

**CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS**

Independent Auditor's Report,
Management's Discussion and Analysis, and
Basic Financial Statements

For the Fiscal Years Ended
June 30, 2013 and 2012

**CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS**

For the Fiscal Years Ended June 30, 2013 and 2012

Table of Contents

	<i>Page</i>
Independent Auditor's Report	1
Required Supplementary Information (Unaudited):	
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statements of Net Position Due to Participants	7
Statements of Changes in Net Position Due to Participants	8
Notes to Financial Statements	9

Independent Auditor's Report

Deferred Compensation Advisory Committee
City of San José, California

We have audited the accompanying financial statements of the 457 and the PTC Deferred Compensation Plans (Plans) of the City of San José, California (City) as of and for the fiscal years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Plans' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plans as of June 30, 2013 and 2012, and the changes in their financial position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 3 to the financial statements, effective July 1, 2011, the Plans adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Macias Gini & Cunnell LLP

Walnut Creek, California
September 20, 2013

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2013 and 2012
(Unaudited)

The following discussion and analysis of the City of San José's 457 and PTC Deferred Compensation Plans (Plans) financial performance provides an overview of its basic financial activities for the fiscal years ended June 30, 2013 and 2012. Please read it in conjunction with the Plans financial statements, which begin on page 7. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rest solely with the City of San José (City) Deferred Compensation Advisory Committee. To the best of our actual knowledge and belief, the financial statements, as presented, are accurate in all material respects.

Financial Highlights – 2013

457 Plan

- At the close of the fiscal year, June 30, 2013, the net position due to 457 Plan participants was \$703.4 million. This represents an increase of \$57.7 million from the prior year ending balance.
- Favorable investment earnings and fair value adjustments of \$71.3 million contributed to the increase of the asset balance at year-end.

PTC Plan

- At the close of the fiscal year, June 30, 2013, the net position due to PTC Plan participants was \$14.1 million. This represents an increase of \$0.9 million from the prior year ending balance.
- Increased employer/employee contributions contributed to the change.

Financial Highlights – 2012

457 Plan

- At the close of the fiscal year, June 30, 2012, the net position due to 457 Plan participants was \$645.7 million. This represents a decrease of \$9.4 million from the prior year ending balance.
- Increased payments to participants due to participants' withdrawals in the 457 Plan contributed to the decline.

PTC Plan

- At the close of the fiscal year, June 30, 2012, the net position due to PTC Plan participants was \$13.2 million. This represents a decrease of \$0.1 million from the prior year ending balance.
- Increased payments to participants due to participants' withdrawals in the PTC Plan contributed to the decline.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Management's Discussion and Analysis
For the Years Ended June 30, 2013 and 2012
(Unaudited)

Financial Statements

The financial reports for the Plans include management's discussion and analysis (MD&A), a statement of net position due to participants, a statement of changes in net position due to participants, and notes to financial statements. These financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting.

The following table indicates the net position due to participants as of June 30, 2013, 2012 and 2011 (dollars in thousands):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<i>457 Plan</i>			
Investments at fair value:			
Mutual funds	\$ 688,202	\$ 631,525	\$ 640,222
Annuities	2,281	2,469	2,798
Loans receivable from participants	12,956	11,730	12,127
Total assets	<u>703,439</u>	<u>645,724</u>	<u>655,147</u>
Net position due to participants	<u>\$ 703,439</u>	<u>\$ 645,724</u>	<u>\$ 655,147</u>
<i>PTC Plan</i>			
Investments at fair value:			
Mutual funds	\$ 14,132	\$ 13,221	\$ 13,298
Net position due to participants	<u>\$ 14,132</u>	<u>\$ 13,221</u>	<u>\$ 13,298</u>

The following table indicates the changes in net position for the fiscal years ended June 30, 2013, 2012, and 2011 (dollars in thousands):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<i>457 Plan</i>			
Additions	\$ 97,069	\$ 33,031	\$ 128,174
Deductions	<u>(39,354)</u>	<u>(42,454)</u>	<u>(33,638)</u>
Net increase (decrease)	57,715	(9,423)	94,536
Net position, beginning of year	<u>645,724</u>	<u>655,147</u>	<u>560,611</u>
Net position, end of year	<u>\$ 703,439</u>	<u>\$ 645,724</u>	<u>\$ 655,147</u>
<i>PTC Plan</i>			
Additions	\$ 1,857	\$ 1,604	\$ 1,920
Deductions	<u>(946)</u>	<u>(1,681)</u>	<u>(1,252)</u>
Net increase (decrease)	911	(77)	668
Net position, beginning of year	<u>13,221</u>	<u>13,298</u>	<u>12,630</u>
Net position, end of year	<u>\$ 14,132</u>	<u>\$ 13,221</u>	<u>\$ 13,298</u>

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Management's Discussion and Analysis
For the Years Ended June 30, 2013 and 2012
(Unaudited)

2013 Analysis

457 Plan

The net position due to participants increased by \$57.7 million, or 8.9 percent, in fiscal year 2012-2013. This change in net assets is due to favorable rates of return on mutual fund investments and decreased payments to participants due to participants' withdrawals in the 457 Plan.

The total net additions to net position of \$97.1 million in fiscal year 2012-2013 increased by \$64.1 million from the \$33.0 million in fiscal year 2011-2012. The increase is due to the rise in net investment income and adjustments to fair value of \$71.3 million, as a result of more favorable market returns. Total deductions from net position of \$39.4 million in fiscal year 2012-2013 decreased by \$3.1 million from \$42.5 million in fiscal year 2011-2012. The change is mainly due to the decrease in the number of participants that terminated their employment during the fiscal year resulting in a decrease in distributions from the Plan to participants.

PTC Plan

The net position due to participants increased by \$0.9 million, or 6.9 percent, in fiscal year 2012-2013.

The additions to net position of \$1.9 million in fiscal year 2012-13 increased by \$0.3 million from additions of \$1.6 million in fiscal year 2011-12. The increase is due to a rise in contributions received due to an increase in the number of participants. Deductions from net position decreased by \$0.7 million from \$1.7 million in fiscal year 2011-2012 to \$0.9 million in fiscal year 2012-2013. This change in distributions is mainly due to the decrease in the number of participants in the PTC Plan that terminated their employment during the fiscal year.

2012 Analysis

457 Plan

The net position due to participants decreased by \$9.4 million, or 1.4 percent, in fiscal year 2011-2012. This change in net position is due to less favorable rates of return on mutual fund investments and increased payments to participants due to participants' withdrawals in the 457 Plan.

The total net additions to net position of \$33.0 million in fiscal year 2011-2012 decreased by \$95.2 million from the \$128.2 million in fiscal year 2010-2011. The decrease is due to the decline in net investment income and adjustments to fair value of \$89.8 million, as a result of less favorable market returns. Total deductions from net position of \$42.5 million in fiscal year 2011-2012 increased by \$8.8 million from \$33.6 million in fiscal year 2010-2011. The change is mainly due to the increase in the number of participants that terminated their employment during the fiscal year resulting in an increase in distributions from the Plan to participants.

PTC Plan

The net position due to participants decreased by \$0.1 million, or 0.6 percent, in fiscal year 2011-2012.

The additions to net position of \$1.6 million in fiscal year 2011-2012 decreased by \$0.3 million from additions of \$1.9 million in fiscal year 2010-11. The decrease is due to a decline in contributions received due to a decrease in the number of participants. Deductions from net position increased by \$0.4 million from \$1.3 million in fiscal year 2010-2011 to \$1.7 million in fiscal year 2011-2012. This change in distributions is also the result of a decrease in the number of participants in the PTC Plan.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deferred Compensation Advisory Committee, 200 East Santa Clara Street, Wing, 2nd Floor, San José, CA 95113-1905.

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CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Statements of Net Position Due to Participants
June 30, 2013 and 2012
(Dollars in Thousands)

<i>457 Plan</i>	2013	2012
Assets		
Investments at fair value:		
Mutual funds	\$ 688,202	\$ 631,525
Annuities	2,281	2,469
Total investments at fair value	690,483	633,994
Loans receivable from participants	12,956	11,730
Total assets	703,439	645,724
Net position due to participants	\$ 703,439	\$ 645,724

<i>PTC Plan</i>	2013	2012
Assets		
Investments at fair value:		
Mutual funds	\$ 14,132	\$ 13,221
Net position due to participants	\$ 14,132	\$ 13,221

See accompanying notes to financial statements.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Statements of Changes in Net Position Due to Participants
For the Fiscal Years Ended June 30, 2013 and 2012
(Dollars in Thousands)

<i>457 Plan</i>	<u>2013</u>	<u>2012</u>
Additions		
Contributions	\$ 25,774	\$ 30,986
Net investment income and adjustments to fair value	71,295	2,045
Total additions	<u>97,069</u>	<u>33,031</u>
Deductions		
Payments to participants	(39,277)	(42,401)
Administration fees	(77)	(53)
Total deductions	<u>(39,354)</u>	<u>(42,454)</u>
Net increase (decrease)	57,715	(9,423)
Net position due to participants		
Beginning of year	<u>645,724</u>	<u>655,147</u>
End of year	<u>\$ 703,439</u>	<u>\$ 645,724</u>
 <i>PTC Plan</i>	 <u>2013</u>	 <u>2012</u>
Additions		
Contributions:		
Employer	\$ 788	\$ 667
Employee	788	667
Total contributions	<u>1,576</u>	<u>1,334</u>
Net investment income and adjustments to fair value	<u>281</u>	<u>270</u>
Total additions	<u>1,857</u>	<u>1,604</u>
Deductions		
Payments to participants	<u>(946)</u>	<u>(1,681)</u>
Total deductions	<u>(946)</u>	<u>(1,681)</u>
Net increase (decrease)	911	(77)
Net position due to participants		
Beginning of year	<u>13,221</u>	<u>13,298</u>
End of year	<u>\$ 14,132</u>	<u>\$ 13,221</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

NOTE 1 – PLANS DESCRIPTION

The following description of the City of San José's (City's) Deferred Compensation Plans (Plans) provides only general information. Participants should refer to the Plans' agreements and the Municipal Code for a more complete description of the Plans' provisions.

The City maintains two eligible deferred compensation plans (collectively, Plans) in accordance with Section 457 of the Internal Revenue Code (IRC 457). The Plans permit employees to defer a portion of their compensation until future years. Distributions may be made only at death, retirement, termination, disability or certain unforeseen emergencies.

The following is a brief description of the City's two deferred compensation plans:

- The City of San José, California, Deferred Compensation Plan (457 Plan) is described in Chapter 3.48 of the San José Municipal Code. The 457 Plan is available to all City employees on a voluntary basis. An employee who elects to participate must sign a participation agreement that specifies the amount of the deferral and the investment options selected by the participant. The 457 Plan currently utilizes ING Life Insurance and Annuity Company (ILIAC) as its investment administrator. Effective January 1, 2013, 457 Plan participants can choose to make contributions on a pre-tax basis to the traditional 457 Plan, on an after-tax basis to the Roth 457 Plan, or a combination of the two contributions basis.

- The City of San José, California, PTC Deferred Compensation Plan (PTC Plan) is described in Chapter 3.50 of the San José Municipal Code. The PTC Plan is a mandatory plan in lieu of Social Security for those employees who are not eligible for membership in either the Federated City Employees' Retirement System or the Police and Fire Department Retirement Plan. The participants defer 3.75% of salary and the City makes a matching contribution (with the total capped by the maximum allowed under IRC 457). The PTC Plan currently utilizes ILIAC as its investment administrator. PTC Plan participants can only make contributions on a pre-tax basis.

The assets of the Plans are held in trust and administered by the Deferred Compensation Advisory Committee (DCAC). The DCAC is comprised of seven members – one member representing management employees, one member representing police department employees, one member representing fire department employees, two members representing the other five employee organizations and two members appointed by the City Manager.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

NOTE 1 – PLANS DESCRIPTION (Continued)

Contributions – During each payroll period in which an employee is a participant in the Plans, the City will defer payment of the employee’s compensation (as specified by the participating employee). The maximum that each participant may defer under the Plans for any taxable year shall not exceed the lesser of:

1. The dollar amount permitted under IRC 457; or
2. The percentage limitation applied to the participant’s includible compensation.

In addition, the maximum deferral described above is not applicable for one or more of the participant’s last three taxable years ending before the attainment of normal retirement age. In that instance, the maximum shall be the lesser of:

1. Twice the dollar amount permitted under IRC 457; or
2. The sum of:
 - a. The maximum deferral amount established for the purposes of Section 3.48.040.A or 3.50.040.B of the Municipal Code for the taxable year (determined without regard to Section 3.48.040.B or 3.50.040.C); plus
 - b. The maximum deferral amount established for the purposes of Section 3.48.040.A or 3.50.040.B of the Municipal Code for taxable years beginning after December 31, 1978, and before the taxable year as has not previously been used under Section 3.48.040.A or 3.50.040.B, or under Section 3.48.040.B or 3.50.040.C.

Furthermore, beginning January 1, 2002, a participant who has attained the age of fifty years before the close of the tax year, and with respect to whom no other elective deferrals may be made to the plan for the year by reason of the limitations set forth under Section 3.48.040A, may specify in the participation agreement that the participant elects to make deferrals in addition to those permitted by Section 3.48.040A in the amount not to exceed:

1. The dollar amount permitted under Section 414(v)(2)(B) of the Internal Revenue Code (IRC) as adjusted for the cost-of-living in accordance with Section 414(v)(2)(C) of the IRC; or
2. The portion of the participants compensation (as defined in Section 415(C)(3) of the IRC) that is in excess of any other elective deferrals of the participant for such year as are made without regard to Section 3.48.040.B.

Participants in the 457 Plan may also contribute amounts representing distributions from other qualified IRC 457 deferred compensation plans of any local government, state or tax-exempt organization.

Participant Accounts – The account of each participant is credited with the participant’s contribution and allocations of the Plans’ earnings and charged with an allocation of administrative expenses. Allocations are based on participant earnings on account balances. The account of each PTC participant is also credited with the City’s matching contribution.

Vesting – Participants are immediately vested in the employee and employer contributions plus actual earnings thereon.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

NOTE 1 – PLANS DESCRIPTION (Continued)

Payment of Benefits – On termination of service due to death, disability, or retirement, a participant (or a participant’s beneficiary) may elect to receive either a lump-sum amount equal to the value the participant’s interest in his or her account or periodic installments during the lifetime of the participant less any federal or state income tax required to be withheld.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying statements of net position due to participants and changes in net position due to participants present only the Plans and are not intended to present the financial position of the City and the changes in its financial position in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting – The financial statements of the Plans are prepared on the accrual basis of accounting. Contributions are recognized as additions when due (at the end of each pay period). Payments to participants are recognized as deductions when due and payable under the provisions of the Plans.

Investment Valuation – The Plans’ investments are stated at fair value. Quoted market prices are generally used to value investments. Shares of mutual funds are valued at quoted market prices that represent the net position value of shares held by the Plans at year-end. Annuities and mutual funds that do not have an established market are reported at fair value as estimated by ILIAC. This estimate is based on the amount of contributions, withdrawals, and interest or dividends credited or the cumulative market value of funds’ investment holdings.

Loans Receivable from Participants – The IRC permits and the City allows participants in the 457 Plan to participate in a loan program. The loans are secured by the remaining balance in the participant’s account and must be repaid over a period that does not exceed five years, except that if the loan is for the purchase of a principal residence, the loan may be repaid over a period not to exceed twenty years. The maximum amount of loans to participants is the lesser of \$50,000 or 50% of the participant’s vested account balance as of the day immediately preceding the date on which the loan is approved.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Plans’ administrators to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

NOTE 3 – NEW ACCOUNTING STANDARD IMPLEMENTED

Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resource, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net assets reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As of July 1, 2011, the Plans adopted GASB Statement No. 63, which did not have a significant impact on its financial statements.

NOTE 4 – INVESTMENTS

457 Plan participants may direct contributions into any of the investment options offered by the Plans’ investment administrator, which include various mutual funds (stocks, bonds, and fixed income) and annuity investments. It is the Plan’s policy to permit participants to establish different investment strategies, which have varying return and volatility characteristics to meet each participant’s long-term retirement savings strategy.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

NOTE 4 – INVESTMENTS (Continued)

The following presents investments at June 30, 2013 with the related information related to interest rate risk and credit risk on its fixed income mutual funds (dollars in thousands):

Investments	Average Effective Maturity	Credit Rating	Fair Value
457 Plan			
<i>Fixed income mutual funds:</i>			
Stable Value Option Fund	3.84 years	Aa3	\$ 204,362
PIMCO Total Return Fund Inst Shares	6.73 years	Not rated	17,690
Templeton Global Bond Fund	2.42 years	BBB	7,619
ING Money Market Port-CL (I)	47 days	Not rated	6,849
BlackRock Infl Prot Bnd Port Inst	9.65 years	AA	5,226
Total fixed income mutual funds			<u>241,746</u>
<i>Equity and hybrid mutual funds:</i>			
Moderate Custom Lifestyle Port	n/a	n/a	81,518
American Funds Growth Fund R5	n/a	n/a	64,049
Aggressive Custom Lifestyle Port	n/a	n/a	49,561
The Yacktman Fund Sr	n/a	n/a	29,039
Vanguard TotStok mrkt Ind-Instl	n/a	n/a	28,539
Vanguard Institutl Index (Inst)	n/a	n/a	24,390
American Funds EuroPacific R5	n/a	n/a	20,651
Ameritrade SDBA	n/a	n/a	18,581
Fidelity Adv New Insights I	n/a	n/a	17,729
Fidelity VIP Mid Cap Portfolio (Init)	n/a	n/a	16,011
Allianz NFJ Div Value Fund - I	n/a	n/a	14,776
Conservative Custom Lifestyle Port	n/a	n/a	13,561
Vanguard Sml-Cap Index-Instl	n/a	n/a	13,419
Oppenheimer Developing Mkts FY	n/a	n/a	12,850
Vanguard Mid-Cap Index-Instl	n/a	n/a	11,316
ING Clarion Real Est Prtinstl	n/a	n/a	6,127
JPMorgan Md Cp Val Fund Cls Shr	n/a	n/a	5,437
DFA Int'l Small CO - Class	n/a	n/a	3,355
Parnassus Equity Income Fund Inv	n/a	n/a	3,043
Wanger USA Fund	n/a	n/a	1,998
Vanguard T Retirement 2015	n/a	n/a	1,883
Vanguard Tot Intl St Indx Fd Sig	n/a	n/a	1,661
Vanguard Tgt Ret 2020 - Inv	n/a	n/a	1,275
Vanguard T Retirement 2045	n/a	n/a	1,263
Perkins SmCp VI F-J Sh	n/a	n/a	1,063
Vanguard T Retirement 2035	n/a	n/a	954
Vanguard T Retirement 2025	n/a	n/a	883
Vanguard T Retirement Income	n/a	n/a	495
Vanguard Tgt Ret 2030 - Inv	n/a	n/a	317
Vanguard Tgt Ret 2055 - Inv	n/a	n/a	314
Vanguard Tgt Ret 2040 - Inv	n/a	n/a	184
Vanguard Tgt Ret 2010 - Inv	n/a	n/a	120
Vanguard Tgt Ret 2050 - Inv	n/a	n/a	94
Total equity and hybrid mutual funds			<u>446,456</u>
Annuities	n/a	n/a	2,281
Total 457 Plan			<u>\$ 690,483</u>
PTC Plan			
Stable Value Option Fund	3.84 years	Aa3	<u>\$ 14,132</u>

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

NOTE 4 – INVESTMENTS (Continued)

The following presents investments at June 30, 2012 with the related information related to interest rate risk and credit risk on its fixed income mutual funds (dollars in thousands):

Investments	Average Effective Maturity	Credit Rating	Fair Value
457 Plan			
<i>Fixed income mutual funds:</i>			
Stable Value Option Fund	4.62 years	Aa3	\$ 209,782
PIMCO Total Return Fund Inst Shares	6.66 years	Not rated	16,770
Templeton Global Bond Fund	2.84 years	BBB	7,775
ING Money Market Port-CL (I)	51 days	Not rated	6,794
BlackRock Infl Prot Bnd Port Inst	10.16 years	AAA	4,764
Total fixed income mutual funds			<u>245,885</u>
<i>Equity and hybrid mutual funds:</i>			
Moderate Custom Lifestyle Port	n/a	n/a	74,081
American Funds Growth Fund R5	n/a	n/a	55,445
Aggressive Custom Lifestyle Port	n/a	n/a	41,698
The Yacktman Fund Sr	n/a	n/a	26,123
Vanguard TotStok mrkt Ind-Instl	n/a	n/a	23,716
American Funds EuroPacific R5	n/a	n/a	19,400
Fidelity Adv New Insights I	n/a	n/a	18,513
Ameritrade SDBA	n/a	n/a	18,454
Vanguard Institutl Index (Inst)	n/a	n/a	17,710
Fidelity VIP Mid Cap Portfolio (Init)	n/a	n/a	14,549
Oppenheimer Developing Mkts FY	n/a	n/a	14,142
Allianz NFJ Div Value Fund - I	n/a	n/a	13,903
Conservative Custom Lifestyle Port	n/a	n/a	11,571
Vanguard Sml-Cap Index-Instl	n/a	n/a	8,263
Vanguard Mid-Cap Index-Instl	n/a	n/a	6,960
ING Clarion Real Est Prtinstl	n/a	n/a	4,832
DFA Int'l Small CO - Class	n/a	n/a	3,050
Wanger USA Fund	n/a	n/a	2,191
Parnassus Equity Income Fund Inv	n/a	n/a	2,156
CRM Mid Cap Value Fund	n/a	n/a	1,880
Perkins SmCp VI F-J Sh	n/a	n/a	1,268
Vanguard T Retirement 2015	n/a	n/a	1,083
JPMorgan Md Cp Val Fund Cls Shr	n/a	n/a	971
Vanguard T Retirement 2025	n/a	n/a	923
Vanguard T Retirement 2035	n/a	n/a	825
Vanguard T Retirement 2045	n/a	n/a	648
Vanguard T Retirement Income	n/a	n/a	630
Vanguard Tot Intl St Indx Fd Sig	n/a	n/a	209
Vanguard Tgt Ret 2030 - Inv	n/a	n/a	190
Vanguard Tgt Ret 2010 - Inv	n/a	n/a	74
Vanguard Tgt Ret 2040 - Inv	n/a	n/a	70
Vanguard Tgt Ret 2055 - Inv	n/a	n/a	44
Vanguard Tgt Ret 2020 - Inv	n/a	n/a	36
Vanguard Tgt Ret 2050 - Inv	n/a	n/a	32
Total equity and hybrid mutual funds			<u>385,640</u>
Annuities	n/a	n/a	<u>2,469</u>
Total 457 Plan			<u>\$ 633,994</u>
PTC Plan			
Stable Value Option Fund	4.62 years	Aa3	<u>\$ 13,221</u>

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

NOTE 4 – INVESTMENTS (Continued)

Concentration Risk

The following presents investments at June 30, 2013 that represents 5% or more of the 457 Plan's net position (dollars in thousands):

Stable Value Option Fund	\$	204,362
Moderate Custom Lifestyle Port		81,518
American Funds Growth Funds R5		64,049
Aggressive Custom Lifestyle Port		49,561

The following presents investments at June 30, 2012, that represents 5% or more of the 457 Plan's net position (dollars in thousands):

Stable Value Option Fund	\$	209,782
Moderate Custom Lifestyle Port		74,081
American Funds Growth Funds R5		55,445
Aggressive Custom Lifestyle Port		41,698

Contributions of PTC Plan participants are automatically invested in a diversified fund (Stable Value Option Fund) consisting of guaranteed investment contracts and fixed income securities. At June 30, 2013 and 2012, 100% of the PTC Plan's assets are invested in the Stable Value Option Fund.

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