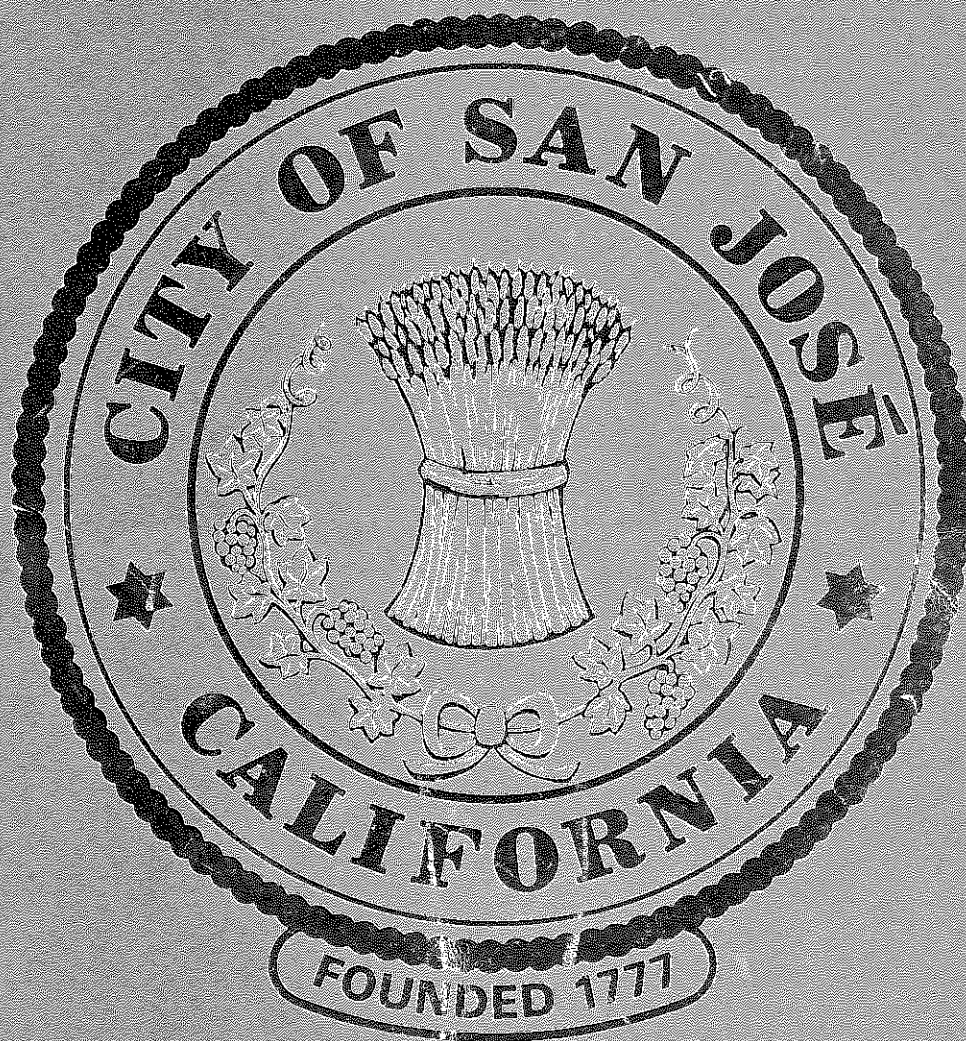


OFFICE COPY

**POLICE & FIRE  
DEPARTMENT  
RETIREMENT PLAN**





## 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, 1986 through June 30, 1987. Some of the significant events worthy of note were:

- \* During fiscal year 1986-87, investments earned 10.2 percent, increasing the market value of the portfolio by \$49.3 million. Investments now contribute 62.6 percent of the Fund's income.
- \* The Board recommended implementation of IRS Code Section 414(h)(2) to the City Council. This program, which was adopted as of April 9, 1987, allowed pre tax deferral of retirement contributions, with a consequent drop in taxable income, for Plan members.
- \* The Board approved a policy of limiting investment in companies doing business in South Africa to those with a Sullivan Principle compliance rating of Category I or II.
- \* The Board approved purchase of Copperwood Square, a shopping center in Citrus Heights, California, as the Plan's second 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, 1987, the members of the Board were as follows:

- CARMEN J. GRANDE - Chairman. He was 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 - He was 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 - Investment Advisors, Inc.; Loomis, Sayles & Company, Inc.; NBS Realty Advisors, Inc.; Scudder, Stevens & Clark, Inc.; Smoot, Miller, Cheney & Company.
- AUDITOR - Peat Marwick Main & 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 City Council Chambers, City Hall, at 9:00 a.m. The meetings are open to the public.

ANNUAL REPORT  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

TABLE OF CONTENTS

Letter of Transmittal	
Board of Administration	
Table of Contents	
Investment Policy Statement	1-4
Summary of the Principal Provisions	5-7
Highlights of the Plan	7
New Retirees and Deaths	8
Statement of the Actuary	9-11
Investment Counsels' Statements	12-22
Retirement Fund Portfolio	23-29
Portfolio Performance Report	30
Industry Analysis of Equities	31
Plan Revenues	32
Contributions & Revenue	33
Retirees & Beneficiaries	34-44

AUDITED FINANCIAL REPORTS

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.

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.

- (8) Securities issued by corporations doing business in South Africa must be with corporations that are signatories to the "Sullivan Principles" and which have received compliance monitoring rating of Category I or Category II.

#### Real Estate

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

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

\*FINAL COMPENSATION - "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 students.

#### 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 students.

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 by the City. 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. Investment Advisors, Inc.; Loomis Sayles & Company; NBS Realty Advisors, Inc.; Scudder, Stevens and Clark, Inc.; and Smoot, Miller, Cheney & Company are retained for full-time investment counsel.

COST OF LIVING - The Board of Administration determines the change in the cost of living (COL) each year using the December Consumer Price Index for the San Francisco-Oakland Metropolitan Area published by the Bureau of Labor Statistics of the United States Department of Labor. The Board determines the change to be effective beginning April 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 1,677 contributing members in the Plan as of June 30, 1987.
2. Thirty nine members retired because of disabilities during the period of July 1, 1986 through June 30, 1987.
3. There were 401 members and 83 survivors receiving benefits from the Plan as of June 30, 1987.
4. During the reporting period, 29 Police members left the membership of the Retirement Plan and had their contributions refunded.
5. The Retirement Fund balance as of June 30, 1987 was \$277,915,397 in the Regular Fund and \$73,159,075 in the Cost-of-Living Fund.
6. Payment of pensions and survivors' benefits increased monthly from \$667,300 in June 1986 to \$743,500 for Pension and Survivor Benefits and \$83,200 for Medical and Dental for a total of \$826,700 in June 1987.
7. The annual time-weighted return for the entire portfolio was 10.2 percent as of June 30, 1987.
8. Interest, dividends and net gain on sale of investments for the period was \$42,302,000 and averaged about \$3,525,000 per month.

# 1961 POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

The following persons were granted a monthly retirement allowance during the period of July 1, 1986 to June 30, 1987.

## SERVICE RETIREMENT

### POLICE DEPARTMENT

Knopf, Arthur

### FIRE DEPARTMENT

Pierce, John

## NON-SERVICE CONNECTED DISABILITY

### POLICE DEPARTMENT

None

### FIRE DEPARTMENT

None

## SERVICE-CONNECTED DISABILITY RETIREMENTS

### POLICE DEPARTMENT

Bailey, William  
Bridges, Richard  
Brown, Eugene  
Cossey, Kent  
Eckstrom, Richard  
Kelsey, Bert  
Kraemer, Oliver  
LeRoy, James  
Linden, Lawrence  
Livingstone, John  
Martin, W. J.  
Moore, Sharon  
Ruiloba, Luis  
Stuefloten, Larry  
Thomas, Richard  
Trujillo, Don  
Witmer, David  
Wittman, William  
Wright, Douglas

### FIRE DEPARTMENT

Brewton, John  
Byfield, Paul  
Catania, Sebastian  
Coburn, Ethan  
Edwards, Robert  
Ford, Charles  
Gerbino, Fred  
Gurley, Edward  
Llorca, John  
Newton, Jack  
O'Neil, William  
Peterson, Bruce  
Reinmuth, Richard  
Riolo, John  
Wheatley, Winsford

## DEATHS - AFTER RETIREMENT

### POLICE DEPARTMENT

Campbell, William	07-09-86
Haller, Lewis	02-19-87
Hassleman, Joe	11-29-86

### FIRE DEPARTMENT

Capurso, Frank	07-19-86
Mitchell, James	07-14-86
Peterson, Bruce	01-06-87

## DEATHS - BEFORE RETIREMENT

### POLICE DEPARTMENT

Bosque, Charles	04-06-87
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### FIRE DEPARTMENT

None

MARTIN E. SEGAL COMPANY

STATEMENT OF THE ACTUARY

We 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 an 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. The next actuarial valuation will be as of July 1, 1987.

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.

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

Information Required by Accounting Principles Board  
Opinion Number 8  
San Jose Police and Fire Department Retirement Plan  
For Year Beginning July 1, 1986

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.

2. The following range of the City's contributions under Opinion Number 8 is based on applying the results of the July 1, 1985 valuation to the covered payroll of \$65,933,000 as of July 1, 1986. Contributions are shown in dollars and as a percentage of payroll.

(a) Minimum

1. Normal Cost retirement benefits	\$15,059,000 (22.84%)
2. Amortization of Unfunded Supplemental Present Value over 40 years	2,097,000 ( 3.18%)
3. Retiree health insurance	494,000 ( .75%)
4. Retiree dental benefits	165,000 ( .25%)
Total	<u>\$17,815,000 (27.02%)</u>

(b) Maximum

1. Normal Cost retirement benefits	\$15,059,000 (22.84%)
2. 10% of Unfunded Supplemental Present Value	4,618,000 ( 7.00%)
3. Retiree health insurance	494,000 ( .75%)
4. Retiree dental benefits	165,000 ( .25%)
Total	<u>\$20,336,000 (30.84%)</u>

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 the present value of vested benefits.

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

**SAN JOSE**  
**POLICE & FIRE DEPARTMENT RETIREMENT SYSTEM**

**INVESTMENT REPORT**

of

**SCUDDER, STEVENS & CLARK, INCORPORATED**  
**INVESTMENT COUNSEL**

June 30, 1987

There are divergent trends being observed in today's economy. The impact of tax reform and unusual swings in inventory data are playing havoc with the economic statistics. The reported data show a strong 4.8% rise in real gross national product in the first quarter and a slowdown in activity since. When the statistical distortions are removed, the economy seems to be growing at a solid rate of 2-3%. Consumer spending, the source of growth in the last few years, is subdued even though consumer confidence remains high and employment gains strong. Growth is coming from the upturn in manufacturing activity, which has been propelled by the dollar decline and the increase in U.S. competitiveness. While the recent improvement in the trade statistics and increasing evidence on a company-by-company basis suggest the transition to production-led growth is underway, the level of utilization of the economy's resources is still low. Consequently, cyclical pressures on prices and interest rates are not yet apparent.

The upturn in inflation, from a year-over-year rate of 1.1% at the end of 1986 to almost 4% in May, is more structural than cyclical -- the result of the dollar decline and an upturn in commodity prices. The use of a lower dollar as a lever to force an improvement in our foreign trade position by replacing foreign with U.S. production will inevitably result in rising inflation. This relative price adjustment is an essential accompaniment of trade improvement as long as more powerful shifts in demand do not result from a recession here or a boom abroad. Even if the dollar should stabilize at current levels, this upward pressure on prices will continue as U.S. producers seize the opportunity provided by rising import prices to improve their own profit margins.

The second source of higher inflation is the levelling off in raw material prices. The increase this spring in commodity prices, which affected the credit markets, should not be viewed as a harbinger of renewed global inflation. Global demand is sluggish and there are gluts in commodity markets. Nevertheless, the rise does signal that a major depressant on U.S. inflation numbers has been removed.

In April and May long-term interest rates, which had ratcheted down for several years, turned higher. The rise had very little to do with domestic demands for credit but reflected three causes -- (1) a rise in inflation expectations; (2) the collapse in the dollar, especially against the yen, and the movement of private foreign investors to the sidelines of the bond market, and (3) the anticipation of tighter monetary policy necessary to stem the dollar's fall. Although commodity prices have now stabilized, global economic policy coordination has calmed the foreign exchange markets, and credit market pressures have receded, we do not expect interest rates will resume their long-term decline. The change in the direction of inflation has put a floor under interest rates for now. The foreign sector is raising the price we must pay for foreign savings which fund our budget and trade deficits. The need to contain inflation and stabilize the dollar will limit the ability of the Federal Reserve to pursue the accommodative policy of the last few years.

In traditional cyclical terms, however, the economy is poised for an advance. There are no capacity constraints, and trade improvement seems about to spark a rise in industrial production and an increase in inventories. While the economy may experience a spurt of growth for a quarter or two, we still expect the pace of business activity will remain within the 2-3% band experienced over the last two years. The reason is the lid of higher inflation and interest rates. The rise in dollar-related inflation, necessary to produce a turnaround in our trade position, represents a transfer of purchasing power from the consumer to business. The favorable side of this coin is a strong increase in profits, which we expect will average close to 12% in 1987 and 1988. The negative side is a squeeze on real personal incomes which should contain consumer spending. A higher level of interest rates, reflecting the rise in inflation and increasing cost of foreign savings, should also dampen growth. Historically, the economy has been slow to react to interest rate increases. However, in the last six years the extraordinary increase in debt has made the economy, particularly housing and consumer spending, vulnerable to interest rate increases. This effect should be reinforced by last year's tax reform legislation.

We conclude that on a long-term basis the downward trend in inflation and interest rates remains in place. However, we are probably entering a cyclical interlude of price and credit market pressures. The cause is not a broad acceleration of demand in the economy. Rather the decline in the foreign exchange value of the dollar is fuelling the rise in inflation and, in turn, the rise in interest rates. This upward pressure on inflation and interest rates may continue intermittently before eventually placing a lid on the cyclical expansion of the economy.

In view of the uncertainties in the economy expressed above, we have structured the Police & Fire fixed income portfolio more defensively -- i.e., raised the cash position and reduced the average maturity to 10.4 years. We continue to favor mortgage-related securities for their attractive cash flows and high yield relative to the U.S. Treasury market. However, the portfolio provides good diversification with balance between U.S. Treasuries, mortgages and corporates. The current yield is 8.85%.

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

INVESTMENT REPORT

OF

SMOOT, MILLER, CHENEY & CO.

JUNE 30, 1987

About this time a year ago when it became apparent that the Tax Reform Bill was going to become law, most investors expected a major drop in takeover activity and, consequently, less demand for stocks. Since 1984, there has been over a \$200 billion shrinkage in corporate equity as companies gobbled each other up as insiders and outsiders arranged LBO's (leveraged buy-outs) and as other companies repurchased shares. Once the "game" became apparent that major profits could be made by buying rather than building, in jumped the corporate acquirors, the raiders, the greenmailers, arbitragers, investment bankers and the like. In defense, the target corporations restructured, repurchased and partially liquidated and then turned predators themselves in the belief that the best defense was a good offense. Many institutions and the public who are "value" oriented have been selling into this buying for some time (a record \$15 billion was sold in the first quarter of 1987 by private pension funds and the public) and, as a result, have increased their cash and reduced their equity exposure by a considerable percentage. It's psychologically frustrating to sell and watch what you sell go up and up. Consequently, while conventional investors don't like the "values" in the market, they are now reluctant to reduce positions further.

As mentioned above, all this activity was to be history by now. But is it? Thus far in 1987, the pace of restructuring, etc., has continued at a high level. Indeed, the pool of cash in the hands of investors has not only increased but is now joined by the foreign cash formations that our huge trade imbalance have created. To give you a good perspective, we quote from a recent article by Robert J. Farrell, a well-respected market analyst and strategist with Merrill Lynch:

"The big surprise this year has been the persistence of corporate buying. In the first quarter, buybacks and takeovers exceeded new issues by \$14 billion, a somewhat slower pace than the last few years but still sizeable. Buybacks announced or intended were almost \$21 billion in the first six months as compared to \$47 billion for all last year. Takeovers also seem likely to continue since leveraged buy-out funds have attracted an estimated \$17.5 billion so far this year. Mutual funds have been another major source of equity demand. Even though equity funds are still only getting one-third of the new money going into mutual funds, they were net buyers of \$19.5 billion in common stocks in the first half of 1987. In addition, they still have \$20.5 billion in cash and rising contributions because stocks are doing so much better than bonds this year. Finally, there has been the widely publicized rise in demand from foreigners. They put \$13 billion into U.S. stocks in the first four market months of 1987 and could put \$30 to \$40 billion into U.S. stocks this year with the dollar improving."

It is now evident to even the most diehard investor that the world is literally awash in cash and that the supply of potential equities to purchase has shrunk substantially. However, the pace at which stocks are being bought up would indicate that sooner or later supply will catch up with demand (conversely, cash will become depleted) or else security prices and/or interest rates will rise to levels that will discourage the buybacks, raiders, LBO's and the like. There is also the likelihood of a decline in demand for U.S. stocks if the foreign markets (which are considered overpriced vis-a-vis U.S. stocks by many astute investors) suffer major declines. For the present, however, the momentum is with the bulls and as long as the cash levels remain high and investor sentiment sceptical and subdued, we believe the equity markets will trend higher and will use the increasing periods of market volatility to both purchase and sell securities as, in our judgement, under and over valuation levels occur. In the meantime, we will monitor the cash levels and foreign buying most closely, and should we detect a significant shift in either, we will take appropriate action.

# Investment Advisors, Inc.

**ECONOMIC AND MARKET REVIEW**

**SECOND QUARTER, 1987**



## ECONOMIC ENVIRONMENT

- o Fifth year of the economic expansion.
- o Modest economic growth (no recession, no boom).
- o Inflation trend is creeping upward.
- o Modest improvement in budget and trade deficits.
- o Period of rapid economic growth has passed.  
First quarter GNP growth of 4.8% was the largest since a 5% gain in the second quarter of 1984.  
Inventory build-up rather than final sales demand was the impetus.
- o Adjustment period correcting the imbalances between the United States and the world economies.

## CONSENSUS EXPECTATIONS

		<u>Percent Change</u>	
	<u>1986</u>	<u>1987E</u>	<u>1988E</u>
o Economic growth (GNP)	2.5	2.4	2.9 (-)
o Industrial production	2.0	2.2 (-)	3.3 (-)
o Corporate profits pre-tax	6.4	11.6 (+)	8.0 (-)
o Consumer inflation (CPI)	1.1	3.8 (+)	4.5 (+)
 <u>Average Percent For Year</u>			
o Treasury bills	5.9	5.9 (+)	6.3
o Aaa corporate bonds	9.0	9.1 (+)	9.4 (+)

\* A plus or minus sign indicates the direction of change since the previous quarter

## ECONOMIC OUTLOOK

- o Slower economic growth sectors:
  - . inventory investment
  - . personal consumption
  - . residential construction
  - . auto sales
  - . government fiscal drag
- o Improving economic sectors:
  - . net exports benefiting the industrial sector
  - . business capital spending
- o Moderating inflation forces.
- o Recession threat in the next year or two.

## ECONOMIC AND MARKET OVERVIEW

An economic milestone is expected to occur in October when the economic recovery will surpass the fifty-eight month economic expansion that took place from 1975 to 1980. Previous to that, the longest post World War II period of sustained economic growth came during the 1960's. During the present economic cycle, the gross national product, the measure of economic growth, rose nearly 6% for the first year and one half. Since mid-1984, the average rate of growth has been 2.5%. This prolonged period of moderate growth is expected to continue into 1988.

The Index of Leading Economic Indicators, which weighs twelve different readings of the economy, continues in an upward trend. This indicates that the momentum of the economy will continue through the second half of 1987. However, the signals are mixed, suggesting that the expansion is not occurring uniformly in all business sectors. A transition has been underway away from consumer and government spending which have been the dominant forces propelling the economy. The baton has passed to the industrial sector which is benefiting from an improving trade situation, inventory accumulation and a modest snapback in capital spending. However, new job creation is beginning to slow, reinforcing the indication of economic sluggishness.

The concern over slow economic growth, with no dominant thrust, is that the economy becomes vulnerable to shocks. During the first half of the year, a rise in interest rates caused by inflation concerns and restrictive Federal Reserve policy to halt the decline in the dollar resulted in a shock to the interest sensitive sectors. This caused slower automobile sales as well as declining home construction. In addition, consumer spending weakened and increased inflation resulted in less real purchasing power once price increases exceeded the rate of wage gains. All of these factors resulted in growing pessimism in the financial markets in April and May. This concern was primarily in reaction to the weak dollar, tariffs imposed on Japanese electronics products, rising commodity prices, concern over the prospect for a hike in the discount rate, the announcement of Greenspan to replace Volcker as Federal Reserve Chairman and the missile attack on the USS Stark which raised Persian Gulf tensions. During June, the concerns began to ease.

What has changed ? The dollar began to stabilize and then strengthen. Improvement in the federal budget and foreign trade deficits were a pleasant surprise. Interest rates rallied as the inflation outlook improved. The tone of the OPEC oil pricing meeting was reasonably constructive. Some of the trade tariffs were rescinded and the focus shifted away from the concern over the discount rate to whether or not the Federal Reserve would respond positively to the slowdown in monetary growth. The financial markets had weathered adversity without a major shift in market trends.

In this changing world, another evolving fundamental change is the diminishing forces of disinflation that has been in place for the past six years. The primary causes are a lower dollar and higher energy and commodity prices. As a result, conditions are evolving that will result in a period of moderately rising inflationary pressures similar to that experienced in the early 1960's. The world economies are nowhere as robust and wage inflation is not accelerating as it was in the 1970's when severe inflation shocks occurred. Therefore, this remains a constructive period for the financial assets (stocks and bonds); however, future total return prospects will have to be tempered to reflect the present level of valuation, as well as the changing environment.

7/15/87

## STOCK MARKET

### Comments and Strategy

During the second quarter, the Standard and Poor's Index of five hundred stocks provided a total return of 5.01%. For the first six months, the total return was 27.39%. The second quarter was essentially a period of consolidation following the strong first quarter.

The driving forces in the stock market in 1987 have been liquidity, the earnings outlook and foreign investor buying. The trend is positive, the economic environment is constructive, the monetary influences are neutral, but the valuation models are becoming stretched.

During the past five years, a major upward revaluation of price-earnings ratios occurred which provided a dual benefit to investors. Rising earnings times rising multiples of those earnings resulted in extraordinary returns compared with historical norms. Looking ahead, stocks are expected to have to rely more on the earnings side of the equation and be satisfied by valuation stability. This translates into more modest appreciation potential.

The consensus expectation for stocks continues to be positive, with reservations over how much return is left in 1987 and focus identifying the money-making opportunities. Market leadership is expected to be sustained by the quality blue-chips. They dominate the stock market averages which makes their participation essential for a higher market forecast. The quality growth stocks have excellent earnings growth that has already been demonstrated or is reasonably predictable. They are the relative performers in the stock market. Their valuation relative to expected growth rate is not over-extended. In a sluggish economic environment, investment opportunities are expected to be found in the quality, marketable stocks with earnings visibility.

Portfolio positions have been maintained in predictable growth stocks, but market emphasis shifted in the spring of 1987 towards the capital spending and net export beneficiaries. Gradual de-emphasis occurred in selective disinflation sectors that appeared to stall due to overvaluation on a fundamental basis or which became vulnerable on a technical basis. That change was consistent with the concept that the market was shifting from "interest rate driven" to "earnings driven". For the rest of 1987, in both the economic sensitive and disinflation beneficiaries, we believe, earnings momentum, cash flow and share repurchase will keep these sectors going.

Marvin H. McMurrey, Chairman  
Equity Group

7/15/87

# INVESTMENT DEVELOPMENTS

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

July 1987

## The Outlook at Midyear

The on again-off again acceleration of the rate of economic growth was mostly off in the second quarter. Real G.N.P. is estimated to have increased at a 2% to 2.5% clip as compared with 4.8% per annum in the first quarter. The sluggish segments were auto sales and housing starts. A disappointing improvement in car sales this spring left domestic manufacturers with excess inventory which necessitated production cutbacks. The residential real estate market was jolted by a leap in mortgage interest rates in April-May which prompted an 8% to 9% drop of housing starts versus the first quarter pace. Notwithstanding these setbacks, there were signs of underlying resilience. Contracts and orders for new plant and equipment improved nicely following a stumble at the beginning of this year. Oil and gas drilling activity recovered a bit also as petroleum prices are on the rise again. Finally prices of most industrial materials firmed as delivery times lengthened and order books filled at a faster rate. The mixed behavior of the economy at large did have at least one beneficial effect. Inflation sloughed off in May after threatening to push much higher during 1987. For instance, wholesale prices of finished goods exclusive of food and energy decreased 0.1% from April to May and over the prior year rose 2.4%, about in line with the 2.6% of 1986. A lowering of inflationary expectations, in concert with a stabilization of the dollar on the currency markets, gave rise to bond and stock market upswings in June.

The uneven economic performance of the first half has prompted most forecasters to set their sights low for the second half. The consensus contends that anemic wage gains will inhibit consumer spending and that growth will emanate principally from a further improvement in the U.S. foreign trade position. Our projections are somewhat more upbeat. Not only is the consumer not likely to be so hemmed in--sentiment measures suggest that no fundamental deterioration has occurred in the ability or willingness of individuals to spend--the recent vitality of capital goods orders as well as industrial material prices should lead to a significant strengthening of business investment. Accordingly, real G.N.P. is forecast to expand at a 4% clip through yearend, about 1% to 1.5% faster than is commonly expected.

Assuming that real output is as vigorous as we anticipate, corporate profits should advance briskly. In fact, shareholder earnings set a record in the first quarter and are projected to increase in excess of 20% for all of 1987 as a function of a lower federal tax rate abetted by a reduced incidence of unusual chargeoffs. The new found tranquility of the greenback should endure for at least a few more weeks and it will help check inflation and encourage foreign investors to purchase U.S. debt instruments. Therefore, the rate of inflation should only drift up through yearend to 3.5% in the case of wholesale prices and 4.5% to 5% for consumer prices. Likewise, interest rates are forecast to dip a bit lower during the summer before meandering up in the autumn. In conclusion, a prospective favorable balance between real growth and inflation will enable the financial markets to continue to prosper.

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

REAL ESTATE OUTLOOK

of

NBS REALTY ADVISORS, INC.

June 30, 1987

1987 to date in the real estate investment sector has been a period of adjustment for both investors and developers. The Tax Reform Act of 1986 has caused a significant shift in the view of real estate investments from tax favored investment vehicles to investments emphasizing economics. The Tax Reform Act came at a time of high levels of over-building in the market place, particularly in the office building market. We are now in a period of positive change with the elimination of much of the tax-motivated incentives prior to the Tax Reform Act and reduced levels of construction.

A number of factors influencing the real estate market are present which are leading to a stronger environment. As inflation rates have increased since the second quarter of 1986, investors now perceive that the lowest levels of inflation are behind us and that the falling dollar will add to higher inflation levels. This bodes well for real estate investment, which has historically performed as a hedge against inflation due to increasing income streams adjusting to inflationary pressures. Construction of real estate product has finally peaked. Office product, particularly hard hit in the construction boom, reached its highest level in the First Quarter of 1986 and has since declined by approximately 25%. Syndicators motivated by tax incentives were responsible in large part for developers supplying new product to the marketplace and have largely disappeared following the Tax Reform Act. Lenders have become very cautious to lend for further development in overbuilt markets, requiring significant preleasing and prime locations. Many developers are also turning to rehabilitating existing product rather than adding to available space. The combined effect of these changes is that construction is now trailing absorption in a majority of cities across the country. Absorption of space remains strong in most markets except those reliant upon the oil and gas industry. 1987 is developing into a year for investors to retain their holdings as the markets strengthen with reduced construction and stabilizing vacancy factors.

The investor market for real estate has shifted but remains strong going into this transition period. Following the Tax Reform Act, the former tax-oriented buyers are being forced to look more to the pure economics of acquisitions and are on similar ground with pension fund sources and all-cash buyers. The bull stock market of the last several years has created a significant inflow of cash to pension funds, and therefore increased available funds for allocation to their real estate portfolios. Offshore investors still remain a significant force in the marketplace with the lower dollar value, the lower cost of foreign funds, and the higher returns in the United States. The Japanese of late have been the most aggressive of offshore investors in real estate, paying record prices for prime real estate projects.

Regarding the specific product sectors, the office market has been impacted the greatest by the construction boom. Office occupancy rates are now showing signs of stabilizing after five years of continued declines, now averaging 81.2% throughout the United States. Due to reduced construction, the tenant markets are now expected to slowly decline as higher occupancy rates tighten up markets and ease rent concessions. Markets of attraction to investors will be those which have a significant and sustained reduction of new construction in combination with healthy absorption of space. Retail has enjoyed a much stronger market due to less available development potential during the last several years. Disposable income for consumers has risen throughout the 1980's, creating a strong retail market and allowing for higher returns for investors at relatively low risk. Renovation and expansion remains a strong activity due to the lack of availability and increasing costs of developing new sites. Industrial property has maintained relatively low levels of vacancy, with the national vacancy rate at 5.8% in the first quarter of 1987. This product type has offered an attraction to investors at typically greater initial returns than other product types.

In conclusion, the remainder of 1987 and beginning of 1988 will be a period of continued decline in new construction and tightening of occupancy rates. The indications are, therefore, to an overall healthier real estate market.

NBS REALTY ADVISORS, INC.



SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM  
INVESTMENT HELD AS OF JUNE 30, 1987  
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MATURITY VALUE	SECURITY	PERCENT	MATURING	TOTAL COST	MARKET VALUE
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<b>CASH &amp; CASH EQUIVALENTS</b>					
5,000,000	LOCAL AGENCY INVT FD	.000		5,000,000	5,000,000
67	UNITS OF FHA PROJECT #37	.000		5,924,620	5,464,849
500,000	HOUSHOLD FINL CORP	6.845	07/06/17	500,000	500,000
5,000,000	ASSOCIATED CORP OF N AMER	6.919	07/07/87	5,000,000	5,000,000
1,000,000	GENERAL MTRS ACCEP CORP	6.912	07/08/87	1,000,000	1,000,000
500,000	GENERAL MTRS ACCEP CORP	6.920	07/08/87	500,000	500,000
3,000,000	IBM CREDIT CORP	.000	07/09/87	2,980,733	2,980,733
2,000,000	SEARS ROEBUCK CR	6.892	07/13/87	2,000,000	2,000,000
2,000,000	GENERAL ELEC CR CORP	6.920	07/15/87	2,000,000	2,000,000
500,000	GENERAL ELEC CR CORP	6.920	07/15/87	500,000	500,000
2,500,000	SEARS ROEBUCK ACCEP CORP	6.888	07/23/87	2,500,000	2,500,000
1,000,000	GENERAL ELECTRIC CR CORP	6.888	07/23/87	1,000,000	1,000,000
2,000,000	WHIRLPOOL CORP	.000	07/29/87	1,987,442	1,987,442
950,000	CHESAPEAKE & POTOMAC	.000	07/29/87	944,061	944,061
1,000,000	EXXON CR CORP	6.891	07/30/87	1,000,000	1,000,000
3,000,000	GENERAL ELEC CR CORP	6.916	07/30/87	3,000,000	3,000,000
100,000	TIME DEP MUNICIPAL EMPLOYEES CR UNION	8.250	08/24/87	100,000	100,000
3,250,000	UNITED STATES TREAS NTS	10.375	02/15/88	3,249,618	3,317,535
2,500,000	UNITED STATES TREAS NTS	9.875	05/15/88	2,507,880	2,557,800
27,004,930	GOVERNMENT SECURITIES STIF- GEBT	6.820	VARIES	27,004,930	27,004,930
<b>*TOTAL</b>					
62,804,997				68,699,284	68,357,350

**INTERMEDIATE TERM BONDS**

7,750,000	UNITED STATES TREAS NTS	10.500	08/15/88	7,717,323	8,028,535
5,500,000	UNITED STATES TREAS NTS	11.750	05/15/89	5,495,319	5,909,035
2,500,000	C/D TEXAS COMMERCE NATL ASSOC	12.000	09/01/89	2,499,442	2,500,000
3,000,000	UNITED STATES TREAS NTS	11.875	10/15/89	2,997,175	3,265,320
3,250,000	UNITED STATES TREAS NTS	12.750	11/15/89	3,246,322	3,607,500
3,250,000	UNITED STATES TREAS NTS	11.000	02/15/90	3,243,280	3,500,867
500,000	UNITED STATES TREAS NTS	10.500	04/15/90	499,939	533,905
3,250,000	UNITED STATES TREAS NTS	11.375	05/15/90	3,234,723	3,546,562
1,000,000	UNITED STATES TREAS NTS	10.750	07/15/90	986,192	1,078,750
5,000,000	GENERAL MTRS ACCEP CORP	7.500	08/15/90	5,015,707	4,978,800
3,000,000	GANNETT INC DEL	7.125	11/01/91	2,967,889	2,864,520
1,500,000	UNITED STATES TREAS NTS	13.750	05/15/92	1,499,221	1,835,625
1,000,000	INTERNATIONAL BK FOR RECON &	14.750	06/01/92	1,000,000	1,237,000
2,750,000	GENERAL MTRS ACCEP CORP	8.625	06/15/92	2,741,791	2,741,585

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM  
INVESTMENT HELD AS OF JUNE 30, 1987

MATURITY VALUE	SECURITY	PERCENT	MATURING	TOTAL COST	MARKET VALUE
*TOTAL					
43,250,000				43,144,323	45,628,005
LONG TERM BONDS					
2,000,000	ONTARIO PROV CDA	14.625	08/31/92	2,000,000	2,488,180
3,500,000	GENERAL MTR ACCEP CORP	8.000	10/15/93	3,488,128	3,342,290
1,100,000	UNITED STATES TREAS BDS	9.000	02/15/94	1,099,828	1,140,216
500,000	HOUSEHOLD FIN CORP	7.500	08/01/95	500,000	475,250
453,977	COLLATERALIZED MTG SECS CORP	9.950	01/01/96	454,246	480,875
4,000,000	FEDERAL HOME LN BKS	7.750	04/25/96	4,020,267	3,690,000
2,750,000	FORD MTR CR CO	8.250	05/15/96	2,729,966	2,582,002
3,250,000	BECTON DICKINSON & CO	7.875	12/15/96	3,246,132	3,001,017
2,500,000	TRANAMERICA FINACIAL CORP	7.875	02/15/97	2,466,883	2,273,100
650,000	MANITOBA PROV CDA	14.750	03/15/97	622,583	828,841
250,000	AMOCO CO	6.000	01/15/98	249,143	203,325
350,000	EXXON CORP	6.500	07/15/98	350,000	293,930
925,016	FEDERAL NATL MTG ASSN	11.500	08/01/98	917,019	957,392
200,000	BETHLEHEM STL CORP	6.875	03/01/99	199,521	111,000
1,000,000	GENERAL MTRS ACCEP CORP	8.750	02/01/00	997,413	945,460
550,000	MOISANTO CO	8.500	06/15/00	548,573	515,262
2,935,112	FEDERAL HOME LN MTG CORP	8.000	08/01/01	2,739,484	2,661,765
525,000	MOBIL OIL CORP	7.375	10/01/01	525,000	453,427
325,000	FIRESTONE TIRE & RUBR CO	7.300	10/15/01	325,000	268,580
500,000	PROCTER & GAMBLE CO	7.000	05/15/02	497,529	413,540
14,000,000	TINT 08/15/2002	.000	08/15/02	4,246,781	3,676,260
500,000	UNITED STATES TREAS BDS	10.750	05/15/03	502,990	585,310
211,657	GOVERNMENT NATL MTG ASSN	6.500	06/15/03	198,709	190,094
8,000,000	TREASURY INVT GROWTH RCPTS	.000	11/15/03	2,137,700	1,809,280
1,000,000	ILLINOIS BELL TEL CO	8.000	12/10/04	995,333	873,390
500,000	BETHLEHEM STL CORP	8.450	03/01/05	500,000	295,000
1,200,000	ONTARIO PROV CDA	8.875	03/01/05	1,161,948	1,128,372
1,300,000	SEARS ROEBUCK & CO	8.000	04/01/06	1,282,716	1,145,898
1,250,000	GENERAL MTRS ACCEP CORP	8.250	11/15/06	1,170,422	1,102,500
374,411	GOVERNMENT NATL MTG ASSN	8.000	12/15/06	379,084	348,202
500,865	GOVERNMENT NATL MTG ASSN	8.000	12/15/06	507,557	465,805
482,346	GOVERNMENT NATL MTG ASSN	8.000	12/15/06	480,606	448,582
458,942	GOVERNMENT NATL MTG ASSN	8.000	01/15/07	465,245	426,816
660,473	FEDERAL HOME LN MTG CORP	8.000	06/01/07	563,357	598,963
4,716,209	FEDERAL NATL MTG ASSN	7.500	07/01/07	4,458,719	4,185,636
3,020,462	FEDERAL NATL MTG ASSN	8.000	04/01/08	2,902,147	2,742,942

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM  
INVESTMENT HELD AS OF JUNE 30, 1987  
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MATURITY VALUE	SECURITY	PERCENT	MATURING	TOTAL COST	MARKET VALUE
3,250,000	COLLATERALIZED MTG OBLIG TR	8.950	07/20/08	3,248,083	3,309,312
1,713,026	FEDERAL NATL MTG ASSN	6.500	09/01/08	1,320,810	1,449,649
2,630,686	FEDERAL HOME LN MTG CORP	8.500	10/01/08	2,207,233	2,449,827
2,358,344	FEDERAL HOME LN MTG CORP	8.000	12/01/08	2,146,105	2,138,711
1,354,201	FEDERAL HOME LN MTG CORP	10.250	11/01/09	1,182,826	1,356,733
704,690	FEDERAL NATL MTG ASSN	8.000	01/01/10	583,821	639,943
200,000	DOW CHEM CO	11.250	07/15/10	189,986	214,750
525,000	PACIFIC TEL & TELEG CO	9.500	06/15/11	525,000	507,853
571,280	FEDERAL NATL MTG ASSN	8.500	08/01/11	469,461	533,073
2,500,000	NEW YORK TEL CO	8.300	08/15/12	2,366,236	2,196,850
802,041	FEDERAL NATL MTG ASSN	11.750	08/01/13	744,173	840,635
1,144,773	FEDERAL HOME LN MTG CORP	12.000	02/01/14	1,169,591	1,210,598
5,000,000	NEW YORK TEL CO	8.250	10/15/15	4,601,413	4,323,900
4,000,000	SOUTH CENT BELL TEL CO	8.250	11/01/15	3,723,425	3,493,400
2,500,000	SOUTHERN BELL TEL & TELEG CO	8.250	04/15/16	2,313,336	2,180,950
8,587,009	FEDERAL HOME LN MTG CORP	9.000	06/01/16	8,468,000	8,216,651
2,000,000	GUARANTEED MTG CORP II	8.450	07/01/16	1,818,798	1,901,000
3,372,836	GOVERNMENT NATL MTG ASSN	9.000	09/15/16	3,376,402	3,237,922
5,969,176	GOVERNMENT NATL MTG ASSN	9.000	09/15/16	5,933,113	5,730,409
1,977,167	GOVERNMENT NATL MTG ASSN	9.000	09/15/16	1,931,179	1,898,080
3,000,000	ANHEUSER BUSCH COS INC	8.625	12/01/16	3,022,247	2,727,360
1,966,531	FEDERAL HOME LN MTG CORP	9.000	12/01/16	1,988,868	1,881,715
5,000,000	K MART CORP	8.375	01/15/17	4,783,735	4,319,550
5,000,000	PHILIP MORRIS COS INC	8.375	01/15/17	4,826,934	4,319,550
4,750,000	SOUTHERN BELL TEL & TELEG CO	8.125	05/01/17	4,402,390	4,095,307
7,440,126	ML TR V	6.000	03/20/18	6,475,871	5,952,101
1,000,000	NEW JERSEY BELL TEL CO	8.750	06/01/18	971,624	917,610
3,750,000	SOUTHWESTERN BELL TEL CO	8.625	04/15/20	3,689,693	3,318,750
7,500,000	PACIFIC BELL	8.750	08/15/25	7,206,545	6,693,750
<b>*TOTAL</b> 157,006,358				135,616,928	129,204,442
<b>BOND &amp; PREFERRED CONVERTIBLES</b>					
350,000	USX CORP	5.750	07/01/01	345,648	261,625
<b>*TOTAL</b> 350,000				345,648	261,625

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM  
INVESTMENT HELD AS OF JUNE 30, 1987

MATURITY VALUE	SECURITY	MATURING	TOTAL COST	MARKET VALUE
COMMON STOCKS				
12,000	AMR CORP DEL COM		577,980	711,000
13,400	AETNA LIFE & CAS CO COM		766,056	797,300
15,000	AFFILIATED PUBNS INC COM		537,411	915,000
13,200	AIR PRODS & CHEMS INC COM		469,656	620,400
21,400	ALLIED SIGNAL INC COM		852,578	933,575
30,000	AMERICAN CYANAMID CO COM		1,303,760	1,470,000
20,000	AMERICAN EXPRESS CO COM		532,986	685,000
27,000	AMERICAN GEN CORP COM		883,220	1,069,875
6,400	AMERICAN HOME PRODS CORP COM		549,137	544,800
6,900	AMERICAN INFORMATION		621,027	600,300
11,500	AMERICAN INTL GROUP INC COM		856,003	815,063
12,300	AMERICAN STD INC COM		390,599	521,213
11,000	AMOCO CORP COM		763,343	962,500
32,000	ARCHER DANIELS MIDLAND CO COM		604,760	784,000
30,000	ARKLA INC COM		601,500	723,750
21,600	ARMSTRONG WORLD INDS INC COM		421,964	826,200
12,400	ASHLAND OIL INC COM		694,929	785,850
10,000	ATLANTIC RICHFIELD CO COM		702,900	952,500
35,700	BANK NEW ENGLAND CORP COM		1,210,454	1,267,350
30,000	BANK NEW YORK INC COM		878,210	1,305,000
10,000	BARD C R INC COM		192,575	450,000
10,000	BARNETT BKS INC COM		379,650	370,000
20,000	BAXTER TRAVENOL LABS INC COM		401,800	487,500
8,000	BOISE CASCADE CORP COM		467,119	582,000
21,000	BORDEN INC COM		196,791	1,260,000
38,000	BRISTOL MYERS CO COM		1,178,416	1,890,500
16,000	BROWNING FERRIS INDS INC COM		212,720	454,000
22,300	CSX CORP COM		638,860	777,713
10,000	CHAMPION INTL CORP COM		280,125	363,750
10,000	CHEVRON CORP COM		510,900	620,000
19,000	CHRYSLER CORP COM		747,148	648,375
16,800	COCA COLA CO COM		474,516	747,600
10,000	COLEMAN INC COM		433,901	367,500
26,162	COLGATE PALMOLIVE CO COM		466,207	1,229,614
21,600	COMMONWEALTH EDISON CO COM		693,996	747,900
27,500	COMMUNITY PSYCHIATRIC CTRS		955,629	1,130,938
17,000	CONSOLIDATED RAIL CORP		597,404	567,375
20,000	DATA GEN CORP COM		912,278	617,500
7,000	DAYTON HUDSON CORP COM		350,466	354,375
4,000	DIGITAL EQUIP CORP COM		378,360	655,500

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM  
INVESTMENT HELD AS OF JUNE 30, 1987

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MATURITY VALUE	SECURITY	MATURING	TOTAL COST	MARKET VALUE
5,000	WALT DISNEY CO COM		108,969	361,250
20,000	DOINNELLEY R R & SONS CO COM		680,383	782,500
23,000	DOW CHEM CO COM		1,400,664	1,980,875
20,000	DRESSER INDS INC COM		387,388	625,000
5,600	DU PONT E I DE NEMOURS & CO COM		623,158	672,000
11,400	EASTMAN KODAK CO COM		573,116	981,825
9,000	EATON CORP COM		523,659	832,500
20,000	ECHLIN INC COM		365,550	350,000
6,000	EMERSON ELEC CO COM		605,040	651,000
45,000	ENGELHARD CORP COM		949,948	1,158,750
44,500	FEDERAL NATL MTG ASSN COM		1,752,961	1,729,938
15,600	FEDERATED DEPT STORES INC COM		492,814	815,100
27,200	FIRST BK SYS INC COM		569,693	918,000
17,200	FIRST TENN NATL CORP COM		429,700	520,300
8,000	FORD MTR CO DEL COM		315,080	792,000
20,000	GANNETT INC COM		775,650	1,020,000
9,000	GENERAL DYNAMICS CORP COM		696,558	600,750
51,800	GENERAL ELEC CO COM		1,481,368	2,816,625
22,500	GENUINE PARTS CO COM		673,205	835,313
6,000	GULF & WESTN INDS INC COM		288,450	510,000
27,000	HERCULES INC COM		689,292	1,707,750
23,500	HOME FED SVGS & LN ASSN		796,865	722,625
7,000	HONEYWELL INC COM		421,687	577,500
20,300	HOSPITAL CORP AMER COM		788,269	941,413
20,500	HOUSTON INDS INC COM		648,420	681,625
11,000	ITT CORP COM		646,415	646,250
20,600	INTERNATIONAL BUSINESS MACHS CORP COM		2,546,636	3,347,500
42,025	JAMES RIV CORP VA COM		1,411,631	1,407,838
12,000	JOHNSON & JOHNSON COM		1,093,830	1,102,500
38,850	K MART CORP COM		1,232,822	1,641,413
14,100	LINCOLN NATL CORP IND COM		635,931	722,625
15,200	LOCKHEED CORP COM		771,316	784,700
12,000	LOCTITE CORP COM		621,252	741,000
10,900	LOEWS CORP COM		583,652	713,950
12,000	MACMILLAN INC COM		553,080	783,000
15,000	MARRIOTT CORP COM		590,910	586,875
0	MASCO CORP COM		0	0
15,000	MCCORMICK & CO INC COM NON VTG		673,650	705,000
20,400	MCDONALDS CORP COM		910,223	1,081,200
6,800	MCDONNELL DOUGLAS CORP COM		551,861	472,600
23,400	MEAD CORP COM		804,313	780,975
16,000	MERCK & CO INC COM		605,418	2,728,000
10,000	MINNESOTA MNG & MFG CO COM		565,450	708,750

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM  
INVESTMENT HELD AS OF JUNE 30, 1987  
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MATURITY VALUE	SECURITY	MATURING	TOTAL COST	MARKET VALUE
35,000	MOBIL CORP COM		1,350,916	1,780,625
15,000	MORGAN J P & CO INC COM		407,475	718,125
9,000	MORGAN STANLEY GROUP INC COM		621,972	651,375
32,200	MOTOROLA INC COM		1,419,165	1,742,825
25,200	NORFOLK SOUTHN CORP COM		701,071	831,600
12,100	NORTH AMERN PHILIPS CORP COM		423,907	517,275
25,100	NYNEX CORP COM		1,459,744	1,760,138
17,500	OUTBOARD MARINE CORP COM		393,733	588,438
15,000	PPG INDS INC COM		508,788	705,000
21,000	PACIFIC LTG CORP COM		1,037,938	1,152,375
26,800	PACIFIC TELESIS GROUP COM		514,968	710,200
38,400	PENNEY J C INC COM		1,234,885	2,016,000
15,000	PEPSICO INC COM		533,235	540,000
20,000	PERKIN ELMER CORP COM		761,415	632,500
34,400	PHILIP MORRIS COS INC COM		1,152,276	3,083,100
28,000	POTLATCH CORP COM		695,650	913,500
45,169	RJR NABISCO INC COM		788,508	2,393,957
18,000	RALSTON PURINA CO COM		291,680	1,539,000
19,500	ROPER CORP COM		349,440	482,625
6,700	ROYAL DUTCH PETE CO		397,449	884,400
18,000	RYDER SYS INC COM		491,760	652,500
36,000	SAFECO CORP COM		826,563	1,143,000
18,000	ST PAUL COS INC COM		816,750	823,500
15,000	SALOMON INC COM		730,235	493,125
7,800	SCHLUMBERGER LTD COM		401,106	356,850
11,100	SCOTT PAPER CO COM		494,576	803,363
16,200	SEARS ROEBUCK & CO COM		635,574	820,125
10,000	SHERWIN WILLIAMS CO COM		254,675	350,000
9,000	SMITHKLINE BECKMAN CORP COM		409,446	537,750
22,300	SOUTHERN CALIF EDISON CO COM		569,074	685,725
28,300	SOUTHERN CO COM		680,356	686,275
10,000	SOUTHWEST AIRLS CO COM		291,300	202,500
19,500	SOUTHWESTERN BELL CORP COM		512,186	758,063
4,000	SQUIBB CORP COM		172,662	347,000
15,000	STERLING DRUG INC COM		737,371	860,625
10,000	STUDENT LN MARKETING ASSN		499,117	793,750
20,000	SYNTEX CORP COM		600,483	860,000
10,000	SYSCO CORP COM		347,770	351,250
15,000	TRW INC COM		756,205	789,375
9,000	TEXAS INSTRS INC COM		362,370	547,875
23,000	TEXTRON INC COM		708,112	698,625
29,200	TRAVELERS CORP COM		1,441,815	1,314,000
19,500	UNION CAMP CORP COM		836,982	809,250



SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM  
INVESTMENT HELD AS OF JUNE 30, 1987  
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MATURITY VALUE	SECURITY	MATURING	TOTAL COST	MARKET VALUE
9,100	UNISYS CORP COM		556,125	1,121,575
14,900	U S AIR GROUP INC COM		594,827	705,888
33,100	U S WEST INC COM		1,386,843	1,741,888
13,900	UNITED TECHNOLOGIES CORP COM		604,205	726,275
29,000	WARNER LAMBERT CO COM		1,389,815	2,095,250
18,000	WASTE MGMT INC COM		508,581	706,500
20,000	WENDYS INTL INC COM		346,800	195,000
37,100	WESTINGHOUSE ELEC CORP COM		840,622	2,360,488
20,700	WHIRLPOOL CORP COM		756,377	737,438
14,400	WOOLWORTH F W CO COM		684,236	766,800
<b>*TOTAL</b>			<b>92,812,735</b>	<b>124,636,309</b>
<b>2,531,706</b>				
 <b>REAL ESTATE</b>				
2,750,000	REAL ESTATE PROPERTY		2,768,097	2,925,000
4,862,500	REAL ESTATE PROPERTY		4,891,711	4,862,500
<b>*TOTAL</b>			<b>7,659,808</b>	<b>7,787,500</b>
<b>7,612,500</b>				
			<b>348,278,725</b>	<b>375,875,230</b>

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

PORTFOLIO PERFORMANCE REPORT

Measured On Basis of Dividends And Interest Received

	06/30/87 Portfolio Cost	Annual Income	Income Rate of Return
Investment Advisors	\$ 28,618,162	\$ 738,766	2.6%
Loomis	38,895,366	1,446,611	3.7%
NBS	26,794,824	1,115,454	4.2%
Scudder	218,338,242	24,203,687	11.1%
Smoot	35,632,132	1,568,977	4.4%

Measured on Basis of Total Increase in Market Value

	06/30/87 Market Value	06/30/86 Market Value	Total Yield
Investment Advisors	\$ 35,099,549	\$ 27,809,514	24.1%
Loomis	47,637,969	31,367,971	17.9%
NBS	26,922,516	16,341,859	N/A
Scudder	213,983,481	209,525,189	5.5%
Smoot	52,231,716	41,487,843	18.9%

PERFORMANCE BENCHMARK COMPARISON

	One Year	Three Years	Five Years
<u>BOND PERFORMANCE</u>			
Scudder	5.5%+	16.8%+	16.1%+
SEI Bond Funds Median	5.6%	16.5%	15.6%
Shearson Lehman Gov't Corp. Bond Index	4.7%	17.6%	16.4%
<u>STOCK PERFORMANCE</u>			
Smoot	22.0%++	28.7%++	27.9%+++
Investment Advisors	24.8%++	N/A	N/A
Loomis	18.3%	N/A	N/A
SEI Equity Funds Median	19.3%	27.2%	25.3%
Standard & Poor 500	25.2%	30.6%	27.9%
New York Stock Exchange	18.8%	24.6%	22.1%
<u>TOTAL PERFORMANCE</u>			
Total Fund	10.2%	19.4%+	17.5%+
SEI Public Funds Median	11.6%	16.6%	16.6%

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

**SAN JOSE POLICE & FIRE CITY EMPLOYEES RETIREMENT SYSTEM**  
**INDUSTRY ANALYSIS OF EQUITIES**  
**AS OF JUNE 30, 1986**

	MARKET VALUE	% OF PORTFOLIO
BUILDING-FOREST PRODUCTS	1,859,250	1.49
CHEMICAL	7,897,025	6.34
METALS-OTHER	1,158,750	.93
PAPER	3,801,425	3.05
<b>*TOTAL BASIC INDUSTRY STOCK</b>	<b>14,716,450</b>	<b>11.81</b>
AEROSPACE	2,584,325	2.07
ELECTRICAL EQUIPMENT	7,474,263	6.00
ELECTRONICS	3,856,775	3.09
MACHINERY-OTHER	2,113,000	1.70
OFFICE EQUIPMENT	6,319,575	5.07
POLLUTION CONTROL	1,160,500	.93
<b>*TOTAL CAPITAL GOODS STOCK</b>	<b>23,508,438</b>	<b>18.86</b>
AUTOMOTIVE	3,458,188	2.77
ELECTRICAL HOUSEHOLD APPLIANCE	737,438	.59
<b>*TOTAL CONSUMER DURABLE STOCK</b>	<b>4,195,625</b>	<b>3.37</b>
BEVERAGE	1,287,600	1.03
FOOD	7,033,207	5.64
HOTEL-MOTEL	586,875	.47
HOTEL-RESTAURANT	1,276,200	1.02
LEISURE RECREATION	1,827,188	1.47
PHOTOGRAPHIC	1,690,575	1.36
PUBLISHING	2,585,500	2.07
RETAILING	6,413,813	5.15
SOAP	1,229,614	.99
TOBACCO	3,083,100	2.47
TV-RADIO BROADCASTERS	915,000	.73
<b>*TOTAL CONSUMER NON-DURABLE STOCK</b>	<b>27,928,671</b>	<b>22.41</b>
	2,665,025	2.14
OIL-DOMESTIC	2,535,000	2.03
OIL-SERVICE	1,142,700	.92
<b>*TOTAL ENERGY RELATED STOCK</b>	<b>6,342,725</b>	<b>5.09</b>
BANKS	5,098,775	4.09
BUILDING-OTHER	1,697,413	1.36
FINANCE	3,016,813	2.42
INSURANCE	8,084,313	6.49
INVESTMENT COMPANIES	651,375	.52
SAVINGS AND LOAN	722,625	.58
<b>*TOTAL FINANCE AND BUILDING STOCK</b>	<b>19,271,313</b>	<b>15.46</b>
DRUG	9,863,925	7.91
MEDICAL SUPPLY AND SERVICES	4,112,350	3.30
<b>*TOTAL HEALTH CARE STOCK</b>	<b>13,976,275</b>	<b>11.21</b>
TRANSPORTATION-AIR TRANSPORT	1,619,388	1.30
TRANSPORTATION-OTHER	2,829,188	2.27
<b>*TOTAL TRANSPORTATION STOCK</b>	<b>4,448,575</b>	<b>3.57</b>
UTILITY-ELECTRIC	2,801,525	2.25
UTILITY-NATURAL GAS	1,876,125	1.51
UTILITY-TELEPHONE	5,570,588	4.47
<b>*TOTAL UTILITY STOCK</b>	<b>10,248,238</b>	<b>8.22</b>
<b>TOTAL</b>	<b>124,636,309</b>	<b>100.00</b>

# 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 City. Another is the payments made by the 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
1987	\$18,833,000	\$6,424,000	\$42,302,000	\$67,559,000
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	5,925,000	19,472,000	44,746,000
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

\*1984 Employee payments were shown net of refunds in prior years' reports.

10 Year Total	\$138,991,000	\$43,386,000	\$166,392,000	\$348,769,000
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## SIZE OF SYSTEM

	<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>	<u>6/87</u>
Active	1,385	1,375	1,523	1,527	1,580	1,576	1,635	1,680	1,677
Retired	245	272	286	303	313	338	345	371	401
Survivors	49	47	52	60	63	68	65	77	83
TOTAL	1,679	1,694	1,861	1,890	1,956	1,982	2,045	2,128	2,161

# POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

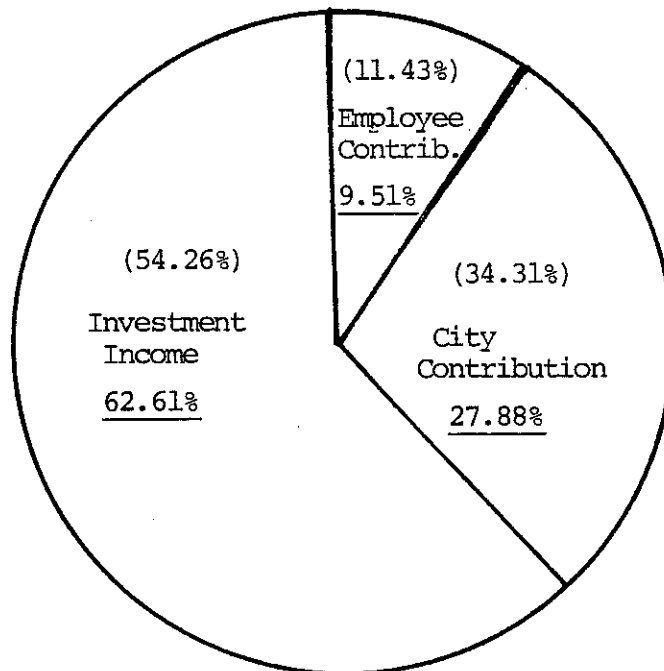
## CONTRIBUTIONS AND REVENUE

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	<u>.08</u>	<u>.25</u>
TOTAL	9.39%	27.46%

The following sources contributed their share of the revenues received by the Retirement Fund in 1986-87:

Employee Contribution	9.51%	\$ 6,424,000
City Contribution	27.88%	18,833,000
Investment Income	<u>62.61%</u>	<u>42,302,000</u>
TOTAL REVENUE	100.00%	\$67,559,000



1985-86 percentages are shown in parentheses.

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D MAULDIN, WILLIAM P	17	9/26/44	97.89	505.01	7,076.76
MATRANGA, JOHN	22	2/01/53	170.65	514.82	8,045.91
GUPTILL, LOVELL E	24	7/01/54	217.67	618.12	9,810.42
ANDERSON, ERNEST D	26	8/01/55	226.54	637.94	10,147.14
JONES, IVOR A	34	8/21/57	216.42	628.56	9,918.27
MORSS, KENNETH G	30	9/21/57	217.31	599.62	9,589.05
D MAC LEAN, ARTHUR A	16	11/27/57	250.86	550.19	9,402.63
GARCIA, SIMON	30	2/27/62	278.02	609.43	10,416.75
EDES, HUGH A	36	7/01/62	325.50	720.02	12,272.19
CAMPBELL, LAWRENCE B	31	2/01/63	417.58	785.98	14,127.18
QUAIN, RALPH C	22	4/01/63	336.44	611.48	11,126.55
S ANDERSON, IRENE C	17	6/13/63	156.44	206.07	4,255.08
FLESNER, FREDERICK J	25	7/28/63	342.48	633.41	11,454.90
PRACNA, EDWARD S	36	9/13/63	431.27	830.54	14,810.97
S SAWYER, BARBARA E	18	1/01/64	224.69	397.70	7,305.51
PARKER, HAROLD C	22	5/01/64	440.09	724.14	13,665.57
D BATTI, GEORGE J	34	5/11/64	352.28	698.67	12,335.91
D EMERY, LOUIS W	15	8/20/64	282.94	465.54	8,785.56
GRAY, RAYMOND T	37	4/01/65	326.78	667.38	11,669.28
S LUNSFORD, PHYLLIS M	37	6/25/65	345.38	556.92	10,591.08
DAVIS, HARVEY	39	9/01/65	371.32	727.19	12,894.12
D HOFFMAN, VERNON D	20	12/06/65	341.08	554.96	10,517.58
BOSQUE, CHARLES J	20	5/03/66	60.28	69.84	7,122.73
D HAAS, CARL G	21	6/07/66	337.89	545.91	10,373.94
D MATTERN, JOHN A	16	7/16/66	391.56	564.98	11,227.74
KIDDER, DONALD R	29	9/01/66	398.52	665.03	12,483.78
D CREAMER, WILLIAM M	23	4/15/67	154.49	194.39	9,171.56
S RUSSO, JOSEPHINE	39	2/09/67	159.89	362.76	6,134.82
D FUSCO, GEORGE W	22	6/10/67	352.07	511.00	10,130.58
S WAKEMAN, LELA C	31	9/08/67	207.15	365.75	6,724.59
D ANDERSON, WILLIAM E	09	11/14/67	377.00	437.13	9,556.17
D TURNAGE, GORDON E	08	3/08/68	365.59	418.78	9,206.79
D BARTOLINI, HERBERT R	08	4/01/68	366.77	419.93	9,234.21
OSTERMEIER, CLIFFORD C	05	5/20/69	384.77	261.78	3,750.00
D BREWER, GLENN J	10	2/10/69	385.15	445.08	9,745.14
D OSTERMEIER, CLIFFORD C	05	5/20/69	384.77	387.73	5,317.50
D BARR, JACK L	21	7/14/69	394.05	499.91	10,493.16
D HART, JAMES H	01	12/03/69	383.42	352.25	8,635.17
MC CAY, E D	27	2/01/70	999.77	1,086.91	24,493.14
ERLANDSON, JOHN K	25	7/01/70	595.43	673.80	14,898.03
ANKENBAUER, FRANK J	24	7/05/70	576.31	640.13	14,278.41
D MATSON, ROBERT K	08	8/01/70	461.00	435.45	10,522.41
D STENZEL, EUGENE F	08	8/01/70	461.00	435.45	10,522.41
D DAVIS, DALE D	08	9/01/70	461.00	435.45	10,522.41
D STOUT, BERNARD	24	9/01/70	569.48	634.48	14,131.89
WILSON, JACK E	34	9/01/70	955.53	1,021.72	23,208.69
D ANDERSON, CLARENCE W	23	12/21/70	545.36	607.73	13,534.77
FISHER, VERN	25	1/03/71	599.87	666.47	14,864.16
D TRUE, ROBERT	31	1/11/71	1,147.89	1,160.02	27,089.94
D CROSBY, JAMES	29	1/14/71	839.24	891.46	20,314.71

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D CANNELL, GEORGE H	33	1/16/71	1,486.60	1,453.44	34,509.81
S GIBSON, HENRIETTA	25	2/04/71	345.75	371.03	8,413.44
D COOMER, SAM D	09	2/09/71	376.90	372.81	8,799.96
D BATTEN, RUSSEL L	28	3/01/71	1,105.24	1,104.32	25,935.48
D TANNER, FRANCIS	20	5/01/71	546.62	561.07	13,001.94
BLACKMORE, JOHN R	42	5/17/71	1,953.51	1,803.45	44,098.65
D MASON, ROLAND S	07	6/22/71	511.45	444.83	11,224.71
D ROLSTON, CHAD C	26	7/01/71	680.42	705.92	16,272.66
D KNAPP, JOHN F	30	7/15/71	1,484.00	1,332.06	33,054.54
D LOWE, WILLIAM C	22	7/15/71	662.48	653.02	15,441.12
D EVANS, CARL L	26	8/01/71	655.23	674.65	15,609.99
D KENNEDY, EDWIN	24	8/01/71	744.57	729.03	17,296.92
D PLACE, ROBERT R	11	8/01/71	413.82	389.30	9,426.93
D RICKETTS, EDWARD B	21	9/01/71	583.10	585.87	13,721.19
D FLAIR, GARY L	09	10/12/71	506.35	446.14	11,180.22
D HOULIHAN, EARL E	08	11/11/71	510.71	442.63	11,190.15
D BIBBY, RICHARD A	15	12/01/71	508.13	485.57	11,663.94
D MANTHEY, JAMES E	19	12/01/71	648.63	622.10	14,915.67
D MILLER, HERBERT W	35	1/03/72	973.81	977.95	22,909.47
D CURTISS, MARVIN W	27	1/04/72	766.04	765.67	17,979.03
S CECIL, GEORGIA L	18	1/26/72	318.63	430.58	8,794.14
D GREEN, LEON R	35	2/01/72	824.68	775.53	18,783.03
GREEN, MARJORIE	35	2/01/72	494.81	465.34	11,270.07
D FRIES, JOSEPH J	22	2/15/72	691.49	675.09	16,040.76
D HIGGINS JR, THOMAS J	24	3/01/72	1,040.20	953.86	23,406.00
D LESLIE, SEAN R	08	3/01/72	530.28	457.54	11,594.91
MARAL, MANUEL G	40	3/01/72	769.75	856.67	19,090.71
D WESTERHOUSE, JAMES	27	3/01/72	857.69	835.39	19,873.17
D SCARPACE, SAM J	30	4/01/72	771.56	790.24	18,332.19
D TOLLENAAR, CORNEAL S	20	4/01/72	647.13	627.79	14,964.87
D MILLER, ARTHUR R	24	5/01/72	815.35	741.04	18,268.71
D MILLER, DAVID P	31	7/02/72	944.25	655.39	18,776.37
CARDONA, VELMA F	20	7/16/72	351.67	244.09	6,992.97
D BERNARDO, C DONALD	27	8/01/72	753.53	523.02	14,983.98
D PETERSEN, GUNNER	26	8/01/72	845.49	586.87	16,812.84
D TOUSSAINT, HAROLD P	29	8/01/72	1,013.45	703.44	20,152.59
S HALLER, JEAN M	25	9/06/72	1,397.95	812.24	15,540.84
D LAMB, WILLIAM J	19	9/15/72	637.31	442.35	12,672.87
S COLLINS, ANTOINETTE N	26	11/20/72	449.36	311.91	8,935.71
D MILLER, JESSE E	25	12/01/72	884.28	613.77	17,583.93
KLEIN, ELMER L	32	1/03/73	1,643.50	1,140.75	32,681.19
D LARSEN, JAMES D	13	1/15/73	605.17	420.07	12,034.14
S SHANNON, MARJORIE D	35	1/26/73	651.44	452.18	12,954.18
D SCHAEFER, CHARLES L	29	2/14/73	904.83	628.03	17,992.47
D BRENNEMAN JR, VIRGIL A	06	2/15/73	535.00	371.34	10,638.48
D SADLER, BERNICE L	24	2/15/73	546.03	378.99	10,857.78
D DONOHUE, JAMES W	06	3/04/73	387.73	269.11	7,709.91
S FERNANDEZ, BEVERLY J	23	3/11/73	457.89	595.75	12,367.47
D GILBERT, GEORGE	27	3/15/73	731.12	507.49	14,538.60
D GRAY, LOREN B	30	4/01/73	853.13	592.16	16,964.58

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D HOWARD, ORRIN J	20	4/01/73	575.00	399.12	11,434.11
D JONES, JOHN W	34	4/01/73	2,164.79	1,502.59	43,047.18
D SANCHEZ, JOSEPH X	14	4/01/73	658.00	436.71	13,084.29
D TUMA, FRANK J	27	4/01/73	776.12	538.70	15,433.14
D WALTON, J C	04	4/01/73	527.18	365.90	10,482.87
S GILCHREST, DOROTHY M	24	5/16/73	387.31	375.94	8,958.93
D HOFFMAN, FRED	29	6/01/73	1,031.78	665.25	19,919.49
S LA COUR, JOYCE	12	6/15/73	492.69	317.68	9,512.04
D BRUCE, GORDON J	05	7/01/73	601.42	387.78	11,611.11
D EVANS, DAVID T	26	8/01/73	955.34	601.96	18,279.36
D HARRIS, COY M	27	9/12/73	810.23	510.52	15,502.77
S VASQUEZ, LUPE	22	9/25/73	564.38	355.60	10,798.56
D MARKS JR, LEONARD G	13	10/01/73	1,062.50	669.47	20,329.59
D SILVA, EDWARD N	25	10/01/73	870.38	548.38	16,653.24
D SATARIANO, ANTHONY S	27	11/14/73	807.78	508.95	15,455.61
D CORDONI, JULIUS L	11	12/01/73	664.20	418.49	12,708.51
D BIAS, JAMES B	13	1/02/74	594.64	374.66	11,377.53
D CRAWFORD, JAMES L	14	1/02/74	688.00	433.49	13,163.94
D NUFER, JOSEPH M	14	1/02/74	688.00	433.49	13,163.94
D TORGUSON, DONALD L	11	1/02/74	558.96	352.17	10,694.70
CONROW, DAN R	28	1/05/74	974.21	613.82	18,640.11
D WILLIS, RONALD L	10	1/15/74	478.61	301.56	9,157.56
D MARTINELLI, WALTER L	28	2/01/74	843.22	531.33	16,134.24
D SILFVAST, ROBERT E	17	2/01/74	703.59	443.32	13,462.23
D CHOYCE, JAMES A	14	3/01/74	603.25	380.10	11,542.44
D COLLINS, BARTON L	38	3/01/74	1,709.63	1,077.20	32,711.43
D GARRINGER, ESTIEL L	26	3/01/74	965.43	608.29	18,472.08
PROVASI, DANTE C	27	3/01/74	868.46	547.16	16,616.37
MAC KENZIE, WILLIAM H	29	4/01/74	1,549.13	976.07	29,640.45
D STEFANINI, MARIO P	29	4/01/74	939.06	591.70	17,967.81
S REBHAN, ETHEL M	21	4/23/74	210.56	329.38	6,337.71
S GARCIA, JENNIE S	27	5/07/74	535.99	312.27	9,956.73
S BUCK, LILLIAN M	20	5/15/74	557.90	325.04	10,363.80
KING, BERNICE M	25	6/01/74	392.86	228.89	7,298.01
FAVORITE, LAWRENCE R	35	6/12/74	1,074.00	625.71	19,950.93
D COBURN, JIMMIE C	18	6/15/74	619.86	361.12	11,514.63
D BERNARDO, RALPH H	30	7/10/74	873.24	496.31	16,075.59
S CAROTTA, SHIRLEY R	29	11/05/74	549.38	525.55	12,617.37
D NURISIO, LOUIS G	14	12/01/74	663.37	377.03	12,212.10
D LIMA, SAM	28	1/02/75	846.83	481.26	15,588.96
D DEVITT, FRANCIS M	28	2/01/75	1,051.73	597.72	19,361.04
D KINCAID, RICHARD R	32	3/27/75	984.49	559.51	18,123.27
D ANGELO, ANTHONY E	24	4/01/75	801.11	455.29	14,747.49
D DONALD, PEGGY J	24	4/01/75	535.28	304.22	9,853.95
D FONSECA, CHARLES	30	4/01/75	1,140.75	648.33	20,999.97
D KINNEY, THOMAS R	29	4/01/75	1,161.73	660.24	21,386.01
D SAWYER, HOWARD D	13	4/01/75	657.32	373.58	12,100.53
SILVA, RAYMOND J	23	4/01/75	774.72	440.29	14,261.61
D SINNOTT, GLENN V	28	4/01/75	869.53	494.18	16,007.04
D AZZARELLO, JOSEPH S	33	5/01/75	1,600.25	836.37	28,600.71



POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D RICHARDS, JOHN K	14	5/01/75	796.34	416.23	14,232.96
S DONALD, PEGGY J	28	5/15/75	1,010.52	528.14	18,060.54
D JACOBSON, GEORGE A	15	6/01/75	771.48	403.21	13,788.39
D RAMBOER, LEO M	28	6/01/75	883.98	462.02	15,799.20
D CUFFARO, MARCO S	26	6/10/75	1,040.01	543.56	18,587.76
S CARDONA, VELMA F	30	7/08/75	547.94	345.25	10,484.10
S HOLDEN, GERTRUDE	16	8/18/75	157.75	279.21	5,128.95
S PERRY, LUCILLE A	27	8/25/75	518.46	326.66	9,919.86
D ROBERTSON, HARRY A	06	9/06/75	708.69	360.60	12,551.22
D KEITH, GARY L	13	10/18/75	700.91	356.66	12,413.64
HALLER, LEWIS A	34	2/07/76	1,706.66	586.97	20,000.48
D DONALD, HOWARD C	28	1/01/76	1,740.78	885.74	30,829.74
KEISER, BETTY J	20	1/02/76	390.67	198.77	6,918.75
HILSCHER, ARTHUR J	29	1/03/76	1,433.45	729.35	25,386.69
D KOSIK, VICTOR A	28	1/03/76	1,039.81	529.07	18,415.26
D FERNANDEZ, GABRIEL J	29	1/06/76	948.11	482.41	16,791.21
KUEHNIS, FLOYD E	34	2/07/76	1,475.52	750.77	26,131.92
D SULLIVAN, MARIS S	24	3/20/76	1,026.50	522.30	18,179.61
D NELSON, ROBERT P	30	3/21/76	993.62	505.56	17,597.13
D SEIBERT, SAM H	29	3/28/76	1,216.75	619.11	21,549.09
D MURTHA, WILLIAM J	09	4/01/76	663.30	337.50	11,747.25
D RICCI, FRANK J	28	4/01/76	940.03	478.30	16,648.17
D COLE, VERNON S	24	6/13/76	1,033.41	480.39	17,768.79
D MOGILEFSKY, ARTHUR A	09	7/04/76	755.16	340.88	12,865.20
MADDOX, WILLIAM A	28	8/14/76	1,239.51	559.55	21,117.12
S LOPEZ, JESSIE CONVERSA	30	8/29/76	637.37	324.30	11,287.95
KEYSER, ELAINE L	00	9/19/76	275.00	.00	1,375.00
D KEYSER, ORVILLE J	28	9/19/76	947.16	551.71	19,446.41
S SCRIBNER, BETTY J	28	11/14/76	747.77	425.00	13,765.80
D CAMPBELL, WILLIAM C	25	3/20/77	1,182.62	360.42	1,666.48
D CAPURSO, FRANK J	14	9/06/77	788.89	210.47	1,069.32
D SEKANY, GREGORY A	06	1/03/77	765.70	345.65	13,044.87
D ELORREAGA, PAUL	14	1/12/77	792.82	357.90	13,506.96
S AMBURGEY, DORINE	35	2/28/77	801.16	556.08	15,931.11
D LEE, RAYMOND W	29	3/14/77	1,376.86	621.53	23,457.39
D KLEIN, THEODORE P	31	3/19/77	1,881.55	849.38	32,055.30
D DWYER, GEORGE J	27	3/20/77	1,264.22	570.71	21,538.20
D KASICH, ROBERT C	09	4/11/77	790.82	323.56	13,080.42
D DEVENS, LEE E	28	4/17/77	1,671.95	684.08	27,654.78
HICKEY, JANET S	31	4/23/77	1,213.72	496.60	20,075.46
D BRUNE, RALPH F	29	6/01/77	1,390.32	568.85	22,996.50
D ADAMS, VIRGINIA S	22	6/14/77	825.44	337.74	13,653.24
DE CAMP, HOWARD	24	7/06/77	1,114.57	441.48	18,264.72
D BOLTON, HILBERT	30	7/12/77	1,369.66	542.52	22,444.95
D JONES, ROBERT A	10	7/12/77	733.07	290.36	12,012.87
D NELSON, MURRAY E	31	9/02/77	1,185.95	469.78	19,434.69
S BELL, CHERYL J	02	9/11/77	767.45	303.99	12,576.39
D SHANNON, CLARENCE M	22	9/11/77	979.86	383.14	16,057.44
D ZENAHLIK, THOMAS P	09	12/14/77	841.81	333.44	13,794.93
D ROORDA, JAMES R	07	12/18/77	818.44	324.18	13,411.92

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D WHEATLEY, MERLIN W	30	1/05/78	1,698.59	672.82	27,835.29
D VITTOE, JOSEPH B	29	1/07/78	1,230.11	487.26	20,158.26
D BENNETT, WILLIAM G	08	1/10/78	844.85	334.66	13,844.97
D PAPA, RICK L	03	1/11/78	731.55	289.78	11,988.21
S MC CUISTION, EVELYNN M	18	1/20/78	688.33	272.66	11,279.97
GERHARD, JOHN K	30	3/04/78	2,832.64	1,122.01	46,419.18
D WARNING, DONALD A	22	3/14/78	946.48	374.91	15,510.27
D WINDISCH, STEPHEN F	30	3/31/78	1,987.32	787.19	32,566.83
D ALLEN, ROBERT L	21	4/01/78	1,631.93	646.43	26,743.08
D TAMBELLINI, LAWRENCE J	26	4/01/78	1,532.87	607.20	25,119.87
S MURTHA, MARY F	27	4/07/78	188.17	328.07	6,059.52
D OZGA, JAN	10	5/09/78	831.98	295.72	13,236.75
D WELCH, BRADFORD M	05	5/13/78	859.09	305.36	13,668.12
D HOLMES, DANNY R	11	5/14/78	832.53	295.92	13,245.57
D ROBERTSON, ROBERT A	29	6/13/78	1,243.36	441.94	19,781.79
D NEIBAUER, RICHARD J	21	7/08/78	1,060.24	363.43	16,710.81
D ESCOBAR, JOSEPH R	21	10/14/78	531.68	182.24	8,379.93
ESCOBAR, PATRICIA M	21	10/14/78	531.67	182.24	8,379.81
D SARGENT, GREGORY S	30	10/14/78	1,738.26	595.82	27,397.14
D EDWARDS, DONALD E	23	10/15/78	1,339.74	459.23	21,116.04
S SIEBENTHALL, ROBYN J	08	10/28/78	632.93	208.93	9,881.64
S MILLER, LAURA L	14	11/03/78	865.65	296.74	13,643.94
S GUERIN, HELEN M	22	11/11/78	197.47	309.97	5,956.26
D VAN DYCK, JON M	16	11/14/78	1,001.37	343.24	15,782.88
D WILLIAMS, RONALD T	13	11/14/78	1,001.37	335.71	15,694.50
S CISSELL, JANE M	15	12/09/78	505.88	287.51	9,312.69
D SHANNON, GRETAAANN	13	1/01/79	720.88	247.10	11,362.05
D RALSTON, LLOYD W	30	1/06/79	1,502.06	514.88	23,674.53
D FUNK, HAROLD S	24	1/14/79	1,185.54	406.37	18,685.59
D NOSEWORTHY, ALEC	31	2/15/79	1,257.92	431.20	19,826.64
S POELLE, JEAN A	17	2/16/79	312.33	363.63	7,934.31
BALLARD, BUCK B	24	2/17/79	1,238.06	424.38	19,513.50
D MC KAY, EDWARD D	32	3/17/79	2,329.43	798.45	36,714.66
D MARSH, LEONARD H	16	3/18/79	971.60	333.04	15,313.68
D VAN ETTEEN, DAVID	31	3/18/79	1,905.82	653.28	30,038.34
D WIEN, WILLIAM A	27	3/30/79	1,397.10	478.90	22,020.24
D URBANI, EDWARD	31	3/31/79	1,457.39	499.56	22,970.40
D KING, JAMES R	27	4/01/79	1,156.51	396.43	18,228.21
D JOST, FRANKLIN D	20	4/29/79	1,014.36	308.02	15,521.88
S LORENZ, RUTH H	25	5/23/79	216.42	302.45	6,090.45
S SIMS, ETHEL J	23	6/14/79	344.70	396.27	8,697.42
S STANLEY, RUTH M	23	6/19/79	204.11	283.18	5,719.77
D MOSS, GENE D	19	7/14/79	1,002.33	292.04	15,193.14
WARNING, LOREN R	22	8/01/79	725.24	211.31	10,993.08
D PIPKINS, ROBERT W	20	8/04/79	990.59	288.63	15,015.30
D EVANS I, HAROLD H	28	8/14/79	1,397.28	407.14	21,180.00
D MC GREW, JAMES M	08	9/09/79	570.65	252.23	11,958.52
D TENBRINK, ROBERT	09	9/11/79	844.90	246.18	12,806.94
D THOMPSON, GARY R	16	9/11/79	1,002.51	292.11	15,196.05
D DE LUCA, PETER P	31	9/15/79	1,301.18	379.13	19,723.26

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	CCL	TOTAL
S MURRAY, VERA E	32	10/04/79	179.87	369.12	6,443.97
D PINCK, GREGORY J	09	10/09/79	843.90	245.88	12,791.70
D GREER, DENNY R	28	10/14/79	1,391.65	405.48	21,094.50
S BAROZZI, MARYANN	26	10/23/79	449.50	311.99	8,938.26
RAGSDALE, ELWIN G	28	11/11/79	1,022.91	298.05	15,505.29
D GERMANO, EUGENE J	32	1/12/80	1,675.15	488.07	25,391.55
D ROY, CHARLES D	24	1/12/80	1,430.19	416.71	21,678.69
D JURADO, JOHN J	19	2/19/80	1,024.49	298.49	15,528.99
D NAGENGAST, THOMAS C	25	3/11/80	1,315.26	383.22	19,936.53
D CUNNINGHAM, ELIZABETH J	23	3/15/80	979.74	285.45	14,850.63
D KEENEY, WILLIAM H	24	3/15/80	1,101.14	320.85	16,691.10
D POLLOCK, DAVID A	19	3/15/80	1,206.88	351.63	18,293.61
D MILLER, DOROTHY H	20	3/16/80	842.39	245.44	12,768.84
D RIST, WAYNE H	25	3/29/80	1,335.07	389.00	20,236.86
D CIRAULO, SALVADOR J	33	3/30/80	1,556.84	453.63	23,598.60
D COTTLE, EDWARD M	26	3/30/80	1,396.64	406.93	21,170.07
D DE LISE, JOSEPH S	23	3/30/80	1,082.04	315.28	16,401.54
D LUCCHESI, GEORGE	28	3/30/80	1,504.12	438.25	22,799.31
D SAN FILIPPO, ROY F	25	3/30/80	1,332.57	388.26	20,198.88
D ONZO, JOSEPH J	24	4/13/80	1,107.69	319.97	16,757.70
D WIENS, GEORGE M	24	4/13/80	1,277.75	369.11	19,330.59
D JAEGER, GEORGE N	10	4/20/80	911.80	263.38	13,773.09
D DORR, DONALD R	20	5/13/80	943.28	268.94	14,228.85
LAIL, HAROLD A	24	5/25/80	987.47	281.53	14,895.36
D WALLACE, GORDON M	25	6/08/80	1,319.76	372.95	19,868.82
D PARADISO, JOSEPH	33	7/05/80	1,586.08	422.92	23,581.41
D RAIKES, FOSTER P	17	7/06/80	873.09	232.81	12,980.91
D BARNETT, JAMES E	30	7/12/80	1,622.22	432.56	24,118.71
S WARRICK, ANTOINETTE D	27	8/11/80	448.41	438.18	10,406.70
D CONYERS JR, FRANCIS E	24	9/13/80	1,278.51	332.99	18,915.54
D NEWMAN, DON M	21	9/14/80	975.00	253.94	14,425.17
S GADSBY, MARY E	22	10/24/80	193.34	341.85	6,281.97
D MEAGHER, ROBERT W	24	1/01/81	1,146.07	284.25	16,788.90
D STRUTHERS, RICHARD M	25	1/01/81	1,384.31	343.35	20,279.04
D BOHN, THEODORE M JR	20	1/06/81	1,434.65	355.82	21,016.29
D MULLINS, FRED R	14	1/12/81	952.00	236.11	13,945.83
D BORCH, HENRY H	25	1/13/81	1,788.64	443.64	26,202.18
D BROWN, WILLIAM J	29	1/17/81	2,172.83	538.91	31,830.06
D PETERSON, COURTNEY	21	2/01/81	1,163.64	285.71	17,012.31
S ANGER, ROBYNNE	10	2/22/81	1,449.88	356.00	21,197.16
D GUIDO, JAMES J JR	25	2/28/81	1,162.15	311.54	17,298.00
GUIDO, WILMA E	25	2/28/81	240.00	30.36	3,194.28
D GARINO, KENNETH J	21	3/03/81	1,012.88	244.94	14,764.08
D MOORE, SHARON A	14	3/03/81	762.67	168.24	10,774.09
D HILL, RICHARD N	25	3/31/81	1,661.18	401.70	24,213.84
S GOMES, GRACE	22	4/07/81	240.11	323.96	6,620.97
D HALL, RICHARD R	25	4/12/81	1,867.12	379.60	26,371.68
D BUSH, WILBERT E	16	6/03/81	992.32	169.21	13,633.89
S CRAWFORD, IDA M	10	6/04/81	217.32	247.62	5,457.42
D MC VEA, IRVIN G	24	7/07/81	1,218.23	222.28	16,908.48

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D SHANNON, RONALD D	25	7/07/81	1,196.57	218.32	16,607.79
D CANCELLA, JOSEPH	24	7/12/81	1,210.96	220.96	16,807.65
S ERICKSON, MICHAEL S	13	8/25/81	391.80	70.57	5,427.21
S ERICKSON, SCOTT G	13	8/25/81	391.80	70.57	5,427.21
D JOHNS, MERLE W	26	9/01/81	1,580.79	279.28	21,833.22
S ANDERSON, ELSIE H	09	9/06/81	474.50	317.65	9,298.17
D DOYLE, PATRICK B	14	10/06/81	1,054.36	183.10	14,525.16
D MAZZONE, RICHARD T	13	11/03/81	1,083.64	185.16	14,892.96
D MOORE, ANN C	21	1/05/82	1,205.76	199.03	16,489.20
D MUSSER, MARILYN J	12	1/05/82	967.82	159.77	13,235.52
D SCHAAR, JOHN G	31	1/05/82	1,548.29	255.57	21,173.46
D WARTHAN, LLOYD C	31	1/05/82	1,949.67	321.33	26,662.56
D MOORE, DONALD E	28	1/09/82	1,855.52	306.29	25,374.99
D FANUCCHI, ROSCOE	32	1/16/82	1,974.05	325.86	26,996.01
D GIVIN, WILBUR	27	1/16/82	1,549.33	255.83	21,194.61
S SCHWANDT, CATHERINE M	34	2/01/82	116.48	320.60	5,130.39
D ERICKSON, RICHARD A	29	2/02/82	1,695.42	275.95	23,139.66
S GUSTAFSON, MARTHA	15	2/06/82	414.50	174.09	6,908.82
S HALL, BENITA	15	2/06/82	621.74	291.77	10,722.63
D BOND, WILLIAM R	23	3/02/82	1,339.88	213.40	18,232.20
D NORTON, PHILLIP O	20	3/02/82	1,570.47	250.13	21,369.93
D RYAN, ELLSWORTH J	25	4/10/82	1,669.68	265.94	22,720.02
D SCOTT, JOHN N	25	4/11/82	1,470.29	234.17	20,006.76
D CALTABIANO, ROBERT A	11	6/06/82	1,168.31	186.17	15,904.53
S CONYERS, EVELYN	32	6/09/82	185.52	369.47	6,514.44
D STAGG, KENNETH E	28	8/06/82	2,314.83	342.63	31,192.92
D BRADFORD, GEORGE H	37	8/07/82	2,064.06	305.52	27,813.78
D ANASTACIO, OLIVER J	29	8/08/82	1,628.90	241.11	21,949.89
D EWING, DONALD E	27	9/11/82	2,232.61	330.47	30,085.11
D GRAY, LYLE L	09	10/05/82	1,280.25	189.51	17,251.83
S SMITH, WILLIAM	10	10/31/82	934.32	138.30	12,590.28
D FRATES, CHARLES W	27	11/02/82	1,879.44	273.18	25,325.88
D TERRY, GLENN	24	1/04/83	1,773.71	262.54	23,901.21
D GREEN, ROBERT H	27	1/06/83	1,673.91	247.77	22,556.43
D BAZIUK, LEO	25	1/08/83	2,273.85	336.57	30,640.77
D ROMO-LEROUX, GONZALO A	01	1/15/83	954.09	141.22	12,856.62
D OWEN, LESLIE B	25	2/01/83	1,571.13	232.55	21,171.39
D KEY, BILLY P	24	3/05/83	1,563.23	231.38	21,064.89
S POWERS, ANNETTE	39	4/07/83	156.20	393.16	6,448.32
D BLACKSTOCK, M CARROLL	21	4/09/83	1,604.16	233.88	21,574.62
S URZI, LAURA J	21	4/10/83	205.92	277.81	5,677.95
D WEESNER, STEVEN LEE	12	4/24/83	1,299.24	189.42	17,473.68
D EARNSHAW, JOSEPH W JR	22	6/07/83	1,496.76	209.88	20,032.29
D WHALEN, RICHARD J	30	6/07/83	2,209.91	309.87	29,576.85
D CASTLIO, GLEN	21	6/15/83	1,643.89	230.49	22,001.25
D PLINSKI, LEO G	26	6/17/83	1,758.84	246.62	23,539.83
D DYE, DONALD A	25	7/10/83	1,899.38	238.80	25,097.64
D GREEN, NORMAN W	19	7/30/83	1,331.05	167.34	17,587.92
D BRAZIL, LA VERN F	30	8/02/83	1,958.37	241.90	25,826.43
D SEATON, CHARLES	15	8/02/83	1,325.31	163.71	17,477.91

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D LANE, GAYLORD R	24	8/28/83	1,582.84	195.51	20,874.00
D SPAULDING, BENJAMIN W	27	9/11/83	1,634.08	196.44	21,486.36
D GEPPERT, KENNETH J	12	10/04/83	1,414.16	166.88	18,558.03
D ANDERSON, ALGIE	29	11/30/83	2,007.00	230.19	26,259.84
D GRANT, ROBERT A	14	12/06/83	1,567.07	176.28	20,463.18
S MURPHY, EVE I	42	1/11/84	458.00	70.34	1,398.56
D HASLEMANN, JOE J	20	3/06/84	1,381.58	84.14	7,401.90
D WHEELER, HENRY A	28	1/29/84	1,964.63	214.48	25,578.09
D PULLIAM, NORVEL	25	2/07/84	2,331.97	249.44	30,300.21
D ZAMZOW, JAMES W	28	2/12/84	2,011.62	215.13	26,137.86
S MILLER, JANICE E	24	3/01/84	841.68	109.54	11,214.03
D CHAMBERS, ROYCE R	15	3/06/84	1,402.69	145.39	18,171.15
D BELL, ROBERT M	22	4/03/84	2,143.06	196.92	27,646.59
D HOUSTON, HERRELL J	20	4/03/84	1,631.38	149.90	21,045.60
D SHACKELFORD, JEFF	24	4/03/84	2,003.08	184.07	25,840.89
D TOWNEND, STEWART	24	4/03/84	1,707.20	156.87	22,023.78
S BLEDSOE, LINDSEY	03	4/17/84	602.89	50.79	7,706.28
D MOORE, BRUCE	27	5/01/84	2,600.03	230.62	33,443.82
S ALVARES, VIRGINIA	23	6/05/84	187.60	316.13	5,912.73
D SCHNEICKERT, EDWARD T S	27	7/14/84	2,282.81	173.07	28,952.52
D MAYER, NICK S	31	9/09/84	2,153.43	151.90	27,177.69
D ANGELL, MERRIL K	21	11/06/84	1,825.59	119.16	22,926.78
D CLET, VINCENT H	21	11/06/84	3,070.94	200.43	38,566.41
D TONEY, JERRY A	22	11/18/84	1,663.28	108.56	20,888.31
D CATES, LOWELL D	12	12/04/84	1,439.54	90.92	18,042.69
D PURSER, OWEN	21	12/04/84	1,769.65	111.77	22,180.14
S FISHER, PEARL	22	12/17/84	286.86	346.66	7,436.19
STURDIVANT, MARCUS	26	1/12/85	2,213.02	132.77	27,654.66
D GERDTS, HANS B	30	2/05/85	2,531.18	146.51	31,567.44
D MOIR, ROBERT C	30	2/09/85	2,920.20	169.03	36,419.16
S MOODY, NORMA J	30	2/23/85	493.50	320.64	9,556.29
D SAMARRON, LAWRENCE L	27	3/05/85	2,146.64	117.46	26,691.66
D SPINLER, JACK	30	3/05/85	2,203.40	120.57	27,397.41
OTTER, LORRENCE J	31	3/07/85	3,411.23	186.67	42,415.83
HUNT, LYLE W	31	3/09/85	3,408.08	186.49	42,376.59
D MURRAY, WILLIAM C	26	3/10/85	2,879.42	157.56	35,803.14
D LONG, GEORGE	21	3/23/85	1,411.17	77.22	17,546.76
D SCHNEICKERT, EDWARD T J	17	4/02/85	1,550.59	76.89	19,228.53
D WELLS, WILLIAM J	31	4/02/85	2,553.98	126.65	31,671.30
D STEELE, EDWARD T	33	4/07/85	2,563.81	127.14	31,793.25
D BOOZEL, BENJAMIN F	21	5/07/85	1,421.99	66.16	17,582.31
D BRUNELLI, LEONARD	25	5/07/85	2,224.04	103.47	27,499.29
D WEBB, ROBERT L	28	5/07/85	2,129.96	99.10	26,336.07
S HORNBECK, ESTHER M	36	5/21/85	731.49	455.11	13,928.16
S DUPONT, EDNA J	13	5/25/85	1,804.18	83.93	22,307.85
S DUPONT, SAMANTHA R	13	5/25/85	421.49	19.61	5,211.57
D CARROLL, RICHARD	07	6/04/85	1,332.36	59.26	16,441.86
S ALIAS, EVA M	03	6/23/85	838.74	37.31	10,350.42
S MOLINA, NORMA L	03	6/23/85	419.37	18.66	5,175.27
S BUNCH, NANCY N	04	7/30/85	1,123.55	46.54	13,801.98

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
S BUNCH, NICOLE	04	7/30/85	749.03	31.02	9,201.26
FERDINANDSEN, EDWARD S	28	8/02/85	1,990.71	78.39	24,374.50
D LANCH, KENNETH D	25	8/06/85	1,884.65	74.21	23,075.87
D RUSSELL, STANLEY M	19	8/06/85	1,497.83	58.98	18,339.62
CORNELIUS, JAMES H	25	8/10/85	2,210.91	87.06	27,070.70
D THOMPSON, M EARL	26	8/12/85	3,480.05	137.04	42,610.20
S BLOOMFIELD, JEAN M	24	8/31/85	493.70	241.43	8,605.69
D FRIDAY, JAMES E	25	9/03/85	2,247.73	81.63	27,419.97
D GREER, DON R	17	9/03/85	1,512.28	54.91	18,443.17
D KREGEL, JOHN H	18	9/03/85	1,500.33	54.48	18,302.40
S SAPENA, ANN	29	9/15/85	772.98	420.05	13,956.87
S BROWDER, LUCILLE E	22	9/25/85	205.23	304.53	5,965.14
S JONES, RUTH L	32	10/24/85	995.52	309.64	15,258.43
S CHEW, ELIZABETH	01	10/28/85	280.06	247.11	6,165.21
EVANS, FRANKLYNN	00	11/01/85	619.02	19.32	7,510.96
D EVANS, MERLIN C	26	11/01/85	1,718.70	53.64	20,854.08
S CONNETT, CATHERINE M	31	11/20/85	417.89	430.37	9,920.93
D BARIKMO, JON W	22	12/04/85	1,883.76	54.95	22,815.18
D CUMMINS, GAYLE L	22	12/04/85	1,649.14	48.10	19,973.55
D TYSON, DONALD I	22	12/04/85	1,764.35	51.46	21,368.91
S GOULD, CYNTHIA	09	12/07/85	324.75	192.91	6,054.60
S MC CARGAR, LOIS	02	12/15/85	153.75	106.02	3,038.49
S MC CARGAR, PAUL B	02	12/15/85	153.75	106.02	2,788.06
S MC CARGAR-ESCALANTE, SA	02	12/15/85	153.75	106.02	3,288.92
D ANDERSON, DENNIS G	30	12/16/85	2,671.63	77.92	32,357.43
D CROWDER, ROBERT J	26	1/08/86	2,331.21	60.86	28,180.42
HEIKEN, ALBERT L	29	1/25/86	2,617.13	68.32	31,636.70
D EMMONS, JAMES L	21	2/05/86	1,926.17	46.35	23,258.87
D HUBBARD, GERALD A	24	2/05/86	2,178.34	52.42	26,303.88
LIRA, ALICE	34	2/05/86	1,063.76	25.60	12,845.11
D LIRA, ROBERT P	34	2/05/86	1,626.42	39.14	19,639.34
D MALVINI, MERRILL J	30	2/05/86	2,689.85	64.73	32,480.46
S CLEARY, MARIAN L	28	2/08/86	889.12	367.26	14,720.21
D BURROUGHS, BOBBY	28	2/18/86	2,549.12	61.34	30,781.11
D CAPP, WALTER M	27	3/05/86	2,444.26	51.33	29,485.11
D DOBSON, RICHARD	22	3/05/86	1,777.19	37.32	21,438.24
D ILSE, ROY	28	3/05/86	3,023.32	63.49	36,470.31
D VICKERS, WILSON R	28	3/05/86	2,533.36	60.80	30,532.72
COOK, JOE W	26	3/23/86	2,401.36	50.43	28,967.61
S MELZ, HELEN C	24	3/25/86	3,157.87	66.32	38,093.40
D WIESENDANGER, EDWIN	30	4/02/86	2,343.28	44.52	28,208.40
D MC FERTON, ARTHUR J	25	4/06/86	2,324.46	44.16	27,981.84
D SWANSON, FRANCIS E	08	4/06/86	1,410.55	26.80	16,980.20
D WILSON, ROGER	26	4/06/86	2,187.50	41.56	26,333.12
D CAMPOS, ARTHUR J	10	6/04/86	1,579.35	.00	18,952.20
D KELLY, JAMES D	17	6/04/86	1,573.50	.00	18,882.00
D LOPEZ, DANIEL M	10	6/04/86	1,572.42	.00	18,869.04
D PUGH, TOMMY E	13	6/04/86	1,580.08	.00	20,084.40
D STEWART, JOSEPH	24	6/04/86	2,224.01	.00	26,688.12
D BENSON, LLOYD L	31	6/05/86	2,110.18	.00	25,322.16

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
S CAMPBELL, VIRGINIA M	25	7/10/86	694.65	284.22	10,279.59
S MITCHELL, BETTY	23	7/15/86	952.91	289.36	15,241.31
S CAPURSO, KAREN L	14	7/20/86	591.67	210.32	8,718.41
D FORD, CHARLES L	26	8/06/86	2,480.52	.00	26,885.64
D LIVINGSTONE, JOHN H	28	3/19/86	2,635.55	.00	27,460.73
D BRIDGES, RICHARD S	03	9/03/86	1,601.80	.00	15,911.21
D COSSEY, KENT H	16	9/03/86	1,603.75	.00	15,930.58
D KRAEMER, OLIVER F	23	9/13/86	2,165.90	.00	20,792.64
D CATANIA, SEBASTIAN J	08	10/01/86	1,430.01	.00	12,870.09
KNOPF, ARTHUR E	30	11/03/86	3,231.70	.00	25,638.15
WITTMAN, DOROTHY M	30	11/03/86	809.33	.00	6,420.68
D WITTMANN, WILLIAM J	30	11/03/86	1,981.47	.00	15,719.66
D LLORCA, JOHN E	21	11/17/86	1,531.73	.00	11,436.92
S HASLEMANN, MARY L	20	12/01/86	2,059.72	146.70	15,077.20
D BROWN, EUGENE T	29	12/03/86	2,760.93	.00	19,148.39
D LEROY, JAMES A	20	12/03/86	1,686.03	.00	11,693.43
D PETERSON, BRUCE R	26	12/03/86	2,279.63	.00	2,279.63
D WHEATLEY, WINSFORD R	27	12/03/86	2,222.81	.00	15,416.26
S KORTH, RAYLENE	29	1/06/87	1,409.69	.00	8,230.77
S PETERSON, CHARLOTTE K	26	1/07/87	2,332.36	.00	14,014.39
D STUEFLOTEN, LARRY N	27	1/07/87	4,084.83	.00	23,718.37
D WITMER, DAVID F	15	1/07/87	1,333.88	.00	7,745.11
WITMER, JANIS M	15	1/07/87	295.77	.00	1,717.37
D THOMAS, RICHARD F	30	1/10/87	2,833.13	.00	16,176.26
D NEWTON, JACK N	26	2/04/87	2,188.40	.00	10,707.53
D LINDEN, LAWRENCE D	26	3/04/87	2,140.44	.00	8,354.62
PIERCE, JOHN R	27	3/08/87	2,228.18	.00	8,409.58
D BREWTON JR, JOHN L	20	4/01/87	1,747.10	.00	5,241.30
D EDWARDS, ROBERT W	25	4/01/87	2,419.39	.00	7,258.17
D GERBINO, FRED W	28	4/01/87	3,376.59	.00	10,129.77
D KELSEY, BERT E	27	4/01/87	2,593.75	.00	7,781.25
D BAILEY, WILLIAM S	29	4/05/87	2,852.78	.00	8,177.97
D COBURN, ETHAN M	32	5/06/87	2,476.92	.00	4,554.34
D ECKSTROM, RICHARD	06	5/06/87	1,679.80	.00	3,088.66
D GURLEY, EDWARD E	26	5/06/87	2,225.10	.00	4,091.31
D RUILOBA, LUIS	14	5/06/87	1,923.85	.00	3,537.40
D BYFIELD, PAUL J JR	20	6/03/87	1,585.96	.00	1,585.96
D MARTIN, W J TILMON	23	6/03/87	2,092.54	.00	2,092.54
D O NEILL, WILLIAM F	25	6/03/87	2,326.11	.00	2,326.11
D REINMUTH, RICHARD	27	6/03/87	2,511.19	.00	2,511.19
D RIOLO, JOHN R	09	6/03/87	1,792.46	.00	1,792.46
D TRUJILLO, DON	28	6/03/87	2,935.03	.00	2,935.03
D WRIGHT, DOUGLAS D	25	6/03/87	2,264.88	.00	2,264.88

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM  
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1987

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
TOTAL RETIREES	493		582,251.50	71,497.71	8,202,489.46

CODES:

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



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**AUDITED  
FINANCIAL  
REPORTS**

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Peat Marwick

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Financial Statements

June 30, 1987 and 1986

(With Auditors' Report Thereon)

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Table of Contents

Auditors' Report

Balance Sheets, June 30, 1987 and 1986

Statements of Revenues, Expenses and Changes in Fund Balance,  
Years ended June 30, 1987 and 1986

Notes to Financial Statements

	<u>Schedule</u>
Combining Schedule of Assets, Liabilities and Fund Balance, June 30, 1987	1
Combining Schedule of Revenues, Expenses and Changes in Fund Balance, Year ended June 30, 1987	2
Combining Schedule of Changes in Fund Balance, Year ended June 30, 1987	3
Ten Year Schedule of Revenues by Source and Expenses by Types (Unaudited)	4
Ten Year Schedule of Funding Progress (Unaudited)	5

# **KPMG** Peat Marwick

Certified Public Accountants

**Peat Marwick Main & Co.**

55 South Market Street

San Jose, CA 95113-2375

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

We have examined the balance sheets of the City of San Jose Police and Fire Department Retirement Plan (the Plan) as of June 30, 1987 and 1986 and the related statements of revenues, expenses and changes in fund balance and statements of changes in financial position 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, 1987 and 1986 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 examination 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.

The financial information in Schedules 4 and 5 is presented for purposes of additional analysis and is not a required part of the combined financial statements of the Plan. The information has not been audited by us and, accordingly, we express no opinion on such information.

*Peat Marwick Main & Co.*

October 14, 1987

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Balance Sheets

June 30, 1987 and 1986

(in thousands)

	<u>1987</u>	<u>1986</u>
<u>Assets</u>		
Cash	\$ 245	-
Receivable from City of San Jose:		
Employee contributions	293	255
Employer contributions	855	759
Receivable from brokers	3,144	1,695
Accrued interest receivable	4,069	3,678
Investments, at cost (note 4)	347,176	292,185
Other assets	<u>40</u>	<u>12</u>
	\$ <u>355,822</u>	<u>298,584</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Bank overdraft	\$ 302	3,085
Payable to terminated employees	183	40
Payable to brokers	1,379	1,092
Other liabilities	22	10
Mortgage notes payable	<u>2,862</u>	<u>836</u>
Total liabilities	<u>4,748</u>	<u>5,063</u>
Fund balance:		
Employee contributions	47,787	42,388
Employer contributions and undistributed earnings	<u>303,287</u>	<u>251,133</u>
Total fund balance	<u>351,074</u>	<u>293,521</u>
	\$ <u>355,822</u>	<u>298,584</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Statements of Revenues, Expenses and Changes in Fund Balance

Years ended June 30, 1987 and 1986

(in thousands)

	<u>1987</u>	<u>1986</u>
Revenues:		
Contributions (note 5)	\$ 25,257	23,739
Interest	23,167	21,786
Dividends	3,241	2,444
Rental income, net	117	49
Net gain on sale of investments	<u>15,777</u>	<u>3,887</u>
Total revenues	<u>67,559</u>	<u>51,905</u>
Expenses:		
Refunds to terminated employees	204	225
Death benefits	2	3
Retirement benefits	8,202	6,704
Health insurance premiums	954	675
Professional fees and other	<u>644</u>	<u>500</u>
Total expenses	<u>10,006</u>	<u>8,107</u>
Excess of revenues over expenses	57,553	43,798
Fund balance at beginning of year	<u>293,521</u>	<u>249,723</u>
Fund balance at end of year	\$ <u>351,074</u>	<u>293,521</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Statements of Changes in Financial Position

Years ended June 30, 1987 and 1986

(in thousands)

	<u>1987</u>	<u>1986</u>
Sources of working capital:		
Operations:		
Net income	\$ 57,553	43,798
Item not requiring working capital:		
Depreciation	<u>52</u>	<u>21</u>
Working capital provided by operations	57,605	43,819
Net increase in mortgage notes payable	<u>2,026</u>	<u>836</u>
Total sources of working capital	59,631	44,655
Uses of working capital:		
Acquisition of real estate	<u>4,889</u>	<u>2,771</u>
Net increase in working capital	\$ <u>54,742</u>	<u>41,884</u>
Elements of net increase in working capital:		
Cash	\$ 245	(372)
Receivable from City of San Jose	134	169
Receivable from brokers	1,449	1,695
Accrued interest receivable	391	(365)
Investments	50,154	42,157
Other assets	28	(5)
Bank overdraft	2,783	(2,707)
Payable to terminated employees	(143)	(10)
Payable to brokers	(287)	1,329
Other liabilities	<u>(12)</u>	<u>(7)</u>
Net increase in working capital	\$ <u>54,742</u>	<u>41,884</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

June 30, 1987 and 1986

(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 1,677 participants in the Plan at June 30, 1987.

As of June 30, 1987, (1986 data was not available) employee membership data related to the Plan was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>484</u>
Active plan participants:	
Vested	938
Non-vested	<u>739</u>
Total	<u>1,677</u>

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

(Continued)



CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

June 30, 1987 and 1986

(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 compensation). Final 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. Refunds are paid out on a lump sum basis. The forfeited amount of the City's contributions remains in the plan and is available for future benefit payments.

(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.

(Continued)

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

June 30, 1987 and 1986

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).

(f) Plan Termination

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

(g) Funding Policy

The City's policy is to fully fund the pension benefit obligation as determined by the actuarial valuation.

(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.

(3) Summary of Significant Accounting Policies

(a) 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.

Investments in debt securities are recorded at original cost, adjusted for the amortization of premiums and discounts (the difference between purchase cost and maturity value), over the remaining life of the issue on a straight-line basis. Investments in equity securities are recorded at

(Continued)

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

June 30, 1987 and 1986

cost. Gains or losses on investment securities are recognized upon sale on a weighted average cost 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 the related buildings.

In fiscal year 1987, the Plan changed its method of accounting for equity securities traded from the first-in, first-out method to the average cost method. The \$142,000 loss in carrying value resulting from this change was charged to current year operations. This change was not considered material to beginning fund balance, thus prior year financial statements were not restated.

(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.

(4) Investments

The Plan's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Plan's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Plan's name. There were no investments in Category 2 as of June 30, 1987.

The Short-Term Investment Fund is an overnight investment of all cash in the Plan's funds which are handled by the Plans custodian, and held in the custodian's name. This fund consists of:

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

(Continued)

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

June 30, 1987 and 1986

The approximate carrying values, at amortized cost, at June 30, 1987 and 1986 and market value at June 30, 1987 of the Plan's investments were as follows:

	(in thousands)				
	Category 1	Category 3	Carrying value at June 30, 1987	Market value at June 30, 1987	Carrying value at June 30, 1986
Bankers' acceptances	\$ -	-	-	-	10,884
Negotiable certificates of deposit	2,599	-	2,599	2,600	3,599
U.S. Treasury bonds and notes	42,664	-	42,664	44,393	62,940
U.S. Government - Sponsored agencies	66,180	-	66,180	65,408	84,112
Commercial paper	40,060	-	40,060	39,149	10,051
Corporate bonds	58,618	-	58,618	54,214	37,329
Equity securities	92,679	-	92,679	124,595	70,761
International agencies	1,000	-	1,000	1,237	1,000
Canadian government (denominated in U.S. dollars)	3,784	-	3,784	4,445	3,759
Short-term investment fund	-	<u>27,005</u>	<u>27,005</u>	<u>27,005</u>	-
	\$ <u>307,584</u>	<u>27,005</u>	334,589	363,046	284,435
Real estate, net			7,587	7,788	2,750
Local agency investment fund			<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
			\$ <u>347,176</u>	<u>375,834</u>	<u>292,185</u>

(Continued)

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

(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 provide funding for the payment of Plan benefits. For fiscal years 1987 and 1986, the contribution rates were 27.46% and 28.15%, respectively, for the City, and 9.39% during both fiscal years for employees. Total contributions for 1987 consisted of:

	Amount (in thousands)	
	1987	1986
Employer contribution	\$ 18,833	17,808
Employee contribution	<u>6,424</u>	<u>5,931</u>
Total contributions	\$ <u>25,257</u>	<u>23,739</u>

(6) Actuarial Data

The estimated present value of accumulated plan benefits at July 1, 1985 was calculated in accordance with the provisions of Financial Accounting Standards Board Statement #35. Accumulated plan benefits are future benefit payments attributable under the Plan's provisions for employees' service rendered as of the benefit information date. The present value of accumulated plan benefits has not been adjusted to reflect amendments adopted between July 1, 1985 and June 30, 1987.

An analysis of the estimated present value of accumulated plan benefits at July 1, 1985 (the most recent valuation date) is as follows:

	Amount (in thousands)
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits	\$ 77,223
Current employees:	
Vested benefits	115,500
Non-vested benefits	<u>75,657</u>
Total estimated present value of accumulated plan benefits	\$ <u>268,380</u>

(Continued)

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

The more significant assumptions underlying the actuarial computations used in the July 1, 1985 valuation 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

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the estimated present value of accumulated plan benefits.

As of July 1, 1986, an actuarial update valuation was performed for the 12 months following the biannual valuation performed July 1, 1985. As of the date of this report, the results of such update valuation were not received.

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

**Schedules**

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Combining Schedule of Assets, Liabilities  
and Fund Balance

June 30, 1987

(in thousands)

	Retirement <u>fund</u>	Cost of living <u>fund</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ -	245	245
Receivable from City of San Jose:			
Employee contributions	220	73	293
Employer contributions	574	281	855
Accrued interest receivable	2,838	306	3,144
Receivable from brokers	3,165	904	4,069
Investments, at cost	275,074	72,102	347,176
Other assets	<u>32</u>	<u>8</u>	<u>40</u>
	\$ <u>281,903</u>	<u>73,919</u>	<u>355,822</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Bank overdraft	\$ 302	-	302
Payable to terminated employees	-	183	183
Payable to brokers	1,379	-	1,379
Other liabilities	18	4	22
Mortgage notes payable	<u>2,289</u>	<u>573</u>	<u>2,862</u>
Total liabilities	<u>3,988</u>	<u>760</u>	<u>4,748</u>
Fund balance:			
Employee contributions	35,716	12,071	47,787
Employer contributions and un- distributed earnings	<u>242,199</u>	<u>61,088</u>	<u>303,287</u>
Total fund balance	<u>277,915</u>	<u>73,159</u>	<u>351,074</u>
	\$ <u>281,903</u>	<u>73,919</u>	<u>355,822</u>



CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Combining Schedule of Revenues, Expenses  
and Changes in Fund Balance

Year Ended June 30, 1987

(in thousands)

	Retirement fund	Cost of living fund	Total
Revenues:			
Contributions	\$ 17,612	7,645	25,257
Interest	18,294	4,873	23,167
Dividends	2,499	742	3,241
Rental income, net	93	24	117
Net gain on sale of investments	<u>13,151</u>	<u>2,626</u>	<u>15,777</u>
Total revenues	<u>51,649</u>	<u>15,910</u>	<u>67,559</u>
Expenses:			
Refunds to terminated employees	145	59	204
Death benefits	2	-	2
Retirement benefits	6,910	1,292	8,202
Health insurance premiums	954	-	954
Professional fees and other	<u>644</u>	<u>-</u>	<u>644</u>
Total expenses	<u>8,655</u>	<u>1,351</u>	<u>10,006</u>
Excess of revenues over expenses	<u>42,994</u>	<u>14,559</u>	<u>57,553</u>
Fund balance at beginning of year	<u>234,921</u>	<u>58,600</u>	<u>293,521</u>
Fund balance at end of year	\$ <u>277,915</u>	<u>73,159</u>	<u>351,074</u>

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT PLAN

Combining Schedule of Changes in Fund Balance

Year ended June 30, 1987

(in thousands)

	<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	\$ 31,540	203,380	10,848	47,753	42,388	251,133
Employee contributions, net of refunds	4,707	-	1,513	-	6,220	-
Employer contributions, net of refunds	-	12,760	-	6,073	-	18,833
Investment income, net of gain on sale of investments	-	34,038	-	8,264	-	42,302
Allocation of investment income	657	(657)	226	(226)	883	(883)
Retirement benefits	-	(6,910)	-	(1,292)	-	(8,202)
Health insurance premiums	-	(954)	-	-	-	(954)
Death benefits	-	(2)	-	-	-	(2)
Transfers upon retirement of employees	(1,188)	1,188	(516)	516	(1,704)	1,704
Professional fees and other	-	(644)	-	-	-	(644)
Balance at end of year	\$ <u>35,716</u>	<u>242,199</u>	<u>12,071</u>	<u>61,088</u>	<u>47,787</u>	<u>303,287</u>

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT PLAN

Revenues by Source and Expenses by Type

Ten Years ended June 30, 1987

(Unaudited - See Accompanying Auditors' Report)

(in thousands)

<u>Fiscal year</u>	<u>Revenues by Source</u>			<u>Total</u>
	<u>Employee contributions</u>	<u>Employer contributions</u>	<u>Investment income</u>	
1987	\$ 6,424	18,833	42,302	67,559
1986	5,931	17,808	28,166	51,905
1985	5,440	16,545	23,263	45,248
1984	5,925	19,349	19,472	44,746
1983	5,496	18,058	17,442	40,996
1982	4,651	15,425	12,397	32,473
1981	3,069	12,000	8,652	23,721
1980	2,500	7,764	6,049	16,313
1979	2,079	6,872	4,843	13,794
1978	1,871	6,337	3,806	12,014

	<u>Expenses by type</u>			<u>Total</u>
	<u>Refunds</u>	<u>Benefits</u>	<u>Professional fees and other</u>	
1987	204	9,158	644	10,006
1986	225	7,382	500	8,107
1985	277	6,404	286	6,967
1984	261	5,319	208	5,788
1983	177	4,819	200	5,196
1982	318	4,346	158	4,822
1981	314	3,910	129	4,353
1980	390	3,276	42	3,708
1979	179	2,901	20	3,100
1978	140	2,537	-	2,677

Contributions were made in accordance with actuarially determined contribution requirements.

CITY OF SAN JOSE  
POLICE AND FIRE DEPARTMENT PLAN

Analysis of Funding Progress

Ten Years ended June 30, 1987

(Unaudited - See Accompanying Auditors' Report)

(in thousands)

<u>Fiscal year</u>	<u>Net assets available for benefits</u>	<u>Present value of accumulated plan benefits</u>	<u>Percentage funded</u>	<u>Unfunded pension benefit obligation</u>	<u>Funding in excess of pension benefit obligation</u>	<u>Annual covered payroll</u>
1987	\$ 351,074	268,380	130.8%	-	82,694	76,842
1986	293,521	268,380	109.4	-	25,141	76,842
1985	249,723	211,619	118.0	-	38,104	53,701
1984	211,442	211,619	99.9	177	-	53,701
1983	172,484	218,000	79.1	45,516	-	(1)
1982	136,684	218,000	62.7	81,316	-	(1)
1981	109,033	291,000	37.5	181,967	-	29,335
1980	88,281	291,000	30.3	202,719	-	29,335
1979	75,002	291,000	25.8	215,998	-	29,335
1978	64,076	237,000	27.0	172,924	-	(1)

(1) Information was not available.