COURTNEY	21	2/01/81	1,163.64	189.38	15,881.55
S ANGER, ROBYNNE	10	2/22/81	1,449.88	235.97	19,788.30
D GUIDO, JAMES J JR	25	2/28/81	1,162.15	213.59	16,148.25
GUIDO, WILMA E	25	2/28/81	240.00	14.62	2,988.66
D GARINO, KENNETH J	21	3/03/81	1,012.88	161.33	13,782.72
D MOORE, SHARON A	14	3/03/81	686.25	109.31	9,338.19
D HILL, RICHARD N	25	3/31/81	1,661.18	264.59	22,604.43
S GOMES, GRACE	22	4/07/81	240.11	227.96	5,494.17
D HALL, RICHARD R	25	4/12/81	1,867.12	230.26	24,618.75
D BUSH, WILBERT E	16	6/03/81	992.32	92.01	12,727.74
S CRAWFORD, IDA M	10	6/04/81	217.32	168.49	4,528.56
D MC VEA, IRVIN G	24	7/07/81	1,218.23	139.59	15,937.89
D SHANNON, RONALD D	25	7/07/81	1,196.57	137.10	15,654.48
D CANCELLA, JOSEPH	24	7/12/81	1,210.96	138.76	15,842.85
S ERICKSON, MICHAEL S	13	8/25/81	391.80	44.03	5,115.75
S ERICKSON, SCOTT G	13	8/25/81	391.80	44.03	5,115.75
D JOHNS, MERLE W	26	9/01/81	1,580.79	172.50	20,579.85
S ANDERSON, ELSIE H	09	9/06/81	474.50	212.18	8,060.16
D DOYLE, PATRICK B	14	10/06/81	1,031.36	112.74	13,630.29
D MAZZONE, RICHARD T	13	11/03/81	1,083.64	112.32	14,038.05
D MOORE, ANN C	21	1/05/82	1,205.76	118.39	15,542.67
D MUSSER, MARILYN J	12	1/05/82	967.82	95.04	12,475.68
D SCHAAR, JOHN G	31	1/05/82	1,548.29	152.02	19,958.04
D WARTHAN, LLOYD C	31	1/05/82	1,949.67	191.44	25,132.08
D MOORE, DONALD E	28	1/09/82	1,855.52	182.19	23,918.37
D FANUCCHI, ROSCOE	32	1/16/82	1,974.05	193.83	25,446.30
D GIVIN, WILBUR	27	1/16/82	1,549.83	152.18	19,977.99
S SCHWANDT, CATHERINE M	34	2/01/82	116.48	215.04	3,891.30
D ERICKSON, RICHARD A	29	2/02/82	1,695.42	162.78	21,811.32
S GUSTAFSON, MARTHA	15	2/06/82	414.50	109.77	6,153.81
S HALL, BENITA	15	2/06/82	621.74	191.93	9,550.74
D BOND, WILLIAM R	23	3/02/82	1,339.88	124.24	17,185.68
D NORTON, PHILLIP O	20	3/02/82	1,570.47	145.62	20,143.26
D RYAN, ELLSWORTH J	25	4/10/82	1,669.68	154.82	21,415.74
D SCOTT, JOHN N	25	4/11/82	1,470.29	136.33	18,858.33
D CALTABIANO, ROBERT A	11	6/06/82	1,168.81	108.38	14,991.48
S CONYERS, EVELYN	32	6/09/82	185.52	256.14	5,184.18
S PERTOTTI, CAROL	22	6/22/82	80.45	4.90	2,645.87
D STAGG, KENNETH E	28	8/06/82	2,314.83	214.64	29,690.61
D BRADFORD, GEORGE H	37	8/07/82	2,064.06	191.39	26,474.19
D ANASTACIO, OLIVER J	29	8/08/82	1,628.90	151.04	20,892.72
D EWING, DONALD E	27	9/11/82	2,232.61	207.03	28,636.14
D GRAY, LYLE L	09	10/05/82	1,280.25	118.72	16,420.89
S SMITH, WILLIAM	10	10/31/82	934.32	86.64	11,983.86
D FRATES, CHARLES W	27	11/02/82	1,879.44	174.27	24,106.14
D TERRY, GLENN	24	1/04/83	1,773.71	164.47	22,750.11
D GREEN, ROBERT H	27	1/06/83	1,673.91	155.22	21,470.04
D BAZIUK, LEO	25	1/08/83	2,273.85	210.85	29,165.07
D ROMO-LEROUX, GONZALO A	01	1/15/83	954.09	88.47	12,237.39

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDED JUNE 30, 1986

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D OWEN, LESLIE B	25	2/01/83	1,571.13	145.68	20,151.72
D KEY, BILLY P	24	3/05/83	1,563.23	144.95	20,050.41
S POWERS, ANNETTE	39	4/07/83	156.20	267.10	4,968.63
D BLACKSTOCK, M CARROLL	21	4/09/83	1,604.16	145.35	20,535.48
S URZI, LAURA J	21	4/10/83	205.92	195.48	4,711.59
D WEESNER, STEVEN LEE	12	4/24/83	1,299.24	117.72	16,632.09
D EARNSHAW, JOSEPH W JR	22	6/07/83	1,496.76	127.68	19,067.49
D WHALEN, RICHARD J	30	6/07/83	2,209.91	188.51	28,152.30
D CASTLIO, GLEN	21	6/15/83	1,643.89	140.22	20,941.68
D PLINSKI, LEO G	26	6/17/83	1,758.84	150.03	22,406.04
D DYE, DONALD A	25	7/10/83	1,899.38	155.97	24,125.46
D GREEN, NORMAN W	19	7/30/83	1,331.05	109.30	16,906.65
D BRAZIL, LA VERN F	30	8/02/83	1,958.37	156.66	24,825.96
D SEATON, CHARLES	15	8/02/83	1,325.31	106.03	16,800.87
D LANE, GAYLORD R	24	8/28/83	1,582.84	126.62	20,065.41
D SPAULDING, BENJAMIN W	27	9/11/83	1,634.08	125.52	20,653.95
D GEPPERT, KENNETH J	12	10/04/83	1,414.16	105.63	17,839.05
D ANDERSON, ALGIE	29	11/30/83	2,007.00	143.52	25,242.48
D GRANT, ROBERT A	14	12/06/83	1,567.07	108.74	19,670.43
S MURPHY, EVE I	42	1/11/84	458.00	379.78	9,833.76
D WHEELER, HENRY A	28	1/29/84	1,964.63	130.06	24,587.19
D PULLIAM, NORVEL	25	2/07/84	2,331.97	149.44	29,126.49
D ZAMZOW, JAMES W	28	2/12/84	2,011.62	128.91	25,125.21
S MILLER, JANICE E	24	3/01/84	841.68	60.19	10,586.01
D CHAMBERS, ROYCE R	15	3/06/84	1,402.69	85.42	17,467.26
D HASLEMANN, JOE J	20	3/06/84	1,381.58	84.14	17,204.43
D BELL, ROBERT M	22	4/03/84	2,143.06	126.10	26,635.11
D HOUSTON, HERRELL J	20	4/03/84	1,631.38	95.99	20,275.65
D SHACKELFORD, JEFF	24	4/03/84	2,003.08	117.87	24,895.38
D TOWNEND, STEWART	24	4/03/84	1,707.20	100.45	21,217.95
S BLEDSOE, LINDSEY	03	4/17/84	602.89	35.47	7,493.01
D MOORE, BRUCE	27	5/01/84	2,600.03	144.95	32,220.21
S ALVARES, VIRGINIA	23	6/05/84	187.60	210.01	4,667.10
D SCHNEICKERT, EDWARD T S	27	7/14/84	2,282.81	115.51	28,105.53
D MAYER, NICK S	31	9/09/84	2,153.43	97.87	26,328.57
D ANGELL, MERRIL K	21	11/06/84	1,825.59	73.58	22,200.86
D CLET, VINCENT H	21	11/06/84	3,070.94	123.76	37,345.40
D TONEY, JERRY A	22	11/18/84	1,663.28	67.03	20,226.97
D CATES, LOWELL D	12	12/04/84	1,439.54	55.05	17,474.19
D PURSER, OWEN	21	12/04/84	1,769.65	67.67	21,481.29
S FISHER, PEARL	22	12/17/84	286.86	243.37	6,199.26
STURDIVANT, MARCUS	26	1/12/85	2,213.02	77.79	26,811.75
D GERDTS, HANS B	30	2/05/85	2,531.18	83.75	30,633.00
D MOIR, ROBERT C	30	2/09/85	2,920.20	96.63	35,341.05
S MOODY, NORMA J	30	2/23/85	493.50	212.24	8,267.44
D SAMARRON, LAWRENCE L	27	3/05/85	2,146.64	64.40	25,952.88
D SPINLER, JACK	30	3/05/85	2,203.40	66.10	26,639.10
OTTER, LOPRENCE J	31	3/07/85	3,411.23	102.34	41,241.78
HUNT, LYLE W	31	3/09/85	3,408.08	102.24	41,203.68
D MURRAY, WILLIAM C	26	3/10/85	2,879.42	86.38	34,812.18

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
RETIREES AND BENEFICIARIES FOR THE YEAR ENDED JUNE 30, 1986

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D LONG, GEORGE	21	3/23/85	1,411.17	42.34	17,061.06
D SCHNEICKERT, EDWARD T J	17	4/02/85	1,550.59	43.42	18,693.92
D WELLS, WILLIAM J	31	4/02/85	2,553.98	71.51	30,790.78
D STEELE, EDWARD T	33	4/07/85	2,563.81	71.79	30,909.30
D BOOZEL, BENJAMIN F	21	5/07/85	1,421.99	35.55	17,099.43
D BRUNELLI, LEONARD	25	5/07/85	2,224.04	55.60	26,744.08
D WEBB, ROBERT L	28	5/07/85	2,129.96	53.25	25,612.77
S HORNBECK, ESTHER M	36	5/21/85	731.49	306.38	12,176.03
S DUPONT, EDNA J	13	5/25/85	1,804.18	45.10	21,695.26
S DUPONT, SAMANTHA R	13	5/25/85	421.49	10.54	5,068.42
D CARROLL, RICHARD	07	6/04/85	1,332.36	.00	15,988.32
S ALIAS, EVA M	03	6/23/85	838.74	.00	10,288.54
S MOLINA, NORMA L	03	6/23/85	419.37	.00	5,144.27
S BUNCH, LYNNE	04	7/30/85	749.03	.00	2,295.41
S BUNCH, NANCY N	04	7/30/85	1,123.55	.00	12,431.54
S BUNCH, NICOLE	04	7/30/85	749.03	.00	5,992.24
FERDINANDSEN, EDWARD S	28	8/02/85	1,990.71	.00	21,833.59
D LANCH, KENNETH D	25	8/06/85	1,884.65	.00	20,427.17
D RUSSELL, STANLEY M	19	8/06/85	1,497.83	.00	16,234.54
CORNELIUS, JAMES H	25	8/10/85	2,210.91	.00	23,678.13
D THOMPSON, M EARL	26	9/12/85	3,480.05	.00	37,045.69
S BLOOMFIELD, JEAN M	24	8/31/85	493.70	150.46	6,441.60
D FRIDAY, JAMES E	25	9/03/85	2,247.73	.00	22,327.45
D GREER, DON R	17	9/03/85	1,512.28	.00	15,021.98
D KREGEL, JOHN H	18	9/03/85	1,500.33	.00	14,903.28
S SAPENA, ANN	00	9/15/85	772.98	265.84	9,903.42
S BROWDER, LUCILLE E	22	9/25/85	205.23	202.10	3,594.91
S JONES, RUTH L	32	10/24/85	995.52	185.42	9,113.09
S CHEW, ELIZABETH	01	10/28/85	280.06	156.28	3,471.96
EVANS, FRANKLYNN	00	11/01/85	619.02	.00	4,952.16
D EVANS, MERLIN C	26	11/01/85	1,718.70	.00	13,749.60
S CONNETT, CATHERINE M	31	11/20/85	417.89	298.24	4,748.54
D BARIKMO, JON W	22	12/04/85	1,883.76	.00	13,004.02
D CUMMINS, GAYLE L	22	12/04/85	1,649.14	.00	11,384.39
D TYSON, DONALD T	22	12/04/85	1,764.35	.00	12,179.71
S GOULD, CYNTHIA	09	12/07/85	324.75	124.78	3,059.72
S MC CARGAR-ESCALANTE, SA	00	12/15/85	307.50	135.74	2,957.53
S MC CARGER, LOIS	02	12/15/85	153.75	67.87	1,133.59
D ANDERSON, DENNIS G	30	12/16/85	2,671.63	.00	17,408.69
D CROWDER, ROBERT J	26	1/08/86	2,331.21	.00	13,460.86
HEIKEN, ALBERT L	29	1/25/86	2,617.13	.00	13,676.61
D EMMONS, JAMES L	21	2/05/86	1,926.17	.00	9,355.68
D HUBBARD, GERALD A	24	2/05/86	2,178.34	.00	10,580.51
LIRA, ALICE	34	2/05/86	1,063.76	.00	5,166.84
D LIRA, ROBERT P	34	2/05/86	1,626.42	.00	7,899.75
D MALVINI, MERRILL J	30	2/05/86	2,689.85	.00	13,064.99
S CLEARY, MARIAN L	28	2/08/86	889.12	237.19	5,880.78
D BURROUGHS, BOBBY	28	2/18/86	2,549.12	.00	11,197.92
D CAPP, WALTER M	27	3/05/86	2,444.26	.00	9,461.65
D DOBSON, RICHARD	22	3/05/86	1,777.19	.00	6,879.45

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
RETIREES AND BENEFICIARIES FOR THE YEAR ENDED JUNE 30, 1986

NAME	VRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D ILSE, ROY	28	3/05/86	3,023.32	.00	11,703.17
D VICKERS, WILSON R	28	3/05/86	2,533.36	.00	9,806.55
COOK, JOE W	26	3/23/86	2,401.36	.00	7,901.25
S MELZ, HELEN C	24	3/25/86	3,157.87	.00	9,735.08
D WIESENDANGER, EDWIN	30	4/02/86	2,343.28	.00	6,951.73
D MC FERTON, ARTHUR J	25	4/06/86	2,324.46	.00	6,585.97
D SWANSON, FRANCIS E	08	4/06/86	1,410.55	.00	3,996.56
D WILSON, ROGER	26	4/06/86	2,187.50	.00	6,197.92
D CAMPOS, ARTHUR J	10	6/04/86	1,421.42	.00	1,421.42
D KELLY, JAMES D	17	6/04/86	1,416.15	.00	1,416.15
D LOPEZ, DANIEL M	10	6/04/86	1,415.18	.00	1,415.18
D STEWART, JOSEPH	24	6/04/86	2,001.61	.00	2,001.61
D BENSON, LLOYD L	31	6/05/86	1,828.82	.00	1,828.82
D PUGH, TOMMY E	13	6/04/86	1,422.07	.00	1,422.07
TOTAL RETIREES 463			504,308.83	99,996.79	6,704,599.32

CODES:

D = DISABILITY
S = SURVIVOR
= NOT ENTITLED TO COST-OF-LIVING

**AUDITED
FINANCIAL
REPORTS**

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

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Auditors' Report

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Peat, Marwick, Mitchell & Co.
Certified Public Accountants
55 South Market Street
San Jose, California 95113
408-279-2000

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

We have examined the accompanying balance sheets of the City of San Jose Police and Fire Department Retirement Plan (the Plan) as of June 30, 1986 and 1985 and the related statements of revenues, expenses and fund balance for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Plan at June 30, 1986 and 1985 and the results of its operations and the changes in its fund balance for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations 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 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Plan. Such information has been subjected to the auditing procedures applied in the examinations 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.

Peat, Marwick, Mitchell & Co.

October 14, 1986

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Balance Sheets

June 30, 1986 and 1985

(in thousands of dollars)

<u>Assets</u>	<u>1986</u>	<u>1985</u>
Cash	\$ -	372
Receivable from City of San Jose:		
Employee contributions	255	212
Employer contributions	759	633
Due from Federated City Employees' Retirement System	12	17
Accrued interest receivable	3,678	4,043
Receivable from brokers	1,695	-
Investments, at cost (note 4)	<u>292,185</u>	<u>247,278</u>
	\$ <u>298,584</u>	<u>252,555</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Bank overdraft	\$ 3,085	378
Payable to terminated employees	40	30
Payable to brokers	1,092	2,421
Other liabilities	10	3
Mortgage note payable	<u>836</u>	<u>-</u>
Total liabilities	<u>5,063</u>	<u>2,832</u>
Fund balance:		
Employee contributions	42,388	37,291
Employer contributions and undistributed earnings	<u>251,133</u>	<u>212,432</u>
Total fund balance	<u>293,521</u>	<u>249,723</u>
	\$ <u>298,584</u>	<u>252,555</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Statements of Revenues, Expenses and Fund Balance

Years ended June 30, 1986 and 1985

(in thousands of dollars)

	<u>1986</u>	<u>1985</u>
Revenues:		
Contributions (note 5)	\$ 23,739	21,985
Interest	21,786	20,023
Dividends	2,444	1,703
Rental income, net	49	-
Net gain on sales of investments	<u>3,887</u>	<u>1,537</u>
Total	<u>51,905</u>	<u>45,248</u>
Expenses:		
Refunds to terminated employees	225	277
Death benefits	3	1
Retirement benefits	6,704	5,828
Health insurance premiums	675	575
Professional fees and other	<u>500</u>	<u>286</u>
Total	<u>8,107</u>	<u>6,967</u>
Excess of revenues over expenses	43,798	38,281
Fund balance at beginning of year	<u>249,723</u>	<u>211,442</u>
Fund balance at end of year	\$ <u>293,521</u>	<u>249,723</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

June 30, 1986 and 1985

(1) Description of Plan

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

(a) General

The Plan, a defined benefit plan, was established in 1961 to provide retirement benefits for employees of the Police and Fire Departments of the City of San Jose (the City). The Plan is administered by the Retirement and Benefits Administrator, an employee of the City, under the direction of a Board of Administration. Costs of administration other than outside professional fees, service bureau charges, and investment training seminars and conferences for members of the Board are borne by the City.

All sworn officers of the City's Police and Fire Departments are required to be members of the Plan. There were 1,680 and 1,635 participants in the Plan at June 30, 1986 and 1985, respectively.

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

(b) Pension Benefits

Employees with 10 or more years of service are entitled to annual pension benefits beginning at normal retirement age (the later of age 55 or 20 years after employment commenced) or those at any age who have 30 years of service, equal to 2-1/2% of their final compensation for each year of service up to a maximum benefit of 75% of final average compensation. Final average compensation is the average monthly compensation during the highest 12 consecutive months of service, limited to 108% of compensation in the 12 months immediately preceding the last 12 months of 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 10 years of service, the right to receive their portion of accumulated plan benefits attributable to the City's contributions is forfeited, however, the employees' accumulated contribution plus 2% interest per year is refunded. The forfeited amount of the City's contributions remains in the plan and is available for future benefit payments.

(Continued)

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

(c) Medical Benefits

Retired employees with 15 years or more of service, their survivor(s), or those retired employees who are receiving at least 37.5% of final compensation are entitled to payment of a portion of their medical insurance premiums.

(d) Death Benefits

An annual annuity of 37.5% of an employee's final compensation is paid to a surviving spouse until remarriage if: (1) an employee's death is service related, or (2) an employee's death is non-service related and occurs at age 55 or older with at least 20 years of service, or (3) a retiree dies who was retired for service or received a service related disability. Additionally, an annual benefit for dependent children is paid at a rate of 25% of final compensation per child with a maximum family benefit of 75% of final compensation.

If an employee's death is non-service related and the employee has at least 2 years of service or if a retiree on a non-service related disability dies, the surviving spouse is paid a benefit equal to 24% of final compensation for each of the first 2 years of service plus .75% of final compensation for each year thereafter. The maximum benefit is limited to 37 1/2% of final compensation and is paid only until the spouse remarries. Additionally, annual benefits for dependent children are as follows:

- 1 child - 25% of final compensation
- 2 children - 37.5% of final compensation
- 3 or more children - 50% of final compensation.

The maximum annual benefit paid to a family under any circumstances is 75% of final compensation.

(e) Disability Benefits

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

If an employee with at least 2 years of service suffers a non-service related disability, an annual benefit is paid equal to 32% of final compensation for the first 2 years of service plus 1% of final compensation for each year of service beyond 2 years, up to a maximum of 50% of final compensation for an employee with up to 20 years of service. For employees with more than 20 years of service, the benefit paid is 2.5% of final compensation multiplied by the number of years of service (up to a maximum 30 years of service).

(Continued)

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

(f) Investments

Investment recommendations are made by investment advisors and acted upon by the Board of Administration. Substantially all investments of the Plan are held by Bankers Trust Company, the Plan Custodian.

(g) Plan Termination

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

(2) Basis of Financial Statement Presentation

The Plan is accounted for in a trust fund of the City of San Jose. Transactions are required to be accounted for in two funds, a Retirement Fund and a Cost of Living Fund. The financial statements of the Plan are prepared on the accrual basis of accounting.

In March 1980, the Financial Accounting Standards Board (FASB) issued Statement No. 35, entitled "Accounting and Reporting by Defined Benefit Pension Plans." The statement requires that investments to be carried at fair market value and a new format for financial statement presentation be followed.

In December 1982, the National Council on Governmental Accounting (NCGA) issued Statement No. 6, entitled "Pension Accounting and Financial Reporting: Public Employee Retirement Systems and State and Local Government Employers." The statement requires that equity security investments be recorded at cost and all pension obligations be recorded as "the actuarial present value of credited projected benefits."

In September 1986, the Governmental Accounting Standards Board issued Statement No. 4, entitled "Applicability of FASB Statement No. 87 to State and Local Governmental Employers." The statement indefinitely delays the effective dates of both FASB Statement 35 and NCGA Statement 6.

(Continued)

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

(3) Summary of Significant Accounting Policies

(a) Investments

Investments in debt securities are recorded at original cost, adjusted for the amortization of premiums and accretion of discounts (differences between purchase cost and maturity value), over the remaining life of the issue on a straight-line basis. Generally, it is management's intention to hold investments in debt securities until maturity. Investments in equity securities are recorded at cost. Gains or losses on investment securities are recognized upon sale on a first-in, first-out basis. In the event of a permanent impairment of value of an investment a provision would be made to reduce the recorded value to the market value. Investments in real estate are stated at cost less accumulated depreciation calculated on a straight-line basis over the useful lives of related buildings.

(b) Allocation of Investment Income

Earnings on investments and gains and losses upon sale of investments are recorded first in the undistributed earnings category of fund balance. An allocation is made monthly therefrom to the employee contributions category of fund balance based on the balance in that account at an annual rate of 2%, as specified by the City of San Jose Municipal Code.

(c) Financial Statement Presentation

Certain 1985 financial statement balances have been reclassified to conform with the 1986 financial statement presentation.

(4) Investments

Investments, at amortized cost, at June 30, 1986 and 1985 were as follows:

	<u>1986</u>	<u>1985</u>
	<u>(in thousands of dollars)</u>	
Cash equivalents:		
Deposit with Treasurer of the State of California	\$ 5,000	5,000
Negotiable certificates of deposit	3,599	7,599
Bankers' acceptances	<u>10,884</u>	<u>10,381</u>
Total cash equivalents	\$ <u>19,483</u>	<u>22,980</u>

(Continued)

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

	<u>1986</u>	<u>1985</u>
	(in thousands of dollars)	
Debt securities:		
Commercial paper	10,051	21,715
U.S. Treasury bonds and notes	62,940	68,820
U.S. Government-sponsored agencies	68,150	50,086
Mortgage backed securities	15,962	7,972
International agencies	1,000	1,000
Canadian government (denominated in U.S. dollars)	3,759	3,759
Corporate bonds	36,443	28,218
Accumulated amortization of premium and accretion of discount, net	<u>886</u>	<u>530</u>
Total debt securities	<u>199,191</u>	<u>182,100</u>
Equity securities	70,761	42,198
Real estate, net	<u>2,750</u>	<u>-</u>
	<u>\$ 292,185</u>	<u>247,278</u>

The approximate market value of the Plan's investments at June 30, 1986 and 1985 were as follows:

	<u>1986</u>	<u>1985</u>
	(in thousands of dollars)	
Cash equivalents	\$ 19,483	23,138
Debt securities	209,437	182,625
Equity securities	94,863	47,582
Real estate	<u>2,750</u>	<u>-</u>
	<u>\$ 326,533</u>	<u>253,345</u>

(5) Funding Policy and Contribution Rates

Contributions to the Plan are made by both the City and participating employees based upon an actuarially determined percentage of each employee's base salary. These contributions and the Plan's investment earnings fund the payment of Plan benefits. For both fiscal years 1986 and 1985 contribution rates were 28.15% for the City and 9.39% for employees.

Subsequent to June 30, 1986, the contribution rates were adjusted to reflect certain Plan amendments and the results of the July 1, 1985 actuarial valuation. Effective July 1, 1986, the City's contribution rate was reduced to 27.46%. The employees' contribution rate was not changed.

(Continued)

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

(6) Actuarial Data

The estimated present value of accumulated plan benefits at July 1, 1985 was calculated in accordance with the provisions of FASB #35 and is approximately \$268,380,000. Accumulated plan benefits are future benefit payments attributable under the Plan's provisions for employees' service rendered as of the benefit information date. The amount of vested benefits (benefits to which participants are entitled, regardless of future services to the City) included in this amount are approximately \$192,723,000. The present value of accumulated plan benefits has not been adjusted to reflect amendments adopted between July 1, 1985 and June 30, 1986.

The more significant assumptions underlying the actuarial computations used in the July 1, 1985 and 1983 valuations are as follows:

Assumed rate of return on investments	8%
Post-retirement mortality rate	1971 Group Annuity Mortality Table with five year set back for beneficiaries.
Pre-retirement mortality rate	Based upon experience rates.
Employee turnover rates	Based upon experience rates.
Service retirement rates	Based upon experience rates.
Disability rates	Based upon experience rates.

CITY OF SAN JOSE

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Combining Schedule of Assets, Liabilities
and Fund Balance

June 30, 1986

(in thousands of dollars)

<u>Assets</u>	<u>Retirement Fund</u>	<u>Cost of Living Fund</u>	<u>Total</u>
Cash	\$ -	-	-
Receivable from City of San Jose:			
Employee contributions	192	63	255
Employer contributions	505	254	759
Due from Federated City Employees'			
Retirement System	9	3	12
Accrued interest receivable	2,909	769	3,678
Receivable from brokers	1,279	416	1,695
Investments, at cost	<u>234,500</u>	<u>57,685</u>	<u>292,185</u>
	\$ <u>239,394</u>	<u>59,190</u>	<u>298,584</u>
 <u>Liabilities and Fund Balance</u>			
Liabilities:			
Bank overdraft	\$ 2,675	410	3,085
Payable to terminated employees	30	10	40
Payable to brokers	1,092	-	1,092
Other liabilities	8	2	10
Mortgage note payable	<u>668</u>	<u>168</u>	<u>836</u>
Total liabilities	<u>4,473</u>	<u>590</u>	<u>5,063</u>
Fund balance:			
Employee contributions	31,540	10,848	42,388
Employer contributions and un-			
distributed earnings	<u>203,381</u>	<u>47,752</u>	<u>251,133</u>
Total fund balance	<u>234,921</u>	<u>58,600</u>	<u>293,521</u>
	\$ <u>239,394</u>	<u>59,190</u>	<u>298,584</u>

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN
Combining Schedule of Revenues, Expenses
and Fund Balance

Year ended June 30, 1986

(in thousands of dollars)

	Retirement Fund	Cost of Living Fund	Total
Revenues:			
Contributions	\$ 16,361	7,378	23,739
Interest	17,420	4,366	21,786
Dividends	1,935	509	2,444
Rental income, net	39	10	49
Net gain on sales of investments	<u>3,341</u>	<u>546</u>	<u>3,887</u>
Total	<u>39,096</u>	<u>12,809</u>	<u>51,905</u>
Expenses:			
Refunds to terminated employees	164	61	225
Death benefits	3	-	3
Retirement benefits	5,590	1,114	6,704
Health insurance premiums	675	-	675
Professional fees and other	<u>500</u>	<u>-</u>	<u>500</u>
Total	<u>6,932</u>	<u>1,175</u>	<u>8,107</u>
Excess of revenues over expenses	<u>32,164</u>	<u>11,634</u>	<u>43,798</u>
Fund balance at beginning of year	<u>202,757</u>	<u>46,966</u>	<u>249,723</u>
Fund balance at end of year	\$ <u>234,921</u>	<u>58,600</u>	<u>293,521</u>

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT PLAN

Combining Schedule of Changes in Fund Balance

Year ended June 30, 1986

(in thousands of dollars)

	<u>Retirement Fund</u>		<u>Cost of Living Fund</u>		<u>Total</u>	
	<u>Employee</u> <u>Contri-</u> <u>butions</u>	<u>Employer</u> <u>Contributions</u> <u>and</u> <u>Undistributed</u> <u>Earnings</u>	<u>Employee</u> <u>Contri-</u> <u>butions</u>	<u>Employer</u> <u>Contributions</u> <u>and</u> <u>Undistributed</u> <u>Earnings</u>	<u>Employee</u> <u>Contri-</u> <u>butions</u>	<u>Employer</u> <u>Contributions</u> <u>and</u> <u>Undistributed</u> <u>Earnings</u>
Balance at beginning of year	\$ 27,742	175,015	9,549	37,417	37,291	212,432
Employee contributions, net of refunds	4,301	-	1,405	-	5,706	-
Employer contributions, net of refunds	-	11,896	-	5,912	-	17,808
Investment income	-	22,735	-	5,431	-	28,166
Allocation of investment income	589	(589)	204	(204)	793	(793)
Retirement benefits	-	(5,590)	-	(1,114)	-	(6,704)
Health insurance premiums	-	(675)	-	-	-	(675)
Death benefits	-	(3)	-	-	-	(3)
Transfers upon retirement of employees	(1,092)	1,092	(310)	310	(1,402)	1,402
Professional fees and other	-	(500)	-	-	-	(500)
Balance at end of year	\$ <u>31,540</u>	<u>203,381</u>	<u>10,848</u>	<u>47,752</u>	<u>42,388</u>	<u>251,133</u>