

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, 1987 through June 30, 1988. Some of the significant events worthy of note were:

- * During fiscal year 1987-88, investments earned 3.5 percent, which was significantly higher than the public funds median return of .6 percent. Investments increased the market value of the portfolio by \$29.2 million and contributed 58.1 percent of the Fund's income. The defensive nature of our equity portfolio contributed to our superior performance in the face of the October 1987 stock market crash.
- * The Board approved purchase of Saddleback Financial Center, an office building in Laguna Hills, California, as the Plan's third real estate holding.
- * The biannual actuarial review found that the Retirement Plan is well funded and is actuarially sound.

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,

CARMEN 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, 1988, 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. |
| RICHARD P. SANTOS | - He was elected as a representative of the employees of the Fire Department in November, 1987. His current term expires on November 30, 1991. |
| 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. |
| LOUIS ZARATE | - He is a member of the Civil Service Commission. He was selected to serve on the Board by the members of the Commission in March, 1988. |

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

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1961 POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

HIGHLIGHTS OF THE SYSTEM

1. There were 1,631 contributing members in the Plan as of June 30, 1988.
2. Two members retired for service during the period July 1, 1987 through June 30, 1988.
3. Twenty-eight members retired because of disabilities during the period of July 1, 1987 through June 30, 1988.
4. There were 415 members and 91 survivors receiving benefits from the Plan as of June 30, 1988.
5. During the reporting period, 11 Police members left the membership of the Retirement Plan and had their contributions refunded.
6. The Retirement Fund balance as of June 30, 1988 was \$314,567,313 in the Regular Fund and \$86,864,377 in the Cost-of-Living Fund.
7. Payment of pensions and survivors' benefits increased monthly from \$826,700 in June 1987 to \$841,877 for Pension and Survivor Benefits and \$104,327 for Medical and Dental for a total of \$946,204 in June 1988.
8. The annual time-weighted return for the entire portfolio was 3.5 percent as of June 30, 1988.
9. Interest, dividends, rents, and net gain on sale of investments for the period was \$35,935,000 and averaged about \$2,994,600 per month.

1961 POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

The following persons were granted a monthly retirement allowance during the period of July 1, 1987 to June 30, 1988.

SERVICE RETIREMENT

POLICE DEPARTMENT

Hunter, Richard D.
Utz, Ronald A.

FIRE DEPARTMENT

None

NON-SERVICE CONNECTED DISABILITY

POLICE DEPARTMENT

None

FIRE DEPARTMENT

None

SERVICE-CONNECTED DISABILITY RETIREMENTS

POLICE DEPARTMENT

Ballard, Gordon
Dowling, Ronald
Hernandez, Eusevio
Kocina, Kenneth
Michaelson, Elizabeth
Miller, Ronald
Morton, Bruce
Pitts, Phillip
Roberts, Michael
Robinson, Manoah
Tush, Richard
Vasquez, Richard

FIRE DEPARTMENT

Bell, Donald	Malech, Keith
Canepa, Allen	Mathis, Jerry
Gingerich, Freeman	Minford, Robert
Granoski, Nicklas	Newman, Terry
Hartman, Leonard	Rodrigues, Orlando
Hewett, Russell	Sinclair, Ernest
Holmes, Mark	Volpe, Lawrence M.
Lemmons, Loren	Yelton, Robert

DEATHS - AFTER RETIREMENT

POLICE DEPARTMENT

Guptill, Lovell 12-09-87

FIRE DEPARTMENT

Bernardo, Ralph	04-10-88
Brunelli, Leonard	04-16-88
Jones, John	09-29-87
Reinmuth, Richard	07-28-87
Quain, Ralph	04-28-88
Zamzow, James	07-19-87

DEATHS - BEFORE RETIREMENT

POLICE DEPARTMENT

Lintern, Charles 12-19-87
Thannisch, Larry 10-26-87

FIRE DEPARTMENT

Snyder, Wayne	01-26-88
Swarner, Thomas	04-03-88

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 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: $2\frac{1}{2}\%$ X years of service X final compensation* = 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 (2 to 19 years of service, any age).

There is no non-service connected disability retirement under 2 years service:

CALCULATE: 32% x final compensation* for first 2 years plus 1% for additional year = monthly retirement allowance.

*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

The Spouse will receive:

37 1/2%	If you:	A. die while entitled to immediate retirement for service.
x Final		B. die at any age due to a service-connected injury or illness.
compensation		C. retired for service.
		D. retired for service-connected disability.

OR

24% of final	If you:	A. die before age 55 due to a non-
compensation for		service connected injury or illness
two years of service		with 2 or more years' service.
and 0.75% for each		
year thereafter.		B. retired for non-service
(Maximum 37-1/2%.)		connected disability.

Children conceived prior to retirement will receive:

1 Child	25%	x	final compensation
2 Children	37 1/2%	x	final compensation
3+ Children	50%	x	final compensation

Except that, if death arose out of and in the cause of your employment,:

1 Child	will receive	25%	x final compensation
2 Children	will receive	50%	x final compensation
3+ Children	will receive	75%	x final compensation

The maximum family benefit is 75% of final compensation. If the sum of spousal benefit plus the children's benefit is greater than 75%, the childrens' benefit is reduced. 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 Fund pays the cost of the personnel who are employed for the purpose of managing the Retirement Plan. It also pays any directly related administrative costs.

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

ACTUARIAL SOUNDNESS - Plan and benefit provisions are periodically reviewed 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.

Retirements

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1988

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D MAULDIN, WILLIAM P	17	9/26/44	97.89	523.10	7,289.07
MATRANGA, JOHN	22	2/01/53	170.65	535.38	8,287.32
GUPTILL, LOVELL E	24	7/01/54	217.67	618.12	4,178.95
ANDERSON, ERNEST D	26	8/01/55	226.54	663.87	10,451.55
JONES, IVOR A	34	8/21/57	216.42	653.91	10,215.81
MORSS, KENNETH G	30	9/21/57	217.31	624.13	9,876.69
D MAC LEAN, ARTHUR A	16	11/27/57	250.86	574.22	9,684.69
GARCIA, SIMON	30	2/27/62	278.02	636.05	10,729.26
EDES, HUGH A	36	7/01/62	325.50	751.39	12,640.35
CAMPBELL, LAWRENCE B	31	2/01/63	417.58	822.09	14,551.05
QUAIN, RALPH C	22	4/01/63	336.44	639.92	9,507.64
S ANDERSON, IRENE C	17	6/13/63	156.44	216.95	4,382.76
FLESNER, FREDERICK J	25	7/28/63	342.48	662.69	11,798.52
PRACNA, EDWARD S	36	9/13/63	431.27	868.39	15,255.27
S SAWYER, BARBARA E	18	1/01/64	224.69	416.37	7,524.69
PARKER, HAROLD C	22	5/01/64	440.09	759.07	14,075.55
D BATTI, GEORGE J	34	5/11/64	352.28	730.20	12,705.99
D EMERY, LOUIS W	15	8/20/64	282.94	487.99	9,049.11
GRAY, RAYMOND T	37	4/01/65	326.78	697.20	12,019.38
S LUNSFORD, PHYLLIS M	37	6/25/65	345.38	583.99	10,908.81
DAVIS, HARVEY	39	9/01/65	371.32	760.15	13,281.00
D HOFFMAN, VERNON D	20	12/06/65	341.08	581.84	10,833.12
D HAAS, CARL G	21	6/07/66	337.89	572.42	10,685.13
D MATTERN, JOHN A	16	7/16/66	391.56	593.68	11,564.58
KIDDER, DONALD R	29	9/01/66	398.52	696.94	12,858.33
S RUSSO, JOSEPHINE	39	2/09/67	159.89	378.44	6,318.84
D FUSCO, GEORGE W	22	6/10/67	352.07	536.89	10,434.51
S WAKEMAN, LELA C	31	9/08/67	207.15	382.94	6,926.37
D ANDERSON, WILLIAM E	09	11/14/67	377.00	461.55	9,842.82
D TURNAGE, GORDON E	08	3/08/68	365.59	442.31	9,483.03
D BARTOLINI, HERBERT R	09	4/01/68	366.77	443.53	9,511.20
D BREWER, GLENN J	10	2/10/69	385.15	469.99	10,037.49
D OSTERMEIER, CLIFFORD C	05	5/20/69	384.77	410.91	9,339.54
D BARR, JACK L	21	7/14/69	394.05	526.73	10,807.98
D HART, JAMES H	01	12/03/69	383.42	374.32	8,894.25
MC CAY, E D	27	2/01/70	999.77	1,149.51	25,227.96
ERLANDSON, JOHN K	25	7/01/70	595.43	711.88	15,345.00
ANKENBAUER, FRANK J	24	7/05/70	576.31	676.62	14,706.75
D MATSON, ROBERT K	08	8/01/70	461.00	462.34	10,838.07
D STENZEL, EUGENE F	08	8/01/70	461.00	462.34	10,838.07
D DAVIS, DALE D	08	9/01/70	461.00	462.34	10,838.07
D STOUT, BERNARD	24	9/01/70	569.48	670.60	14,555.88
WILSON, JACK E	34	9/01/70	955.53	1,081.04	23,904.96
D ANDERSON, CLARENCE W	23	12/21/70	545.36	642.32	12,753.17
FISHER, VERN	25	1/03/71	599.87	704.46	15,310.05
D TRUE, ROBERT	31	1/11/71	1,147.89	1,229.26	27,902.64
D CROSBY, JAMES	29	1/14/71	839.24	943.38	20,924.16
D CANNELL, GEORGE H	33	1/16/71	1,486.60	1,541.64	35,545.08
S GIBSON, HENRIETTA	25	2/04/71	345.75	392.53	8,665.86
D COOMER, SAM D	09	2/09/71	376.90	395.30	9,063.99

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1988

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D BATTEN, RUSSEL L	28	3/01/71	1,105.24	1,170.61	26,713.59
D TANNER, FRANCIS	20	5/01/71	546.62	594.30	13,391.97
BLACKMORE, JOHN R	42	5/17/71	1,953.51	1,916.16	45,421.65
D MASON, ROLAND S	07	6/22/71	511.45	473.52	11,561.43
D ROLSTON, CHAD C	26	7/01/71	680.42	747.51	16,760.85
D KNAPP, JOHN F	30	7/15/71	1,484.00	1,416.54	34,046.16
D LOWE, WILLIAM C	22	7/15/71	662.48	692.49	15,904.41
D EVANS, CARL L	26	8/01/71	655.23	714.55	16,078.26
D KENNEDY, EDWIN	24	8/01/71	744.57	773.24	17,815.83
D PLACE, ROBERT R	11	8/01/71	413.82	413.39	9,709.71
D RICKETTS, EDWARD B	21	9/01/71	593.10	620.94	14,132.85
D FLAIR, GARY L	09	10/12/71	506.35	474.71	11,515.59
D HOULIHAN, EARL E	08	11/11/71	510.71	471.23	11,525.88
D BIBBY, RICHARD A	15	12/01/71	508.13	515.38	12,013.83
D MANTHEY, JAMES E	19	12/01/71	648.63	660.22	15,363.12
D MILLER, HERBERT W	35	1/03/72	973.81	1,036.50	23,596.77
D CURTISS, MARVIN W	27	1/04/72	766.04	811.62	18,518.37
S CECIL, GEORGIA L	18	1/26/72	318.63	453.06	9,057.96
D GREEN, LEON R	35	2/01/72	824.68	823.54	19,346.55
GREEN, MARJORIE	35	2/01/72	494.81	494.14	11,608.20
D FRIES, JOSEPH J	22	2/15/72	691.49	716.09	16,521.96
D HIGGINS JR, THOMAS J	24	3/01/72	1,040.20	1,013.68	24,108.18
D LESLIE, SEAN R	08	3/01/72	530.28	487.17	11,942.73
MARAL, MANUEL G	40	3/01/72	769.75	905.46	19,663.41
D WESTERHOUSE, JAMES	27	3/01/72	857.69	886.18	20,469.33
D SCARPACE, SAM J	30	4/01/72	771.56	837.09	18,882.15
D TOLLENAAR, CORNEAL S	20	4/01/72	647.13	666.04	15,413.79
D MILLER, ARTHUR R	24	5/01/72	815.35	787.73	18,816.75
D MILLER, DAVID P	31	7/02/72	944.25	703.38	19,339.65
CARDONA, VELMA F	20	7/16/72	351.67	261.96	7,202.73
D BERNARDO, C DONALD	27	8/01/72	753.53	561.32	15,433.50
D PETERSEN, GUNNER	26	8/01/72	845.49	629.84	17,317.23
D TOUSSAINT, HAROLD P	29	8/01/72	1,013.45	754.95	20,757.21
S HALLER, JEAN M	25	9/06/72	1,397.95	878.55	26,721.21
D LAMB, WILLIAM J	19	9/15/72	637.31	474.74	13,053.09
S COLLINS, ANTOINETTE N	26	11/20/72	449.36	334.75	9,203.76
D MILLER, JESSE E	25	12/01/72	884.28	658.71	18,111.42
KLEIN, ELMER L	32	1/03/73	1,643.60	1,224.28	33,661.59
D LARSEN, JAMES D	13	1/15/73	605.17	450.83	12,395.16
S SHANNON, MARJORIE D	35	1/26/73	651.44	485.29	13,342.77
D SCHAEFER, CHARLES L	29	2/14/73	904.83	674.02	18,532.29
D BRENNEMAN JR, VIRGIL A	06	2/15/73	535.00	398.53	10,957.65
D SADLER, BERNICE L	24	2/15/73	546.03	406.74	11,183.49
D DONOHUE, JAMES W	06	3/04/73	387.73	288.82	7,941.21
S FERNANDEZ, BEVERLY J	23	3/11/73	457.89	627.36	12,738.51
D GILBERT, GEORGE	27	3/15/73	731.12	544.65	14,974.80
D GRAY, LOREN B	30	4/01/73	853.13	635.52	17,473.56
D HOWARD, ORRIN J	20	4/01/73	575.00	428.34	11,777.10
D JONES, JOHN W	34	4/01/73	2,164.79	1,502.59	11,002.14
D SANCHEZ, JOSEPH R	14	4/01/73	658.00	490.15	13,476.84

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1988

NAME	YRS SERV	DATE RET/DTN	MONTHLY BASE	COL	TOTAL
D TUMA, FRANK J	27	4/01/73	776.12	578.14	15,896.16
D WALTON, J C	04	4/01/73	527.18	392.69	10,797.33
S GILCHREST, DOROTHY M	24	5/16/73	387.31	398.84	9,227.70
D HOFFMAN, FRED	29	6/01/73	1,031.78	716.16	20,517.09
S LA COUR, JOYCE	12	6/15/73	492.69	341.99	9,797.37
D BRUCE, GORDON J	05	7/01/73	601.42	417.46	11,959.44
D EVANS, DAVID T	26	8/01/73	955.34	648.68	18,827.76
D HARRIS, COY M	27	9/12/73	810.23	550.14	15,967.86
S VASQUEZ, LUPE	22	9/25/73	564.38	383.20	11,122.56
D MARKS JR, LEONARD G	18	10/01/73	1,062.50	721.43	20,939.52
D SILVA, EDWARD N	25	10/01/73	870.38	590.94	17,152.80
D SATARIANO, ANTHONY S	27	11/14/73	807.78	548.45	15,919.26
D CORDONI, JULIUS L	11	12/01/73	664.20	450.97	13,089.72
D BIAS, JAMES B	13	1/02/74	594.64	403.74	11,718.84
D CRAWFORD, JAMES L	14	1/02/74	688.00	467.13	13,558.80
D NUFER, JOSEPH M	14	1/02/74	688.00	467.13	13,558.80
D TORGUSON, DONALD L	11	1/02/74	558.96	379.50	11,015.55
CONROW, DAN R	28	1/05/74	974.21	661.46	19,199.28
D WILLIS, RONALD L	10	1/15/74	478.61	324.97	9,432.27
D MARTINELLI, WALTER L	28	2/01/74	843.22	572.57	16,618.32
D SILFVAST, ROBERT E	17	2/01/74	703.59	477.73	13,866.15
D CHOYCE, JAMES A	14	3/01/74	603.25	409.60	11,888.70
D COLLINS, BARTON L	38	3/01/74	1,709.63	1,160.80	33,692.76
D GARRINGER, ESTIEL L	26	3/01/74	965.43	655.50	19,026.27
PROVASI, DANTE C	27	3/01/74	868.46	589.63	17,114.85
MAC KENZIE, WILLIAM H	29	4/01/74	1,549.13	1,051.83	30,529.68
D STEFANINI, MARIO P	29	4/01/74	939.06	637.62	18,506.88
S REBHAN, ETHEL M	21	4/23/74	210.56	345.58	6,527.88
S GARCIA, JENNIE S	27	5/07/74	535.99	337.72	10,255.47
S SUCK, LILLIAN M	20	5/15/74	557.90	351.53	10,674.75
KING, BERNICE M	25	6/01/74	392.86	247.54	7,516.95
FAVORITE, LAWRENCE R	35	6/12/74	1,074.00	676.70	20,549.49
D COBURN, JIMMIE C	18	6/15/74	619.86	390.55	11,860.05
D BERNARDO, RALPH H	30	7/10/74	664.88	248.16	13,238.99
S CAROTTA, SHIRLEY R	29	11/05/74	549.38	557.80	12,995.91
D NURISIO, LOUIS G	14	12/01/74	663.37	408.24	12,578.43
D LIMA, SAM	28	1/02/75	846.83	521.10	16,056.60
D DEVITT, FRANCIS M	28	2/01/75	1,051.73	647.20	19,941.84
D KINCAID, RICHARD R	32	3/27/75	984.49	605.83	18,666.96
D ANGELO, ANTHONY E	24	4/01/75	801.11	492.98	15,189.87
D DONALD, PEGGY J	24	4/01/75	535.28	329.41	10,149.57
D FONSECA, CHARLES	30	4/01/75	1,140.75	702.00	21,629.97
D KINNEY, THOMAS R	29	4/01/75	1,161.73	714.90	22,027.62
D SAWYER, HOWARD D	13	4/01/75	657.32	404.51	12,463.59
SILVA, RAYMOND J	23	4/01/75	774.72	476.74	14,689.47
D SINNOTT, GLENN V	28	4/01/75	869.53	535.09	16,487.25
D AZZARELLO, JOSEPH S	33	5/01/75	1,600.25	909.47	29,458.74
D RICHARDS, JOHN K	14	5/01/75	796.34	452.61	14,659.98
S DONALD, PEGGY J	28	5/15/75	1,010.52	574.30	18,602.40
D JACOBSON, GEORGE A	15	6/01/75	771.48	438.45	14,202.00

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NAME	YRS SERV	DATE RET/OTH	MONTHLY BASE	COL	TOTAL
D RAMBOER, LEO M	29	6/01/75	883.98	502.40	16,273.14
D CUFFARO, MARCO S	26	6/10/75	1,040.01	591.07	19,145.37
S CARDONA, VELMA F	30	7/08/75	547.94	372.05	10,798.68
S HOLDEN, GERTRUDE	16	8/18/75	157.75	292.32	5,282.85
S PERRY, LUCILLE A	27	8/25/75	518.46	352.01	10,217.49
D ROBERTSON, HARRY A	06	9/06/75	708.69	392.68	12,927.72
D KEITH, GARY L	13	10/18/75	700.91	388.39	12,786.03
D DONALD, HOWARD C	28	1/01/76	1,740.78	964.54	31,754.64
KEISER, BETTY J	20	1/02/76	390.67	216.45	7,126.32
HILSCHER, ARTHUR J	29	1/03/76	1,433.45	794.23	26,148.24
D KOSIK, VICTOR A	28	1/03/76	1,039.81	576.14	18,967.77
D FERNANDEZ, GABRIEL J	29	1/06/76	948.11	525.33	17,295.00
KUEHNIS, FLOYD E	34	2/07/76	1,475.52	817.56	26,915.85
D SULLIVAN, MARIS S	24	3/20/76	1,026.50	568.76	18,724.98
D NELSON, ROBERT P	30	3/21/76	993.62	550.54	18,125.10
D SEIBERT, SAM H	29	3/28/76	1,216.75	674.19	22,195.56
D MURTHA, WILLIAM J	09	4/01/76	663.30	367.52	12,099.66
D RICCI, FRANK J	28	4/01/76	940.03	520.85	17,147.61
D COLE, VERNON S	24	6/13/76	1,033.41	525.80	18,301.83
D MOGILEFSKY, ARTHUR A	09	7/04/76	755.16	373.76	13,251.12
MADDOX, WILLIAM A	28	8/14/76	1,239.51	613.52	21,750.63
S LOPEZ, JESSIE CONVERSA	30	8/29/76	637.37	353.15	11,626.59
KEYSER, ELAINE L	00	9/19/76	275.00	8.25	3,324.75
D KEYSER, ORVILLE J	28	9/19/76	947.16	596.68	18,121.35
S SCRIBNER, BETTY J	28	11/14/76	747.77	460.18	14,178.78
D SEKANY, GREGORY A	06	1/03/77	765.70	378.99	13,436.22
D ELORREAGA, PAUL	14	1/12/77	792.82	392.42	13,912.20
S AMBURGEY, DORINE	35	2/28/77	801.16	596.80	16,409.04
D LEE, RAYMOND W	29	3/14/77	1,376.86	681.53	24,161.13
D KLEIN, THEODORE P	31	3/19/77	1,881.55	931.31	33,016.95
D DWYER, GEORGE J	27	3/20/77	1,264.22	625.76	22,184.31
D KASICH, ROBERT C	09	4/11/77	790.82	356.99	13,472.85
D DEVENS, LEE E	28	4/17/77	1,671.95	754.76	28,484.40
HICKEY, JANET S	31	4/23/77	1,213.72	547.91	20,677.77
D BRUNE, RALPH F	29	6/01/77	1,390.32	627.63	23,686.38
D ADAMS, VIRGINIA S	22	6/14/77	825.44	372.64	14,062.86
DE CAMP, HOWARD	24	7/06/77	1,114.57	488.16	18,812.64
D BOLTON, HILBERT	30	7/12/77	1,369.66	599.89	23,118.27
D JONES, ROBERT A	10	7/12/77	733.07	321.06	12,373.26
D NELSON, MURRAY E	31	9/02/77	1,185.95	519.45	20,017.77
S BELL, CHERYL J	02	9/11/77	767.45	336.13	12,953.70
D SHANNON, CLARENCE M	22	9/11/77	979.86	429.18	16,539.12
D ZENAHLIK, THOMAS P	09	12/14/77	841.81	368.70	14,208.78
D ROORDA, JAMES R	07	12/18/77	818.44	358.46	13,171.28
D WHEATLEY, MERLIN W	30	1/05/78	1,698.59	743.96	28,670.34
D VITTOE, JOSEPH B	29	1/07/78	1,230.11	538.78	20,763.00
D BENNETT, WILLIAM G	08	1/10/78	844.85	370.05	14,260.29
D PAPA, RICK L	03	1/11/78	731.55	320.42	12,347.88
S MC CUISTION, EVELYNN M	18	1/20/78	688.33	301.49	11,618.37
GERHARD, JOHN K	30	3/04/78	2,832.64	1,240.65	47,811.72

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NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D WARNING, DONALD A	22	3/14/79	946.48	414.55	15,975.60
D WINDISCH, STEPHEN F	30	3/31/78	1,987.32	870.43	33,543.84
D ALLEN, ROBERT L	21	4/01/78	1,631.93	714.78	27,545.37
D TAMBELLINI, LAWRENCE J	26	4/01/78	1,532.87	671.40	25,873.44
S MURTHA, MARY F	27	4/07/78	188.17	343.56	6,241.35
D OZGA, JAN	10	5/09/78	831.98	329.55	13,633.89
D WELCH, BRADFORD M	05	5/13/78	859.09	340.29	14,078.19
D HOLMES, DANNY R	11	5/14/78	832.53	329.77	13,642.95
D ROBERTSON, ROBERT A	29	6/13/78	1,243.36	492.50	20,375.28
D NEIBAUR, RICHARD J	21	7/08/78	1,060.24	406.14	17,212.17
D ESCOBAR, JOSEPH R	21	10/14/78	531.68	203.66	8,631.30
ESCOBAR, PATRICIA M	21	10/14/78	531.67	203.66	8,631.18
D SARGENT, GREGORY S	30	10/14/78	1,738.26	665.84	28,219.02
D EDWARDS, DONALD E	23	10/15/78	1,339.74	513.20	21,749.55
S SIEBENTHALL, ROBYN J	08	10/28/78	632.93	234.19	10,178.10
S MILLER, LAURA L	14	11/03/78	865.65	331.61	14,053.29
S GUERIN, HELEN M	22	11/11/78	197.47	325.19	6,134.94
D VAN DYCK, JON M	16	11/14/78	1,001.37	383.58	16,256.34
D WILLIAMS, RONALD T	13	11/14/78	1,001.37	375.82	16,165.29
S CISELL, JANE M	15	12/09/78	505.88	311.31	9,592.08
D SHANNON, GRETAAANN	13	1/01/79	720.88	276.14	11,702.88
D RALSTON, LLOYD W	30	1/06/79	1,502.06	575.39	24,384.81
D FUNK, HAROLD S	24	1/14/79	1,185.54	454.13	19,246.20
D NOSEWORTHY, ALEC	31	2/15/79	1,257.92	481.87	20,421.45
S POELLE, JEAN A	17	2/16/79	312.33	383.91	8,172.36
BALLARD, BUCK B	24	2/17/79	1,238.06	474.25	20,098.89
D MC KAY, EDWARD D	32	3/17/79	2,329.43	892.29	37,816.08
D MARSH, LEONARD H	16	3/18/79	971.60	372.18	15,773.10
D VAN ETEN, DAVID	31	3/18/79	1,905.82	730.05	30,939.51
D WIEN, WILLIAM A	27	3/30/79	1,397.10	535.18	22,680.84
D URBANI, EDWARD	31	3/31/79	1,457.39	558.27	23,659.53
D KING, JAMES R	27	4/01/79	1,156.51	443.02	18,775.05
D JOST, FRANKLIN D	20	4/29/79	1,014.36	347.69	15,987.57
S LORENZ, RUTH H	25	5/23/79	216.42	318.02	6,273.15
S SIMS, ETHEL J	23	6/14/79	344.70	418.50	8,958.33
S STANLEY, RUTH M	23	6/19/79	204.11	297.80	5,891.34
D MOSS, GENE D	19	7/14/79	1,002.33	330.87	15,648.93
WARNING, LOREN R	22	8/01/79	725.24	239.41	11,322.90
D PIPKINS, ROBERT W	20	8/04/79	990.59	327.01	15,465.78
D EVANS I, HAROLD H	28	8/14/79	1,397.28	461.27	21,815.43
D MC GREW, JAMES M	08	9/09/79	664.65	285.77	9,908.18
D TENBRINK, ROBERT	09	9/11/79	844.90	278.91	13,191.15
D THOMPSON, GARY R	16	9/11/79	1,002.51	330.95	15,651.96
D DE LUCA, PETER P	31	9/15/79	1,301.18	429.54	20,314.95
S MURRAY, VERA E	32	10/04/79	179.87	385.59	6,637.29
D PINCK, GREGORY J	09	10/09/79	843.90	278.57	13,175.43
D GREER, DENNY R	28	10/14/79	1,391.65	459.39	21,727.29
S BAROZZI, MARYANN	26	10/23/79	449.50	334.83	9,206.40
RAGSDALE, ELWIN G	28	11/11/79	1,022.91	337.68	15,970.41
D GERMANO, EUGENE J	32	1/12/80	1,675.15	552.97	26,153.34

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NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D ROY, CHARLES D	24	1/12/80	1,430.19	472.12	22,329.03
D JURADO, JOHN J	19	2/19/80	1,024.49	338.18	15,994.83
D NAGENGAST, THOMAS C	25	3/11/80	1,315.26	434.17	20,534.61
D CUNNINGHAM, ELIZABETH J	23	3/15/80	979.74	323.41	15,296.16
D KEENEY, WILLIAM H	24	3/15/80	1,101.14	363.51	17,191.86
D POLLOCK, DAVID A	19	3/15/80	1,206.88	398.39	18,842.40
D MILLER, DOROTHY H	20	3/16/80	842.39	278.07	13,151.85
D RIST, WAYNE H	25	3/29/80	1,335.07	440.72	20,844.00
D CIRAULO, SALVADOR J	33	3/30/80	1,556.84	513.94	24,306.57
D COTTLE, EDWARD M	26	3/30/80	1,396.64	461.04	21,805.17
D DE LISE, JOSEPH S	23	3/30/80	1,082.04	357.20	16,893.60
D LUCCHESI, GEORGE	28	3/30/80	1,504.12	496.52	23,483.25
D SAN FILIPPO, ROY F	25	3/30/80	1,332.57	439.88	20,804.82
D ONZO, JOSEPH J	24	4/13/80	1,107.69	362.80	17,260.41
D WIENS, GEORGE M	24	4/13/80	1,277.75	418.52	19,910.55
D JAEGER, GEORGE N	10	4/20/80	911.80	298.64	14,207.94
D DORR, DONALD R	20	5/13/80	943.28	305.31	14,655.75
LAIL, HAROLD A	24	5/25/80	987.47	319.60	15,342.21
D WALLACE, GORDON M	25	6/08/80	1,319.76	423.73	20,464.86
D PARADISO, JOSEPH	33	7/05/80	1,586.08	483.19	24,288.81
D RAIKES, FOSTER P	17	7/06/80	873.09	265.99	13,370.34
D BARNETT, JAMES E	30	7/12/80	1,622.22	494.20	24,842.28
S WARRICK, ANTOINETTE D	27	8/11/80	448.41	464.78	10,718.88
D CONYERS JR, FRANCIS E	24	9/13/80	1,278.51	381.34	19,483.05
D NEWMAN, DON M	21	9/14/80	975.00	290.81	14,857.89
S GADSBY, MARY E	22	10/24/80	25.78	45.58	1,141.74
D MEAGHER, ROBERT W	24	1/01/81	1,146.07	327.16	17,292.57
D STRUTHERS, RICHARD M	25	1/01/81	1,384.31	395.18	20,887.41
D BOHN, THEODORE M JR	20	1/06/81	1,434.65	409.53	21,646.77
D MULLINS, FRED R	14	1/12/81	952.00	271.75	14,364.24
D BORCH, HENRY H	25	1/13/81	1,788.64	510.61	26,988.27
D BROWN, WILLIAM J	29	1/17/81	2,172.83	620.26	32,784.93
D PETERSON, COURTNEY	21	2/01/81	1,163.64	329.19	17,522.64
S ANGER, ROBYNNE	10	2/22/81	1,449.88	410.18	21,833.10
D GUIDO, JAMES J JR	25	2/28/81	1,162.15	355.75	17,816.91
GUIDO, WILMA E	25	2/28/81	240.00	38.47	3,268.65
D GARINO, KENNETH J	21	3/03/81	1,012.88	282.67	15,207.03
D MOORE, SHARON A	14	3/03/81	762.67	196.17	11,254.71
D HILL, RICHARD N	25	3/31/81	1,661.18	463.59	24,940.23
S GOMES, GRACE	22	4/07/81	240.11	340.88	6,819.60
D HALL, RICHARD R	25	4/12/81	1,867.12	447.00	27,162.84
D BUSH, WILBERT E	16	6/03/81	992.32	204.06	14,042.91
S CRAWFORD, IDA M	10	6/04/81	217.32	261.57	5,621.13
D MC VEA, IRVIN G	24	7/07/81	1,218.23	265.50	17,415.78
D SHANNON, RONALD D	25	7/07/81	1,196.57	260.77	17,106.03
D CANCELLA, JOSEPH	24	7/12/81	1,210.96	263.92	17,311.92
S ERICKSON, MICHAEL S	13	8/25/81	391.80	84.44	5,590.05
S ERICKSON, SCOTT G	13	8/25/81	391.80	84.44	5,590.05
D JOHNS, MERLE W	26	9/01/81	1,580.79	335.08	22,488.24
S ANDERSON, ELSIE H	26	9/06/81	474.50	341.41	9,577.08

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NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D DOYLE, PATRICK B	14	10/06/81	1,054.36	220.22	14,960.38
D MAZZONE, RICHARD T	13	11/03/81	1,083.64	223.22	15,339.78
D MOORE, ANN C	21	1/05/82	1,205.76	241.17	16,983.90
D MUSSER, MARILYN J	12	1/05/82	967.82	193.60	13,632.57
D SCHAAR, JOHN G	31	1/05/82	1,548.29	309.69	21,808.68
D WARTHAN, LLOYD C	31	1/05/82	1,949.67	389.98	27,462.45
D MOORE, DONALD E	28	1/09/82	1,855.52	371.14	26,136.27
D FANUCCHI, ROSCOE	32	1/16/82	1,974.05	394.86	27,805.92
D GIVIN, WILBUR	27	1/16/82	1,549.83	310.00	21,830.43
S SCHWANDT, CATHERINE M	34	2/01/82	116.48	333.71	5,284.29
D ERICKSON, RICHARD A	29	2/02/82	1,695.42	335.09	23,833.86
S GUSTAFSON, MARTHA	15	2/06/82	414.50	174.09	4,708.72
S HALL, BENITA	15	2/06/82	621.74	319.18	11,044.35
S HALL, EFFIE L	15	2/06/82	414.50	191.75	2,407.34
D BOND, WILLIAM R	23	3/02/82	1,339.88	260.00	18,779.16
D NORTON, PHILLIP O	20	3/02/82	1,570.47	304.75	22,011.06
D RYAN, ELLSWORTH J	25	4/10/82	1,669.68	324.01	23,401.65
D SCOTT, JOHN N	25	4/11/82	1,470.29	285.30	20,606.91
D CALTABIANO, ROBERT A	11	6/06/82	1,168.81	226.82	16,381.71
D STAGG, KENNETH E	28	8/06/82	2,314.83	422.35	32,128.68
D BRADFORD, GEORGE H	37	8/07/82	2,064.06	376.61	28,648.23
D ANASTACIO, OLIVER J	29	8/08/82	1,628.90	297.21	22,608.42
D EWING, DONALD E	27	9/11/82	2,232.61	407.36	30,987.63
D GRAY, LYLE L	09	10/05/82	1,280.25	233.60	17,769.39
S SMITH, WILLIAM	10	10/31/82	934.32	170.48	12,967.98
D FRATES, CHARLES W	27	11/02/82	1,879.44	342.91	26,085.63
D TERRY, GLENN	24	1/04/83	1,773.71	323.63	24,618.27
D GREEN, ROBERT H	27	1/06/83	1,673.91	305.42	23,233.11
D BAZIUK, LEO	25	1/08/83	2,273.85	414.88	31,559.97
D ROMO-LEROUY, GONZALO A	01	1/15/83	954.09	174.08	13,242.30
D OWEN, LESLIE B	25	2/01/83	1,571.13	286.66	21,806.49
D KEY, BILLY P	24	3/05/83	1,563.23	285.22	21,696.84
S POWERS, ANNETTE	39	4/07/83	156.20	409.64	6,641.76
D BLACKSTOCK, M CARROLL	21	4/09/83	1,604.16	289.02	22,221.90
S URZI, LAURA J	21	4/10/83	205.92	292.32	5,848.29
D WEESNER, STEVEN LEE	12	4/24/83	1,299.24	234.08	17,997.90
D EARNSHAW, JOSEPH W JR	22	6/07/83	1,496.76	261.08	20,633.28
D WHALEN, RICHARD J	30	6/07/83	2,209.91	385.46	30,464.13
D CASTLIO, GLEN	21	6/15/83	1,643.89	286.72	22,661.25
D PLINSKI, LEO G	26	6/17/83	1,758.84	306.78	24,246.00
D DYE, DONALD A	25	7/10/83	1,899.38	302.95	25,850.61
D GREEN, NORMAN W	19	7/30/83	1,331.05	212.29	18,115.53
D BRAZIL, LA VERN F	30	8/02/83	1,958.37	307.91	26,601.27
D SEATON, CHARLES	15	8/02/83	1,325.31	208.38	18,002.25
D LANE, GAYLORD R	24	8/28/83	1,582.84	248.86	21,500.25
D SPAULDING, BENJAMIN W	27	9/11/83	1,634.08	251.36	22,131.00
D GEPPERT, KENNETH J	12	10/04/83	1,414.16	214.31	19,114.77
D ANDERSON, ALGIE	29	11/30/83	2,007.00	297.31	27,047.64
D GRANT, ROBERT A	14	12/06/83	1,567.07	228.58	21,077.10
D WHEELER, HENRY A	28	1/29/84	1,964.63	279.85	26,345.43

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NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D PULLIAM, NORVEL	25	2/07/84	2,331.97	326.88	31,209.24
D ZAMZOW, JAMES W	28	2/12/84	2,011.62	215.18	2,226.80
S MILLER, JANICE E	24	3/01/84	841.68	138.08	11,500.26
D CHAMBERS, ROYCE R	15	3/06/84	1,402.69	191.83	18,716.28
D BELL, ROBERT M	22	4/03/84	2,143.06	267.12	28,290.36
D HOUSTON, HERRELL J	20	4/03/84	1,631.38	203.34	21,535.68
D SHACKELFORD, JEFF	24	4/03/84	2,003.08	249.68	26,442.63
D TOWNEND, STEWART	24	4/03/84	1,707.20	212.79	22,536.60
S BLEDSOE, LINDSEY	03	4/17/84	602.89	70.40	7,902.99
D MOORE, BRUCE	27	5/01/84	2,600.03	315.54	34,222.56
S ALVARES, VIRGINIA	23	6/05/84	187.60	331.24	6,090.09
D SCHNEICKERT, EDWARD T S	27	7/14/84	2,282.81	246.75	29,691.60
D MAYER, NICK S	31	9/09/84	2,153.43	221.06	27,871.44
D ANGELL, MERRIL K	21	11/06/84	1,825.59	177.50	23,512.02
D CLET, VINCENT H	21	11/06/84	3,070.94	298.57	39,550.86
D TONEY, JERRY A	22	11/18/84	1,663.28	161.72	21,421.56
D CATES, LOWELL D	12	12/04/84	1,439.54	136.83	18,503.25
D PURSER, OWEN	21	12/04/84	1,769.65	168.21	22,746.36
S FISHER, PEARL	22	12/17/84	286.86	365.67	7,659.27
STURDIVANT, MARCUS	26	1/12/85	2,213.02	203.14	28,360.59
D GERDTS, HANS B	30	2/05/85	2,531.18	226.84	32,373.27
D MOIR, ROBERT C	30	2/09/85	2,920.20	261.71	37,348.80
S MOODY, NORMA J	30	2/23/85	493.50	345.06	9,842.94
D SAMARRON, LAWRENCE L	27	3/05/85	2,146.64	185.38	27,372.96
D SPINLER, JACK	30	3/05/85	2,203.40	190.29	28,096.80
OTTER, LORRENCE J	31	3/07/85	3,411.23	294.61	43,498.62
HUNT, LYLE W	31	3/09/85	3,408.08	294.33	43,458.36
D MURRAY, WILLIAM C	26	3/10/85	2,879.42	248.67	36,717.09
D LONG, GEORGE	21	3/23/85	1,411.17	121.87	17,994.63
D SCHNEICKERT, EDWARD T J	17	4/02/85	1,550.59	125.71	19,652.22
D WELLS, WILLIAM J	31	4/02/85	2,553.98	207.07	32,408.82
D STEELE, EDWARD T	33	4/07/85	2,563.81	207.87	32,533.59
D BOOZEL, BENJAMIN F	21	5/07/85	1,421.99	110.80	17,991.72
D BRUNELLI, LEONARD	25	5/07/85	1,105.28	173.30	22,226.17
D WEBB, ROBERT L	28	5/07/85	2,129.96	165.97	26,949.33
S HORNBECK, ESTHER M	36	5/21/85	731.49	490.71	14,346.00
S DUPONT, EDNA J	13	5/25/85	1,804.18	140.57	22,827.24
S DUPONT, SAMANTHA R	13	5/25/85	421.49	32.84	5,332.89
D CARROLL, RICHARD	07	6/04/85	1,332.36	101.01	16,824.69
S ALIAS, EVA M	03	6/23/85	838.74	63.59	10,591.44
S MOLINA, NORMA L	03	6/23/85	419.37	31.80	5,295.78
S BUNCH, NANCY N	04	7/30/85	1,123.55	81.64	14,146.38
S BUNCH, NICOLE	04	7/30/85	749.03	54.42	9,430.80
FERDINANDSEN, EDWARD S	28	8/02/85	1,990.71	140.46	25,015.41
D LANCH, KENNETH D	25	8/06/85	1,884.65	132.98	23,682.63
D RUSSELL, STANLEY M	19	8/06/85	1,497.83	105.68	18,821.82
CORNELIUS, JAMES H	25	8/10/85	2,210.91	156.00	27,782.46
D THOMPSON, M EARL	26	8/12/85	3,480.05	245.55	43,730.61
S BLOOMFIELD, JEAN M	24	8/31/85	493.70	263.48	8,887.71
D FRIDAY, JAMES E	25	9/03/85	2,247.73	151.51	28,161.96

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1988

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D GREER, DON R	17	9/03/85	1,512.28	101.93	18,947.34
D KREGEL, JOHN H	18	9/03/85	1,500.33	101.12	18,797.64
S SAPENA, ANN	29	9/15/85	772.98	455.84	14,423.73
S BROWDER, LUCILLE E	22	9/25/85	205.23	319.82	6,162.99
S JONES, RUTH L	32	10/24/85	995.52	348.79	15,779.37
S CHEW, ELIZABETH	01	10/28/85	280.06	262.93	6,373.50
EVANS, FRANKLYNN	00	11/01/85	619.02	38.47	7,717.53
D EVANS, MERLIN C	26	11/01/85	1,718.70	106.81	21,427.59
S CONNETT, CATHERINE M	31	11/20/85	417.89	455.82	10,255.47
D BARIKMO, JON W	22	12/04/85	1,883.76	113.11	23,439.00
D CUMMINS, GAYLE L	22	12/04/85	1,649.14	99.02	20,519.64
D TYSON, DONALD I	22	12/04/85	1,764.35	105.93	21,953.13
S GOULD, CYNTHIA	09	12/07/85	324.75	208.44	6,258.51
S MC CARGAR, LOIS	02	12/15/85	153.75	113.81	3,140.61
S MC CARGAR, PAUL B	02	12/15/85	153.75	113.81	3,140.61
S MC CARGAR-ESCALANTE, SA	02	12/15/85	153.75	113.81	3,140.61
D ANDERSON, DENNIS G	30	12/16/85	2,671.63	160.41	33,242.07
D CROWDER, ROBERT J	26	1/08/86	2,331.21	132.62	28,920.12
HEIKEN, ALBERT L	29	1/25/86	2,617.43	148.88	32,467.08
D EMMONS, JAMES L	21	2/05/86	1,926.17	105.53	23,847.78
D HUBBARD, GERALD A	24	2/05/86	2,178.34	119.34	26,969.88
LIRA, ALICE	34	2/05/86	1,063.76	58.28	13,170.36
D LIRA, ROBERT P	34	2/05/86	1,626.42	89.11	20,136.63
D MALVINI, MERRILL J	30	2/05/86	2,689.85	147.37	33,302.88
S CLEARY, MARIAN L	28	2/08/86	839.12	404.95	15,189.63
D BURROUGHS, BOBBY	28	2/18/86	2,549.12	139.65	31,560.45
D CAPP, WALTER M	27	3/05/86	2,444.26	126.20	30,171.69
D DOBSON, RICHARD	22	3/05/86	1,777.19	91.76	21,937.44
D ILSE, ROY	28	3/05/86	3,023.32	156.09	37,319.52
D VICKERS, WILSON R	28	3/05/86	2,533.36	138.62	31,363.38
COOK, JOE W	26	3/23/86	2,401.36	123.98	29,642.13
S MELZ, HELEN C	24	3/25/86	3,157.87	163.05	38,980.47
D WIESENDANGER, EDWIN	30	4/02/86	2,343.28	116.15	28,868.49
D MC PERSON, ARTHUR J	25	4/06/86	2,324.46	115.22	28,636.62
D SWANSON, FRANCIS E	08	4/06/86	1,410.55	69.92	17,377.56
D WILSON, ROGER	26	4/06/86	2,187.50	108.43	26,949.33
D CAMPOS, ARTHUR J	10	6/04/86	1,579.35	73.41	19,399.86
D KELLY, JAMES D	17	6/04/86	1,573.50	73.14	19,328.04
D LOPEZ, DANIEL M	10	6/04/86	1,572.42	73.09	19,314.75
D PUGH, TOMMY E	13	6/04/86	1,580.08	73.44	19,408.80
D STEWART, JOSEPH	24	6/04/86	2,224.01	103.37	27,318.45
D BENSON, LLOYD L	31	6/05/86	2,110.18	98.08	25,920.24
S CAMPBELL, VIRGINIA M	25	7/10/86	694.65	333.75	12,051.67
S MITCHELL, BETTY	23	7/15/86	952.91	352.22	15,294.62
S CAPURSO, KAREN L	14	7/20/86	591.67	250.90	9,873.94
D FORD, CHARLES L	26	8/06/86	2,480.52	105.08	30,289.87
D LIVINGSTONE, JOHN H	28	8/19/86	2,635.55	111.65	32,182.96
D BRIDGES, RICHARD S	03	9/03/86	1,601.80	66.20	19,525.92
D COSSEY, KENT H	16	9/03/86	1,603.75	66.28	19,549.68
D KRAEMER, OLIVER F	23	9/13/86	2,165.90	89.51	26,402.25

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1988

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D CATANIA, SEBASTIAN J	08	10/01/86	1,430.01	56.16	17,392.95
KNOPF, ARTHUR E	30	11/03/86	3,231.70	120.25	39,231.63
WITTMAN, DOROTHY M	30	11/03/86	809.33	30.12	9,825.00
D WITTMANN, WILLIAM J	30	11/03/86	1,981.47	73.73	24,054.31
D LLORCA, JOHN E	21	11/17/86	1,531.73	56.99	18,594.61
S HASLEMAN, MARY L	20	12/01/86	1,716.43	192.56	22,686.96
D BROWN, EUGENE T	29	12/03/86	2,760.93	97.04	33,463.68
D LEROY, JAMES A	20	12/03/86	1,686.03	59.26	20,435.43
D WHEATLEY, WINSFORD R	27	12/03/86	2,222.81	78.13	26,941.44
S KORTH, RAYLENE	29	1/06/87	1,409.69	48.10	17,071.86
S PETERSON, CHARLOTTE K	26	1/07/87	2,332.36	79.58	28,245.72
D STUEFLOTEN, LARRY N	27	1/07/87	4,084.83	139.38	49,468.78
D WITMER, DAVID F	15	1/07/87	1,333.88	45.52	16,153.80
WITMER, JANIS M	15	1/07/87	295.77	10.09	3,581.87
D THOMAS, RICHARD F	30	1/10/87	2,833.13	96.66	34,310.20
D NEWTON, JACK N	26	2/04/87	2,188.40	70.16	26,475.66
D LINDEN, LAWRENCE D	26	3/04/87	2,140.44	64.21	25,877.91
PIERCE, JOHN R	27	3/08/87	2,228.18	66.85	26,938.71
D BREWTON JR, JOHN L	20	4/01/87	1,747.10	48.92	21,063.04
D EDWARDS, ROBERT W	25	4/01/87	2,419.39	67.74	29,168.16
D GERBINO, FRED W	28	4/01/87	3,376.59	94.54	40,708.16
D KELSEY, BERT E	27	4/01/87	2,593.75	72.63	31,270.26
D BAILEY, WILLIAM S	29	4/05/87	2,852.78	79.88	34,393.12
D COBURN, ETHAN M	32	5/06/87	2,476.92	61.92	29,784.96
D ECKSTROM, RICHARD	06	5/06/87	1,679.80	42.00	20,199.60
D GURLEY, EDWARD E	26	5/06/87	2,225.10	55.63	26,756.83
D RUILOBA, LUIS	14	5/06/87	1,923.85	48.10	23,134.30
D BYFIELD JR, PAUL J	20	6/03/87	1,699.24	.00	20,390.88
D MARTIN, W J TILMON	23	6/03/87	2,242.01	.00	26,904.12
D O NEILL, WILLIAM F	25	6/03/87	2,492.26	.00	29,907.12
D REINMUTH, RICHARD	27	6/03/87	2,690.56	.00	2,690.56
D RIOLO, JOHN R	09	6/03/87	1,920.49	.00	23,045.88
D TRUJILLO, DON	28	6/03/87	3,144.67	.00	37,736.04
D WRIGHT, DOUGLAS D	25	6/03/87	2,426.66	.00	29,119.92
S ZAMZOW, CAROL E	28	7/20/87	1,043.25	111.93	12,292.16
S REINMUTH, LORRAINE	27	7/29/87	1,443.95	.00	15,762.81
D VOLPE, LAWRENCE M	20	8/05/87	1,731.57	.00	18,823.84
D CANEPA, ALLAN	09	9/02/87	1,515.44	.00	15,056.63
D HARTMAN, LEONARD J	23	9/02/87	1,926.55	.00	19,201.28
D HOLMES, MARK A	30	9/02/87	2,919.05	.00	29,093.20
S JONES, RUTH E	34	9/30/87	1,082.40	751.31	16,442.26
D HEWETT, RUSSELL	23	10/07/87	2,311.35	.00	20,354.79
D MALECH, KEITH R	10	10/07/87	1,959.13	.00	17,252.98
D MILLER, ROLAND D	31	10/07/87	2,955.10	.00	26,023.95
D PITTS, PHILLIP J	14	10/07/87	1,668.75	.00	14,695.77
S THANNISCH, SHIRLEY	23	10/27/87	3,429.48	.00	27,988.98
D ROBERTS, MICHAEL	12	11/04/87	1,706.85	.00	13,484.12
S GUPTILL, PEARL	24	12/10/87	122.44	352.57	3,429.81
S LINTERN, LYNDIA	15	12/13/87	2,135.88	.00	14,124.37
D BELL, DONALD A	30	1/06/88	2,969.83	.00	17,339.98

POLICE & FIRE EMPLOYEES' RETIREMENT SYSTEM
 RETIREES AND BENEFICIARIES FOR THE YEAR ENDING JUNE 30, 1988

NAME	YRS SERV	DATE RET/DTH	MONTHLY BASE	COL	TOTAL
D GRANOSKI, NICKLAS A	25	1/06/88	2,199.23	.00	12,840.67
D MICHAELSON, ELIZABETH A	22	1/06/88	2,102.22	.00	12,274.25
D NEWMAN, TERRY	27	1/06/88	2,386.50	.00	13,934.08
HUNTER, RICHARD D	27	1/07/88	2,678.89	.00	15,554.85
D BALLARD, GORDON G	29	2/03/88	3,903.47	.00	19,248.15
D MINFORD, ROBERT I	25	2/03/88	2,571.50	.00	12,680.16
D RODRIGUES, ORLANDO W	26	2/03/88	2,244.50	.00	11,067.71
D TUSH, RICHARD M	25	2/03/88	2,204.12	.00	10,868.59
D MORTON, BRUCE	30	3/02/88	3,022.30	.00	11,991.71
D VASQUEZ, RICHARD C	05	3/02/88	1,714.65	.00	6,803.29
D SINCLAIR, ERNEST R	15	3/22/88	5,123.59	.00	5,123.59
S SWARNER, JEANINE A	14	4/04/88	2,191.85	.00	6,283.39
D GINGERICH, FREEMAN A	26	4/06/88	3,341.71	.00	9,468.18
D HERNANDEZ, EUSEVIO	30	4/06/88	4,697.74	.00	13,310.26
D MATHIS, JERRY L	14	4/06/88	1,734.58	.00	4,914.64
S BERNARDO, ELIZABETH	30	4/11/88	436.62	248.16	1,369.56
S QUAIN, DOROTHY	22	4/29/88	252.33	407.02	1,297.57
D DOWLING, RONALD A	19	5/04/88	1,828.83	.00	1,828.83
D DOWLING, RONALD A	19	5/04/88	2,024.78	.00	2,024.78
D KOCINA, KENNETH R	24	5/04/88	2,478.32	.00	4,716.80
D YELTON, ROBERT D	27	5/04/88	2,148.02	.00	4,088.17
D LEMMONS, LOREN M	25	6/01/88	2,532.46	.00	2,532.46
D ROBISON, MANOAH F	23	6/01/88	2,774.06	.00	2,774.06
UTZ, RONALD A	28	6/04/88	3,529.54	.00	3,529.54
S ANDERSON, KATHLEEN	23	6/08/88	509.89	346.59	856.48
TOTAL RETIREES 525			665,000.03	93,141.55	9,354,922.10

CODES:

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

Fund Performance

Source: Morningstar

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
1988	\$19,298,000	\$6,610,000	\$35,935,000	\$61,843,000
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

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

10 Year Total	\$151,952,000	\$48,125,000	\$198,521,000	\$398,598,000
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SIZE OF SYSTEM

	<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>	<u>6/88</u>
Active	1,375	1,523	1,527	1,580	1,576	1,635	1,680	1,677	1,631
Retired	272	286	303	313	338	345	371	401	415
Survivors	47	52	60	63	68	65	77	83	91
TOTAL	1,694	1,861	1,890	1,956	1,982	2,045	2,128	2,161	2,137

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

CONTRIBUTIONS AND REVENUE

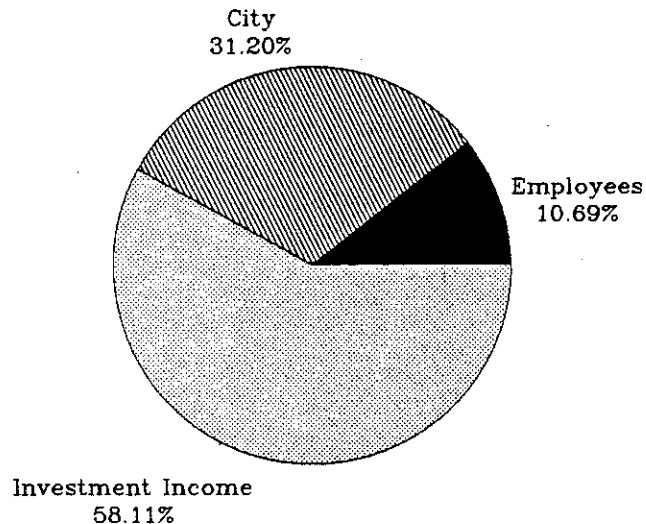
Each member of the Retirement Plan contributes the following percentage of pay:

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

The following sources contributed their share of the revenues received by the Retirement Fund in 1987-88:

Employee Contribution	10.69%	\$ 6,610,000
City Contribution	31.20%	19,298,000
Investment Income	<u>58.11%</u>	<u>35,935,000</u>
TOTAL REVENUE	100.00%	\$61,843,000

RETIREMENT CONTRIBUTIONS
1987-88



POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

PORTFOLIO PERFORMANCE REPORT

Measured On Basis of Dividends And Interest Received

	06/30/88 Portfolio Cost	Annual Income	Income Rate of Return
Investment Advisors	\$ 37,043,960	\$ 972,793	2.6%
Loomis	51,148,070	1,925,327	3.8%
NBS	29,352,157	1,765,932	6.0%
Scudder	242,036,467	20,733,886	8.6%
Smoot	41,494,134	1,775,038	4.3%

Measured on Basis of Total Increase in Market Value

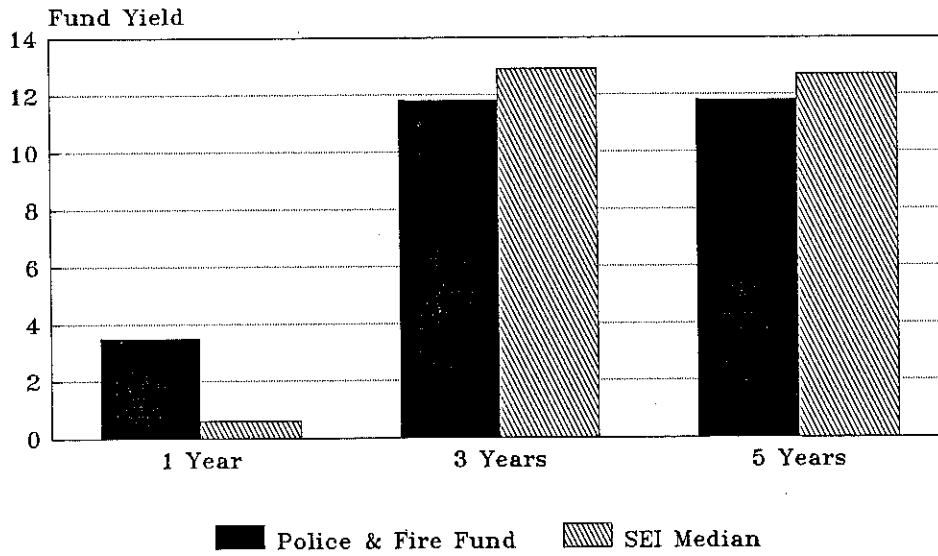
	06/30/88 Market Value	06/30/87 Market Value	Total Yield
Investment Advisors	\$ 36,938,099	\$ 35,099,549	-10.0%
Loomis	54,913,525	47,637,969	- 2.5%
NBS	29,466,298	26,922,516	N/A
Scudder	233,904,537	213,983,481	8.8%
Smoot	49,881,143	52,231,716	- 5.7%

PERFORMANCE BENCHMARK COMPARISON

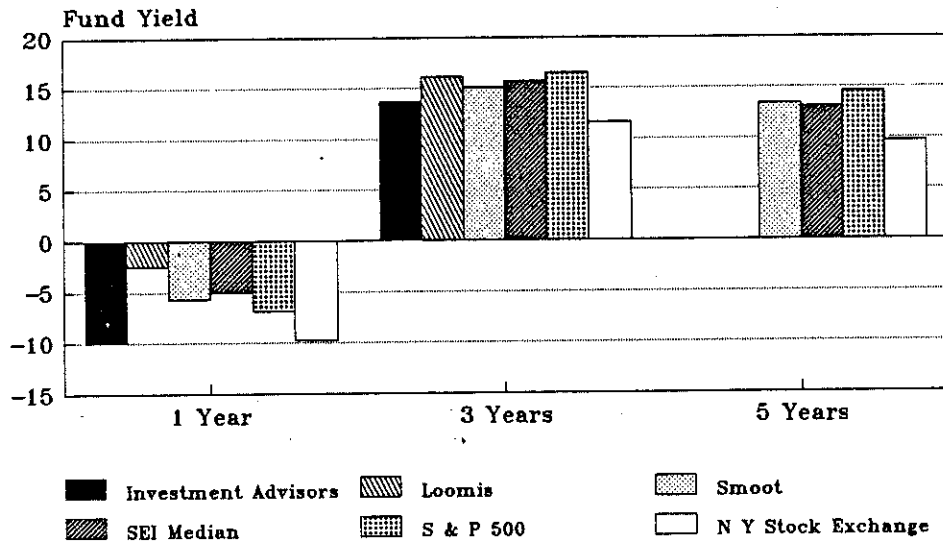
	One Year	Three Years	Five Years
<u>BOND PERFORMANCE</u>			
Scudder	8.8%++	10.6%+	12.0%+
SEI Bond Funds Median	7.8%	10.5%	11.7%
Shearson Lehman Gov't Corp. Bond Index	7.5%	10.7%	12.2%
<u>STOCK PERFORMANCE</u>			
Investment Advisors	-10.0%	13.7%	N/A
Loomis	- 2.5%+++	16.1%++	N/A
Smoot	- 5.7%++	15.1%+	13.4%++
SEI Equity Funds Median	- 5.0%	15.7%	13.1%
Standard & Poor 500	- 6.9%	16.5%	14.6%
New York Stock Exchange	- 9.7%	11.6%	9.7%
<u>TOTAL PERFORMANCE</u>			
Total Fund	3.5%+	11.8%+	11.8%+
SEI Public Funds Median	0.6%	12.9%	12.7%

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

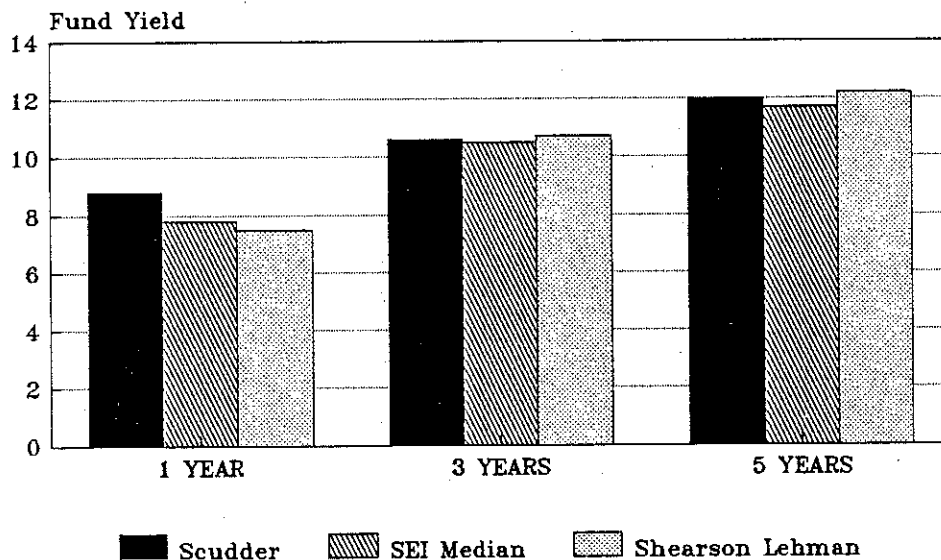
TOTAL FUND PERFORMANCE 1987-88



STOCK PERFORMANCE 1987-88



BOND PERFORMANCE 1987-88



STATEMENT OF THE ACTUARY

We prepared an actuarial valuation as of July 1, 1987 of the Police and Fire Department Retirement Plan for the City of San Jose. The actuarial method used was a variation of entry-age normal cost, with the unfunded supplemental present value amortized over 30 years from the valuation date. The normal cost is based on new entrants in the method used.

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.

An experience review was performed for the July 1, 1981 to July 1, 1987 period. There were calculations performed on the standard entry-age normal actuarial cost method, as well as the current "new entrant" variation specified in the City Code. Based on these results, the Board recommended that City Council adopt an actuarial report with the recommended new assumptions and method, and that certain benefit improvements be made. The Council has not approved any changes, and no report as of July 1, 1987 has yet been adopted by the Council.

This statement, therefore, presents results as of July 1, 1987 on the old basis and the proposed basis.

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.

Information Required by Accounting Principles Board
Opinion Number 8
San Jose Police and Fire Department Retirement Plan
For Year Beginning July 1, 1987

1. The amounts shown below were determined for the Plan based on the actuarial valuation as of July 1, 1987. The same assumptions, methods, and Plan of benefits were used as utilized in the prior valuation (as of July 1, 1985). However, dental costs have been shown as 50% paid by employees and 50% by the City.

The range of the City's contributions under Opinion Number 8 is shown in dollars and as a percentage of payroll of \$70,196,000.

(a) Minimum

1. Normal Cost retirement benefits	\$16,896,000 (24.07%)
2. Amortization of Unfunded Supplemental Present Value over 40 years	443,000 (.63%)
3. Retiree health insurance	562,000 (.80%)
4. Retiree dental benefits	140,000 (.20%)
Total	<u>\$18,041,000 (25.70%)</u>

(b) Maximum

1. Normal Cost retirement benefits	\$16,896,000 (24.07%)
2. 10% of Unfunded Supplemental Present Value	1,038,000 (1.48%)
3. Retiree health insurance	562,000 (.80%)
4. Retiree dental benefits	140,000 (.20%)
Total	<u>\$18,636,000 (26.55%)</u>

Amortization payments are in real dollars, with inflation assumed at 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 an eight-year term, level in relation to covered payroll, assuming future increases in premiums. Employees contribute 9.39% of pay to the Plan, and the City contributes 27.46%, based on the prior valuation. The corresponding results as of July 1, 1987 were 26.13% for the City and 10.03% for employees.

The present value of all vested benefits was \$241,294,000 as of July 1, 1987, against which there were assets of \$379,732,000 at market value. Hence assets exceeded the value of vested benefits. The present values of future retiree health and dental benefits are not included in the present value of vested benefits.

2. The results shown below incorporate the changes in assumptions, cost method, and Plan recommended by the Board. The range of contributions under Opinion Number 8 and present value of vested benefits are shown below.

(a) Minimum

1. Normal Cost retirement benefits	\$14,846,000 (21.15%)
2. Amortization of Unfunded Supplemental Present Value over 40 years	1,949,000 (2.78%)
3. Retiree health insurance	821,000 (1.17%)
4. Retiree dental benefits	204,000 (.29%)
Total	<u>\$17,820,000 (25.39%)</u>

(b) Maximum

1. Normal Cost retirement benefits	\$14,846,000 (21.15%)
2. 10% of Unfunded Supplemental Present Value	4,563,000 (6.50%)
3. Retiree health insurance	821,000 (1.17%)
4. Retiree dental benefits	204,000 (.29%)
Total	<u>\$20,434,000 (29.11%)</u>

Amortization payments are in real dollars, with inflation assumed at 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 premium. The actuarial contributions were determined to be 9.39% of payroll for employees and 25.90% of payroll for the City.

The present value all vested benefits was \$264,655,000 as of July 1, 1987, including the effects of assumption changes and proposed benefit improvements. The method change does not affect the value of vested benefits. The market value of assets (\$379,732,000) exceeds the actuarial value of vested benefits. The present values of future retiree health and dental benefits are not included in the present value of vested benefits.

In our opinion, both sets of assumptions and methods are acceptable under Opinion Number 8.

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM
INVESTMENT HELD AS OF JUNE 30, 1988

MATURITY VALUE	SECURITY	PERCENT	MATURING	TOTAL COST	MARKET VALUE
CASH & CASH EQUIVALENTS					
67,000	UNITS OF FHA PROJECT #37	.000		5,471,279	5,487,842.32
5,000,000.000	LOCAL AGENCY INVT FD	.000		5,000,000	5,000,000.00
2,500,000.000	GENERAL MTRD ACCEP CORP	7.325	07/01/88	2,500,000	2,500,000.00
1,000,000.000	NYNEX CORP	.000	07/06/88	994,160	994,159.72
2,000,000.000	TIME DEP NYNEX CORP	7.250	07/06/88	1,988,319	2,000,000.00
3,000,000.000	TRAVLERS MORTGAGE	.000	07/07/88	2,986,104	2,986,104.17
1,500,000.000	ASSOCIATES CORP OF NORTH AMERICA	7.250	07/07/88	1,500,000	1,500,000.00
1,400,000.000	TAMPA ELEC CO	.000	07/11/88	1,391,260	1,391,259.72
1,000,000.000	EBS FINL CORP	.000	07/12/88	994,160	994,159.72
2,000,000.000	SOUTH CENTRAL BELL TELEPHONE	.000	07/13/88	1,991,017	1,991,016.66
1,500,000.000	GENERAL MTRS ACCEP CORP	7.325	07/13/88	1,500,000	1,500,000.00
3,000,000.000	EXXON CREDIT	7.250	07/14/88	3,000,000	3,000,000.00
4,000,000.000	SEARS ROEBUCK	7.300	07/19/88	4,000,000	4,000,000.00
5,000,000.000	GENERAL ELECTRIC CAPITAL CORP	7.400	07/21/88	5,000,000	5,000,000.00
1,000,000.000	GENERAL ELEC CAPITAL	7.375	07/25/88	1,000,000	1,000,000.00
2,500,000.000	BELL ATLANTIC FINL	.000	07/26/88	2,483,099	2,483,098.95
2,000,000.000	ASSOCIATES CORP OF NORTH AMERICA	7.600	07/29/88	2,000,000	2,000,000.00
2,500,000.000	DAYTON HUDSON CORP	.000	08/01/88	2,482,813	2,482,812.50
4,500,000.000	FORD MOTOR CR	7.500	08/01/88	4,500,000	4,500,000.00
3,000,000.000	PILLSBURY CO	.000	08/02/88	2,973,663	2,973,662.50
100,000.000	TIME DEP MUNICIPAL EMPLOYEES CREDIT UNION	7.250	08/24/88	100,000	100,000.00
7,750,000.000	UNITED STATES TREAS NTS	6.250	02/28/89	7,697,095	7,689,472.50
21,069,611.430	GOVERNMENT SECURITIES STIF - GEBT	6.810	VARIES	21,069,611	21,069,611.43
*TOTAL				82,622,578	82,643,200.19
77,319,678.430					

INTERMEDIATE TERM BONDS

5,500,000.000	UNITED STATES TREAS NTS	7.750	08/31/89	5,486,384	5,500,000.00
2,500,000.000	C/D TEXAS COMMERCE NATL ASSOC	12.000	09/01/89	2,499,442	2,599,550.00
3,000,000.000	UNITED STATES TREAS NTS	11.875	10/15/89	2,998,451	3,146,250.00
3,250,000.000	UNITED STATES TREAS NTS	12.750	11/15/89	3,247,921	3,456,180.00
2,050,000.000	SOUTHWESTERN BELL CAP CORP	7.950	04/05/90	2,041,849	2,013,940.50
500,000.000	UNITED STATES TREAS NTS	10.500	04/15/90	499,961	520,470.00
1,750,000.000	UNITED STATES TREAS NTS	11.375	05/15/90	1,744,776	1,851,167.50
3,000,000.000	HOUSEHOLD FIN	8.200	07/16/90	2,996,862	2,975,310.00
5,000,000.000	GENERAL MTRS ACCEP CORP	7.500	08/15/90	5,010,554	4,881,950.00
3,250,000.000	ASSOCIATES CORP OF NORTH AMERICA	8.375	11/15/90	3,192,468	3,206,970.00
2,500,000.000	EASTMAN KODAK CO	8.750	11/01/91	2,496,711	2,502,625.00

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM
INVESTMENT HELD AS OF JUNE 30, 1988

MATURITY VALUE	SECURITY	PERCENT	MATURING	TOTAL COST	MARKET VALUE
3,000,000.000	GANNETT INC DEL	7.125	11/01/91	2,975,424	2,876,100.00
2,500,000.000	SEARS ROEBUCK & CO	8.000	02/13/92	2,500,000	2,498,165.00
2,500,000.000	SEARS ROEBUCK	8.150	02/20/92	2,500,000	2,443,750.00
1,500,000.000	UNITED STATES TREAS NTS	13.750	05/15/92	1,499,383	1,763,910.00
1,000,000.000	INTERNATIONAL BK FOR RECON &	14.750	06/01/92	1,000,000	1,188,060.00
2,750,000.000	GENERAL MTRS ACCEP CORP	8.625	06/15/92	2,743,471	2,712,160.00
2,000,000.000	ONTARIO PROV CDA	14.625	08/31/92	2,000,000	2,396,620.00
*TOTAL 47,550,000.000				47,433,657	48,533,178.00
 LONG TERM BONDS					
2,000,000.000	UNITED STATES TREAS NTS	8.750	08/15/93	1,997,690	2,026,880.00
3,500,000.000	GENERAL MTR ACCEP CORP	8.000	10/15/93	3,490,038	3,351,950.00
5,250,000.000	UNITED STATES TREAS NTS	7.000	04/15/94	5,029,457	4,884,127.50
2,500,000.000	UNITED STATES TREAS NTS	8.000	07/15/94	2,482,523	2,432,800.00
2,500,000.000	ALBERTA PROV CDA	9.250	11/23/94	2,505,722	2,510,225.00
2,750,000.000	MARRIOTT CORP	9.000	05/24/95	2,674,637	2,697,832.50
500,000.000	HOUSEHOLD FIN CORP	7.500	08/01/95	500,000	442,040.00
4,000,000.000	FEDERAL HOME LN BKS	7.750	04/25/96	4,017,950	3,671,240.00
2,750,000.000	FORD MTR CR CO	8.250	05/15/96	2,732,242	2,567,895.00
3,250,000.000	BECTON DICKINSON & CO	7.875	12/15/96	3,246,544	2,949,797.50
2,500,000.000	TRANAMERICA FINACIAL CORP	7.875	02/15/97	2,470,349	2,232,325.00
650,000.000	MANITOBA PROV CDA	14.750	03/15/97	625,429	809,087.50
1,500,000.000	HERSHEY FDS	8.875	02/03/98	1,500,000	1,440,000.00
350,000.000	EXXON CORP	6.500	07/15/98	350,000	288,774.50
435,599.180	FEDERAL NATL MTG ASSN	11.500	08/01/98	432,175	454,926.72
200,000.000	BETHLEHEM STL CORP	6.875	03/01/99	199,562	149,250.00
1,000,000.000	GENERAL MTRS ACCEP CORP	8.750	02/01/00	997,620	929,810.00
525,000.000	MOBIL OIL CORP	7.375	10/01/01	525,000	443,577.75
325,000.000	FIRESTONE TIRE & RUBR CO	7.300	10/15/01	325,000	333,937.50
500,000.000	PROCTER & GAMBLE CO	7.000	05/15/02	497,696	409,675.00
14,000,000.000	TINT 08/15/2002	.000	08/15/02	4,894,852	3,935,680.00
500,000.000	UNITED STATES TREAS BDS	10.750	05/15/03	502,800	568,125.00
196,436.260	GOVERNMENT NATL MTG ASSN	6.500	06/15/03	185,176	173,109.45
8,000,000.000	TREASURY INVT GROWTH RCPTS	11.875	11/15/03	2,497,324	1,966,960.00
1,000,000.000	ILLINOIS BELL TEL CO	8.000	12/10/04	995,602	861,550.00
500,000.000	BETHLEHEM STL CORP	8.450	03/01/05	500,000	402,500.00
1,300,000.000	SEARS ROEBUCK & CO	8.000	04/01/06	1,283,641	1,114,321.00
1,250,000.000	GENERAL MTRS ACCEP CORP	8.250	11/15/06	1,174,545	1,079,137.50

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM
INVESTMENT HELD AS OF JUNE 30, 1988

MATURITY VALUE	SECURITY	PERCENT	MATURING	TOTAL COST	MARKET VALUE
353,954.470	GOVERNMENT NATL MTG ASSN	8.000	12/15/06	358,144	327,737.06
407,547.960	GOVERNMENT NATL MTG ASSN	8.000	12/15/06	412,712	377,360.88
443,661.750	GOVERNMENT NATL MTG ASSN	8.000	12/15/06	442,144	410,799.72
400,329.610	GOVERNMENT NATL MTG ASSN	8.000	01/15/07	405,546	370,677.20
601,418.590	FEDERAL HOME LN MTG CORP	8.000	06/01/07	517,442	541,276.73
4,326,212.480	FEDERAL NATL MTG ASSN	7.500	07/01/07	4,101,867	3,793,525.94
2,772,935.050	FEDERAL NATL MTG ASSN	8.000	04/01/08	2,669,569	2,505,152.71
3,250,000.000	COLLATERALIZED MTG OBLIG TR	8.950	07/20/08	3,248,175	3,230,703.12
1,477,684.120	FEDERAL NATL MTG ASSN	6.500	09/01/08	1,155,390	1,225,546.88
2,369,427.380	FEDERAL HOME LN MTG CORP	8.500	10/01/08	2,006,037	2,195,416.63
2,009,640.000	FEDERAL HOME LN MTG CORP	8.000	12/01/08	1,837,256	1,808,676.00
1,088,974.450	FEDERAL HOME LN MTG CORP	10.250	11/01/09	957,354	1,093,733.27
627,699.990	FEDERAL NATL MTG ASSN	8.000	01/01/10	524,836	567,083.00
3,600,000.000	FEDERAL NATL MTG ASSN	9.050	02/25/10	3,582,827	3,422,250.00
200,000.000	DOW CHEM CO	11.250	07/15/10	190,422	216,184.00
497,214.440	FEDERAL NATL MTG ASSN	8.500	08/01/11	412,287	462,409.43
2,500,000.000	NEW YORK TEL CO	8.300	08/15/12	2,371,576	2,114,725.00
1,500,000.000	COLLATERALIZED MTG OBLIG	5.000	09/20/12	1,246,324	1,244,062.50
530,414.270	FEDERAL NATL MTG ASSN	11.750	08/01/13	493,616	559,915.91
707,535.800	FEDERAL HOME LN MTG CORP	12.000	02/01/14	722,296	753,299.22
5,000,000.000	NEW YORK TEL CO	8.250	10/15/15	4,615,539	4,139,650.00
2,500,000.000	SOUTHERN BELL TEL & TELEG CO	8.250	04/15/16	2,319,836	2,062,450.00
7,652,077.360	FEDERAL HOME LN MTG CORP	9.000	06/01/16	7,549,702	7,295,720.12
2,000,000.000	GUARANTEED MTG CORP II	8.450	07/01/16	1,825,061	1,765,000.00
5,847,339.850	GOVERNMENT NATL MTG ASSN	9.000	09/15/16	5,813,226	5,553,101.71
3,000,000.000	ANHEUSER BUSCH COS INC	8.625	12/01/16	3,021,489	2,619,090.00
5,000,000.000	K MART CORP	8.375	01/15/17	4,791,074	4,147,200.00
5,000,000.000	PHILIP MORRIS COS INC	8.375	01/15/17	4,832,808	4,108,350.00
4,750,000.000	SOUTHERN BELL TEL & TELEG CO	8.125	05/01/17	4,414,069	3,916,280.00
5,642,713.120	GOVERNMENT NATL MTG ASSN	8.000	06/15/17	5,174,628	5,027,262.40
1,962,258.670	GOVERNMENT NATL MTG ASSN	8.000	08/15/17	1,808,074	1,748,235.12
6,620,733.710	ML TR V	6.000	03/20/18	5,790,742	5,437,277.56
3,750,000.000	SOUTHWESTERN BELL TEL CO	8.625	04/15/20	3,691,536	3,238,762.50
7,500,000.000	PACIFIC BELL	8.750	08/15/25	7,214,257	6,600,000.00
*TOTAL				139,151,435	130,006,449.03
159,621,808.510					

BOND & PREFERRED CONVERTIBLES

350,000.000	USX CORP	5.750	07/01/01	345,648	267,750.00
*TOTAL				345,648	267,750.00
350,000.000					

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM
INVESTMENT HELD AS OF JUNE 30, 1988

MATURITY VALUE	SECURITY	MATURING	TOTAL COST	MARKET VALUE
COMMON STOCKS				
12,000.000	AMR CORP DEL COM		577,980	610,500.00
20,000.000	ARCO CHEM CO COM		646,360	712,500.00
15,000.000	AETNA LIFE & CAS CO COM		864,552	676,875.00
53,000.000	AHMANSON H F & CO COM		1,048,200	874,500.00
18,000.000	AIR PRODS & CHEMS INC COM		701,144	911,250.00
23,000.000	ALLIED SIGNAL INC COM		918,032	793,500.00
33,000.000	ALUMINUM CO AMER COM		1,605,061	1,757,250.00
30,000.000	AMERICAN CYANAMID CO COM		1,303,760	1,616,250.00
34,000.000	AMERICAN EXPRESS CO COM		877,639	935,000.00
7,300.000	AMERICAN HOME PRODS CORP COM		625,822	539,287.50
10,000.000	AMERICAN INFORMATION		886,275	910,000.00
31,000.000	AMERICAN INTL GROUP INC COM		2,263,811	1,805,750.00
10,000.000	AMP INC COM		642,150	516,250.00
15,000.000	AMOCO CORP COM		1,092,203	1,091,250.00
55,700.000	ARCHER DANIELS MIDLAND CO COM		1,201,450	1,127,925.00
37,000.000	ARKLA INC COM		695,507	698,375.00
25,200.000	ARMSTRONG WORLD INDS INC COM		517,880	935,550.00
13,800.000	ASHLAND OIL INC COM		789,975	1,000,500.00
10,000.000	ATLANTIC RICHFIELD CO COM		702,900	805,000.00
15,000.000	AUTOMATIC DATA PROCESSING INC COM		655,350	607,500.00
57,500.000	BANK NEW ENGLAND CORP COM		1,845,906	1,574,062.50
47,500.000	BARNETT BKS INC COM		1,634,830	1,668,437.50
.000	BAXTER INTL INC		0	.00
33,000.000	BORDEN INC COM		941,685	1,683,000.00
26,000.000	BRISTOL MYERS CO COM		868,794	1,053,000.00
16,000.000	BROWNING FERRIS INDS INC COM		212,720	400,000.00
10,000.000	BURLINGTON NORTHN INC COM		703,400	701,250.00
25,300.000	CSX CORP COM		726,925	679,937.50
20,000.000	CENTRAL & SOUTH WEST CORP COM		608,700	635,000.00
10,000.000	CHAMPION INTL CORP COM		280,125	361,250.00
10,000.000	CHEVRON CORP COM		510,900	453,750.00
35,000.000	CHRYSLER CORP COM		1,178,778	853,125.00
13,500.000	CHUBB CORP COM		785,309	752,625.00
30,000.000	COASTAL CORP COM		1,027,075	866,250.00
26,800.000	COCA COLA CO COM		841,659	1,045,200.00
10,000.000	COLEMAN INC COM		433,901	383,750.00
26,162.000	COLGATE PALMOLIVE CO COM		466,207	1,144,587.50
15,000.000	COLUMBIA GAS SYS INC COM		458,400	489,375.00
1,545.000	COLUMBIA PICTURES ENTMT INC COM		8,309	14,291.25
34,500.000	COMMUNITY PSYCHIATRIC CTRS		822,920	866,812.50

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM
INVESTMENT HELD AS OF JUNE 30, 1988

MATURITY VALUE	SECURITY	MATURING	TOTAL COST	MARKET VALUE
53,000.000	CONSOLIDATED RAIL CORP		1,706,470	1,702,625.00
15,000.000	COOPER INDS INC COM		944,175	879,375.00
20,000.000	DATA GEN CORP COM		912,278	472,500.00
7,000.000	DIGITAL EQUIP CORP COM		1,040,110	804,125.00
5,000.000	WALT DISNEY CO COM		108,969	315,000.00
33,000.000	DOW CHEM CO COM		2,173,392	2,998,875.00
47,000.000	DRESSER INDS INC COM		1,239,238	1,368,875.00
16,000.000	DU PONT E I DE NEMOURS & CO COM		1,568,454	1,486,000.00
9,500.000	EASTMAN KODAK CO COM		420,998	429,875.00
10,300.000	EATON CORP COM		603,362	856,187.50
20,000.000	ECHLIN INC COM		365,550	342,500.00
18,000.000	EMERSON ELEC CO COM		605,040	582,750.00
45,000.000	ENGELHARD CORP COM		949,948	894,375.00
18,400.000	EXXON CORP COM		861,911	834,900.00
.000	FARMERS GROUP INC COM		0	.00
49,000.000	FEDERAL NATL MTG ASSN COM		1,917,819	2,131,500.00
27,200.000	FIRST BK SYS INC COM		569,693	618,800.00
30,000.000	FLEET/NORSTAR FINL GROUP INC		714,300	783,750.00
20,000.000	FORD MTR CO DEL COM		862,704	1,065,000.00
20,000.000	GANNETT INC COM		775,650	640,000.00
9,000.000	GENERAL DYNAMICS CORP COM		696,558	477,000.00
34,000.000	GENERAL ELEC CO COM		942,192	1,491,750.00
22,500.000	GENUINE PARTS CO COM		673,205	857,812.50
12,000.000	GOODYEAR TIRE & RUBR CO COM		750,720	775,500.00
11,000.000	GREAT NORTHN NEKOOSA CORP COM		415,540	511,500.00
12,000.000	GULF & WESTN INDS INC COM		288,450	537,000.00
20,000.000	HALLIBURTON CO COM		681,420	587,500.00
10,000.000	HEINZ H J CO COM		389,620	405,000.00
20,000.000	HERCULES INC COM		510,587	947,500.00
13,500.000	HONEYWELL INC COM		857,402	956,812.50
20,474.000	HOSPITAL CORP AMER COM		754,934	765,215.75
30,000.000	HOUSTON INDS INC COM		962,080	930,000.00
17,500.000	ITT CORP COM		1,010,655	903,437.50
28,600.000	INTERNATIONAL BUSINESS MACHS CORP COM		3,598,719	3,642,925.00
52,025.000	JAMES RIV CORP VA COM		1,691,416	1,339,643.75
12,000.000	JOHNSON & JOHNSON COM		1,093,830	952,500.00
46,500.000	K MART CORP COM		1,567,202	1,633,312.50
25,000.000	KEYSTONE INTL INC COM		588,675	546,875.00
18,000.000	LINCOLN NATL CORP IND COM		842,000	846,000.00
19,000.000	LOCKHEED CORP COM		929,344	840,750.00
12,000.000	LOEWS CORP COM		684,763	787,500.00
10,000.000	LUBRIZOL CORP COM		335,900	367,500.00
.000	MACMILLAN INC COM		0	.00

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM
INVESTMENT HELD AS OF JUNE 30, 1988

MATURITY VALUE	SECURITY	MATURING	TOTAL COST	MARKET VALUE
23,400.000	MEAD CORP COM		804,313	854,100.00
43,500.000	MERCK & CO INC COM		790,663	2,446,875.00
10,000.000	MINNESOTA MNG & MFG CO COM		565,450	660,000.00
49,000.000	MOBIL CORP COM		2,007,460	2,131,500.00
23,000.000	MORGAN J P & CO INC COM		684,425	894,125.00
15,000.000	MORGAN STANLEY GROUP INC COM		975,723	1,190,625.00
26,400.000	MOTOROLA INC COM		1,200,731	1,428,900.00
18,500.000	NCR CORP COM		1,391,809	1,216,375.00
28,000.000	NYNEX CORP COM		1,652,419	1,869,000.00
22,500.000	PPG INDS INC COM		779,912	1,026,562.50
38,400.000	PENNEY J C INC COM		1,239,457	1,867,200.00
20,000.000	PEPSICO INC COM		700,170	745,000.00
38,000.000	PERKIN ELMER CORP COM		1,224,264	978,500.00
14,500.000	PFIZER INC COM		754,870	748,562.50
45,300.000	PHILIP MORRIS COS INC COM		2,290,137	3,799,537.50
27,000.000	PLACER DOME INC COM		533,194	364,500.00
18,000.000	POTLATCH CORP COM		447,204	555,750.00
18,000.000	PREMIER INDL CORP COM		568,419	594,000.00
15,000.000	QUAKER OATS CO COM		661,548	667,500.00
10,000.000	QUANTUM CHEM CORP COM		846,150	1,025,000.00
32,500.000	RJR NABISCO INC COM		756,685	1,555,937.50
18,000.000	RALSTON PURINA CO COM		291,680	1,372,500.00
16,000.000	ROYAL DUTCH PETE CO		1,505,499	1,762,000.00
18,000.000	ST PAUL COS INC COM		816,750	778,500.00
15,000.000	SALOMON INC COM		730,235	373,125.00
30,000.000	SCHLUMBERGER LTD COM		1,200,354	1,005,000.00
24,000.000	SCOTT PAPER CO COM		559,785	966,000.00
23,000.000	SEARS ROEBUCK & CO COM		893,990	848,125.00
43,000.000	SOUTHERN CO COM		1,023,239	994,375.00
20,000.000	SOUTHWEST AIRLS CO COM		476,900	380,000.00
22,000.000	SOUTHWESTERN BELL CORP COM		586,725	871,750.00
29,500.000	SQUIBB CORP COM		1,891,611	1,869,562.50
10,000.000	STUDENT LN MARKETING ASSN		499,117	806,250.00
20,000.000	SUNTRUST BKS INC COM		481,800	470,000.00
20,000.000	SYNTEX CORP COM		600,483	837,500.00
20,000.000	SYSCO CORP COM		636,670	600,000.00
17,500.000	TRW INC COM		879,418	857,500.00
27,000.000	TEXTRON INC COM		845,852	648,000.00
13,000.000	TRAVELERS CORP COM		690,450	477,750.00
19,500.000	UNION CAMP CORP COM		836,982	731,250.00
36,300.000	UNISYS CORP COM		877,377	1,297,725.00
21,500.000	U S AIR GROUP INC COM		788,048	798,187.50
16,000.000	U S WEST INC COM		739,800	902,000.00

SAN JOSE POLICE & FIRE CITY EMPLOYEE RETIREMENT SYSTEM
INVESTMENT HELD AS OF JUNE 30, 1988

<u>MATURITY VALUE</u>	<u>SECURITY</u>	<u>MATURING</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>
22,000.000	UNITED TECHNOLOGIES CORP COM		932,589	847,000.00
20,000.000	UPJOHN CO COM		809,300	650,000.00
23,000.000	WARNER LAMBERT CO COM		1,244,105	1,558,250.00
33,000.000	WASTE MGMT INC COM		1,034,616	1,171,500.00
20,000.000	WENDYS INTL INC COM		346,800	120,000.00
42,500.000	WESTINGHOUSE ELEC CORP COM		1,135,258	2,390,625.00
26,400.000	WHIRLPOOL CORP COM		890,374	759,000.00
19,000.000	WOOLWORTH F W CO COM		896,082	990,375.00
 *TOTAL				
3,055,506.000			117,594,751	129,614,163.25
 REAL ESTATE				
6,253,361.230	REAL ESTATE PROPERTY		6,269,638	6,253,361.23
2,750,000.000	REAL ESTATE PROPERTY		2,768,097	2,925,000.00
4,862,500.000	REAL ESTATE PROPERTY		4,888,985	4,862,500.00
 *TOTAL				
13,865,861.230			13,926,721	14,040,861.23
 TOTAL				
301,762,854.170			401,074,788	405,105,601.70

SAN JOSE POLICE & FIRE CITY EMPLOYEES RETIREMENT SYSTEM
INDUSTRY ANALYSIS OF EQUITIES
AS OF JUNE 30, 1988

	MARKET VALUE	% OF PORTFOLIO
	-----	-----
BUILDING-FOREST PRODUCTS	917,000	.71
CHEMICAL	11,091,438	8.56
METALS-ALUMINUM	1,757,250	1.36
METALS-OTHER	1,258,875	.97
PAPER	4,402,494	3.40
 *TOTAL BASIC INDUSTRY STOCK	 19,427,056	 14.99
 AEROSPACE	 2,164,750	 1.67
ELECTRICAL EQUIPMENT	5,368,563	4.14
ELECTRONICS	3,717,150	2.87
MACHINERY-OTHER	4,300,625	3.32
OFFICE EQUIPMENT	8,997,963	6.94
POLLUTION CONTROL	1,571,500	1.21
 *TOTAL CAPITAL GOODS STOCK	 26,120,550	 20.15
 AUTOMOTIVE	 3,974,625	 3.07
ELECTRICAL HOUSEHOLD APPLIANCE	759,000	.59
TIRE AND RUBBER	775,500	.60
 *TOTAL CONSUMER DURABLE STOCK	 5,509,125	 4.25
 BEVERAGE	 1,790,200	 1.38
FOOD	7,411,863	5.72
HOTEL-RESTAURANT	120,000	.09
LEISURE RECREATION	1,235,750	.95
PHOTOGRAPHIC	1,089,875	.84
PUBLISHING	640,000	.49
RETAILING	5,339,013	4.12
SERVICE	594,000	.46
SOAP	1,144,588	.88
TOBACCO	3,799,538	2.93
TV-RADIO BROADCASTERS	14,291	.01
 *TOTAL CONSUMER NON-DURABLE STOCK	 23,179,116	 17.88
 OIL-DOMESTIC	 4,728,400	 3.65
OIL-SERVICE	2,350,000	1.81
	3,459,250	2.67
 *TOTAL ENERGY RELATED STOCK	 10,537,650	 8.13
 BANKS	 5,225,425	 4.03
BUILDING-OTHER	935,550	.72
FINANCE	4,094,625	3.16
INSURANCE	7,060,000	5.45
INVESTMENT COMPANIES	1,190,625	.92
SAVINGS AND LOAN	874,500	.67
 *TOTAL FINANCE AND BUILDING STOCK	 19,380,725	 14.95
 DRUG	 9,703,038	 7.49
MEDICAL SUPPLY AND SERVICES	2,584,528	1.99
 *TOTAL HEALTH CARE STOCK	 12,287,566	 9.48
 MISCELLANEOUS	 0	 .00
 *TOTAL MISCELLANEOUS STOCK	 0	 .00
 TRANSPORTATION-AIR TRANSPORT	 1,788,688	 1.38
TRANSPORTATION-OTHER	3,083,813	2.38
 *TOTAL TRANSPORTATION STOCK	 4,872,500	 3.76
 UTILITY-ELECTRIC	 2,559,375	 1.97
UTILITY-NATURAL GAS	1,187,750	.92
UTILITY-TELEPHONE	4,552,750	3.51
 *TOTAL UTILITY STOCK	 8,299,875	 6.40
 TOTAL	 129,614,163	 100.00

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.

Investment Advisors, Inc.

ECONOMIC AND MARKET REVIEW

SUMMER 1988

ECONOMIC AND MARKET OVERVIEW

SUMMER 1988

The United States is in the sixty-seventh month of a long-lasting business cycle with no end to the current expansion in sight. Following the stock market setback on October 19, 1987, the economy slowed significantly raising recessionary concerns in the fourth quarter. During much of the first half of 1988 signs of economic overheating plus a pick-up in inflation became prevalent. Now that mid-year is upon us, a transition is underway indicating another inflection point in economic momentum.

The cooperation and coordination of monetary policy among the world's Central Banks and the shifting structure of the U.S. economy away from manufacturing and farming to services have made the economy more prone towards longer economic expansions and shorter recessions. To maintain the current momentum, the economy will have to overcome the constraints to further growth. These include the physical constraints of labor and capacity and the financial constraints of expensive credit or credit unavailability.

The Administration projects that the economy will grow 3% in 1988. This would represent the fourth consecutive year of approximately 3% economic growth. Signs of traditional late cycle strain have begun to appear. These include high capacity utilization, low unemployment, rising commodity prices and credit tightening. The government's inflation-fighter role has already resulted in reduced government spending, higher interest rates and tighter monetary policy, all of which will have a long-term impact of slowing economic momentum. The consensus expectation is that the economy peaked in the first quarter of 1988, will weaken markedly into 1989 and grow 2.1% for that year.

Inflation concerns normally arise as the cycle ages. This has resulted in the Federal Reserve raising the Federal Funds rate one hundred and twenty-five basis points to 7 5/8% in a series of interest rate increases during the second quarter. (The Federal Funds rate is the interest rate that banks charge one another for overnight loans of excess reserves.) While there is no evidence of a general upsurge in inflation, there certainly are upward pressures in agriculture, industrial raw materials, imports and wages. Cushioning factors include lower oil prices and a stronger dollar. The major immediate problems are the farm sector, representing approximately 2% of the economy, and the food sector, representing 16% of the Consumer Price Index. At this stage of an extended business cycle, growth in excess of 3% on a quarterly basis and the time required to add new industrial capacity represent inflationary concerns. Despite these concerns, a broad-based price index known as the GNP Deflator rose at an annual rate of 1.4% during the first quarter in contrast to the 2.7% increase in the fourth quarter of 1987. Gold is still considered to be a primary signal of inflation. Both gold and oil prices have not been giving their traditional inflation warning. It is interesting to note that at the Toronto economic summit it was agreed to establish two lists of commodities — both including gold and one excluding oil — to adjust world economic policies to avert recessions and inflation.

7/18/88

Indicators suggesting that the economy is not overheating include consumer purchasing power, retail sales, consumer confidence and housing construction, all of which have slowed significantly. The policy currently being pursued in Washington is not one of accelerating monetary growth that would fuel credit growth and economic expansion, ultimately raising inflationary expectations. Indications are towards deceleration in monetary and credit growth, resulting in a slowdown in final demand. The economic outlook is the central issue influencing the financial markets.

Evidence in mid-June of the ongoing improvement in the U.S. trade deficit became a most favorable development. That report indicated the smallest monthly deficit in more than three years. Interest rate pressures resulting from the twin deficits — trade and budget — have been of primary concern to investors. A growing trade deficit weakened the dollar resulting in inflationary pressures on imported goods. In addition, foreigners owning dollar assets required a higher return to compensate for the currency risk. A narrowing trade deficit improves the outlook for the dollar and increases the attractiveness of dollar denominated financial assets as it did in the early 1980's when the dollar was strong and real interest rates were at high levels. The important point is that the dollar has had a structural reversal of its past three-year negative trend. The final communique of the G-7 economic summit in Toronto in late June indicated a willingness to allow the dollar to move higher if the rise did not threaten to destabilize world financial markets. The more favorable attitude towards the dollar has had a positive impact on the stock and bond market. Not that all is clear sailing — factors that could undermine the dollar's recent strength include rising overseas interest rates, Central Bank intervention, the political risk of the presidential election and future monthly trade numbers. Also, the current account deficit, which includes the interest paid to foreigners for debt service, is growing. Eventually another round of dollar devaluation is the consensus expectation in the event that the U.S. economy begins to grow significantly slower than that of its major trading partners. In the meantime the value of the dollar, which had declined 48% from the February 25, 1985 peak of 263.65 against the yen, has been improving.

7/18/88

STOCK MARKET

Comments and Strategy

During the second quarter of 1988, the Standard and Poor's Index of five hundred stocks (the stock market benchmark) provided a total return of 6.60%. The total return for the first six months was 12.69%. In contrast to the first half of 1987 when everything including investor confidence was setting records, 1988 has been very subdued with all classes of investors reducing equity exposure. In the first half of 1988 secondary stocks, including some small or lower quality companies, outperformed the large capitalization growth stocks by a wide margin. Our feeling and our style has been not to lower quality and our concentration in the larger quality "growth" companies even if we saw an intermediate period on underperformance.

Our growth style of investing is devoted to identifying companies with above-average earning growth prospects. In general, we try to own stocks of two basic categories: companies with consistent, above-average historical and prospective profitability and growth, and those expected to generate above-average near-term earnings momentum based upon economic, industry, or company factors. In some cases companies may not have exhibited above-average historic growth, but are expected to do so over the near future. We are frequently referred to as "growth" managers who are willing to pay a reasonable price for superior growth. Another characteristic of our style is the selection of high quality companies with an emphasis on consumer, services, and technology stocks and including a weighting in the export and capital investment areas when appropriate. Our holdings in forest products, chemicals, machinery, and energy stocks are representative of the category of earnings momentum stocks with anticipated rather than demonstrated growth.

In a typical market period you can clearly see groups of stocks cycle, but if you look at the market since October 19, 1987, there have been three upward price cycles lasting only four weeks each. During each of these cycles the companies which participated on the upside were different from the previous cycles; therefore, a number of our stock groups have participated on the upswings, only to give way to another group in the next cycle. In other words, we have not gotten all of the portfolio moving in one direction at the same time. Since this is a muddled (sideways-to-up) economy and confusing market, we feel that you have to be invested to get the benefit of a market upswing when it occurs. The reason is as follows: All the action on the upside (in the stock and bond markets) tends to take place in a very short period of time — that period being just 9% of the past quarter. If these short upswings are missed, you might as well forget about investing in the markets.

7/18/88

The conclusion is that the large-capitalization, earnings-driven companies underwent price consolidation for much of the first half. These stocks were the overachievers in performance in the recent past and are exhibiting signs of regaining that leadership in the second half of 1988 to close out the year more in line with the rest of the market. Owning quality, earnings-driven stocks that have value appears to be the most propitious way to invest in the current "catch-22" market. If the economy surges, higher interest rates will force stocks lower. If a recession occurs, declining earnings will cause stock prices to fall. Our near-term outlook is to invest towards an extended cycle theme which minimizes the risk until the next recession becomes visible.

Marvin H. McMurrey, Chairman
Equity Group

7/18/88

INVESTMENT DEVELOPMENTS

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

July 1988

Economic Prospects at Midyear

During the second quarter, the economy featured continued above-trend real growth, higher wages and commodity prices, tougher Federal Reserve policy, and an upturn in the dollar. At the root of many of these developments was a hefty decline in the merchandise trade deficit, from \$11.7 billion in March to \$9.9 billion as of April. Even allowing for less favorable trade outcomes in May and June, it is likely that net export gains spurred aggregate demand as much, if not more, during 1988:Q2 than they did one quarter earlier. This stimulus, assisted by further inventory building, should lead to a second quarter real G.N.P. increase rivaling the 3.6% annualized increment achieved during 1988:Q1--despite lackluster consumer spending and declining housing construction. Although finished goods inflation has remained under control, industrial commodity quotes and, especially, wages' (average hourly earnings recorded back-to-back increases of 0.7% in April and May) have reflected a strong economy. Concerned that accelerating pay gains, perhaps aggravated by drought-induced food price increases, could spark a long-term inflation uptrend, the Fed tightened policy again during June and pushed short-term interest rates higher. This, in tandem with a favorable response to the April trade number and unthreatening statements emanating from the Toronto G-7 meeting, touched off renewed foreign interest in dollar denominated financial assets, boosting bond and equity prices and igniting a rally in the greenback.

Notwithstanding the economy's excellent performance during the first half of 1988, we expect slower growth over the next twelve months. At best, consumer and government spending will continue to advance sluggishly, while construction outlays most likely will decline. Although net exports and investment in nonresidential capital equipment should contribute solidly to demand growth, they are not apt to expand as robustly as they apparently have during the first half of this year, which suggests that businesses will progressively cut back inventory accumulation. On balance, real G.N.P. growth should slow to a 2.5% to 3.0% annual rate during the second half of 1988 and ease further to about a 2.0% clip during the first two stanzas of 1989.

This forecast implies the corporate profits should post solid if not spectacular advances over the balance of 1988 but slow to a crawl in early-1989 as sluggish real G.N.P. growth curbs sales. It also implies that growth in production will continue to outpace that of capacity for the balance of this year. Even though some relief on this score is in sight by early next year, the economy still will have had much slack squeezed from it. Consequently, we expect accelerating wage increases, which in turn should impart gradual, upward momentum to inflation. An additional risk, although probably not of a near-term nature, is that foreign investors once again will realize that the dollar must depreciate substantially if the U.S. is to reduce its current account deficit. These factors point to a progressively less accommodative Federal Reserve and higher interest rates during the remainder of 1988 and early-1989.

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

REAL ESTATE OUTLOOK

of

NBS REALTY ADVISORS, INC.

June 30, 1988

As 1988 unfolds, there is a continuing adjustment to the unstable market conditions which have characterized the real estate investment sector for the past year and longer. Among these factors are overbuilt conditions in many markets, consequent lender caution, and in some cases political constraints limiting development, all of which have contributed to the evolution of a multi-tiered market for investment-grade property. To the foregoing should be added the element of uncertainty about the nation's economy as a whole, particularly in light of a presidential election year. There seems little agreement on predictions of interest levels and inflation, even over the short term; it seems likely, however, that during the next year these indicators will continue to move somewhat higher.

The real estate market in this transition period continues to emphasize a return to fundamentals; i.e., a pricing structure based on intrinsic value, or reproduction cost; on cash flow as a primary determinant of price; and on property and portfolio management as the primary means of enhancing the value of real estate assets, once acquired.

The reality of the present market for investment grade properties places a premium on location and on quality, thereby limiting buying opportunities; in this environment, great care must be given to the selection process, and a high priority assigned to the underwriting process in any given real estate investment opportunity.

Meanwhile, in those West Coast markets in which NBS Realty Advisors has a primary interest -- which generally are much stronger than for the nation as a whole -- vacancy factors in most sectors and for most property types continue to decline as existing vacant space is absorbed and levels of construction and development activity are reduced. As a result, rental rates in most areas are firming and can be expected to rise as absorption of the existing inventory of space continues.

In this strengthening market, owners of existing, well-located quality real estate should be able to look forward to seeing their returns, and therefore their values increase. Potential buyers, meanwhile, can expect prices for such property to remain firm and initial capitalization rates therefore to be modest for the near future. For the prudent investors, particularly those planning for a long-term hold of seven-to-ten years or more, well-selected real estate continues to offer opportunities for portfolio diversification and as a potential hedge both against inflation and against short-term fluctuations in the market place.

SAN JOSE
POLICE & FIRE DEPARTMENT RETIREMENT SYSTEM

INVESTMENT REPORT

of

SCUDDER, STEVENS & CLARK, INCORPORATED
INVESTMENT COUNSEL

June 30, 1988

Renewed inflationary expectations have pushed up interest rates over the recent past. These expectations have come from commodities: industrial in response to the limited productive capacity available in the economy; agricultural in response to the Mid-West drought worries. Concern has also risen that the declining unemployment rate would produce renewed wage cost inflation. So far the evidence of rising inflation is limited. The year-over-year increase in the consumer price index has remained at 3.9% since February, but so long as the economy continues to expand, it will be difficult to avoid rising cyclical price pressure of at least modest proportions.

Adding to the pressure on interest rates has been strengthening business activity and interest rate pressures abroad. Unlike the situation in mid-1987, however, rising global interest rate pressure has had only an intermittent destabilizing effect on the dollar and in turn the U.S. bond market. One reason for this is that central bank commitment to exchange rate stability has encouraged capital flows from the strong currency/low yield markets to the weak currency/high yield markets. In addition, there has been evidence of a turnaround in the U.S. trade position. The dollar stability remains fragile, however, and could evaporate with an increase in real growth or inflation here relative to our trading partners or with deterioration in the recent trade improvement. In the meantime, the global rise in rates has put a floor under U.S. rates.

The above-mentioned factors have encouraged a tighter monetary policy from the Federal Reserve. The federal funds rate has moved higher. While the monetary authorities have been quick to alter their stance, it has been the bond market not the Federal Reserve that has played the role of disciplinarian. For a time this spring, long rates increased more rapidly than short rates (0-2 years); more recently, however, the Federal Reserve has pushed up short rates by increasing the federal funds rate.

Acknowledging this focus on higher interest rates, it remains our view that there exists a ceiling, measured both in time and distance, over this cyclical increase in interest rates. The limiting factor is not supply, as it was in earlier decades, but cost. The global deregulation of capital markets has removed the supply constraint. But the significant increase in the volume of debt, in part encouraged by global deregulation, has resulted in a highly leveraged interest burden. So far, the significant increase in debt has occurred against a background of generally declining interest rates. However, any increase in interest rates will rapidly push up interest costs, squeezing out other uses of income. The full intensity of rising rates will be felt when income is interrupted. In the meantime, the squeeze will occur through the interest-rate sensitive areas of consumer spending - autos and housing.

The impact of rising rates is being reinforced by the new connection that exists between the capital markets and the economy resulting from deregulation. Traditionally we have viewed the economy as the determinant of stock and bond market trends. Today, causality runs both ways. The bond, stock and foreign exchange markets are themselves linked together, and changes in prices influence economic activity through their impact on confidence, balance sheets, and wealth. Volatility has thus been transferred from the areas of real activity and prices to the capital markets. This capital market volatility has in part replaced economic policy in its function of disciplinarian. This has been evident this spring as the bond market led the Federal Reserve in pushing up rates.

It was also evident last fall as the declining dollar transmitted the urgent message from our foreign lenders that the budget deficit had to be addressed.

A third factor which will limit the cyclical rise in rates will be the trend of fiscal policy. This year fiscal policy has been on hold. Next year attention will refocus on the budget deficit. It is likely the disciplining effect of the credit and currency markets will force gradual fiscal correction which will tend to reinforce the moderation of activity and reduction of inflation expectations. In view of the lack of fiscal agenda of either of the Presidential candidates and the groundswell for new spending initiatives, a move towards budget restraint may occur only after a spasm in the currency or credit markets. This tension may be mitigated by the growing perception that the emerging Social Security surpluses will steer the budget towards fiscal neutrality by the early 1990's and remove an important source of new supply.

A fourth factor arguing for a ceiling on the cyclical rise in interest rates is the globalization of the capital markets. Foreign capital flows have become a major force in our capital markets. As U.S. rates rise under conditions of dollar stability or strength, positive foreign flows occur, exerting a powerful equilibrating effect on the interest rate rise, and tending to flatten the yield curve as foreign private purchases take place at the long end. This has been the situation most recently. The critical variable is the dollar, which becomes a barometer of expectations of U.S. inflation and activity relative to our trading and capital partners. As long as our partners maintain a more stringent tradeoff between growth and inflation than the U.S. and as long as our debt to foreigners is increasing, the flow of foreign capital is likely to take place at prices (in terms of the dollar and the level of interest rates) which will exert a restraining, not expansive bias to the economy.

While these fundamental trends of a move toward lower budget and trade deficits, higher savings, and a slower debt expansion are certainly positive for the credit markets over time, we feel that current cyclical pressures will dominate in the near term and pressure for higher interest rates will continue. Given this environment, we have reduced the average maturity of the Police & Fire portfolio and it now stands at 8.6 years. The current yield is 8.60%. The portfolio holdings are of very good quality and the composition is nicely diversified with 18% U.S. Treasuries, 25% mortgage related, 38% corporates and 19% cash equivalents.

INVESTMENT REPORT
OF
SMOOT, MILLER, CHENEY & CO.

JUNE 30, 1988

For more than a year now, one of the real risks in the securities markets for American investors has been the unpredictability of foreign capital flows into and out of our markets. American professional investors became accustomed in the decades following World War II to managing their portfolios in an environment in which their own peer group set the pricing. Such has not been the case over the past few years as the large trade deficits placed huge sums of dollars in the hands of foreign investors. As these dollars accumulated, the holders were forced to either spend, exchange or invest them and because the American securities market provided the greatest liquidity, along with political stability, the surplus dollars flowed into American financial assets, i.e., stocks and bonds. To a large extent, the sharp rise in stock prices over the past five years has been a direct result of foreign investment of these surplus dollars. For example, while the market was rising strongly in the first eight months of 1987, foreigners acquired a net \$31.8 billion of our stocks, whereas during the last three months and after the market crash in October, they liquidated a net \$8 billion in stocks. A market driven somewhat by foreign investors for whom currency risk is the central concern, which it is now that the dollar has declined in value so drastically, is a new, unsettling situation for our securities markets.

The unpredictability on the part of the foreign cash flows, along with the wide swings in stock price volatility has caused many investors to become discouraged with the stock market and to exercise restraint through the establishment of larger than normal cash positions. The currently low daily trading volume on the New York Stock Exchange validates the above attitude and also indicates that the foreign inflow of funds into financial assets has subsided for the present. One therefore can logically ask, "What will cause buyers to come back into the market?"

With the financial journals now devoting more space to the inflation story, the perception of investors is turning more towards the concept that the Federal Reserve Board will tighten interest rates if inflation appears to be getting out of hand. Recently Mr. Greenspan, the FRB chairman, has stated his concerns over inflation and indicates the control thereof is one of the prime objectives of the Administration's monetary policy. Therefore, one answer to "when will the buyers come back" is to control inflation. When the current monetary tightening runs its course and interest rates top out, inflation will slow down and investors will once again gain confidence. Another answer would be to stabilize the dollar, which could be accomplished

by expanding exports, tightening interest rates or a combination of both. Judging from the recent strength in the dollar, stabilization now appears to be underway.

Once our government can demonstrate credence in our ability to stabilize the dollar, improve our trade deficit, and bring our deficit spending under control, we believe the foreigner will once again be willing to acquire American financial assets. At the present time, he is in a no-win situation if he buys our securities. As interest rates rise, the value of his bond holdings decline and when the dollar falls, he takes a hit on the exchange value of all his holdings. Therefore, any improvement (decline) in the trade deficit numbers or a decline in the inflation or interest rate would encourage the large cash reserves in the hands of foreigners as well as domestic financial institutions to come back into the market, in our opinion.

Recently rising interest and inflation rates have tended to hold the market hostage in a narrow trading range. Concern also is being expressed by domestic investors as evidenced by the low volume with recent days of 135 million shares traded versus around 200 million shares plus prior to the October corrections. However, the underlying fundamentals seem to be very encouraging. Our corporate contacts are telling us that orders are very strong and business remains very good. This should lay the groundwork for continuing favorable corporate earnings which will help to support stock prices. The economy continues to grow, albeit at a slower rate than earlier in the year, and employment, auto sales and retail sales have been surprisingly on the upside. The Federal Reserve Board has also shown a willingness to allow a sustained growth in the economy and, therefore, will provide sufficient liquidity to avoid a recession in 1988. These factors should allow stock prices to improve as skepticism dissipates and confidence in the longer term economic outlook improves.

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Financial Statements and
Supplementary Information

June 30, 1988 and 1987

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

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

We have audited the accompanying balance sheets of the City of San Jose Police and Fire Department Retirement Plan (the Plan) as of June 30, 1988 and 1987, and the related statements of revenues, expenses and changes in fund balance and changes in financial position for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan at June 30, 1988 and 1987, and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for Schedules 4 and 5, which are marked "Unaudited," and upon which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Pent Marwick Main & Co.

October 14, 1988

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

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CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Balance Sheets

June 30, 1988 and 1987

(In thousands)

<u>Assets</u>	<u>1988</u>	<u>1987</u>
Cash	\$ 65	245
Receivable from City of San Jose:		
Employee contributions	331	293
Employer contributions	999	855
Receivable from brokers	1,089	3,144
Accrued interest receivable	4,034	4,069
Investments, at cost (note 4)	399,716	347,176
Other assets	<u>60</u>	<u>40</u>
	\$ <u>406,294</u>	<u>355,822</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Mortgage notes payable	\$ 2,845	2,862
Bank overdraft	-	302
Payable to brokers	1,953	1,379
Payable to terminated employees	-	183
Other liabilities	<u>65</u>	<u>22</u>
Total liabilities	<u>4,863</u>	<u>4,748</u>
Fund balance:		
Employee contributions	53,839	47,787
Employer contributions and undistributed earnings	<u>347,592</u>	<u>303,287</u>
Total fund balance	<u>401,431</u>	<u>351,074</u>
	\$ <u>406,294</u>	<u>355,822</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, 1988 and 1987

(In thousands)

	<u>1988</u>	<u>1987</u>
Operating revenues:		
Contributions (note 5)	\$ 25,908	25,257
Interest	23,192	23,167
Dividends	3,870	3,241
Net gain on sale of investments	8,531	15,777
Rental income, net	<u>342</u>	<u>117</u>
Total operating revenues	<u>61,843</u>	<u>67,559</u>
Operating expenses:		
Retirement benefits	9,230	8,202
Health insurance premiums	1,154	954
Professional fees and other	970	644
Refunds to terminated employees	132	204
Death benefits	<u>-</u>	<u>2</u>
Total operating expenses	<u>11,486</u>	<u>10,006</u>
Net operating income	50,357	57,553
Fund balance at beginning of year	<u>351,074</u>	<u>293,521</u>
Fund balance at end of year	\$ <u>401,431</u>	<u>351,074</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, 1988 and 1987

(In thousands)

	<u>1988</u>	<u>1987</u>
Sources of working capital:		
From operations:		
Net operating income	\$ 50,357	57,553
Item not requiring working capital -		
Depreciation	<u>251</u>	<u>52</u>
Working capital provided by operations	50,608	57,605
Net increase in mortgage notes payable	<u>-</u>	<u>2,026</u>
Total sources of working capital	50,608	59,631
Uses of working capital:		
Acquisition of real estate	6,270	4,889
Decrease in mortgage notes payable	<u>17</u>	<u>-</u>
Total uses of working capital	<u>6,287</u>	<u>4,889</u>
Net increase in working capital	\$ <u>44,321</u>	<u>54,742</u>
Elements of net increase (decrease) in working capital:		
Cash	\$ (180)	245
Receivable from City of San Jose	182	134
Receivable from brokers	(2,055)	1,449
Accrued interest receivable	(35)	391
Investments, at cost	46,521	50,154
Other assets	20	28
Bank overdraft	302	2,783
Payable to terminated employees	183	(143)
Payable to brokers	(574)	(287)
Other liabilities	<u>(43)</u>	<u>(12)</u>
Net increase in working capital	\$ <u>44,321</u>	<u>54,742</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

June 30, 1988 and 1987

(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 single employer 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 considered a part of the City's financial reporting entity and is included in the City's general purpose financial statements as a pension trust fund. The Plan is administered by the Retirement and Benefits Administrator, an employee of the City, under the direction of a Board of Administration. The contribution and benefit provisions and all other requirements are established by state statute and City ordinance. In 1988, all direct administrative costs were borne by the Plan. In 1987, certain administrative costs were paid by the City.

All sworn officers of the City's Police and Fire Departments are required to be members of the Plan. There were 1,631 and 1,677 participants in the Plan at June 30, 1988 and 1987, respectively.

As of June 30, 1988 and 1987, employee membership data related to the Plan was as follows:

	<u>1988</u>	<u>1987</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>506</u>	<u>484</u>
Current employees:		
Vested	985	938
Non-vested	<u>646</u>	<u>739</u>
Total	<u>1,631</u>	<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

(b) Pension Benefits

An employee with 10 or more years of service who reaches the normal retirement age of 55 with 20 years of service, or an employee of any age with 30 years of service, is entitled to annual pension benefits equal to 2-1/2% of their final average annual salary (final salary) for each year of service up to a maximum benefit of 75% of their final salary. Final salary is the average monthly salary during the highest 12 consecutive months of service, limited to 108% of salary 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 the accumulated plan benefits attributable to the City's contributions is forfeited; however, an employee's accumulated contribution plus earnings thereon is refunded. Refunds are paid out on a lump sum basis. The forfeited amount of the City's contributions remains in the plan and is available for future benefit payments.

(c) Medical Benefits

Retired employees with 15 years or more of service, their survivors, 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 who 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 death is service related.

If an employee's death is non-service related and the employee has at least two years of service, the Plan allows for an annual annuity of 24% of the employee's final compensation for the first two years of service, plus 75% for each year thereafter, to be paid to his/her surviving spouse until remarriage (maximum of 37.5% of final compensation). These benefits are also paid to the

(Continued)

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

surviving spouse of a retiree on a non-service related disability. Additionally, annual benefits for dependent children are as follows:

- one child - 25% of final compensation;
- two children - 37.5% of final compensation; and,
- three or more children - 50% of final compensation.

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

(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 financial statements of the Plan are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed. Transactions are required to be accounted for in two funds, a Retirement Fund and a Cost of Living Fund.

(Continued)

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

(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. Investment securities are recorded at the lower of cost or market of the entire investment portfolio. 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 the investment portfolio, 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 fiscal 1987 operations. This change was not considered material to the 1987 financial statements, thus beginning fund balance was 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 Plan at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by 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, 1988.

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

The Short-Term Investment Fund (the Fund) is an overnight investment of all excess cash in the Plan's funds. It is invested by the Plan's 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 a Federal agency as to repayment of principal and the payment of interest;
- Repurchase agreements with major banks and U.S. Government securities dealers that are collateralized by obligations of the U.S. Government or a Federal Agency, or obligations fully guaranteed by the U.S. Government or a Federal Agency; and,
- Fully insured bank deposits.

The approximate carrying values, at amortized cost, at June 30, 1988 and 1987 and market value of the Plan's investments at June 30, 1988 and 1987 were as follows:

		(In thousands)				
	Category <u>1</u>	Category <u>3</u>	Carrying value at <u>June 30, 1988</u>	Market value at <u>June 30, 1988</u>	Carrying value at <u>June 30, 1987</u>	Market value at <u>June 30, 1987</u>
Negotiable certificates of deposit	\$ 2,599	-	2,599	2,700	2,599	2,600
U.S. Treasury bonds and notes	38,081	-	38,081	37,775	42,664	44,393
U.S. Government sponsored agencies	59,445	-	59,445	58,033	66,180	65,408
Commercial paper	16,296	-	16,296	16,296	40,060	39,149
Corporate bonds	120,507	-	120,507	113,673	58,618	54,214
Equity securities	116,984	-	116,984	129,614	92,679	124,595
International agencies	1,000	-	1,000	1,188	1,000	1,237
Canadian government (denominated in U.S. dollars)	5,131	-	5,131	5,716	3,784	4,445
Short-term investment fund	<u>-</u>	<u>21,070</u>	<u>21,070</u>	<u>21,070</u>	<u>27,005</u>	<u>27,005</u>
	<u>\$ 360,043</u>	<u>21,070</u>	381,113	386,065	334,589	363,046
Real estate, net			13,603	14,041	7,587	7,788
Local agency investment fund			<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
			<u>\$ 399,716</u>	<u>405,106</u>	<u>347,176</u>	<u>375,834</u>

(Continued)

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

(5) Actuarially Determined Requirements and Contribution Made

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. The normal cost is determined on the entry age normal actuarial cost method for basic and cost-of-living benefits. In addition, contributions are made to amortize the unfunded past service liability over a closed 40-year period, and for retiree medical benefits and retiree dental benefits.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation.

The contribution to the Plan for 1988 of \$25,908,000 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 1987. The contribution consisted of (a) \$23,599,000 normal cost (33.6% of current covered payroll) and (b) \$2,309,000 amortization of the unfunded actuarial accrued liability (3.3% of current covered payroll). The City contributed \$19,299,000 (27.5% of current covered payroll); employees contributed \$6,609,000 (9.4% of current covered payroll).

(6) Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 1987 (the most recent valuation date). Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases of 5% a year compounded annually, attributable to inflation and (c) projected postretirement benefit increases of 3% a year compounded annually.

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Notes to Financial Statements

Total assets in excess of pension benefit obligation applicable to the City's employees was \$14,668,000 at July 1, 1987, as follows (in thousands):

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 118,334
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Current employees:

Accumulated employee contributions including allocated investment earnings	53,839
Employer - financed vested	159,891
Employer - financed nonvested	<u>54,699</u>

Total pension benefit obligation	386,763
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Net assets available for benefits, at cost (market value is \$405,106)	<u>401,431</u>
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Assets in excess of pension benefit obligation	\$ <u>14,668</u>
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Since the last actuarial valuation (July 1, 1985), the cost method has been changed, assumptions revised and benefits improved. The change in assumptions reduced pension benefit obligations to \$370,045,000, as of July 1, 1987. The related benefit changes raised pension benefit obligation to \$386,763,000.

The actuarial assumptions used for the July 1, 1987 valuation have been approved by the Board of Administration pending approval of the new benefits by the City Council. No material adjustment to the pension benefit obligation is expected to arise should the City Council fail to pass or suggest revisions to the new benefits.

SUPPLEMENTARY INFORMATION

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Combining Schedule of Assets, Liabilities
and Fund Balance

June 30, 1988

(In thousands)

	Retirement Fund	Cost of Living Fund	Total
<u>Assets</u>			
Cash	\$ 56	9	65
Receivable from City of San Jose:			
Employee contributions	246	85	331
Employer contributions	666	333	999
Receivable from brokers	906	183	1,089
Accrued interest receivable	3,126	908	4,034
Investments, at cost	313,104	86,612	399,716
Other assets	<u>48</u>	<u>12</u>	<u>60</u>
	\$ <u>318,152</u>	<u>88,142</u>	<u>406,294</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Mortgage notes payable	\$ 2,276	569	2,845
Bank overdraft	-	-	-
Payable to brokers	1,258	695	1,953
Payable to terminated employees	-	-	-
Other liabilities	<u>51</u>	<u>14</u>	<u>65</u>
Total liabilities	<u>3,585</u>	<u>1,278</u>	<u>4,863</u>
Fund balance:			
Employee contributions	40,107	13,732	53,839
Employer contributions and un- distributed earnings	<u>274,460</u>	<u>73,132</u>	<u>347,592</u>
Total fund balance	<u>314,567</u>	<u>86,864</u>	<u>401,431</u>
	\$ <u>318,152</u>	<u>88,142</u>	<u>406,294</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, 1988

(In thousands)

	Retirement fund	Cost of living fund	Total
Operating revenues:			
Contributions	\$ 17,928	7,980	25,908
Interest	18,135	5,057	23,192
Dividends	2,959	911	3,870
Rental income, net	274	68	342
Net gain on sale of investments	<u>7,255</u>	<u>1,276</u>	<u>8,531</u>
Total operating revenues	<u>46,551</u>	<u>15,292</u>	<u>61,843</u>
Operating expenses:			
Retirement benefits	7,728	1,502	9,230
Health insurance premiums	1,154	-	1,154
Professional fees and other	920	50	970
Refunds to terminated employees	97	35	132
Death benefits	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>9,899</u>	<u>1,587</u>	<u>11,486</u>
Net operating income	36,652	13,705	50,357
Fund balance at beginning of year	<u>277,915</u>	<u>73,159</u>	<u>351,074</u>
Fund balance at end of year	\$ <u>314,567</u>	<u>86,864</u>	<u>401,431</u>

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN
Combining Schedule of Changes in Fund Balance

Year ended June 30, 1988

(In thousands)

	<u>Retirement Fund</u>		<u>Cost of Living Fund</u>		<u>Total</u>	
	Employee contri- butions	Employer contributions and undistributed earnings	Employee contri- butions	Employer contributions and undistributed earnings	Employee contri- butions	Employer contributions and undistributed earnings
Balance at beginning of year	\$ 35,716	242,199	12,071	61,088	47,787	303,287
Employee contributions, net of refunds	4,873	-	1,604	-	6,477	-
Employer contributions, net of refunds	-	12,959	-	6,340	-	19,299
Investment income, including gain on sale of investments	-	28,622	-	7,313	-	35,935
Allocation of investment income	727	(727)	249	(249)	976	(976)
Retirement benefits	-	(7,728)	-	(1,502)	-	(9,230)
Health insurance premiums	-	(1,154)	-	-	-	(1,154)
Transfers upon retirement of employees	(1,209)	1,209	(192)	192	(1,401)	1,401
Professional fees and other	-	(920)	-	(50)	-	(970)
Balance at end of year	\$ <u>40,107</u>	<u>274,460</u>	<u>13,732</u>	<u>73,132</u>	<u>53,839</u>	<u>347,592</u>

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Ten-Year Comparative Summary of
Revenues by Source and Expenses by Type (Unaudited)

Ten years ended June 30, 1988

(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>	
1988	\$ 6,609	19,299	35,935	61,843
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

	<u>Expenses by type</u>			<u>Total</u>
	<u>Refunds</u>	<u>Benefits</u>	<u>Professional fees and other</u>	
1988	\$ 132	10,384	970	11,486
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

Contributions were made in accordance with actuarially determined contribution requirements.

CITY OF SAN JOSE
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Ten-Year Comparative Summary of Funding Progress (Unaudited)

Ten years ended June 30, 1988

(In thousands)

<u>Fiscal year</u>	<u>Net assets available for benefits</u>	<u>Pension benefit obligation</u>	<u>Percentage funded</u>	<u>(Unfunded) / funded pension benefit obligation</u>	<u>Annual covered payroll</u>	<u>(Unfunded) / funded pension benefit obligation as a percent of covered payroll</u>
1988 (3)	\$ 401,431	386,763	103.8%	\$ 14,668	70,196	20.90%
1987	351,074	268,380	130.8	82,694	76,842	107.62
1986	293,521	268,380	109.4	25,141	76,842	32.72
1985	249,723	211,619	118.0	38,104	53,701	70.96
1984	211,442	211,619	99.9	(177)	53,701	(.003)
1983	172,484	218,000	79.1	(45,516)	(1)	(2)
1982	136,684	218,000	62.7	(81,316)	(1)	(2)
1981	109,033	291,000	37.5	(181,967)	29,335	(620.31)
1980	88,281	291,000	30.3	(202,719)	29,335	(691.05)
1979	75,002	291,000	25.8	(215,998)	29,335	(736.31)

(1) Information was not available.

(2) Not enough information to perform calculation.

(3) During fiscal year 1988, the City incorporated pension benefit obligation information into its ten-year historical trend information. This value must be disclosed in accordance with Governmental Accounting Standards Board Statement No. 5 (GASB 5). The information in the preceding years was determined by the present value funding method. The methods differ in that the pension benefit obligation includes projected salary increases.