



**Sacramento County Employees'
Retirement System
Sacramento, California**

*A Pension Trust Fund for the
County of Sacramento and Member Special Districts*

Comprehensive Annual Financial Report

For the Year Ended June 30, 2002



Sacramento County Employees' Retirement System Sacramento, California

(A Pension Trust Fund for the
County of Sacramento and Member Special Districts)

Comprehensive Annual Financial Report For the Year Ended June 30, 2002

Mission Statement

*We are dedicated to providing quality services
and managing system assets in a prudent manner.*

Issued by:
John R. Descamp
Chief Executive Officer

Jeffrey W. States
Chief Investment Officer

Kathryn T. Regalia, CPA
Chief Operations Officer

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Introductory Section



Executive Staff
John R. Descamp
Chief Executive Officer
Jeffrey W. States
Chief Investment Officer
Linda Seher
Chief Benefits Officer
Kathryn T. Regalia
Chief Operations Officer

Letter of Transmittal

November 27, 2002

Board of Retirement
Sacramento County Employees' Retirement System
980 9th Street, Suite 1800
Sacramento, CA 95814

Dear Board Members:

As Chief Executive Officer of the Sacramento County Employees' Retirement System ("SCERS" or the "System"), I am pleased to present this Comprehensive Annual Financial Report ("CAFR" or the "Report") for the year ended June 30, 2002.

The System

SCERS is a public employees' retirement system enacted, managed, and administered in accordance with provisions of the County Employees Retirement Law of 1937 (California Government Code Section 31450, et seq). The purpose of which is to provide retirement, disability, and survivors' benefits to participants of the System. In accordance with Section 31500 of that law, SCERS was created by ordinance adopted by the Sacramento County Board of Supervisors on April 30, 1941 and was effective July 1, 1941. Article XVI, Section 17 of the constitution of the State of California establishes that the Board of Retirement shall have plenary authority and fiduciary responsibility for investment of monies and administration of the System. At June 30, 2002, participating local government employers consisted of the County of Sacramento and 11 special districts.

The Comprehensive Annual Financial Report

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with the management of the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System.

The CAFR is divided into five sections.

- The Introductory Section contains this letter of transmittal, a list of Board of Retirement members, an organization chart, a list of participating employers, and a list of professional consultants used by the System.
- The Financial Section presents the independent auditor's report, management's discussion and analysis, financial statements, and required supplemental information.

- The Investment Section contains the Chief Investment Officer's Report summarizing the investment policy and asset allocation and includes a listing of investment professionals currently under contract with SCERS. In addition, this section contains current and historical investment results, listings of the top ten stock and bond holdings at June 30, 2002, and a schedule of manager fees.
- The Actuarial Section provides the independent actuary's certification, a summary of actuarial assumptions and methods, and various actuarial statistics.
- The Statistical Section contains significant detailed information pertaining to the administration of the System.

I trust that readers of this Report and participants of the System will find this information helpful in understanding SCERS and its commitment to financial integrity and participant service.

SCERS Mission Statement and Core Values

We are dedicated to providing quality services and managing system assets in a prudent manner. In carrying out our mission we will:

- Act as fiduciaries for the members, retirees, and beneficiaries.
- Take responsibility for cost effective operations and minimize employer contributions.
- Display competency, courtesy, and respect.
- Continue our professional growth through education and training.
- Plan strategically for the future.

Accounting System and Reports

Management of SCERS is responsible for establishing and maintaining internal controls designed to ensure that SCERS' assets are protected from loss, theft, or misuse. Responsibility for the accuracy, completeness, and fair presentation of the information, and all disclosures, rests with SCERS' management. Macias, Gini & Company, LLP, a certified public accounting firm, has completed their audit of the financial statements and related disclosures. The financial audit provides assurance about whether SCERS' financial statements are presented in conformity with generally accepted accounting principles and are free from material misstatement. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. SCERS' MD&A can be found immediately following the independent auditor's report.

Investments – General Authority and SCERS

Article XVI, Section 17 of the Constitution of the State of California provides that "Notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system..."

Article XVI, Section 17(a) of the Constitution of the State of California provides that "the Retirement Board of a public pension or retirement system shall have sole and exclusive fiduciary responsibility over the assets..."

SCERS maintains a diversified investment portfolio. An integral part of the overall investment policy is the strategic asset allocation policy. This is designed to provide an optimal mix of asset classes with return expectations that reflect expected liabilities. This emphasizes a maximum diversification of the portfolio that protects the System from declines that a particular asset class may experience in a given period. For the year ended June 30, 2002, SCERS' investments provided a -5.4% rate of return, net of manager fees, compared to the policy benchmark of -5.2%.

Actuarial Funding Status

SCERS' funding objective is to meet long-term benefit promises by retaining a well-funded plan status and obtaining superior investment returns while minimizing employer contributions. Employer contributions remain approximately level as a percent of member payroll. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the benefits earned by participants are funded during their working careers and not by future generations of taxpayers. At June 30, 2002, SCERS enjoyed a funding ratio in excess of 100%. The net actuarial value of assets at June 30, 2002 was \$3.8 million, and the actuarial accrued liability of SCERS at June 30, 2002 was \$3.6 million.

SCERS engages an independent actuarial consulting firm, Mercer Human Resource Consulting, to conduct annual actuarial valuations. Recommendations are presented to the Board of Retirement for consideration. Triennially, an analysis is made of the appropriateness of all economic and non-economic assumptions. The last triennial analysis was performed as of June 30, 2001, and the Board adopted certain changes to non-economic assumptions.

Major Initiatives and Significant Events

During the current fiscal year the System continued to implement elements of the strategic plan and also addressed new issues which arose during the year. Following are the major initiatives and significant events which occurred:

- ✓ Under the oversight of PM Realty Advisors, at the direction of the SCERS Board, and motivated by asset allocation decisions, in April 2002 SCERS completed the sale of the commercial mortgage loan portfolio. The sale price of \$128.5 million sale price represented 101.6% of the outstanding principal balance, which was an excellent execution for SCERS.
- ✓ Continued implementation of long-range strategic action plans.
- ✓ Substantial continued progress on the Member and Benefit Account System project to streamline flow of information to desktops by incorporating spreadsheet and database information into a centrally-available format.
- ✓ Compliance with newly-chaptered law and evaluation of potential impact of ambiguously-worded retirement-related legislations.
- ✓ Appointed an alternate retiree member of the Board in accordance with statutes of 2001.

Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SCERS for its comprehensive annual financial report for the fiscal year ended June 30, 2001. This was the third consecutive year that the System has received this prestigious award. In order to be awarded a Certificate of Achievement, a public employee retirement system must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The compilation of this report reflects the combined effort of SCERS' staff under the leadership of the Board of Retirement. It is intended to provide complete and reliable information and reflect the Board's responsible stewardship. On behalf of the Board of Retirement, I take this opportunity to thank the staff and SCERS' professional advisors for their commitment to SCERS and its participants.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John R. Descamp". The signature is fluid and cursive, with a prominent initial "J" and "D".

John R. Descamp
Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento County
Employees' Retirement
System, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



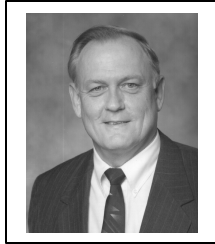
William Patrick Bate

President

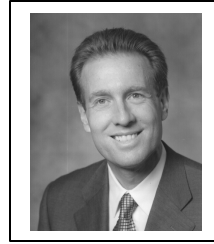
Jeffrey R. Enen

Executive Director

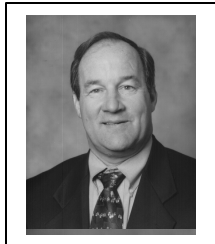
Sacramento County Employees' Retirement System Board of Retirement Members



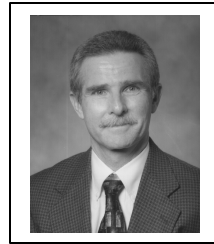
President
Jan Hoganson
Elected by safety members
Present term expires:
December 31, 2003



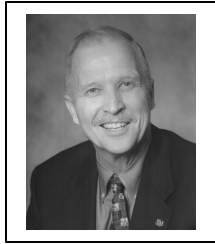
1st Vice President
James A. Diepenbrock
Appointed by Board of
Supervisors
Present term expires:
June 30, 2003



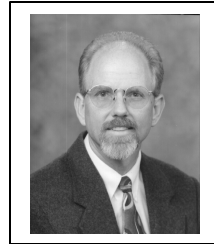
2nd Vice President
Ronald Suter
Elected by miscellaneous
Present term expires:
December 31, 2003



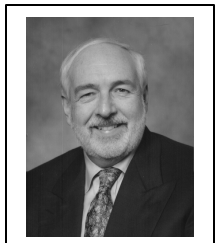
**Ex-Officio
Director of Finance**
Mark Norris
Member mandated by law



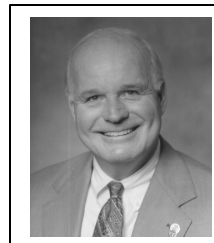
Trustee
William Cox
Elected by retired members
Present term expires:
December 31, 2004



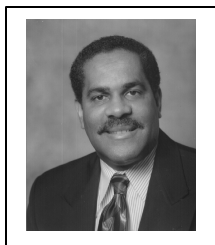
Trustee
Keith DeVore
Elected by miscellaneous
Present term expires:
December 31, 2004



Trustee
Winston Hickox
Appointed by Board of
Supervisors
Present term expires:
June 30, 2003



Trustee
John B. Kelly
Appointed by Board of
Supervisors
Present term expires:
December 31, 2003



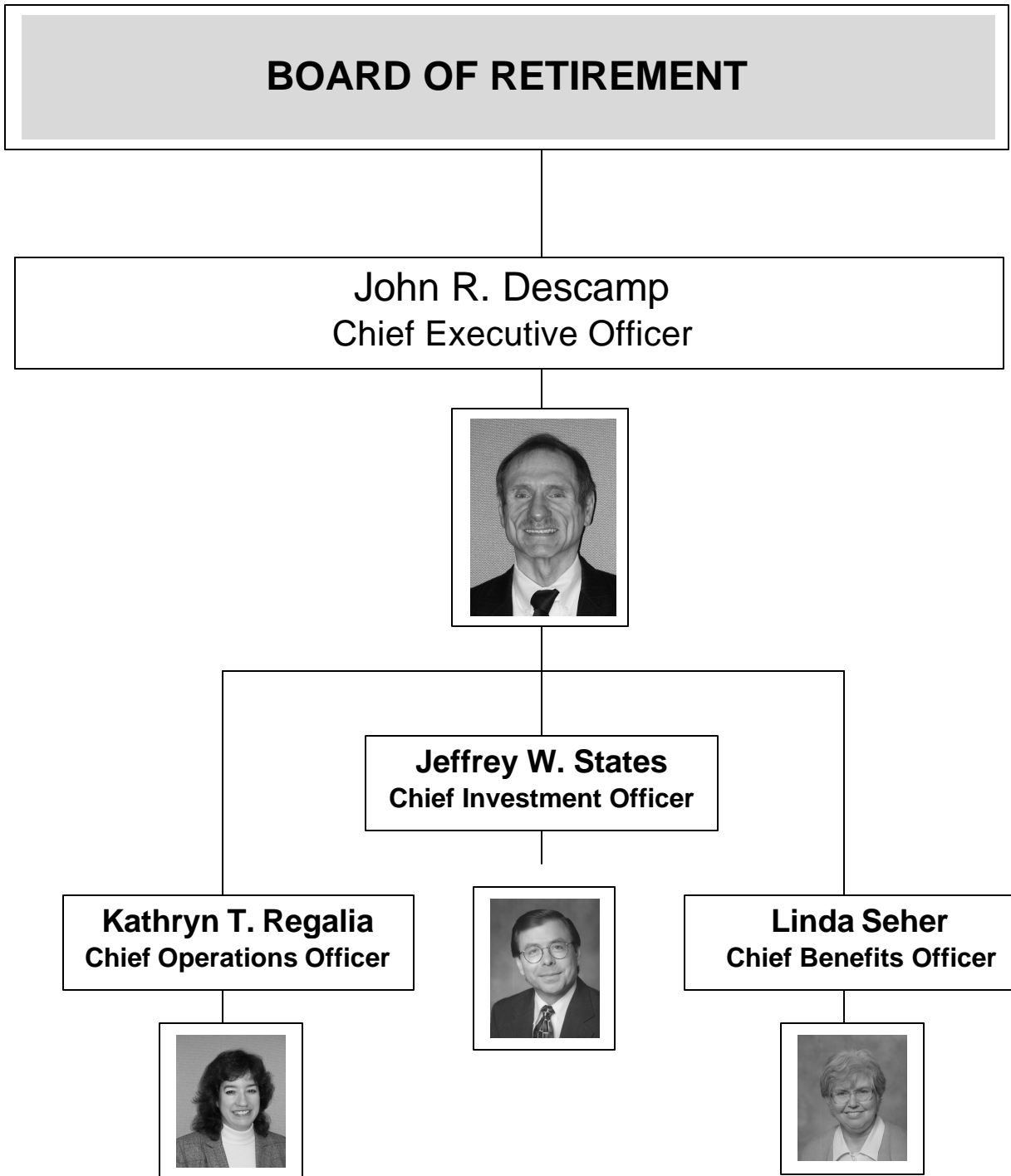
Trustee
Robert Woods
Appointed by Board of
Supervisors
Present term expires:
June 30, 2004



Photo Not
Available

Alternate Retiree Trustee
Nancy Wolford-Landers
Appointed by Board of
Retirement
Present term expires:
December 31, 2004

Sacramento County Employees' Retirement System Organization Chart



Participating Employers

<u>Employer</u>	<u>Date Entered System</u>	<u>Date of Termination</u>
County of Sacramento	July 1, 1941	
Elected Officials: Board of Supervisors Sheriff Assessor District Attorney	July 1, 1941	
U.C. Davis Medical Center	July 1, 1941	
Sacramento County Fire District	March 1, 1957	
Sunrise Recreation and Park District	August 1, 1961	
Fair Oaks Cemetery District	March 1, 1962	
Carmichael Recreation and Park District	January 1, 1967	
Florin Fire District	July 1, 1974	June 30, 1996
Mission Oaks Recreation and Park District	February 1, 1976	
Sacramento Employment Training Agency (SETA)	June 1, 1979	
Orangevale Recreation and Park District	March 3, 1987	
Elk Grove Cemetery District	April 28, 1987	
Galt-Arno Cemetery District	July 1, 1987	

Professional Consultants

Auditor

Macias, Gini & Company, LLP
Certified Public Accountants
3927 Lennane Drive, Suite 200
Sacramento, CA 95834-1922

Actuary

Mercer Human Resource Consulting
3 Embarcadero Center, Suite 1500
San Francisco, CA 94111

Custodian

State Street California, Inc.
1001 Marina Village Parkway, 3rd Floor
Alameda, CA 94501

Legal Counsel

County of Sacramento
Office of the County Counsel
700 H Street, Suite 2650
Sacramento, CA 95814

Knox, Lemmon & Anapolsky, LLP
One Capitol Mall, Suite 700
Sacramento, CA 95814

Nossaman, Guthner, Knox & Elliot, LLP
50 California Street, 34th Floor
San Francisco, CA 94111-4712

Investment Consultant

Mercer Investment Consulting, Inc.
777 South Figueroa Street, Suite 2000
Los Angeles, CA 90017

Investment Managers

Alliance Capital Management
1345 Avenue of the Americas
New York, NY 10105

Dalton, Greiner, Hartman, Maher & Co.
565 Fifth Avenue, Suite 2101
New York, NY 10017-2413

Independence Investment Associates
53 State Street - 28th Floor
Boston, MA 02109

Nicholas-Applegate Capital Management
600 West Broadway, 29th Floor
San Diego, CA 92101-5402

Oppenheimer Capital Management
1345 Avenue of the Americas
New York, NY 10105

Trinity Investment Management
12835 East Arapahoe Road
Englewood, CO 80112

Investment Managers – (cont.)

TCW Asset Management
865 South Figueroa Street
Los Angeles, CA 90017

Deutsche Asset Management
130 Liberty Street
New York, NY 10006

Capital Guardian Trust Company
One Market
Steuart Tower, Suite 1800
San Francisco, CA 94105-1409

Bank of Ireland Asset Management
233 Wilshire Boulevard, Suite 830
Santa Monica, CA 90401

Capital International, Inc.
11100 Santa Monica Boulevard, 15th Floor
Los Angeles, CA 90025

Lincoln Capital Management
200 South Wacker Drive, Suite 2100
Chicago, IL 60606

Bradford & Marzec, Inc.
333 South Hope Street, Suite 4050
Los Angeles, CA 90071

Payden & Rygel
333 South Grand Avenue, Suite 3250
Los Angeles, CA 90071

David L. Bonuccelli & Associates
818 University Avenue
Sacramento, CA 95825

SSR Realty Advisors
125 Summer Street, Suite 1270
Boston, MA 02110

PM Realty Advisors
800 Newport Center, Suite 300
Newport Beach, CA 92660

Heitman/JMB Advisors
180 North LaSalle Street
Chicago, IL 60601-2886

Metropolitan West Asset Management
1776 Wilshire Blvd., Suite 1580
Los Angeles, CA 90025

Lend Lease Real Estate Investments
One Front Street, Suite 1100
San Francisco, CA 94111

TCW Realty Advisors
865 South Figueroa Street
Los Angeles, CA 90017-2543

A schedule of manager fees is located on page 55 in the investment section.

Financial Section



3927 Lennane Drive
Suite 200
Sacramento, CA 95834-1922
916.928.4600
916.928.2755 FAX
www.maciasgini.com

To the Board of Retirement of the
Sacramento County Employees' Retirement System
Sacramento, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of plan net assets of the Sacramento County Employees' Retirement System (SCERS) as of June 30, 2002 and 2001, and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits 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 plan net assets of the Sacramento County Employees' Retirement System as of June 30, 2002 and 2001, and the changes in plan net assets for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 2, the System adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have issued our report dated November 27, 2002, on our consideration of the System's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 18 through 22, the Schedules of Funding Progress and Employer Contributions on page 42 and Significant Actuarial Assumptions on page 43 are not a required part of the basic financial statements of the System, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in this report, designated as the introductory, investment and actuarial sections in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias, Hiri, & Company LLP

Certified Public Accountants

Sacramento, California
November 27, 2002

Management's Discussion and Analysis

This section presents management's discussion and analysis (MD&A) of the financial activities of Sacramento County Employees' Retirement System (SCERS) as a narrative overview for the year ended June 30, 2002. Readers are encouraged to consider the information presented in conjunction with the letter of transmittal and financial statements.

FINANCIAL HIGHLIGHTS

- Net assets held in trust for pension benefits, as reported in the statements of plan net assets, total \$3,199.2 million, a decrease of \$233.6 million or 6.8% from the prior year. Economic factors are discussed further in the body of this MD&A.
- Total additions, as reflected in the statements of changes in plan net assets, were (\$111.1 million) primarily as a result of the depreciation in the fair value of investments and reduced investment returns due to unstable financial market conditions. This represents less of a loss from the prior year by \$23.1 million or a change of 17.2%.
- Total deductions, as reflected in the statements of changes in plan net assets, were \$122.5 million, an increase of \$9.6 million or 8.5% from prior year.
- The latest actuarial valuation completed was as of June 30, 2002 and determined the funded ratio (the ratio of the actuarial value of assets to actuarial accrued liability) to be 107.1%.

OVERVIEW OF FINANCIAL STATEMENTS

This MD&A serves as an introduction to the basic financial statements. SCERS has two basic financial statements, the notes to financial statements, and two required supplementary schedules of historical trend information. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board utilizing the accrual basis of accounting.

The first basic financial report is the statement of plan net assets (see page 24 of this report). This is a snapshot of account balances at fiscal year end. This statement reflects assets available for future payments to retirees and their beneficiaries and liabilities owed as of fiscal year end. The net assets, which are the assets less the liabilities, reflect the funds available for future use.

The second financial report is the statement of changes in plan net assets (see page 25 of this report). This report reflects all the activities that occurred during the year and shows the impact of those activities as additions or deductions to the plan. The trend of additions versus deductions to the plan will indicate whether SCERS financial position is improving or deteriorating over time.

The notes to financial statements (notes) are an integral part of the financial reports. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements (see notes to financial statements on pages 26-40 of this report).

In addition to the financial statements and accompanying notes, the Financial Section presents required supplementary information concerning SCERS' progress in funding its obligation to provide benefits to system members. The schedule of funding progress includes historical trend information about the actuarially-funded status of the plan and the progress made in accumulating sufficient assets to pay benefits when due. The schedule of employer

contributions presents historical trend information about the annual required contribution of the employers and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funded status of the plan over time.

FINANCIAL ANALYSIS

Assets and Funded Ratio

As of June 30, 2002, SCERS had \$3,199.2 million in net assets. Total assets of \$3,647.8 million exceed total liabilities of \$448.6 million. The net assets represent funds available for future payments. However, of importance, is the fact that unlike private pension funds, public pension funds are not required to disclose the future liability of obligations owed to retirees.

PLAN NET ASSETS (Dollars in Millions)

	2002	2001
Assets		
Current and other assets	\$ 3,397.2	\$ 3,602.7
Securities lending collateral	250.6	264.3
Capital assets	0.0	0.1
Total assets	<u>3,647.8</u>	<u>3,867.1</u>
Liabilities		
Long-term liabilities outstanding	72.9	73.2
Securities lending liability	250.6	264.3
Other liabilities	125.1	96.8
Total liabilities	<u>448.6</u>	<u>434.3</u>
Net assets held in trust for pension benefits	<u>\$ 3,199.2</u>	<u>\$ 3,432.8</u>

In order to determine whether the \$3,199.2 million will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. SCERS' independent actuary, Mercer Human Resource Consulting, Inc., performed an actuarial valuation as of June 30, 2002 and determined that the funded ratio of the actuarial value of assets to the actuarial accrued liability was 107.1%. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid with respect to each member. The purpose of the valuation is to determine what future contribution by the members and the membership employers is needed to pay all expected future benefits. This ratio means that SCERS has approximately \$1.07 available for each dollar of anticipated future liability.

Changes in Plan Net Assets

The following table presents the changes in plan net assets for the years ended June 30, 2002 and 2001, respectively.

CHANGES IN PLAN NET ASSETS
(Dollars in Millions)

	2002	2001
Additions		
Employer contributions	\$ 44.6	\$ 40.4
Employee contributions	38.4	33.0
Net investment loss	(194.1)	(207.6)
Total additions	(111.1)	(134.2)
Deductions		
Service retirement, death, and disability benefits	103.9	96.8
Retiree death benefits	0.5	0.6
Retiree health and dental insurance	9.1	8.1
Withdrawal of contributions	3.5	3.6
Administrative and other expenses	5.5	3.8
Total deductions	122.5	112.9
Decrease in plan net assets	(233.6)	(247.1)
Net assets held in trust for pension benefits, beginning	3,432.8	3,679.9
Net assets held in trust for pension benefits, ending	\$ 3,199.2	\$ 3,432.8

Additions to Plan Net Assets

The primary sources to finance SCERS retirement benefits are accumulated through income on investments and through the collection of member (employee) and employer retirement contributions. Due to the volatile financial markets, weak asset returns, and low interest rates, net investment losses of \$194.1 million more than offset contributions of \$83.0 million by \$111.1 million. These investment losses are consistent with the overall market.

Employer contributions reflect payments from participating employers. The employer contributions increased from the prior year due to actuarially-determined rate increases resulting from salary increases that were greater than expected and slight increases in normal cost. Additionally, the aggregate employee populations increased by amounts greater than expected.

Net investment loss is \$194.1 million this year, an increase in performance of \$13.5 million or 6.5% over the prior year. Due primarily to declining stock markets, the total fund return was -5.4% for the year. This result, while disappointing, was not unexpected after the string of very good years. The five-year annualized return is still positive at 5.4% but is down from last year.

Deductions From Plan Net Assets

The primary uses of SCERS assets include the payment of benefits to members and their beneficiaries, withdrawal of contributions by terminated employees, and the cost of administering the plan. These deductions total \$122.5 million, an increase of 8.5% from the prior year and are largely due to the growth in the number and average amount of benefits paid to members and their beneficiaries.

The Board of Retirement approves the annual budget. California Government Code Section 31580.2 limits the annual administrative expenses to eighteen hundredths of one percent (0.18%) of the total assets of the retirement system. It is the intent of the Board to remain within

the appropriation limit established in the Government Code, which the Board has historically done.

Overall Analysis

Overall, as of June 30, 2002, net assets have decreased by \$233.6 million or 6.8% over the prior year, although over the five-year period ended June 30, 2002, net assets have increased by 3.2%. The overall slow growth within the last five-year period was due to steady contributions by plan participants negated by the disappointing market returns in the overall investment portfolio.

ECONOMIC AND MARKET REVIEW

The year began with market turbulence, which negatively impacted the System assets overall. The Russell 3000, a broad-based equity benchmark measuring large and small capitalization securities, returned -17.2% during the year. Technology stocks, which had reached unprecedented highs during the bull market, continued correcting during the year and returned a 40% loss as calculated in the Russell 3000 index.

International equity markets provided equity investors with no solace during the year returning -8.2% in dollars as measured by the Morgan Stanley Capital International (MSCI) All Country World excluding United States benchmark. In dollars, European markets declined 7.7% during the year while Pacific Basin declined 13.5% as measured by MSCI. A depreciating dollar against both major currencies, the Euro and the Yen, increased U.S. investor returns during the year.

Contrasted with the equity markets, fixed income investments provided investors with solid returns with the Lehman Brothers Aggregate index returning 8.6%. Risk-free government securities outperformed corporate bonds. High-yield bonds, the highest-risk segment of the domestic bond market, were the poorest performing bonds returning -3.6% as measured by Lehman Brothers.

Other Significant Matters

Employer retirement costs are expected to increase. These increases are due to investment losses, legislated changes to eligibility criteria for system benefits, and costs of implementing negotiated benefit enhancements to the defined benefits service retirement formulas. These benefit enhancements are expected to be implemented in the year ending June 30, 2004.

Primarily as a result of the negotiated benefit enhancements and the potential for the loss related to the outcome of litigation brought against SCERS, SCERS' administrative burden is expected to increase and costs associated with it. Although statutorily SCERS is limited to spending no greater than 0.18% of system assets annually toward administrative costs defined in the statute as being subject to the limit, exercising its State constitutionally-imposed fiduciary duty to the system and its members to provide timely payment of promised benefits, the Board may authorize a budget in excess of the statutory limit in order to pay reasonable administrative expenses.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board of Retirement, our membership, taxpayers, and investment managers with a general overview of SCERS' finances and to show

accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed as follows:

Ms. Kathryn T. Regalia
Chief Operations Officer
Sacramento County Employees' Retirement System
980 9th Street, Suite 1800
Sacramento, CA 95814

Copies of this report are available at the above address and on the System's web site at www.saccounty.net/retirement.

FINANCIAL STATEMENTS

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF PLAN NET ASSETS

AS OF JUNE 30, 2002 and 2001

	2002	2001
Assets		
Cash invested with Sacramento County Treasurer	\$ 3,419,883	\$ 1,219,009
Short-term investments with fiscal agents	84,089,644	114,406,832
Cash and short-term investments	87,509,527	115,625,841
Receivables		
Notes	1,538,564	1,456,706
Securities sold	34,371,436	23,184,135
Accrued investment income	14,821,477	13,652,048
Employee and employer contributions	1,885,269	3,869,009
Total receivables	52,616,746	42,161,898
Investments, at fair value		
United States government obligations	131,870,545	150,312,303
Domestic corporate bonds	847,160,173	653,637,632
International bonds	42,651,081	42,824,898
Common and preferred stock – domestic	1,213,177,630	1,438,829,249
Common and preferred stock – international	368,853,147	318,391,786
International equity index fund	278,551,923	313,038,939
Real estate equity	374,801,074	394,079,312
Real estate mortgage loans	-	133,686,215
Securities lending collateral	250,600,636	264,340,633
Total investments	3,507,666,209	3,709,140,967
Capital assets - (net of accumulated depreciation of \$204,464 in 2002, \$162,005 in 2001)	48,820	91,229
Prepaid dental	-	131,605
Total assets	3,647,841,302	3,867,151,540
Liabilities		
Accounts payable	4,123,062	3,431,275
Investment trades payable	119,651,565	92,024,120
Mortgages payable	72,919,076	73,171,465
Warrants payable	1,312,549	1,358,237
Securities lending liability	250,600,636	264,340,633
Total liabilities	448,606,888	434,325,730
Net assets held in trust for pension benefits (A schedule of funding progress for the system is presented on page 42)	\$3,199,234,414	\$3,432,825,810

The notes to the basic financial statements are an integral part of this statement.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN PLAN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2002 and 2001

	2002	2001
Additions		
Contributions		
Employee	\$ 38,431,627	\$ 32,964,209
Employer	<u>44,547,261</u>	<u>40,358,154</u>
Total contributions	<u>82,978,888</u>	<u>73,322,363</u>
Investment income		
From investment activities		
Net depreciation		
in fair value of investments – securities	(292,322,685)	(328,128,740)
Net appreciation (depreciation)		
in fair value of investments – real estate	(7,334,565)	4,994,476
Interest	63,948,783	80,654,842
Dividends	26,185,655	21,243,801
Real estate	23,688,296	20,692,258
Net loss from investment activities	<u>(185,834,516)</u>	<u>(200,543,363)</u>
From securities lending activities		
Securities lending income	7,141,093	25,943,349
Securities lending expense		
Borrower rebate expense	(5,037,758)	(23,967,438)
Security lending management fees	<u>(594,283)</u>	<u>(823,218)</u>
Net income from securities lending	<u>1,509,052</u>	<u>1,152,693</u>
Other income	198,915	301,034
Investment fees and expenses	<u>(9,977,559)</u>	<u>(8,490,218)</u>
Net investment loss	<u>(194,104,108)</u>	<u>(207,579,854)</u>
Total additions (deductions)	<u>(111,125,220)</u>	<u>(134,257,491)</u>
Deductions		
Benefits paid	104,353,244	97,314,487
Withdrawal of contributions	3,516,699	3,611,188
Retiree health insurance	7,523,315	6,529,456
Retiree dental insurance	1,587,610	1,543,008
Administrative and other expenses	<u>5,485,308</u>	<u>3,831,416</u>
Total deductions	<u>122,466,176</u>	<u>112,829,555</u>
Net decrease	(233,591,396)	(247,087,046)
Net assets held in trust for pension benefits, beginning	<u>3,432,825,810</u>	<u>3,679,912,856</u>
Net assets held in trust for pension benefits, ending	<u>\$3,199,234,414</u>	<u>\$3,432,825,810</u>

The notes to the basic financial statements are an integral part of this statement.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

NOTE 1 - PLAN DESCRIPTION

The Sacramento County Employees' Retirement System ("SCERS" or the "System") is the administrator of a multiple-employer, cost-sharing public employee retirement system which operates under the County Employees Retirement Law of 1937. The System was created by resolution of the Board of Supervisors on July 1, 1941, to provide retirement, disability, and death benefits for qualified employees of Sacramento County and participating special districts. The Board of Retirement consists of nine members of which four are appointed by the County's Board of Supervisors, four are elected by the members of the System, and the County Director of Finance is an ex-officio member. The System is excluded from the reporting entity of the County of Sacramento (County), as it is fiscally independent of the County and is governed by a separate board of directors.

At June 30, 2002, participating local government employers consisted of the County of Sacramento and 11 special districts.

The membership consists of the following categories:

- ◆ Safety First Tier - includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions who have a membership date prior to June 25, 1995.
- ◆ Safety Second Tier - includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions who have a membership date on or after June 25, 1995.
- ◆ Miscellaneous First Tier - includes all members other than safety who have a membership date prior to September 27, 1981.
- ◆ Miscellaneous Second Tier - includes all members other than safety who have a membership date on or after September 27, 1981 and prior to June 27, 1993 who elected not to become members of miscellaneous third tier.
- ◆ Miscellaneous Third Tier - includes all members other than safety who have a membership date on or after June 27, 1993 and those miscellaneous second tier members who elected to become members of this class.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Membership and contribution data was based on the June 30, 2002 and 2001 actuarial reports. At June 30, the System's membership consisted of:

	<u>2002</u>	<u>2001</u>
Retirees and beneficiaries currently receiving benefits:		
Miscellaneous – Service	3,504	3,394
Miscellaneous – Beneficiary	789	745
Disability Miscellaneous – Ordinary	310	305
Disability Miscellaneous – Duty	182	172
Safety – Service	615	581
Safety - Beneficiary	160	155
Disability Safety - Ordinary	21	23
Disability Safety - Duty	<u>161</u>	<u>151</u>
Total Retired	<u>5,742</u>	<u>5,526</u>
Terminated employees entitled to benefits but not yet receiving them:		
	<u>1,994</u>	<u>2,146</u>
Current Members:		
Vested		
Miscellaneous Tier 1	1,307	1,398
Miscellaneous Tier 2	433	457
Miscellaneous Tier 3	4,487	4,348
Safety Tier 1	1,089	1,122
Safety Tier 2	<u>436</u>	<u>347</u>
Subtotal	<u>7,752</u>	<u>7,672</u>
Non-vested		
Miscellaneous Tier 1	7	4
Miscellaneous Tier 3	5,384	4,574
Safety Tier 1	42	46
Safety Tier 2	<u>848</u>	<u>695</u>
Subtotal	<u>6,281</u>	<u>5,319</u>
Total Current Members	<u>14,033</u>	<u>12,991</u>

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Pension Benefits

The System's benefits are established by statutes and provide for retirement, death, and disability benefits. All permanent full-time or part-time employees of the County or member districts are eligible to participate in the System. Upon reaching five years of service, participants have earned the right to receive a retirement benefit, subject to certain restrictions if retirement is prior to attaining age 50 or if less than 10 years service has been achieved. Retirement benefits for each tier are as follows:

1) Members covered under Safety Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4 percent annually. Final-average salary is the member's average salary for the highest twelve consecutive months of credited service.

2) Members covered under Safety Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

3) Members covered under Miscellaneous Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, which is equal to 1.1 percent of their final-average salary for each year of credited service. It includes a cost-of-living adjustment of up to 4 percent annually. Final-average salary is the member's average salary for the highest twelve consecutive months of credited service.

4) Members covered under Miscellaneous Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.1 percent of their final-average salary for each year of credited service. There is no cost-of-living adjustment. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

5) Members covered under Miscellaneous Tier 3 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.1 percent of their final-average salary for each year of credited service. It includes a cost of living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

The retirement benefits of Safety Tier 1 and 2 and Miscellaneous Tier 1, 2, and 3 members who retire after age 50 are increased by an age factor.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Member Termination

Upon separation from the System, members' accumulated contributions are refundable with interest accrued through the prior June 30 or December 31. Interest on member accounts is credited semiannually on June 30 and December 31. Withdrawal of such accumulated contributions results in forfeiture of the related vested benefits.

Financing

Benefits payable by the System are financed through contributions of members, the County of Sacramento or member districts as employers, and earnings from investments. Member contributions are required by law. Contribution rates, which are actuarially determined, are based on age at entry into the System (a single rate is used for members entering the System after January 1, 1975). County and member districts' contributions are actuarially determined to provide for the balance of contributions needed. This rate includes an additional amount required to partially fund the annual cost of living increases for retired members of the Miscellaneous Tier 1, Tier 3 and Safety categories. All contribution rates are reviewed and revised annually. The authority for both benefit provisions and contribution obligations is derived from the County Employees Retirement Law of 1937, Section 31450 et seq. of the California Government Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting

The System has adopted Governmental Accounting Standards Board (GASB) Statement No. 25 as its source of accounting and reporting principles and prepares its financial statements on the accrual basis. GASB Statement No. 25 requires that investments be valued at their fair value, which results in the recognition of fair value gains and losses. Member and employer contributions are recognized as revenues in the period in which member services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investment purchases and sales are recorded on the trade date.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Implementation of New Accounting Pronouncements

In June 1999 and June 2001, the GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," and Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus," respectively. The requirements of these statements are scheduled for a phased implementation (based on size of government) starting with fiscal year ending 2002. As required, the System adopted the new pronouncements for the year ended June 30, 2002. The adoption of GASB Statement No. 34 required the System to present Management's Discussion & Analysis (MD&A). The MD&A is considered to be required supplementary information and precedes the financial statements. The adoption of GASB Statement No. 34 did not have an impact on the System's statements of plan net assets or changes in plan net assets.

Capital Assets

Capital assets are defined by the System as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets held by the System, consisting of equipment and fixtures, are stated at historical cost. Depreciation is provided for capital assets using the straight-line method over a useful life of five, eight or ten years. Costs of assets sold or retired (and the related amount of accumulated depreciation for assets) are removed from the accounts in the year of sale or retirement. Any resulting gain or loss is reported in the statement of changes in plan net assets of the System.

Valuation of Investments

Investments other than real estate and real estate mortgage loans are reported based on quoted market prices. The fair value of the real estate trust holdings has been determined using industry standard appraisal techniques and assumptions. The real estate trust managers use appraisals, which are updated annually, to determine the fair value of these trusts. Real estate mortgage loans were reported at fair value. Cash deposited in the Sacramento County (County) Treasurer's pool is stated at fair value. The value of the System's pool shares is determined on an amortized cost basis, which may be different than fair value.

Short-Term Investments

Short-term investments, which include highly-liquid investments expected to be utilized by the System within 30-90 days, are reported at fair value. These investments may include securities, which have a maturity in excess of 90 days but are readily marketable.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Real Estate Mortgage Loans

Real estate mortgage loans were stated at the remaining principal balance, less discounts, and are collateralized by deeds of trust on real property. Real estate mortgage loans were administered and serviced internally, with a small portion serviced by a company independent of the System. As of June 30, 2002, the System holds no mortgage loans.

NOTE 3 - CASH AND INVESTMENTS

Cash invested with Sacramento County Treasurer

The System invests in various cash and investment pools, including the County Treasurer's pool. The County Treasury Oversight Committee is responsible for regulatory oversight of the pool. The System's share of the County Treasurer's pool is separately accounted for, and interest earned, net of related expenses, is apportioned quarterly based on the relationship of its average daily cash balance to the total of the pooled cash and investments. The fair value of the System's cash invested with Sacramento County Treasurer totaled \$3,419,883 and \$1,219,009 at June 30, 2002 and 2001, respectively.

Interest earned but not received from the County at year end is reported as a component of accrued investment income on the statement of plan net assets. Cash and investments included within the Sacramento County Treasurer's pool is described in the County's Comprehensive Annual Financial Report.

Short-Term Investments with Fiscal Agents

At June 30, 2002 and 2001, the fair value of the System's short-term investments with fiscal agents were \$84,089,644 and \$114,406,832, respectively. The total short-term investments consisted of investments in the State Street Short-Term Investment Fund (STIF) and highly liquid investments with foreign banks. The STIF is designed to provide qualified benefit plans with a readily accessible investment vehicle that may be accessed on a daily basis. The STIF is limited to investing in securities that are rated A-1 by Moody's Investors Services and P-1 by Standard & Poor's Corporation at the time of issuance. Most investments range in maturity from overnight to 90 days with up to 20% of the STIF's value eligible for investment between 90 days and 13 months. The average maturity was 80 days at June 30, 2002, and net assets invested in the STIF from all participating custodial clients of State Street were \$35.6 billion on that date.

Securities Lending

State statutes permit the System to participate in securities lending transactions, and the System has, pursuant to a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to act as its agent in lending the System's securities to broker-dealers and banks pursuant to a form of loan agreement.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

During the years ended June 30, 2002 and 2001, State Street loaned, on behalf of the System, certain securities held by State Street as custodian and received, as collateral, United States and foreign currency cash, securities issued or guaranteed by the United States government, sovereign debt of foreign countries and irrevocable bank letters of credit. State Street did not have the ability to pledge or sell collateral securities absent borrower default. Borrowers were required to deliver collateral for each loan equal to not less than 102% and 105% of the fair value of the loaned domestic and international securities, respectively. In accordance with GASB Statement No. 28, securities lending collateral reported in the statement of plan net assets represents only cash collateral invested in the lending agent's cash collateral investment pool.

The System did not impose any restrictions on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the years ended June 30, 2002 and 2001. Moreover, there were no losses resulting from default of the borrowers or State Street.

During the years ended June 30, 2002 and 2001, the System and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received in connection with each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. For the years ended June 30, 2002 and 2001, the collective investment pool had an average duration of 64 days and 75 days, respectively. At June 30, 2002 and 2001, the collective investment pool had a weighted-average maturity of 405 days and 548 days, respectively. Because the loans were terminable at will, the maturities of the securities on loan did not generally match the maturities of the investments made with cash collateral. At year end, the System has no credit risk exposure to borrowers, as the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Furthermore, the lending agreement with the custodian requires the custodian to indemnify the System if the borrower fails to return the securities. The collateral held and the fair value of securities on loan for the System as of June 30, 2002 were \$250,600,636 and \$245,192,371, respectively. The collateral held and the fair value of securities on loan for the System as of June 30, 2001 were \$264,340,633 and \$255,551,899, respectively.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Additional information regarding the cash collateral investment pool (collateral pool) follows:

- a. Method for Determining Fair Value. The fair value of investments held by the collateral pool is based upon valuations provided by a recognized pricing service.
- b. Policy for Utilizing Amortized Cost Method. Because the collateral pool does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the collateral pool investments at fair value for reporting purposes.
- c. Regulatory Oversight. The collateral pool is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the collateral pool), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the System's position in the collateral pool is not the same as the value of the collateral pool shares.

Cash collateral and related securities on loan at June 30, 2002 and 2001, were as follows:

	2002	
Security Description	Cash Collateral Value	Fair Values of Securities on Loan
U.S. government obligations	\$ 60,282,863	\$ 58,972,407
Domestic corporate bonds	107,504,853	105,373,197
Common stock - domestic	38,355,929	36,714,454
Common stock - international	<u>44,456,991</u>	<u>44,132,313</u>
Totals	<u>\$250,600,636</u>	<u>\$245,192,371</u>

	2001	
Security Description	Cash Collateral Value	Fair Values of Securities on Loan
U.S. government obligations	\$149,921,666	\$145,971,688
Domestic corporate bonds	6,436,960	6,289,930
Common stock - domestic	65,777,865	63,542,301
Common stock - international	<u>42,204,142</u>	<u>39,747,980</u>
Totals	<u>\$264,340,633</u>	<u>\$255,551,899</u>

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Categories of Investment Risk

The investments of the System are governed primarily by an investment authority known as the "prudent person rule." The prudent person rule, as set forth in Section 31595 of the California Government Code, establishes a standard for all fiduciaries, which includes anyone that has authority with respect to the System. The System's investments are categorized to give an indication of the level of custodial credit risk assumed by the System at year end.

Accounting principles generally accepted in the United States of America define three levels of custodial credit risk for securities:

- 1) Securities that are insured or registered, or for which the securities are held by the System or its agent in the System's name.
- 2) Securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the System's name.
- 3) Securities that are uninsured and unregistered and held by the counterparty, or by its trust department or agent, but not in the System's name.

In accordance with GASB Statement No. 3 disclosure requirements, cash invested with County Treasurer, short-term investment funds, international equity index fund investments, real estate mortgage loans, and real estate equity investments, securities on loan and securities lending collateral are not categorized.

For financial reporting purposes, the System's investments are categorized below to provide an indication of the level of custodial credit risk assumed by the System at June 30, 2002 and 2001.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

	June 30, 2002	
	Category 1	Fair Value
Investments:		
United States government obligations	\$ 72,898,138	\$ 72,898,138
Domestic corporate bonds	741,786,976	741,786,976
International bonds	42,651,081	42,651,081
Common and preferred stock – domestic	1,176,463,176	1,176,463,176
Common and preferred stock – international	<u>324,720,834</u>	<u>324,720,834</u>
Total investments	<u>2,358,520,205</u>	<u>2,358,520,205</u>

Investments not considered securities for the purpose of custodial risk classification:

Cash invested with Sacramento County Treasurer	3,419,883
Short-term investments with fiscal agents	84,089,644
International equity index fund	278,551,923
Real estate equity	374,801,074
Securities lending collateral	250,600,636
Securities on loan, collateralized with cash	<u>245,192,371</u>
Total deposits and investments	<u>\$3,595,175,736</u>

	June 30, 2001	
	Category 1	Fair Value
Investments:		
United States government obligations	\$ 4,340,615	\$ 4,340,615
Domestic corporate bonds	647,347,702	647,347,702
International bonds	42,824,898	42,824,898
Common and preferred stock – domestic	1,375,286,948	1,375,286,948
Common and preferred stock – international	<u>278,643,806</u>	<u>278,643,806</u>
Total investments	<u>2,348,443,969</u>	<u>2,348,443,969</u>

Investments not considered securities for the purpose of custodial risk classification:

Cash invested with Sacramento County Treasurer	1,219,009
Short-term investments with fiscal agents	114,406,832
International equity index fund	313,038,939
Real estate mortgage loans	133,686,215
Real estate equity	394,079,312
Securities lending collateral	264,340,633
Securities on loan, collateralized with cash	<u>255,551,899</u>
Total deposits and investments	<u>\$3,824,766,808</u>

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

For the years ended June 30, 2002 and 2001, there were no violations of State statutes or System policy in pooled investments.

Except for real estate mortgage loans, real estate, and cash invested with the Sacramento County Treasurer, the System's cash and investments are held by a custodial bank. There are no investments that represent 5 percent or more of the System's net assets.

Derivatives

The System's investment policy allows investment managers to use derivative instruments. These instruments include currency forward contracts, currency futures, and floater/inverse floater debt instruments. The System permits the use of derivatives to minimize the exposure of certain of its investments to adverse fluctuations in financial and currency markets. The System does not use derivatives for speculative use or to create leverage. At June 30, 2002, the System's investment in currency forward contracts and futures totaled \$73,456,400. The System's investment in floating-rate notes totaled \$95,605,903 and \$32,933,000 as of June 30, 2002 and 2001, respectively.

In addition, the System invests in mortgage-backed securities, including collateralized mortgage obligations (CMOs), to increase the yield and return on its investment portfolio given the available alternative investment opportunities. The values of mortgage-backed securities are generally based on the cash flows from principal and interest receipts on the underlying mortgage pools. In a CMO, the cash flows from principal and interest payments from one or more mortgage pass-through securities or a pool of mortgages may be reallocated to multiple security classes with different priority claims and payment streams (commonly referred to as tranches). A holder of the CMO security thus chooses the class of security that best meets its risk and return objectives. CMOs are subject to significant market risk due to fluctuations in interest rates, prepayment rates, and various liquidity factors related to their specific markets. At June 30, 2002 and 2001, the System's investment in these instruments totaled \$11,932,988 and \$0, respectively.

The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. The System anticipates that the counterparties will be able to satisfy their obligations under the contracts.

NOTE 4 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Contributions to the plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The System's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Members of the System are required to contribute between 2.89% and 11.77% of their annual covered salary. Each employer of the System is obligated by state law to make all required contributions to the plan, ranging from 2.85% to 24.98% of covered payroll. The required contributions include current service cost, and amortization of prior service cost over an initial amortization period of 30 years. At June 30, 2002, there are 20 years remaining in the amortization period of prior service cost.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Employer contribution rates are determined using the entry age normal funding method based on a level percentage of payroll. The System also uses this actuarial method to amortize the unfunded liability, if applicable.

Contributions for the year ending June 30, 2002 and 2001 totaled \$82,978,888 and \$73,322,363, respectively. Included in this total are employer contributions of \$44,547,261 and \$40,358,154, and member contributions of \$38,431,627 and \$32,964,209, in 2002 and 2001, respectively. All contributions were made in accordance with actuarially-determined contribution requirements based on the actuarial valuations performed at June 30, 2000 and 1999, respectively.

NOTE 5 – RESERVES

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. All reserves are fully funded. Descriptions of the purpose for the reserve and designated accounts are provided below.

Employee reserves represent the balance of member contributions. Additions include member contributions and interest earnings; deductions include refunds of member contributions and transfers to retiree reserves.

Employer reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employer and interest earnings; deductions include transfers to retiree reserves, lump sum death benefits, and payments under California Government Code Sections 31725.5 and 31725.6.

Retiree reserves represent the balance of transfers from employee reserves, employer reserves, and interest earnings less payments to retired members.

Retiree death benefit reserves represent the balance of monies set aside to fund the lump sum death benefit for retirees. Additions include interest earnings; deductions include payments to beneficiaries of retired members who are deceased.

Retiree health care benefit reserves include transfers made by the System from excess earnings to fund a health and dental insurance premium offsets for retirees. The retiree health care benefit program qualifies under section 401(h) of the Internal Revenue Code.

Contingency reserve represented 2.5% of total assets. The contingency reserve was established, pursuant to California Government Code Section 31592.2, at a minimum of 1% of the total assets of the System. It was created to serve as a reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The Retirement Board subsequently increased the contingency reserve an additional 1.5% of total assets.

Designations for legislation and litigation. The Retirement Board elected to augment the contingency reserve by \$121,249,698 to provide for liabilities arising out of anticipated litigation or legislation.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEARS ENDED JUNE 30, 2002 and 2001

A summary of the various reserve accounts, which comprise net assets available for pension and other benefits at June 30, 2002 and 2001 (under the five-year smoothed market asset valuation method for actuarial valuation purposes) is as follows:

NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE AS OF JUNE 30,

	2002	2001
Employee reserves	\$491,404,774	437,665,741
Employer reserves	1,607,762,010	1,508,527,880
Retiree reserves	1,320,493,561	1,242,513,021
Retiree death benefit reserves	12,321,064	11,905,138
Retiree health care benefits reserves	1,739,075	2,698,450
Contingency reserve	91,196,033	96,678,789
Designation for legislation and litigation	<u>121,249,698</u>	<u>121,249,698</u>
Total reserves and designations	<u>3,646,166,215</u>	<u>3,421,238,717</u>
Excess earnings - undesignated	<u>192,915,082</u>	<u>296,959,473</u>
Total allocated reserves (smoothed market actuarial value)	3,839,081,297	3,718,198,190
Net assets in excess (deficit) of reserves	<u>(639,846,883)</u>	<u>(285,372,380)</u>
Net assets available for benefits, at fair value	<u>\$ 3,199,234,414</u>	<u>\$ 3,432,825,810</u>

NOTE 6 - OTHER BENEFITS

In addition to providing pension benefits, the System provides certain health care and dental insurance premium offsets for retired members. These benefits are provided pursuant to California Government Code Section 31592.4 wherein excess earnings at the end of the year are treated in the immediately succeeding year as appropriations, transfers, and contributions to the retirement fund by the county and districts for purposes of meeting applicable requirements of Internal Revenue Code Section 401(h). This is not a vested benefit and is subject to the availability of excess earnings from the System. The cost of the retiree health care and dental insurance premium offsets is recognized as an expense of the System in the year the benefit is payable. For the years ended June 30, 2002 and 2001, those costs were \$7,523,315 and \$6,529,456 for health insurance and \$1,587,610 and \$1,543,008 for dental insurance for a total of \$9,110,925 and \$8,072,464, respectively.

NOTE 7 - SYSTEM EMPLOYEES

The System had 34 permanent full-time employees, including the chief executive officer, and 3 permanent part-time employees. These employees are considered County employees for hiring, benefit, and salary purposes. All of these employees are members of the System.

NOTE 8 - PLAN TERMINATION

California Government Code Section 31483 allows the governing body of the County or special district, through the adoption of an ordinance or resolution, to terminate the applicability of the plan to employees of the County or district whose services commence after a given future date.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEARS ENDED JUNE 30, 2002 and 2001

NOTE 9 – MORTGAGES PAYABLE

The System has real estate investments secured by long-term mortgage obligations. Future debt service requirements for outstanding mortgages are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 273,881	\$ 4,912,653
2004	297,203	4,889,331
2005	322,511	4,864,023
2006	10,325,481	4,213,925
2007	-	4,002,830
2008-2009	<u>61,700,000</u>	<u>6,004,245</u>
Total	<u>\$ 72,919,076</u>	<u>\$ 28,887,007</u>

NOTE 10 – LEASE OBLIGATIONS

A commitment under an operating lease agreement for office facilities provides for minimum future rental payments as of June 30, 2002 as follows:

<u>Year Ending June 30:</u>	
2003	\$ 514,510
2004	524,749
2005	534,988
2006	545,227
2007	555,466
2008-2011	<u>2,173,228</u>
Total	<u>\$ 4,848,168</u>

Rental costs during the year ended June 30, 2002 and 2001 were \$399,187 and \$193,440, respectively.

NOTE 11 – CONTINGENCIES

Litigation – SCERS and other retirement systems were sued in a statewide litigation seeking inclusion of additional pay to be included in final compensation and retroactive application of increases in final compensation mandated by *Ventura County Deputy Sheriff's Association et al. v. Board of Retirement* (1997) 16 Cal. 4th 483. The case was tried in two parts, first the trial court determined which elements of compensation were to be included in determining retirement allowances; and secondly, the trial court determined the retroactive effect of the 1997 *Ventura* decision.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 and 2001

On July 20, 2000, in the first part of the litigation, the trial court addressed the elements of compensation to be included for retirement purposes. The decision affirmed the positions taken by SCERS and the County of Sacramento and denied any recovery to plaintiffs. On August 31, 2001, in the second part of the litigation, the trial court ruled against SCERS and the County holding that *Ventura* must be retroactively applied.

The entire matter has been appealed. The appellate briefs have been filed and the matter may take one more year to be concluded. While we estimate that Petitioners chance of success for reversing the trial court regarding the first part of the litigation is unlikely, the size of the potential liability has been estimated at approximately \$1 billion. The amount at issue in the second part has been estimated at approximately \$50 million. The potential outcome is unknown but may cause a material unfunded actuarial accrued liability.

NOTE 12 – RECLASSIFICATIONS

Certain amounts reported in the prior year have been reclassified to conform with the current year's presentation.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Schedule I - Schedule of funding progress (in thousands):

A six-year schedule of the funding progress of the System is presented herewith as required supplementary information. This information is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability Entry Age	Accrued (AAL)	Unfunded/ (Over funded) AAL	Funded Ratio	Annual Covered Payroll	Unfunded/ (Over funded) AAL as a Percentage of Covered Payroll
<u>June 30</u>	<u>(a)</u>	<u>(b)</u>		<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
1997	\$2,238,557	\$2,226,440		(\$12,117)	100.5%	\$419,467	(2.9)%
1998	2,600,547	2,409,642		(190,905)	107.9	470,385	(40.6)
1999	3,017,639	2,734,548		(283,091)	110.4	502,325	(56.4)
2000	3,427,348	3,111,760		(315,588)	110.1	559,047	(56.5)
2001	3,718,198	3,451,864		(266,334)	107.7	634,798	(42.0)
2002	3,839,081	3,586,250		(252,831)	107.1	695,259	(36.4)

Schedule II - Schedule of employer contributions:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1997	\$44,760,183	100.0%
1998	43,108,885	100.0
1999	46,745,055	100.0
2000	42,023,885	100.0
2001	40,358,154	100.0
2002	44,547,261	100.0

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) (Continued)
 FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Schedule III – Significant actuarial assumptions:

The following significant actuarial assumptions underlying the required supplementary schedules were utilized as part of the actuarial valuation dated June 30, 2002:

Actuarial cost method:	Entry age normal
Amortization method:	Level percent open
Remaining amortization period:	20 years
Asset valuation method:	5-year smoothed fair value

<u>Actuarial assumptions:</u>	
Investment rate of return	8.00%
Projected salary increases *	5.75

* Includes inflation of 4.25% and merit and longevity adjustment of 1.50%.

<u>Assumed postretirement benefit increase:</u>	
Miscellaneous Tier 1	4.00%
Miscellaneous Tier 2	0.00
Miscellaneous Tier 3	2.00
Safety Tier 1	4.00
Safety Tier 2	2.00

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OTHER SUPPLEMENTAL INFORMATION

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE YEARS ENDED JUNE 30, 2002 and 2001

Schedule I – Schedule of administrative and other expenses:

Type of expense	<u>2002</u>	<u>2001</u>
Salaries and benefits	\$2,077,187	\$1,817,936
Professional fees	420,311	433,167
Equipment purchases and maintenance	313,967	241,896
Rent and lease expense	415,657	203,834
Depreciation expense	42,408	42,450
Other administrative expenses	<u>2,215,778</u>	<u>1,092,133</u>
Total administrative and other expenses	<u>\$5,485,308</u>	<u>\$3,831,416</u>

Schedule II – Schedule of investment fees and expenses:

Type of investment expense	<u>2002</u>	<u>2001</u>
Domestic equity managers	\$3,884,489	\$2,660,247
International equity managers	1,765,986	1,812,072
Bond managers	2,004,725	1,888,387
Real estate managers	1,948,106	1,734,964
Custodian fees	215,409	196,643
Investment consulting fees	143,004	143,000
Other professional fees	<u>15,840</u>	<u>54,905</u>
Total investment fees and expenses	<u>\$9,977,559</u>	<u>\$8,490,218</u>

Schedule III – Schedule of payments to consultants:

Type of consulting expense	<u>2002</u>	<u>2001</u>
Mercer Investment Consulting, Inc.:		
Investment consulting fees	<u>\$143,004</u>	<u>\$143,000</u>

Investment Section



Executive Staff

John R. Descamp
Chief Executive Officer

Jeffrey W. States
Chief Investment Officer

Linda Seher
Chief Benefits Officer

Kathryn T. Regalia
Chief Operations Officer

Chief Investment Officer's Report on Investment Activity

November 27, 2002

Dear Members of the Board:

Introduction

For the second consecutive year SCERS investment returns were negative. The total fund return for the year ended June 30, 2002 was -5.4% , net of manager fees. The results are disappointing; reflecting the investment return provided by the domestic and international equity markets. The twelve-month return is 20 basis points below the policy weighted benchmark return of -5.2% . Before investment management fees SCERS' return matched the return of the policy benchmark. On a peer comparison SCERS' performance places in the 41st percentile of all public funds in the TUCS Public Fund Universe and in the 60th percentile of the Mercer Balanced Universe. Over the past ten years SCERS' has achieved an annualized investment return of 9.2% , net of manager fees. Mercer Investment Consulting, Inc. prepares the investment returns using information it receives from SCERS' custodian bank and investment managers. The return calculations are prepared using a time-weighted rate of return based on the market rate of return in accordance with AIMR performance standards.

General Information

SCERS uses external investment managers chosen by the Board to invest the funds' assets. As of June 30, 2002 there are fifteen investment managers investing sixteen separate account portfolios. In addition, SCERS has an investment in a commingled international equity MSCI EAFE index fund, which Deutsche Asset Management manages; an investment in a commingled emerging markets fund, which Capital International, Inc. manages; and investments in five commingled real estate funds. A list of the managers and the commingled trust funds is on the following page. In addition to the Chief Investment Officer, Mercer Investment Consulting, Inc. is under contract to the Board to provide investment consulting services to assist in developing investment policy, advise on asset allocation decisions and help select and monitor the investment managers. The Sacramento County Counsel's office provides legal services that are supplemented by contract legal counsel for equity and mortgage real estate investments.

A Board review of the fixed income investment structure in the fall of 2001 resulted in several changes being made. The changes were to discontinue a direct commercial mortgage loan investment portfolio, to drop the short-intermediate duration fixed income portfolio, to reduce the use of passive management in the asset class, to hire a second core-plus fixed income manager and to invest all of the fixed income asset allocation in portfolios benchmarked against the Lehman Aggregate Bond Index. As of June 30, 2002, SCERS contracts with three fixed income managers, one passive manager and two active core-plus managers. Each portfolio is allocated one-third of the fixed income portion of the asset allocation.

The commercial mortgage loan portfolio consisted of thirty-four commercial properties loans. In October of 2001 the Board accepted a proposal from PM Realty Advisors, one of its equity real estate managers, to oversee the sale of the commercial mortgage loans. In March of 2002 the thirty-four commercial mortgage loans had an outstanding principal balance of \$126.5 million. The sale of the loans was completed on April 24, 2002 at a price of 101.6% of the outstanding principal balance of the loans to Regency Savings Bank, a Federally Chartered Savings Bank of Chicago, Illinois.

SCERS' custodial bank is State Street California, Inc. State Street California also provides securities lending services to SCERS and through State Street Brokerage carries out a commission recapture program. In fiscal year 2002 SCERS earned \$1.5 million from securities lending and received recapture income of \$150,305. SCERS does not use directed brokerage or soft-dollar commissions to purchase any services.

SCERS Investment Objectives

SCERS investment objectives as set forth in the Board's Investment Policy and Objectives adopted on June 24, 1999 were:

1. Provide for Present and Future Benefit Payments - The overall objective of SCERS is to invest pension assets, solely in the interest of providing benefits to the participants and their beneficiaries, while attempting to minimize the employer contributions and defraying the administrative costs. The investment of contributions and other fund assets in accordance with the investment policy described herein will accomplish this and maintain adequate funding of SCERS' liabilities over time.

The goal of the Board is to design an investment portfolio that will achieve and exceed the annualized actuarial assumed rate of 8% over a market cycle of three to five years. The Board strives to achieve this level of return with a high level of certainty and with an acceptable level of risk.

2. Make Prudent Investments - With care, skill, prudence and diligence the Board will strive to produce an investment return based on levels of liquidity and investment risk that are prudent and reasonable under present circumstances. Such circumstances may change over time.

3. Diversify the Assets - The Board will diversify the investments of the Fund to maximize the investment return with acceptable investment risk.

4. Create Reasonable Pension Investments Relative to Other Pension Funds - The pension investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets. SCERS judges its selection of investment vehicles and policies against other private and public pension funds, with special emphasis on comparisons with public funds.

5. Establish Policy and Objective Review Process - Annually, SCERS will conduct a formal review of its Investment Policy and Objectives and will develop an updated financial projection at least every five years.

Summary of Proxy Voting Guidelines and Procedures

As a fiduciary SCERS Board has an obligation to manage the retirement system's assets in the best interest of the plan participants. The Board has established a Proxy Voting & Corporate Governance Policy. This policy provides guidance to the Chief Investment Officer for voting proxies and acting on corporate action issues such as mergers and acquisitions. For the fiscal year ending June 30, 2002 all proxies that were received were voted in accordance with the Board's policy with the assistance of research and analysis provided by The Proxy Monitor.

Summary of Asset Allocation

The Board develops the strategic asset allocation with the assistance of an external investment consultant. The investment consultant is Thomas Lightvoet, Mercer Investment consulting, Inc. The intent of the asset allocation policy is to ensure that investments are diversified in a manner that achieves the desired rate of investment return with an acceptable investment risk. The actual and policy allocation for each asset class is shown in the pie chart on the following page. The actual asset allocation by investment manager also is included. The capital market assumptions adopted along with the asset allocation give SCERS an expected 8.55% annualized total rate of return over the next ten years with a standard deviation of returns of 11.71%. In the spring of 2002 SCERS discussed its capital market assumptions by asset class and decided that while the expected short-term performance of the equity markets would likely under-perform SCERS policy assumptions no changes would be made at this time.

Summary of Investment Results

SCERS monitors capital market investment returns by using recognized and easily obtainable market indices as asset class proxy benchmarks. The benchmark index and index performance by asset class SCERS uses is included in the page of Investment Results provided later in this report. SCERS policy-weighted benchmark return is -5.2% for the twelve-month period ending June 30, 2002. SCERS actual total investment return, net of manager fees, for the fiscal year is -5.4%. For the twelve-month period ending June 30, 2002 the domestic equity benchmark Russell 3000 index return is -17.2%, the Lehman Aggregate bond index return is 8.6% and the Morgan Stanley Capital Markets International Europe, Australia, Far East (MSCI EAFE) index return is -9.5%. The NCREIF real estate benchmark return is 4.4% for the fiscal year. SCERS investment returns and the returns of the asset class benchmark indices for three and five years are can be found in the page of Investment Results. The asset allocation is broadly diversified between asset classes as well as within each class in a manner that will insure consistent long-term performance in line with the policy objectives.

U.S. Domestic equity is SCERS largest investment asset class. For the one-year period SCERS total return is -15.6%, net of fees, and -15.4% gross of fees, bettering the benchmark Russell 3000 index return of -17.2%. In the Mercer Equity Universe SCERS return for the quarter ranked in the 57th percentile for the one-year period. For the three-year period SCERS domestic equity return is -6.2%. The comparable Russell 3000 index return is -7.9% for three years.

Domestic equity investments are divided into two sub-asset classes based on stock capitalization. Large cap domestic equity is 85% of the domestic equity allocation. The large cap domestic equity return is -16.4% for one year; 150 basis points better than the Russell 1000 index return of -17.9%. The investment return for large cap equity for three years is -7.9%; 70 basis points better than the Russell 1000 index. The return for small cap equity investments for the one-year period is -10.3%, which is 170 basis points below the benchmark return of the Russell 2000 index -8.6%. For the three-year period the small cap equity return is 3.1% compared to the Russell 2000 index return of 1.7%.

SCERS international equity managers out performed the benchmark MSCI EAFE index for the one-year period. The international equity return is -8.1% compared to return of -9.5%. Performance for three years slightly bettered the benchmark returning -6.4% compared to the benchmark return of -6.8%. For the developed markets SCERS managers bettered the MSCI EAFE index returning -9.1% by 40 basis points. Over the three-year period the developed market return is -6.0% compared to a MSCI EAFE index return of -6.8%.

The international emerging markets provided better returns than the developed markets for the year. The MSCI Emerging Markets Free Index returned 1.3% for twelve months. SCERS portfolio under performed the benchmark by 690 basis points returning -5.6%. SCERS began investing in the emerging markets in February of 2000 and therefore does not have performance for longer periods.

U.S. fixed income investments is the best performing asset class for the year although SCERS managers as a group did under perform the benchmark. SCERS bond portfolio trailed the Lehman Aggregate return for the year by 1.8%, returning 6.8% while the benchmark returned 8.6%. The under performance for the one-year primarily is the result of poor security selection and credit analysis by Met West and to a lesser extent by Bradford & Marzec. SCERS lost approximately \$7.7 million in value as a result of the World-Com bankruptcy and also experienced losses in other credits such as Quest and Williams Company and other companies that have been effected by the accounting scandals uncovered over the past several months. For three years SCERS fixed income investment is 7.5% compared to the Lehman Aggregate index return of 8.1%.

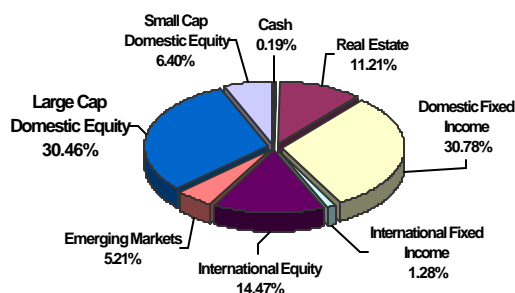
SCERS investments in commercial real estate also provided positive returns for the year. The return over the twelve-month period is 5.4%. This return is 100 basis points above the NCREIF property index. During the year real estate valuations declined as the weak economy impacted property sales. SSR Realty completed appraisals on one-half of its portfolio at the end June 2002 resulting in the write down of the values of the First Star Financial building in Bloomington, Mn. and the Westover Hills apartments. Over three year the real estate portfolio return is 9.2% compared to the NCREIF return of 9.5%.



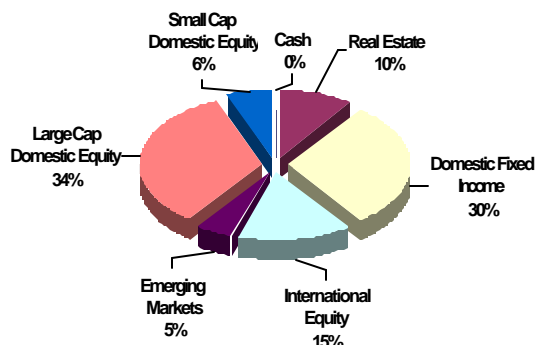
Jeffrey W. States
Chief Investment Officer

Asset Allocation

2002 SCERS Actual Asset Allocation



Target Asset Allocation



Dom Eq = Domestic Equity / Inter Eq = International Equity / Dom F I = Domestic Fixed Income / Inter F I = International Fixed Income / R E = Real Estate / Cash = Cash

The 2002 Actual Asset Allocation is based upon the Investment Summary

Investment Professionals

Investment Managers

EQUITY-DOMESTIC

Alliance Capital Management
Dalton, Greiner, Hartman,
Maher & Company
Independence Investment Assoc.
Nicholas Applegate Capital Mgmt.
Oppenheimer Capital Mgmt.
TCW Asset Management
Trinity Investment Management

EQUITY-INTERNATIONAL

Deutsche Asset Management
Capital Guardian Trust Company
Bank of Ireland Asset Management
Capital International, Inc.

FIXED INCOME

Lincoln Capital Management
Bradford & Marzec, Inc.
Metropolitan West Asset
Management

REAL ESTATE

SSR Realty Advisors
PM Realty Advisors

Commingled Trusts:

Heitman Real Estate Fund III
Heitman Real Estate Fund V
JMB Real Estate Trust IV
JMB Real Estate Trust V
Lend Lease Core Property Trust
TCW Realty IV
TCW Realty VI

Real Estate Legal Counsel

Knox, Lemmon & Anapolsky, LLP
Nossaman, Guthner, Knox & Elliot, LLP

Proxy Advisor

Institutional Shareholder
Services

Investment Consultant

Mercer Investment Consulting, Inc.

Investment Summary of Assets as Allocated

	<u>Fair Value at 06/30/02</u>	<u>Percentage of Total Fair Value</u>
Equity¹		
Domestic		
Alliance-Russell 3000 Index	\$ 579,330,535	17.32%
Alliance-Russell 1000 Value Index	84,317,682	2.52
Dalton, Greiner -Active Small Cap Value	61,583,645	1.84
Independence-Growth	179,451,646	5.37
Nicholas Applegate-Small Cap	90,360,095	2.70
Oppenheimer-CORE	80,202,941	2.40
Trinity-Value	95,335,157	2.85
TCW Asset Mgmt- Active Small Cap Value	<u>62,183,756</u>	<u>1.86</u>
Total Domestic Equity	<u>1,232,765,457</u>	<u>36.86</u>
International		
Deutsche Asset Management - EAFE Index	104,311,232	3.12
Capital Guardian Trust - EAFE Index	206,308,152	6.17
Capital International - Emerging Markets	174,246,946	5.21
Bank of Ireland Asset Management – EAFE	<u>173,424,176</u>	<u>5.18</u>
Total International Equity	<u>658,290,506</u>	<u>19.68</u>
Total Equities	<u>1,891,055,963</u>	<u>56.54</u>
Fixed Income¹		
Domestic		
Lincoln Capital-Index Salomon BIG	399,917,065	11.96
Bradford & Marzec-Salomon BIG	310,262,055	9.27
Metropolitan West Asset Management	<u>319,367,352</u>	<u>9.55</u>
Total Domestic Fixed	<u>1,029,546,472</u>	<u>30.78</u>
International		
Bradford & Marzec-Salomon BIG	<u>42,651,081</u>	<u>1.28</u>
Total International Fixed	<u>42,651,081</u>	<u>1.28</u>
Total Fixed Income	<u>1,072,197,553</u>	<u>32.06</u>
Real Estate		
SSR Realty-Separate	297,630,899	8.90
PM Realty-Separate	63,458,428	1.90
Commingled Trusts	<u>13,711,746</u>	<u>.41</u>
Total Real Estate ²	<u>374,801,073</u>	<u>11.21</u>
Total Investments at Fair Value	<u>3,338,054,589</u>	<u>99.81</u>
Cash (Unallocated) ¹	<u>6,520,511</u>	<u>.19</u>
Total Cash & Investments	<u>3,344,575,100</u>	<u>100.00%</u>
Other Assets		
Receivables	52,616,746	
Capital Assets	48,820	
Securities Lending Collateral	<u>250,600,636</u>	
Total Assets	<u>3,647,841,302</u>	
Liabilities		
Investment Trades Payable	119,651,565	
Mortgages Payable	72,919,076	
Other Liabilities	5,435,611	
Securities Lending Liability	<u>250,600,636</u>	
Net Assets Held in Trust for Pension Benefits	<u>\$ 3,199,234,414</u>	

1. Equity, fixed income and cash (unallocated) categories include short-term investments with fiscal agents.

2. The SSR Realty account includes investments made using \$72.9 million from loan proceeds.

Investment Results

Domestic Equity	Year Ended	Annualized	
	<u>June 30, 2002</u>	<u>3 Year</u>	<u>5 Year</u>
Total Domestic Equity	-15.4%	-6.2%	4.1%
Mercer Equity Universe Median	-13.4%	-0.5%	6.9%
Benchmark: Russell 3000 Index	-17.2%	-7.9%	3.8%
International Equity			
Total International Equity	-8.1%	-6.4%	-1.5%
Mercer International Equity Universe Median	-8.0%	-3.5%	1.8%
Benchmark: MSCI EAFE Index	-9.5%	-6.8%	-1.5%
Fixed Income			
Total Fixed Income	6.8%	7.5%	7.3%
Mercer Fixed Income Universe Median	7.7%	7.8%	7.3%
Benchmark: Lehman Brothers Aggregate	8.6%	8.1%	7.6%
Real Estate			
Total Real Estate	5.4%	9.2%	11.2%
Mercer Real Estate Universe Median	5.1%	9.3%	11.0%
Benchmark: NCREIF Classic Property Index	4.4%	9.5%	12.0%
Total Fund			
Sacramento Total Fund	-5.2%	-0.3%	5.6%
Mercer Balanced Fund Median Universe ¹	-4.2%	1.9%	6.0%
Benchmark: Asset Allocation Weightings ²	-5.2%	-0.7%	5.9%

Notes:

1. The Mercer 40/30/15/10/5 Balanced Universe is comprised of 40% managed domestic equity funds, 30% managed fixed income funds, 15% international equity funds, 10% real estate funds and 5% international emerging market funds. Prior to January 1, 2000, the Benchmark Universe consisted of 47% managed domestic equity funds, 23% managed fixed income funds, 15% international equity funds and 15% real estate funds.
2. The Benchmark consists of 35% Russell 3000, 5% Russell 2000, 30% Lehman Brothers Aggregate Bond Index, 15% MSCI EAFE index, 5% MSCI Emerging Markets Free and 10% NCREIF Classic Property Index. Prior to January 1, 2000 the Benchmark consisted of 47% Russell 3000, 23% Salomon Smith Barney Broad Investment Grade bond Index, 15% MSCI EAFE and 15% NCREIF.

Returns were prepared by Mercer Investment Consulting, Inc. and shown on a gross of fee basis. Return calculations were prepared using a time-weighted rate of return based on the fair rate of return in accordance with AIMR performance presentation standards.

Schedule of Manager Fees For the Year Ended June 30, 2002

<u>Manager</u>	<u>Total</u>
<i>Equity-Domestic</i>	
Alliance Capital Management	\$ 164,417
Dalton, Greiner, Hartman, Maher & Company	727,222
Independence Investment Associates	771,151
Nicholas Applegate	984,115
Oppenheimer Capital Management	302,232
Trinity Investment Management	265,037
TCW Asset Management	<u>670,315</u>
	3,884,489
<i>Equity-International</i>	
Bankers Trust Investment Management	237,611
Bank of Ireland	618,959
Capital Guardian	<u>909,416</u>
	1,765,986
<i>Fixed Income</i>	
Lincoln Capital Management	178,181
Bradford & Marzec	793,595
Payden & Rygel	20,013
Metwest	395,904
David L. Bonuccelli & Associates	<u>617,031</u>
	2,004,724
<i>Real Estate</i>	
PM Realty Advisors	411,608
SSR Realty Advisors	<u>1,536,498</u>
	1,948,106
Total Manager Fees	<u>9,603,305</u>
<i>Other Professional Fees</i>	
State Street Bank – Custodian & Securities Lending Fees	215,409
William Mercer Consulting – Investment Consulting	143,004
Proxy Monitoring Service	17,338
Legal Fees and Misc	<u>(1,497)</u>
Total Investment Fees and Expenses	<u>\$ 9,977,559</u>

Ten Largest Stock Holdings (by Fair Value) As of June 30, 2002

<u>Rank</u>	<u>Shares</u>	<u>Security Name</u>	<u>Fair Value</u>
1.	656,476	Exxon Mobil Corp.	\$ 26,862,998
2.	880,740	General Electric Co.	25,585,497
3.	450,300	Microsoft Corp.	24,631,410
4.	628,438	Citigroup Inc.	24,351,972
5.	659,450	Pfizer Inc.	23,080,750
6.	321,832	Johnson + Johnson	16,818,940
7.	223,923	American Intl. Group Inc.	15,278,266
8.	253,300	Wal Mart Stores Inc.	13,934,033
9.	187,200	Federal Natl. Mtg. Assn.	13,806,000
10.	153,608	Procter + Gamble Co.	<u>13,717,194</u>
Total of Ten Largest Stock Holdings			<u>\$ 198,067,060</u>

Ten Largest Bond Holdings (by Fair Value) As of June 30, 2002

<u>Rank</u>	<u>Par</u>	<u>Security Name</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
1.	15,610,000	FNMA TBA JUL 30	6.50%	12/01/99	\$ 15,912,521
2.	122,445,000	Kingdom of Sweden	5.00%	01/15/04	13,343,703
3.	11,841,000	FNMA TBA AUG 30	7.00%	12/31/99	12,225,832
4.	9,300,000	US Treasury Bonds	12.75%	11/15/10	11,938,875
5.	7,995,000	US Treasury Bonds	12.00%	08/15/13	11,178,049
6.	10,462,823	GNMA Pool #569799	7.00%	05/15/32	10,858,423
7.	9,991,437	FNMA Pool #642200	6.50%	05/01/32	10,184,971
8.	8,640,000	US Treasury Bonds	6.75%	08/15/26	9,836,121
9.	9,290,000	FHLMC TBA JUL 30	7.00%	12/31/99	9,621,002
10.	9,194,466	FNMA Pool # 323979	6.50%	04/01/29	<u>9,389,849</u>
Total Largest Bond Holdings					<u>\$114,489,346</u>

Note: The above schedules do not include funds invested in commingled trust funds or cash in the custodian's short-term investment fund.

A complete list of the portfolio's holdings is available upon request.

Schedule of Equity Brokerage Fees For the Year Ended June 30, 2002

<u>Broker Name</u>	<u>Commission Per Share</u>	<u>Total Commission</u>	<u>Shares/Par Value</u>
ABN AMRO AUSTRALIA LIMITED	0.01864	\$ 103	5,500
ABN AMRO EQUITIES (UK) LTD LONDON	0.01328	1,898	142,873
ABN AMRO EQUITIES AUSTRALIA LTD.	0.00727	148	20,340
ABN AMRO HOARE GOVETT	0.11143	1,034	9,282
ABN AMRO SECURITIES LLC	0.05183	4,846	93,500
ADAMS HARKNESS + HILL,INC	0.05000	5,745	114,900
ADVEST INC	0.05000	340	6,800
ALLEN & COMPANY INCORPORATED	0.05000	490	9,800
ARCHIPELAGO BCC CAPITAL CLEAR	0.02000	998	49,900
ARNHOLD S BLEICHROEDER INC	0.05000	1,215	24,300
AUTRANET,INC.	0.04181	2,396	57,300
AVALON RESEARCH GROUP INC	0.05000	390	7,800
BAIRD, ROBERT W., & COMPANY INCORP.	0.04637	3,390	73,100
BANC AMERICA SECURITY LLC MONTGOMERY D	0.04715	37,671	799,000
BANK AM BELLEVUE	0.07179	287	4,000
BANK J.VONTOBEL UND CO. AG	0.51976	44	85
BANK JULIUS BAER (DEUTSCHLAND) AG	0.05888	24	400
BANQUE NATIONALE DE PARIS, LON	0.00585	202	34,557
BARRINGTON RESEARCH ASSOC	0.05000	435	8,700
BEAR STEARNS + CO INC	0.04994	59,918	1,199,850
BEAR STEARNS SECURITIES CORP	0.04959	27,126	546,962
BMO NESBITT BURNS CORP	0.05000	1,080	21,600
BNY CLEARING SERVICES LLC	0.04680	3,730	79,700
BNYESI TRANSITION MANAGEMENT	0.05000	5,000	100,000
BREAN MURRAY	0.05000	75	1,500
BRIDGE TRADING	0.05223	8,654	165,700
BROADCORTCAPITAL (THRU ML)	0.05175	51,471	994,575
BROCKHOUSE + COOPER INC MONTREAL	0.01413	312	22,050
B-TRADE SERVICES LLC	0.02526	14,011	554,664
BUCKINGHAM RESEARCH GROUP	0.05612	1,936	34,500
BUNTING WARBURG INCORPORATED	0.05000	1,735	34,700
C. L. GLAZER & COMPANY, INC.	0.04400	198	4,500
C.L.KING & ASSOCIATES	0.05305	3,045	57,400
C.E. UNTERBERG, TOBIN	0.04930	2,756	55,900
CANADIAN IMPERIAL BANK OF COMMERCE	0.03808	575	15,100
CANTOR FITZGERALD + CO.	0.04753	9,088	191,200
CAZENOVE + CO	0.00508	1,747	343,909
CAZENOVE ASIA LIMITED	0.01380	179	13,000
CAZENOVE INCORPORATED	0.07100	263	3,700
CHARLES SCHWAB CO INC	0.03017	1,053	34,900
CHARTERHOUSE TILNEY SECURITIES LTD	0.01651	1,843	111,600
CI NORDICSECURITIES AB	0.03627	341	9,400
CIBC WORLD MARKETS CORP	0.04565	32,737	717,100
CITATION GROUP	0.05408	42,564	787,100
CJS SECURITIES	0.06000	768	12,800
COMMERZBANK AG	0.00192	335	174,770
CREDIT AGRICOLE INDOSUEZ CHEUVREUX	0.01477	7,767	525,779
CREDIT LYONNAIS HONGKONG	0.00477	364	76,400
CREDIT LYONNAIS SECURITIES	0.01446	188	13,000

Broker Name	Commission Per Share	Total Commission	Shares/Par Value
CREDIT LYONNAIS SECURITIES(ASIA)	0.00775	589	76,000
CREDIT SUISSE (FIRST BOSTON), ZURICH	0.07393	331	4,480
CREDIT SUISSE FIRST BOSTON	0.01187	81	6,800
CREDIT SUISSE FIRST BOSTON CORPORATION	0.04669	96,591	2,068,773
CREDIT SUISSE FIRST BOSTON EQUITIES (EUR	0.03287	6,045	183,918
CREDIT SUISSE FST BOSTON SINGAPORE	0.01850	120	6,500
CREDIT SUISES FIRST BOSTON EMM	0.06692	60	892
CS FIRST BOSTON (HONG KONG) LIMITED	0.02497	1,929	77,270
CS FIRST BOSTON (JAPAN) LIMITED	0.03111	768	24,700
CS FIRST BOSTON CORPORATION	0.05261	363	6,900
CSFB AUSTRALIA EQUITIES LTD	0.01378	2,024	146,891
CSFB EQUITIES 1 CABOT SQUARE	0.00877	2,596	296,076
DAIN RAUSCHER INC	0.05000	190	3,800
DAIWA SBCM EUROPE	0.00680	621	91,300
DAIWA SECURITES SB CAPITAL MA	0.03668	1,043	28,440
DAVIDSON D.A. + COMPANY INC.	0.05091	1,405	27,600
DAVY (J+E)	0.02308	155	6,700
DB CLEARING SERVICES	0.05000	550	11,000
DEUTSCHE BANC ALEX. BROWN INC.	0.04657	27,680	594,384
DEUTSCHE BANK AG SYDNEY	0.01209	62	5,110
DEUTSCHE BANK SECURITIES INC	0.05039	12,009	238,300
DEUTSCHE BANK SECURITIES, INC	0.01343	495	36,900
DEUTSCHE MORGAN GRENFELL	0.00374	72	19,170
DEUTSCHE MORGAN GRENFELL (LONDON)	0.02039	427	20,930
DEUTSCHE MORGAN GRENFELL SECS	0.00364	179	48,978
DEUTSCHE SECURITIES AUSTRALIA (SYDNEY)	0.01904	354	18,600
DEUTSCHE SECURITIES LIMITED	0.01427	29	2,000
DONALDSON, LUFKIN + JENRETTE SECS	0.04999	77,483	1,550,100
DOWLING & PARTNERS SECURITIES, LLC.	0.05000	390	7,800
DRESDNER KLEINWORTH WASSERSTEIN SEC LLC	0.04291	678	15,800
EDWARDS AG & SONS INC	0.05000	505	10,100
EDWARDS AG SONS INC	0.04796	4,024	83,900
ENSKILDA SECURITIES AB	0.10893	2,179	20,000
EXANE S.A.	0.06956	557	8,000
FACTSET DATA SYSTEMS (THRU BEAR STEARNS)	0.05434	6,592	121,300
FAHNESTOCK & COMPANY, INC.	0.05000	1,425	28,500
FIDELITY CAPITAL MARKETS	0.05000	490	9,800
FIRST ALBANY CORP.	0.05000	95	1,900
FIRST ANALYSIS SECURITIES CORP	0.05000	445	8,900
FIRST TENNESSEE SECURITIES CORP	0.04992	9,370	187,700
FIRST UNION CAPITAL MARKETS	0.04547	7,080	155,700
FIRST UNION SECURITIES INC	0.04708	9,247	196,400
FLEETBOSTON ROBERTSON STEPHENS	0.05000	11,845	236,900
FOX PITT KELTON INC	0.05575	3,735	67,000
FRIEDMAN BILLINGS + RAMSEY	0.04955	5,733	115,700
FULCRUM GLOBAL PARTNERS LLC	0.06000	12	200
GERARD KLAUER MATTISON + CO	0.04889	9,950	203,500
GILFORD SECURITIES	0.05000	910	18,200
GLAZER C.L. + COMPANY	0.04804	245	5,100
GOLDMAN SACHS (JAPAN) LTD.	0.00963	2,328	241,823
GOLDMAN SACHS ASIA FINANCE	0.02195	2,680	122,100
GOLDMAN SACHS INTERNATIONAL LONDON	0.00942	27,779	2,947,557
GOLDSMITH & HARRIS (THRU BEAR STEARNS)	0.05305	695	13,100

Broker Name	Commission Per Share	Total Commission	Shares/Par Value
GREEN STREET ADVISORS INCORPORATED	0.06000	2,190	36,500
GRUNTAL & CO., L.L.C.	0.05583	2,501	44,800
HOAK SECURITIES	0.04439	870	19,600
HOARE GOVETT SECURITIES LIMITED	0.01975	1,240	62,794
HOEFER + ARNETT	0.05000	145	2,900
HONG KONG+ SHANGHAI BKG CORP	0.01258	95	7,550
HOWARD WEIL DIVISION LEGG MASON	0.05291	4,825	91,200
HSBC INVESTMENT BANK PLC	0.02838	3,195	112,563
HSBC SECURITIES (JAPAN) LTD	0.02422	318	13,120
HSBC SECURITIES INC (JAMES CAPEL)	0.03780	8	200
HSBC SECURITIES(ASIA)LIMITED	0.00225	16	7,000
INDOSUEZ W.I. CARR SECURITIES	0.09250	167	1,800
ING BARING SECURITIES (JAPAN)	0.01869	1,886	100,905
INGALLS SNYDER	0.05000	125	2,500
INSTINET	0.04867	33,414	686,600
INSTINET U.K. LTD	0.03675	7	200
INVESTEC ERNST & COMPANY	0.05222	13,313	254,950
INVESTMENT TECHNOLOGY GROUP INC.	0.02212	63,375	2,864,800
INVESTMENT TECHNOLOGY GROUP LTD	0.01452	7	500
ISI GROUPINC	0.05020	3,052	60,800
J B WERE AND SON	0.01086	2,000	184,202
J P MORGAN SECURITIES INC	0.04482	35,692	796,270
JANNEY MONTGOMERY, SCOTT INC	0.05246	2,791	53,200
JARDINE FLEMING SECURITIES LIMITED	0.34405	1,001	2,910
JEFFERIESCOMPANY INC	0.03911	28,700	733,900
JESUP ANDLAMONT	0.05000	3,390	67,800
JOHNSON RICE + CO	0.06000	522	8,700
JONES + ASSOCIATES	0.04707	8,224	174,700
JP MORGANSECURITIES ASIA LTD	0.82302	363	441
JP MORGANSECURITIES INC	0.05533	66	1,200
JP MORGANSECURITIES LIMITED	0.03484	20,677	593,540
KEEFE BRUYETTE + WOODS INC	0.05235	2,424	46,300
KING FINANCIAL SERVICES INC	0.05000	390	7,800
KLEINWORTBENSON SECURITIES LIMITED	0.02075	7,149	344,593
KNIGHT SECURITIES	0.04048	170	4,200
LADENBURGTHALMAN + CO	0.03057	1,938	63,400
LAZARD FRERES & CO.	0.05540	3,507	63,300
LEGG MASON WOOD WALKER INC	0.05203	3,382	65,000
LEHMAN BROTHERS INC	0.03982	74,996	1,883,204
LEHMAN BROTHERS INTERNATIONAL (EUROPE)	0.02147	5,080	236,582
LEHMAN BROTHERS JAPAN INC, TOKYO	0.02730	1,357	49,710
LEHMAN BROTHERS SECS (ASIA)	0.01373	179	13,042
LEWCO SECS AGENT FOR BNY CLEARING SERV	0.05000	195	3,900
LIQUIDNETINC	0.02000	4,264	213,200
LOOP CAPITAL MARKETS INC	0.04538	1,139	25,100
M M WARBURG	0.12356	346	2,800
M RAMSEY KING SECURITIES INC	0.04937	701	14,200
MACQUARIEINVESTMENT	0.01934	2,014	104,137
MAY DAVISGROUP INC	0.05000	95	1,900
MCDONALD AND COMPANY SECURITIES, INC.	0.05068	1,708	33,700
MERRILL LYNCH + CO INC	0.03083	1,867	60,560
MERRILL LYNCH FAR EAST LTD	0.00292	6,770	2,318,500
MERRILL LYNCH INTERNATIONAL	0.01624	17,215	1,059,701

Broker Name	Commission Per Share	Total Commission	Shares/Par Value
MERRILL LYNCH JAPAN INCORPORATED	0.03230	2,000	61,930
MERRILL LYNCH PEIRCE, FENNER AND S	0.01130	5,508	487,278
MERRILL LYNCH PIERCE FENNER + SMITH	0.03650	151,830	4,159,780
MERRILL LYNCH PROFESSIONAL CLEARING CORP	0.05622	461	8,200
MERRION	0.02757	85	3,100
MERRION CAPITAL GROUP	0.02625	184	7,000
MONNESS,CRESPI,HARDT + CO, INC	0.05000	315	6,300
MORGAN GRENFELL AND CO LIMITED	0.00992	7,220	727,688
MORGAN GRENFELL AND CO LIMITED	0.01343	14,875	1,107,300
MORGAN KEEGAN & CO INC	0.05023	1,748	34,800
MORGAN STANLEY CO INCORPORATED	0.05062	1,913	37,800
MORGAN STANLEY AND CO. INTERNATIONAL	0.02176	17,213	791,119
MORGAN STANLEY ASIA LTD	0.01004	839	83,600
MORGAN STANLEY CO INCORPORATED	0.04229	45,336	1,072,123
MORGAN STANLEY JAPAN LTD	0.00856	3,545	414,000
MORGAN, J.P. SECURITIES	0.01960	1,555	79,323
NCB STOCKBROKERS LTD	0.02139	385	18,000
NDB CAPITAL MARKETS INC	0.05000	620	12,400
NEEDHAM +COMPANY	0.04766	4,375	91,800
NESBITT BURNS	0.03864	1,476	38,200
NEUBERGERAND BERMAN	0.04280	107	2,500
NIKKO SALOMON SMITH BARNEY LTD	0.00800	1,623	202,800
NOMURA SECURITIES CO., LTD.	0.01381	321	23,229
NOMURA SECURITIES INTERNATIONAL INC	0.00652	178	27,300
NUTMEG SECURITIES	0.04124	5,356	129,860
ORD MINNETT LTD	0.00373	181	48,513
PACIFIC CREST SECURITIES	0.05000	205	4,100
PACIFIC GROWTH EQUITIES	0.05000	1,905	38,100
PARIBAS	0.03367	906	26,900
PCS SECURITIES INC	0.05000	650	13,000
PENNSYLVANIA MERCHANT GROUP LTD	0.05000	1,170	23,400
POLCARI/WEICKER DIV OF GARBAN CORP	0.05000	3,870	77,400
PRUDENTIAL SECURITIES INCORPORATED	0.05067	14,279	281,800
PUNK ZIEGEL AND KNOLL	0.05000	870	17,400
RAYMOND JAMES AND ASSOCIATES INC	0.05196	3,362	64,700
RBC DAIN RAUSCHER INC	0.05000	1,320	26,400
RBC DOMINION SECURITIES	0.03805	160	4,200
RBC DOMINION SECURITIES CORPORATION	0.05000	235	4,700
ROBERT VAN SECURTIES	0.05000	370	7,400
ROBERTSONSTEPHENS, INC	0.06000	186	3,100
ROBERTSONSTEPHENS, INC.	0.04619	8,309	179,900
ROBINSON HUMPHREY	0.04500	90	2,000
ROCHDALE SEC CORP.(CLS THRU 443)	0.05742	11,301	196,800
RUSSELL FRANK SECURITIES INC	0.05000	21,207	424,142
RYAN BECK+ CO	0.04932	873	17,700
SALOMON BROS HONG KONG	0.01594	2,406	150,900
SALOMON BROTHERS INC, NY	0.02087	7,688	368,318
SALOMON BROTHERS INTERNATIONAL	0.01341	6,777	505,237
SALOMON SMITH BARNEY INC	0.04650	77,444	1,665,332
SALOMON SMITH BARNEY INC/SALOMON BROS.	0.12597	270	2,143
SALOMON SMITH BARNEY SECS (SYDNEY)	0.01353	809	59,800
SANDLER ONEILL + PART LP	0.05032	3,034	60,300
SANFORD CBERNSTEIN & CO LLC	0.06000	162	2,700

<u>Broker Name</u>	<u>Commission Per Share</u>	<u>Total Commission</u>	<u>Shares/Par Value</u>
SANFORD CBERNSTEIN CO LLC	0.05143	20,583	400,200
SBC WARBURG LONDON	0.02053	16,703	813,448
SCHWAB CHARLES + CO INC	0.06000	336	5,600
SCOTIA CAPITAL (USA) INC	0.03808	2,201	57,800
SCOTIA MCLEOD INC.	0.03890	39	1,000
SCOTT & STRINGFELLOW, INC	0.05209	1,318	25,300
SG COWEN SECURITIES CORP	0.05213	7,001	134,300
SIDOTI + CO	0.05000	1,635	32,700
SIMMONS +COMPANY INTERNATIONAL	0.05368	1,970	36,700
SOCIETE GENERALE	0.09823	1,542	15,700
SOUTHWESTSECURITIES	0.05000	1,405	28,100
SPEAR, LEEDS & KELLOGG	0.05062	24,304	480,100
SPEAR, LEEDS & KELLOGG CAPITAL MARKETS	0.04238	7,128	168,174
SPRING STREET SECURITIES	0.06000	606	10,100
STANDARD + POORS SECURITIES INC	0.05181	5,285	102,000
STATE STREET BANK + TR CO	0.05537	20,885	377,200
STATE STREET BROKERAGE SERVICES	0.04740	1,704	35,950
STEPHENS,INC.	0.05812	1,238	21,300
STIFEL NICOLAUS & CO INC	0.04703	649	13,800
SUNTRUST CAPITAL MARKETS INC	0.04980	4,980	100,000
SVENSKA HANDELSBANKEN LONDON BRANCH	0.04282	1,083	25,300
THOMAS WEISEL PARTNERS	0.04677	26,302	562,427
THOMASON INSTITUTIONAL SERVICES, INC	0.06000	1,386	23,100
TORONTO DOMINION SECURITIES INC	0.03873	58	1,500
TUCKER ANTHONY CLEARY GULL	0.04000	652	16,300
U S BANCORP PIPER JAFFRAY INC	0.05066	24,404	481,685
U S CLEARING INSTITUTIONAL TRADING	0.06000	186	3,100
UBS (AUSTRALIA) LIMITED (MELBOURNE)	0.01974	377	19,100
UBS AG	0.04338	1,058	24,390
UBS AG LONDON	0.00646	4,072	629,958
UBS AUSTRALIA GROUP LIMITED (FORMER ROYA	0.02353	105	4,480
UBS BUNTING WARBURG INC., TORO	0.03825	15	400
UBS PAINWEBBER INC	0.05000	670	13,400
UBS WARBURG (HONG KONG) LIMITED	0.00965	1,769	183,207
UBS WARBURG (JAPAN) LTD	0.00642	1,143	178,100
UBS WARBURG LLC	0.05048	31,802	629,961
VANDHAM SECURITIES CORP	0.05000	260	5,200
VERITAS SECURITIES	0.02500	1,853	74,100
WACHOVIA SECURITIES INS	0.05000	155	3,100
WARBURG DILLION READ (ASIA) LTD	0.02725	2,266	83,167
WARBURG DILLON READ (JAPAN)	0.00635	44	7,000
WARBURG DILLON READ SECURITIES LTD	0.83309	1,708	2,050
WEDBUSH MORGAN SECURITIES INC	0.04963	5,013	101,000
WEEDEN + CO.	0.04936	17,305	350,606
WELLS FARGO VAN KASPER LLC	0.05000	1,200	24,000
WILLIAM BLAIR & COMPANY, L.L.C	0.05052	1,955	38,700
WILLIAMS CAPITAL GROUP(THE)	0.05000	500	10,000
WILSHIRE ASSOCIATES INCORPORATED	0.05000	90	1,800
WIT SOUNDVIEW CORP	0.04968	7,839	157,800
WM SMITH SECURITIES INC	0.05000	830	16,600
TOTAL		<u>\$ 1,855,386</u>	<u>55,830,505</u>

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Actuarial Section

MERCER

Human Resource Consulting

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January 8, 2003

Board of Retirement
Sacramento County Employees'
Retirement System
980 - 9th Street, Suite 1800
Sacramento, California 95814

Dear Members of the Board:

We are pleased to present the actuarial valuation for the Sacramento County Employees' Retirement System prepared as of June 30, 2002 by Mercer Human Resource Consulting, Inc. The report includes:

- (1) a determination of the recommended employer contribution rates. These rates are to be effective July 1, 2003;
- (2) a determination of the recommended member contribution rates, also to be effective on July 1, 2003;
- (3) a determination of the funded status as of June 30, 2002; and
- (4) financial reporting and disclosure information pursuant to applicable accounting standards.

Please note that the results in this report have been prepared using the retirement benefit formulas in effect as of June 30, 2002. They will have to be revised if the employer adopts new retirement benefits formulas prior to July 1, 2003.

This report conforms with the requirements of the governing state and local statutes, accounting rules, and generally accepted actuarial principles and practices.

This report reflects the impact on funding status and contribution rates of the Retirement Board's expansion of the pay items includable in Earnable Compensation in response to the 1997 California Supreme Court decision in the Ventura County Deputy Sheriff's System vs. Board of Retirement, Ventura County Employees' Retirement System. This report assumes no retroactive application of the Ventura decision.

We have calculated the employer and member contribution rates assuming:

- The Reserve for Interest Fluctuations is retained at 2.5%; and
- The Board will not transfer any excess earnings to reduce member and employer contribution rates.

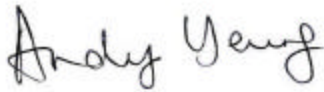
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We have provided in the report the amount that would be required to be transferred from excess earnings to maintain member and employer contribution rates at the same level determined in the June 30, 2001 valuation, for information purposes only.

The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Andy Yeung, ASA, EA, MAAA



Marcia L. Chapman, FSA, EA, MAAA

MERCER

Human Resource Consulting

Actuary's Certification Letter

The annual actuarial valuation required for the Sacramento County Employees' Retirement System has been prepared as of June 30, 2002 by Mercer Human Resource Consulting, Inc. In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to determine a sound value for the System's assets, liability and future contribution requirements. Our calculations are based upon member data and unaudited financial information provided to us by the System's staff. This data has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior years' data.

The contribution requirements are determined as a percentage of payroll. The primary funding objective of the System is to determine employer rates required to provide for both normal cost and a contribution to amortize the unfunded actuarial accrued liability. The amortization period for the unfunded actuarial accrued liability is 20 years as of June 30, 2002. The contribution to the unfunded actuarial accrued liability (which is currently negative for the County, resulting in a rate credit) is calculated to remain level as a percentage of future payroll (including projected payroll for future members). The dollar amount of payments (credits) will increase with payroll at a rate of 4.25% per year. The period for amortizing the unfunded actuarial accrued liability is set by the Board of Retirement.

The County issued Pension Obligation Bonds on July 5, 1995 to fully fund its unfunded actuarial accrued liability calculated as of June 30, 1994. Districts did not participate in the bond issue, so they are required to contribute at a higher level.

Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of Actuarial Value of Assets to Actuarial Accrued Liabilities decreased from 107.7% to 107.1% during the year.

The results in this valuation were based on our recommended interest and inflation assumptions of 8.00% and 4.25% developed in this report. Other important assumptions included the demographic and salary increase assumptions adopted by the board in the last triennial experience study as of June 30, 2001.

In our opinion, the combined operation of the assumptions and methods applied in this valuation fairly represent past and anticipated future experience of the System and meet the parameters required by GASB Statement 25.

A list of the supporting schedules we prepared for inclusion in the Actuarial and Financial Sections of the System's CAFR report is provided below:

- (1) Schedule of Active Member Valuation Data
- (2) Retirees and beneficiaries Added to and Removed From Retiree Payroll

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- (3) Solvency Tests
- (4) Actuarial Analysis of Financial Experience
- (5) Schedule of Average Benefit Payments for Retirees and Beneficiaries
- (6) Schedule of Funding Progress

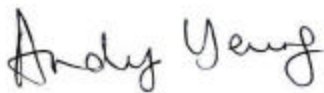
Future contribution requirements may differ from those determined in the valuation because of:

- (1) differences between actual experience and anticipated experience;
- (2) changes in actuarial assumptions or methods;
- (3) changes in statutory provisions; and
- (4) differences between the contribution rates determined by the valuation and those adopted by the Board.

This report reflects the impact on funding status and contribution rates of the Retirement Board's expansion of the pay items includable in Earnable Compensation in response to the 1997 California Supreme Court decision in the Ventura County Deputy Sheriff's System vs. Board of Retirement, Ventura County Employees' Retirement System. This report assumes no retroactive application of the Ventura decision.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Mercer Human Resource Consulting, Inc.



Andy Yeung, ASA, EA, MAAA

January 8, 2003

Date



Marcia L. Chapman, FSA, EA, MAAA

January 8, 2003

Date

Summary of Actuarial Assumptions and Methods

The following assumptions were recommended by the actuary and have been adopted by the Board for the June 30, 2002 valuations.

Assumption:

Valuation Interest Rate & Rate of Return on Investment	8.00%
Inflation Assumption	4.25%
Cost of Living Adjustment	4% for Tier 1 General and Safety members 0% for Tier 2 General members 2% for Tier 3 General and Tier 2 Safety members
Interest Rate Credited to Active member accounts	8.00%

Post-Retirement Mortality

- (a) Service
 - Males - 1994 Male Group Annuity Mortality Table set back two years
 - Females - 1994 Female Group Annuity Mortality Table with no set back
 - Safety - 1994 Male Group Annuity Mortality Table with no set back
- (b) Disability
 - General - 1981 General Disability Mortality Table with no set back
 - Safety - 1981 Safety Disability Mortality Table set back one year
- (c) For Employee Contribution Rate Purposes
 - General - 1994 Male Group Annuity Mortality Table with a three year set back
 - Safety - 1994 Male Group Annuity Mortality Table with no set back

Pre-Retirement Mortality	Based upon the 6/30/2001 Experience Analysis
Withdrawal Rates	Based upon the 6/30/2001 Experience Analysis
Disability Rates	Based upon the 6/30/2001 Experience Analysis
Service Retirement Rates	Based upon the 6/30/2001 Experience Analysis
Salary Scales	Total increases of 5.75% per year reflecting 4.25% for inflation and approximately 1.50% for merit and longevity
Assets	Valued at Five Year Smoothed Fair Value
Percentage of Members Married at Retirement	70% for male members and 50% for female members
Terminated Members Eligible for Reciprocal Benefits	60%

Funding Method and Amortization of Actuarial Gains or Losses

The County's liability is being funded on the Entry Age Normal Method, the amortization period for the Unfunded Actuarial Accrued Liability is 20 years from the June 30, 2002 valuation date.

Summary of Plan Provisions

Benefit Sections 31676.1 and 31664 of the 1937 County Act

Briefly summarized below are the major provisions of the County Employees Retirement Law of 1937, as amended through June 30, 2002 that are applicable to Sacramento County Employees' Retirement System.

Membership

General employees entering after September 27, 1981 become members of Tier 2 or Tier 3. Safety members entering after June 24, 1995 become members of Tier 2. All others are covered by Tier 1 provisions.

Final Average Salary (FAS)

Final average salary is defined as the highest 12 consecutive months of compensation earnable for Tier 1 and highest 36 consecutive months for Tier 2 and Tier 3.

Return of Contributions

If a member should resign or die before becoming eligible for retirement, his or her contributions plus interest will be refunded. In lieu of receiving a return of contributions, a member with five or more years of service may elect to leave his or her contributions on deposit and receive a deferred vested benefit when eligible for retirement.

Service Retirement Benefit

Members with 10 years of service who have attained the age of 50 are eligible to retire. Members with 30 years of service (20 years for Safety), regardless of age, are eligible to retire.

The benefit expressed as a percentage of monthly FAS per year of service, depending on age at retirement, is illustrated below for typical ages. For members integrated with Social Security, the benefit is reduced by one-third of the percentage shown below times the first \$350 of monthly FAS per year of service after January 1, 1956.

Age	General	Safety
50	1.18%	2.00%
55	1.49%	2.62%
60	1.92%	2.62%
65 and over	2.43%	2.62%

Disability Benefit

Members with five years of service, regardless of age, are eligible for non-service connected disability.

For Tier 1 General members, the benefit is 1.5% (1.8% for Tier 1 Safety members) of FAS for each year of service. If this benefit does not equal one-third of FAS, the benefit is increased by the same percentage of FAS for the years which would have been credited to age 65 (age 55 for Safety members), but the total benefit in this case cannot be more than one-third of FAS.

For Tier 2 and Tier 3 members, the benefit is 20% of FAS for the first five years of service plus 2% for each additional year for a maximum of 40% of FAS.

If the disability is service connected, the member may retire regardless of length of service, with a benefit of 50% of FAS.

Death Benefit (Before Retirement)

In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six (6) months' salary.

If a member dies while eligible for service retirement or non-service connected disability, the spouse receives 60% of the allowance that the member would have received for retirement on the day of his or her death.

If a member dies in the performance of duty, the spouse receives 50% of the member's final average salary.

Death Benefit (After Retirement)

If a member dies after retirement, a lump burial allowance is paid to the beneficiary or estate.

If the retirement was for service connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse for life.

If the retirement was for other than service connected disability, 60% of the member's allowance is continued to the spouse for life.

Maximum Benefit

The maximum benefit payable to a member or beneficiary is 100% of FAS.

Cost-of-Living

The maximum increase in retirement allowance is 4% per year for Tier 1 General and Safety members, 2% for Tier 2 Safety members and, effective April 1, 1993, 2% for Tier 3 members. Tier 2 General members have no cost-of-living benefit. The cost-of-living increases are based on the change in the Consumer Price Index for the calendar year prior to the April 1 effective date.

Contribution Rates

Basic member contribution rates are based on the age nearest birthday at entry into the System (single rate for entrants after January 1, 1975). The rates are such as to provide an average annuity at age 60 equal to 1/240 of FAS for General members and at age 50 equal to 1/200 of FAS for Safety members. For members integrated with Social Security, the above contributions are reduced by one-third of that portion of such contribution payable with respect to the first \$350 of monthly salary. Cost-of-living rates are designed to pay for one quarter of the future cost of living costs. Member contributions are refundable upon termination from the System.

The Employer rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised under the Retirement System.

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay *
6/30/97	General	8,684	\$ 328,676,000	\$ 37,848	1.92%
	Safety	1,863	90,791,000	48,734	4.31%
	Total	10,547	\$ 419,467,000	\$ 39,771	2.44%
6/30/98	General	8,866	\$ 367,781,000	\$ 41,482	9.60%
	Safety	1,935	102,604,000	53,025	8.81%
	Total	10,801	\$ 470,385,000	\$ 43,550	9.50%
6/30/99	General	9,350	\$ 400,287,000	\$ 42,811	3.20%
	Safety	2,004	102,038,000	50,917	-3.98%
	Total	11,354	\$ 502,325,000	\$ 44,242	1.59%
6/30/00	General	10,217	\$441,118,000	\$ 43,175	0.85%
	Safety	2,018	117,930,000	58,439	14.77%
	Total	12,235	\$559,048,000	\$ 45,693	3.28%
6/30/01	General	10,781	\$498,408,000	\$ 46,230	7.08%
	Safety	2,210	136,390,000	61,715	5.61%
	Total	12,991	\$634,798,000	\$ 48,864	6.94%
6/30/02	General	11,618	\$542,877,000	\$ 46,727	1.08%
	Safety	2,415	152,382,000	63,098	2.24%
	Total	14,033	\$695,259,000	\$ 49,545	1.39%

* Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year, it does not reflect the average salary increases received by members who worked the full year.

Retirees and Beneficiaries Added to and Removed from Retiree Payroll

Plan Year Ended	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Retiree Payroll (In Thousands)	% Increase in Annual Retiree Payroll	Average Annual Allowance
06/30/97	4,502	320	176	4,646	\$70,716	8.63%	\$15,221
06/30/98	4,646	394	156	4,884	78,762	11.38	16,127
06/30/99	4,884	573	154	5,303	85,698	8.81	16,160
06/30/00	5,303	377	192	5,488	93,620	9.24	17,059
06/30/01	5,488	205	167	5,526	98,600	7.89	17,843
06/30/02	5,526	438	222	5,742	108,538	10.08	18,762

Schedule of Funding Progress (in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (i) (a)	Actuarial Accrued Liability (AAL) - Entry Age (ii) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/97	\$2,238,557	\$2,226,440	(\$12,117)	100.5%	\$419,467	(2.9)%
06/30/98	2,600,547	2,409,642	(190,905)	107.9	470,385	(40.6)
06/30/99	3,017,639	2,734,548	(283,091)	110.4	502,325	(56.4)
06/30/00	3,427,348	3,111,760	(315,588)	110.1	559,047	(56.5)
06/30/01	3,718,198	3,451,864	(266,334)	107.7	634,798	(42.0)
06/30/02	3,839,081	3,586,250	(252,831)	107.1	695,259	(36.4)

(i) Excludes accounts payable.

(ii) Includes reserve for interest fluctuations, retiree health benefit reserve, retiree death benefit reserve, and amount over reserved benefits.

Solvency Tests (in thousands)

Valuation Date	Active Member Contributions	Retired/Vested Members	Active Members (Employer Financed Portion)		Actuarial Value of Assets	Active Member Contributions	Retired/Vested Members	Active Members (Employer Financed Portion)
			Total					
06/30/97	\$260,787	\$975,206	\$990,447	\$2,226,440	\$2,238,557	100%	100%	100%
06/30/98	285,779	1,043,514	1,080,349	2,409,642	2,600,547	100	100	100
06/30/99	303,957	1,122,054	1,308,537	2,734,548	3,017,639	100	100	100
06/30/00	322,134	1,239,894	1,549,732	3,111,760	3,427,348	100	100	100
06/30/01	393,924	1,323,405	1,734,535	3,451,864	3,718,198	100	100	100
06/30/02	370,625	1,427,334	1,788,291	3,586,250	3,718,198	100	100	100

Events affecting year to year comparability:

06/30/97 – No change in assumptions.

06/30/98 – Salary increase assumption increased from 5.5% to 5.55%. Modification in non-economic assumptions. Liability as a result of Ventura Court decision was included.

06/30/99 – No change in assumptions.

06/30/00 – No change in assumptions.

06/30/01 – Salary increase assumption increased from 5.55% to 5.75%. Modification in non-economic assumptions.

06/30/02 – No change in assumptions.

Actuarial Analysis of Financial Experience (in millions)

	Plan Years Ended June 30,					
	2002	2001	2000	1999	1998	1997
Prior Valuation Unfunded Actuarial Accrued Liability	(\$266)	(\$316)	(\$283)	(\$191)	(\$12)	\$31
Salary Increase Greater (Less) than Expected	5	50	46	(93)	(29)	-
Asset Return Less (Greater) than Expected	(8)	(3)	(6)	(11)	(205)	-
Other Experience	16	(18)	(2)	(18)	55	-
Liability from Ventura Court Decision	-	-	-	-	95	-
Actuarial Value of Assets Method Change	-	-	-	-	-	-
Economic and Non-Economic Assumption Changes	-	21	-	-	21	-
Data Corrections	-	-	-	30 *	-	-
Transfer from Excess Earnings	-	-	(71)	-	(116)	-
Consolidated changes (detail unavailable)	-	-	-	-	-	(43)
Ending Unfunded Actuarial Accrued Liability	(\$253)	(\$266)	(\$316)	(\$283)	(\$191)	(\$12)

* Includes \$24 million in Recognition of Sick Leave Service in Valuation and \$6 million in Loss from Retirements.

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

GENERAL TIER 1 MALE MEMBERS

Age	With 0<Svc<1	With 1<Svc<2	With 2<Svc<3	With 3<Svc<4	With 4<Svc<5	With 5<Svc	Vested Term	Ordinary Disab.	Duty Disab.	Ordinary Death	Duty Death	Svc Ret
<=20	0.1040	0.1040	0.1040	0.1040	0.1040	0.1040	0.0150	0.0000	0.0001	0.0005	0.0001	0.0000
21	0.1010	0.1010	0.1010	0.1010	0.1010	0.0965	0.0150	0.0000	0.0001	0.0005	0.0001	0.0000
22	0.0980	0.0980	0.0980	0.0980	0.0980	0.0891	0.0150	0.0000	0.0001	0.0005	0.0001	0.0000
23	0.0950	0.0950	0.0950	0.0950	0.0950	0.0796	0.0150	0.0000	0.0001	0.0006	0.0001	0.0000
24	0.0920	0.0920	0.0920	0.0920	0.0920	0.0705	0.0150	0.0000	0.0001	0.0006	0.0001	0.0000
25	0.0900	0.0900	0.0900	0.0900	0.0900	0.0618	0.0150	0.0025	0.0001	0.0006	0.0001	0.0000
26	0.0850	0.0850	0.0850	0.0850	0.0850	0.0534	0.0150	0.0025	0.0001	0.0007	0.0001	0.0000
27	0.0800	0.0800	0.0800	0.0800	0.0800	0.0454	0.0150	0.0025	0.0001	0.0007	0.0001	0.0000
28	0.0750	0.0750	0.0750	0.0750	0.0750	0.0399	0.0150	0.0025	0.0001	0.0007	0.0001	0.0000
29	0.0700	0.0700	0.0700	0.0700	0.0700	0.0340	0.0150	0.0025	0.0001	0.0008	0.0001	0.0000
30	0.0660	0.0660	0.0660	0.0660	0.0660	0.0343	0.0150	0.0025	0.0001	0.0008	0.0001	0.0000
31	0.0620	0.0620	0.0620	0.0620	0.0620	0.0347	0.0150	0.0025	0.0001	0.0008	0.0001	0.0000
32	0.0570	0.0570	0.0570	0.0570	0.0570	0.0351	0.0150	0.0025	0.0001	0.0009	0.0001	0.0000
33	0.0530	0.0530	0.0530	0.0530	0.0530	0.0354	0.0150	0.0025	0.0001	0.0009	0.0001	0.0000
34	0.0480	0.0480	0.0480	0.0480	0.0480	0.0358	0.0150	0.0025	0.0001	0.0009	0.0001	0.0000
35	0.0460	0.0460	0.0460	0.0460	0.0460	0.0361	0.0125	0.0025	0.0002	0.0009	0.0001	0.0000
36	0.0440	0.0440	0.0440	0.0440	0.0440	0.0401	0.0125	0.0025	0.0002	0.0009	0.0001	0.0000
37	0.0410	0.0410	0.0410	0.0410	0.0410	0.0425	0.0125	0.0025	0.0003	0.0009	0.0001	0.0000
38	0.0380	0.0380	0.0380	0.0380	0.0380	0.0347	0.0125	0.0025	0.0004	0.0009	0.0001	0.0000
39	0.0350	0.0350	0.0350	0.0350	0.0350	0.0276	0.0125	0.0025	0.0005	0.0010	0.0001	0.0000
40	0.0290	0.0290	0.0290	0.0290	0.0290	0.0206	0.0125	0.0025	0.0006	0.0010	0.0001	0.0000
41	0.0262	0.0262	0.0262	0.0262	0.0262	0.0146	0.0125	0.0025	0.0007	0.0011	0.0001	0.0000
42	0.0235	0.0235	0.0235	0.0235	0.0235	0.0096	0.0125	0.0025	0.0007	0.0012	0.0001	0.0000
43	0.0208	0.0208	0.0208	0.0208	0.0208	0.0074	0.0125	0.0025	0.0009	0.0012	0.0001	0.0000
44	0.0181	0.0181	0.0181	0.0181	0.0181	0.0055	0.0125	0.0025	0.0010	0.0013	0.0001	0.0000
45	0.0166	0.0166	0.0166	0.0166	0.0166	0.0055	0.0108	0.0025	0.0011	0.0015	0.0001	0.0000
46	0.0148	0.0148	0.0148	0.0148	0.0148	0.0053	0.0092	0.0029	0.0013	0.0016	0.0001	0.0000
47	0.0129	0.0129	0.0129	0.0129	0.0129	0.0046	0.0075	0.0034	0.0014	0.0017	0.0001	0.0000
48	0.0111	0.0111	0.0111	0.0111	0.0111	0.0041	0.0058	0.0037	0.0017	0.0019	0.0001	0.0000
49	0.0102	0.0102	0.0102	0.0102	0.0102	0.0036	0.0042	0.0040	0.0020	0.0020	0.0001	0.0000
50	0.0102	0.0102	0.0102	0.0102	0.0102	0.0032	0.0042	0.0045	0.0022	0.0023	0.0001	0.0418
51	0.0097	0.0097	0.0097	0.0097	0.0097	0.0028	0.0042	0.0045	0.0025	0.0025	0.0001	0.0359
52	0.0092	0.0092	0.0092	0.0092	0.0092	0.0024	0.0042	0.0045	0.0028	0.0028	0.0001	0.0260
53	0.0087	0.0087	0.0087	0.0087	0.0087	0.0020	0.0042	0.0045	0.0029	0.0031	0.0001	0.0214
54	0.0082	0.0082	0.0082	0.0082	0.0082	0.0017	0.0042	0.0045	0.0031	0.0035	0.0001	0.0254
55	0.0078	0.0078	0.0078	0.0078	0.0078	0.0000	0.0000	0.0045	0.0033	0.0039	0.0001	0.0560
56	0.0074	0.0074	0.0074	0.0074	0.0074	0.0000	0.0000	0.0045	0.0035	0.0043	0.0001	0.0665
57	0.0069	0.0069	0.0069	0.0069	0.0069	0.0000	0.0000	0.0045	0.0038	0.0048	0.0001	0.0767
58	0.0064	0.0064	0.0064	0.0064	0.0064	0.0000	0.0000	0.0045	0.0041	0.0053	0.0001	0.0979
59	0.0059	0.0059	0.0059	0.0059	0.0059	0.0000	0.0000	0.0045	0.0044	0.0060	0.0001	0.1209
60	0.0055	0.0055	0.0055	0.0055	0.0055	0.0000	0.0000	0.0045	0.0048	0.0068	0.0001	0.1525
61	0.0050	0.0050	0.0050	0.0050	0.0050	0.0000	0.0000	0.0045	0.0053	0.0076	0.0001	0.2608
62	0.0050	0.0050	0.0050	0.0050	0.0050	0.0000	0.0000	0.0045	0.0059	0.0086	0.0001	0.3475
63	0.0045	0.0045	0.0045	0.0045	0.0045	0.0000	0.0000	0.0045	0.0065	0.0097	0.0001	0.3476
64	0.0045	0.0045	0.0045	0.0045	0.0045	0.0000	0.0000	0.0045	0.0071	0.0109	0.0001	0.3600
65	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0045	0.0077	0.0123	0.0001	0.4169
66	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0045	0.0083	0.0139	0.0001	0.4478
67	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0045	0.0090	0.0156	0.0001	0.4788
68	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0045	0.0097	0.0175	0.0001	0.5472
69	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0045	0.0104	0.0194	0.0001	0.6840
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

GENERAL TIER 1 FEMALE MEMBERS

<u>Age</u>	<u>With 0<Svc<1</u>	<u>With 1<Svc<2</u>	<u>With 2<Svc<3</u>	<u>With 3<Svc<4</u>	<u>With 4<Svc<5</u>	<u>With 5<Svc</u>	<u>Vested Term</u>	<u>Ordinary Disab.</u>	<u>Duty Disab.</u>	<u>Ordinary Death</u>	<u>Duty Death</u>	<u>Svc Ret</u>
<=20	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250	0.0150	0.0000	0.0000	0.0003	0.0000	0.0000
21	0.1150	0.1150	0.1150	0.1150	0.1150	0.1150	0.0150	0.0000	0.0000	0.0003	0.0000	0.0000
22	0.1060	0.1060	0.1060	0.1060	0.1060	0.1060	0.0150	0.0000	0.0000	0.0003	0.0000	0.0000
23	0.0980	0.0980	0.0980	0.0980	0.0980	0.0980	0.0150	0.0000	0.0000	0.0003	0.0000	0.0000
24	0.0930	0.0930	0.0930	0.0930	0.0930	0.0930	0.0150	0.0000	0.0000	0.0003	0.0000	0.0000
25	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0858	0.0150	0.0001	0.0001	0.0003	0.0000
26	0.0880	0.0880	0.0880	0.0880	0.0880	0.0880	0.0786	0.0150	0.0001	0.0001	0.0003	0.0000
27	0.0860	0.0860	0.0860	0.0860	0.0860	0.0860	0.0714	0.0150	0.0001	0.0001	0.0003	0.0000
28	0.0840	0.0840	0.0840	0.0840	0.0840	0.0840	0.0614	0.0150	0.0001	0.0001	0.0003	0.0000
29	0.0820	0.0820	0.0820	0.0820	0.0820	0.0820	0.0520	0.0150	0.0001	0.0001	0.0004	0.0000
30	0.0759	0.0759	0.0759	0.0759	0.0759	0.0759	0.0432	0.0150	0.0002	0.0001	0.0004	0.0000
31	0.0711	0.0711	0.0711	0.0711	0.0711	0.0711	0.0351	0.0150	0.0002	0.0001	0.0004	0.0000
32	0.0663	0.0663	0.0663	0.0663	0.0663	0.0663	0.0276	0.0150	0.0002	0.0001	0.0004	0.0000
33	0.0615	0.0615	0.0615	0.0615	0.0615	0.0615	0.0210	0.0150	0.0003	0.0001	0.0005	0.0000
34	0.0567	0.0567	0.0567	0.0567	0.0567	0.0567	0.0149	0.0150	0.0003	0.0001	0.0005	0.0000
35	0.0479	0.0479	0.0479	0.0479	0.0479	0.0479	0.0113	0.0125	0.0002	0.0002	0.0005	0.0000
36	0.0452	0.0452	0.0452	0.0452	0.0452	0.0452	0.0101	0.0125	0.0003	0.0002	0.0006	0.0000
37	0.0408	0.0408	0.0408	0.0408	0.0408	0.0408	0.0086	0.0125	0.0004	0.0002	0.0006	0.0000
38	0.0364	0.0364	0.0364	0.0364	0.0364	0.0364	0.0063	0.0125	0.0004	0.0002	0.0006	0.0000
39	0.0328	0.0328	0.0328	0.0328	0.0328	0.0328	0.0052	0.0125	0.0005	0.0002	0.0007	0.0000
40	0.0293	0.0293	0.0293	0.0293	0.0293	0.0293	0.0065	0.0125	0.0010	0.0002	0.0008	0.0000
41	0.0275	0.0275	0.0275	0.0275	0.0275	0.0275	0.0055	0.0125	0.0014	0.0002	0.0008	0.0000
42	0.0258	0.0258	0.0258	0.0258	0.0258	0.0258	0.0046	0.0125	0.0017	0.0003	0.0009	0.0000
43	0.0241	0.0241	0.0241	0.0241	0.0241	0.0241	0.0041	0.0125	0.0023	0.0003	0.0009	0.0000
44	0.0224	0.0224	0.0224	0.0224	0.0224	0.0224	0.0035	0.0125	0.0029	0.0003	0.0010	0.0000
45	0.0215	0.0215	0.0215	0.0215	0.0215	0.0215	0.0029	0.0100	0.0036	0.0004	0.0010	0.0000
46	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0029	0.0100	0.0044	0.0004	0.0011	0.0000
47	0.0197	0.0197	0.0197	0.0197	0.0197	0.0197	0.0029	0.0100	0.0050	0.0004	0.0012	0.0000
48	0.0188	0.0188	0.0188	0.0188	0.0188	0.0188	0.0029	0.0100	0.0050	0.0006	0.0013	0.0000
49	0.0179	0.0179	0.0179	0.0179	0.0179	0.0179	0.0029	0.0100	0.0050	0.0007	0.0014	0.0000
50	0.0184	0.0184	0.0184	0.0184	0.0184	0.0184	0.0026	0.0070	0.0050	0.0008	0.0015	0.0000
51	0.0175	0.0175	0.0175	0.0175	0.0175	0.0175	0.0026	0.0070	0.0050	0.0010	0.0017	0.0000
52	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165	0.0026	0.0070	0.0050	0.0012	0.0019	0.0000
53	0.0155	0.0155	0.0155	0.0155	0.0155	0.0155	0.0023	0.0070	0.0050	0.0013	0.0021	0.0000
54	0.0146	0.0146	0.0146	0.0146	0.0146	0.0146	0.0023	0.0070	0.0050	0.0015	0.0022	0.0000
55	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0000	0.0000	0.0050	0.0017	0.0025	0.0000
56	0.0127	0.0127	0.0127	0.0127	0.0127	0.0127	0.0000	0.0000	0.0050	0.0018	0.0028	0.0000
57	0.0113	0.0113	0.0113	0.0113	0.0113	0.0113	0.0000	0.0000	0.0050	0.0020	0.0031	0.0000
58	0.0098	0.0098	0.0098	0.0098	0.0098	0.0098	0.0000	0.0000	0.0050	0.0019	0.0036	0.0000
59	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0000	0.0000	0.0050	0.0018	0.0042	0.0000
60	0.0080	0.0080	0.0080	0.0080	0.0080	0.0080	0.0000	0.0000	0.0050	0.0017	0.0048	0.0000
61	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0000	0.0000	0.0050	0.0016	0.0055	0.0000
62	0.0060	0.0060	0.0060	0.0060	0.0060	0.0060	0.0000	0.0000	0.0050	0.0015	0.0063	0.0000
63	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	0.0000	0.0000	0.0050	0.0016	0.0072	0.0000
64	0.0040	0.0040	0.0040	0.0040	0.0040	0.0040	0.0000	0.0000	0.0050	0.0018	0.0082	0.0000
65	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0050	0.0021	0.0093	0.0000
66	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0050	0.0022	0.0104	0.0000
67	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0050	0.0024	0.0116	0.0000
68	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0050	0.0024	0.0126	0.0000
69	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0050	0.0024	0.0137	0.0000
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

GENERAL TIER 2 & 3 MALE MEMBERS

Age	With 0<Svc<1	With 1<Svc<2	With 2<Svc<3	With 3<Svc<4	With 4<Svc<5	With 5<Svc	Vested Term	Ordinary Disab.	Duty Disab.	Ordinary Death	Duty Death	Svc Ret
<=20	0.0932	0.0628	0.0470	0.0440	0.0250	0.1022	0.1817	0.0000	0.0001	0.0005	0.0001	0.0000
21	0.0932	0.0628	0.0470	0.0440	0.0250	0.0992	0.1647	0.0000	0.0001	0.0005	0.0001	0.0000
22	0.0932	0.0628	0.0470	0.0440	0.0250	0.0963	0.1478	0.0000	0.0001	0.0005	0.0001	0.0000
23	0.0932	0.0628	0.0470	0.0440	0.0250	0.0916	0.1309	0.0000	0.0001	0.0006	0.0001	0.0000
24	0.0932	0.0628	0.0470	0.0440	0.0250	0.0871	0.1139	0.0000	0.0001	0.0006	0.0001	0.0000
25	0.0932	0.0628	0.0470	0.0440	0.0250	0.0731	0.0970	0.0001	0.0001	0.0006	0.0001	0.0000
26	0.0932	0.0628	0.0470	0.0440	0.0250	0.0596	0.0801	0.0001	0.0001	0.0007	0.0001	0.0000
27	0.0932	0.0628	0.0470	0.0440	0.0250	0.0465	0.0632	0.0001	0.0001	0.0007	0.0001	0.0000
28	0.0932	0.0628	0.0470	0.0440	0.0250	0.0407	0.0462	0.0001	0.0002	0.0007	0.0001	0.0000
29	0.0932	0.0628	0.0470	0.0440	0.0250	0.0307	0.0400	0.0001	0.0003	0.0008	0.0001	0.0000
30	0.0932	0.0628	0.0470	0.0440	0.0250	0.0240	0.0300	0.0002	0.0003	0.0008	0.0001	0.0000
31	0.0932	0.0628	0.0470	0.0440	0.0250	0.0228	0.0300	0.0002	0.0003	0.0008	0.0001	0.0000
32	0.0932	0.0628	0.0470	0.0440	0.0250	0.0216	0.0300	0.0002	0.0003	0.0009	0.0001	0.0000
33	0.0932	0.0628	0.0470	0.0440	0.0250	0.0216	0.0300	0.0002	0.0003	0.0009	0.0001	0.0000
34	0.0932	0.0628	0.0470	0.0440	0.0250	0.0216	0.0300	0.0002	0.0003	0.0009	0.0001	0.0000
35	0.0932	0.0628	0.0470	0.0440	0.0250	0.0216	0.0250	0.0002	0.0004	0.0009	0.0001	0.0000
36	0.0932	0.0628	0.0470	0.0440	0.0250	0.0216	0.0250	0.0003	0.0004	0.0009	0.0001	0.0000
37	0.0932	0.0628	0.0470	0.0440	0.0250	0.0218	0.0250	0.0003	0.0004	0.0009	0.0001	0.0000
38	0.0932	0.0628	0.0470	0.0440	0.0250	0.0210	0.0250	0.0008	0.0004	0.0009	0.0001	0.0000
39	0.0932	0.0628	0.0470	0.0440	0.0250	0.0202	0.0250	0.0010	0.0004	0.0009	0.0001	0.0000
40	0.0932	0.0628	0.0470	0.0440	0.0250	0.0194	0.0225	0.0013	0.0004	0.0010	0.0001	0.0000
41	0.0932	0.0628	0.0470	0.0440	0.0250	0.0186	0.0225	0.0014	0.0004	0.0010	0.0001	0.0000
42	0.0932	0.0628	0.0470	0.0440	0.0250	0.0178	0.0225	0.0016	0.0004	0.0011	0.0001	0.0000
43	0.0932	0.0628	0.0470	0.0440	0.0250	0.0169	0.0225	0.0017	0.0004	0.0012	0.0001	0.0000
44	0.0932	0.0628	0.0470	0.0440	0.0250	0.0160	0.0225	0.0019	0.0004	0.0013	0.0001	0.0000
45	0.0932	0.0628	0.0470	0.0440	0.0250	0.0138	0.0210	0.0020	0.0005	0.0015	0.0001	0.0000
46	0.0932	0.0628	0.0470	0.0440	0.0250	0.0129	0.0210	0.0023	0.0005	0.0016	0.0001	0.0000
47	0.0932	0.0628	0.0470	0.0440	0.0250	0.0120	0.0210	0.0027	0.0006	0.0017	0.0001	0.0000
48	0.0932	0.0628	0.0470	0.0440	0.0250	0.0120	0.0210	0.0028	0.0006	0.0019	0.0001	0.0000
49	0.0932	0.0628	0.0470	0.0440	0.0250	0.0120	0.0210	0.0029	0.0007	0.0020	0.0001	0.0000
50	0.0932	0.0628	0.0470	0.0440	0.0250	0.0105	0.0200	0.0032	0.0008	0.0023	0.0001	0.0178
51	0.0932	0.0628	0.0470	0.0440	0.0250	0.0100	0.0200	0.0032	0.0009	0.0025	0.0001	0.0194
52	0.0932	0.0628	0.0470	0.0440	0.0250	0.0095	0.0200	0.0034	0.0010	0.0028	0.0001	0.0172
53	0.0932	0.0628	0.0470	0.0440	0.0250	0.0090	0.0200	0.0035	0.0011	0.0031	0.0001	0.0125
54	0.0932	0.0628	0.0470	0.0440	0.0250	0.0085	0.0200	0.0037	0.0012	0.0035	0.0001	0.0127
55	0.0932	0.0628	0.0470	0.0440	0.0250	0.0080	0.0200	0.0039	0.0012	0.0039	0.0001	0.0614
56	0.0932	0.0628	0.0470	0.0440	0.0250	0.0075	0.0200	0.0041	0.0013	0.0043	0.0001	0.0577
57	0.0932	0.0628	0.0470	0.0440	0.0250	0.0070	0.0200	0.0043	0.0015	0.0048	0.0001	0.0487
58	0.0932	0.0628	0.0470	0.0440	0.0250	0.0065	0.0200	0.0046	0.0017	0.0053	0.0001	0.0613
59	0.0932	0.0628	0.0470	0.0440	0.0250	0.0060	0.0200	0.0047	0.0018	0.0060	0.0001	0.0747
60	0.0932	0.0628	0.0470	0.0440	0.0250	0.0055	0.0200	0.0049	0.0021	0.0068	0.0001	0.1042
61	0.0932	0.0628	0.0470	0.0440	0.0250	0.0050	0.0200	0.0049	0.0023	0.0076	0.0001	0.1762
62	0.0932	0.0628	0.0470	0.0440	0.0250	0.0050	0.0200	0.0049	0.0026	0.0086	0.0001	0.2325
63	0.0932	0.0628	0.0470	0.0440	0.0250	0.0045	0.0200	0.0049	0.0029	0.0097	0.0001	0.1977
64	0.0932	0.0628	0.0470	0.0440	0.0250	0.0045	0.0200	0.0049	0.0031	0.0109	0.0001	0.1744
65	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0200	0.0049	0.0034	0.0123	0.0001	0.6474
66	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0200	0.0049	0.0036	0.0139	0.0001	0.5914
67	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0200	0.0049	0.0039	0.0156	0.0001	0.5354
68	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0200	0.0049	0.0042	0.0175	0.0001	0.6119
69	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0200	0.0049	0.0045	0.0194	0.0001	0.7648
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

GENERAL TIER 2 & 3 FEMALE MEMBERS

Age	With 0<Svc<1	With 1<Svc<2	With 2<Svc<3	With 3<Svc<4	With 4<Svc<5	With 5<Svc	Vested Term	Ordinary Disab.	Duty Disab.	Ordinary Death	Duty Death	Svc Ret
<=20	0.1050	0.0850	0.0538	0.1000	0.0350	0.1500	0.1400	0.0000	0.0000	0.0003	0.0000	0.0000
21	0.1050	0.0850	0.0538	0.1000	0.0350	0.1368	0.1300	0.0000	0.0000	0.0003	0.0000	0.0000
22	0.1050	0.0850	0.0538	0.1000	0.0350	0.1236	0.1200	0.0000	0.0000	0.0003	0.0000	0.0000
23	0.1050	0.0850	0.0538	0.1000	0.0350	0.1145	0.1036	0.0000	0.0000	0.0003	0.0000	0.0000
24	0.1050	0.0850	0.0538	0.1000	0.0350	0.1045	0.0872	0.0000	0.0000	0.0003	0.0000	0.0000
25	0.1050	0.0850	0.0538	0.0750	0.0350	0.0934	0.0707	0.0001	0.0001	0.0003	0.0000	0.0000
26	0.1050	0.0850	0.0538	0.0750	0.0350	0.0897	0.0543	0.0001	0.0001	0.0003	0.0000	0.0000
27	0.1050	0.0850	0.0538	0.0750	0.0350	0.0856	0.0379	0.0001	0.0001	0.0003	0.0000	0.0000
28	0.1050	0.0850	0.0538	0.0750	0.0350	0.0720	0.0355	0.0001	0.0001	0.0003	0.0000	0.0000
29	0.1050	0.0850	0.0538	0.0750	0.0350	0.0596	0.0331	0.0001	0.0001	0.0004	0.0000	0.0000
30	0.1050	0.0850	0.0538	0.0600	0.0350	0.0484	0.0307	0.0002	0.0001	0.0004	0.0000	0.0000
31	0.1050	0.0850	0.0538	0.0600	0.0350	0.0383	0.0283	0.0002	0.0001	0.0004	0.0000	0.0000
32	0.1050	0.0850	0.0538	0.0600	0.0350	0.0294	0.0259	0.0002	0.0001	0.0004	0.0000	0.0000
33	0.1050	0.0850	0.0538	0.0600	0.0350	0.0286	0.0262	0.0003	0.0001	0.0005	0.0000	0.0000
34	0.1050	0.0850	0.0538	0.0600	0.0350	0.0267	0.0260	0.0003	0.0001	0.0005	0.0000	0.0000
35	0.1050	0.0850	0.0538	0.0500	0.0350	0.0237	0.0260	0.0003	0.0002	0.0005	0.0000	0.0000
36	0.1050	0.0850	0.0538	0.0500	0.0350	0.0245	0.0260	0.0005	0.0002	0.0006	0.0000	0.0000
37	0.1050	0.0850	0.0538	0.0500	0.0350	0.0239	0.0260	0.0007	0.0002	0.0006	0.0000	0.0000
38	0.1050	0.0850	0.0538	0.0500	0.0350	0.0240	0.0260	0.0007	0.0002	0.0006	0.0000	0.0000
39	0.1050	0.0850	0.0538	0.0500	0.0350	0.0240	0.0260	0.0008	0.0002	0.0007	0.0000	0.0000
40	0.1050	0.0850	0.0538	0.0450	0.0350	0.0220	0.0220	0.0008	0.0001	0.0008	0.0000	0.0000
41	0.1050	0.0850	0.0538	0.0450	0.0350	0.0220	0.0220	0.0009	0.0001	0.0008	0.0000	0.0000
42	0.1050	0.0850	0.0538	0.0450	0.0350	0.0216	0.0220	0.0009	0.0002	0.0009	0.0000	0.0000
43	0.1050	0.0850	0.0538	0.0450	0.0350	0.0191	0.0220	0.0010	0.0002	0.0009	0.0000	0.0000
44	0.1050	0.0850	0.0538	0.0450	0.0350	0.0165	0.0220	0.0010	0.0003	0.0010	0.0000	0.0000
45	0.1050	0.0850	0.0538	0.0350	0.0350	0.0139	0.0160	0.0011	0.0001	0.0010	0.0000	0.0000
46	0.1050	0.0850	0.0538	0.0350	0.0350	0.0114	0.0160	0.0011	0.0002	0.0011	0.0000	0.0000
47	0.1050	0.0850	0.0538	0.0350	0.0350	0.0088	0.0160	0.0011	0.0002	0.0012	0.0000	0.0000
48	0.1050	0.0850	0.0538	0.0350	0.0350	0.0082	0.0160	0.0014	0.0002	0.0013	0.0000	0.0000
49	0.1050	0.0850	0.0538	0.0350	0.0350	0.0076	0.0160	0.0017	0.0003	0.0014	0.0000	0.0000
50	0.1050	0.0850	0.0538	0.0300	0.0350	0.0070	0.0150	0.0020	0.0006	0.0015	0.0000	0.0458
51	0.1050	0.0850	0.0538	0.0300	0.0350	0.0066	0.0150	0.0023	0.0009	0.0017	0.0000	0.0296
52	0.1050	0.0850	0.0538	0.0300	0.0350	0.0066	0.0150	0.0026	0.0012	0.0019	0.0000	0.0227
53	0.1050	0.0850	0.0538	0.0300	0.0350	0.0066	0.0150	0.0031	0.0015	0.0021	0.0000	0.0256
54	0.1050	0.0850	0.0538	0.0300	0.0350	0.0066	0.0150	0.0036	0.0018	0.0022	0.0000	0.0286
55	0.1050	0.0850	0.0538	0.0150	0.0350	0.0066	0.0150	0.0041	0.0021	0.0025	0.0000	0.0535
56	0.1050	0.0850	0.0538	0.0150	0.0350	0.0066	0.0150	0.0048	0.0022	0.0028	0.0000	0.0747
57	0.1050	0.0850	0.0538	0.0150	0.0350	0.0061	0.0150	0.0055	0.0023	0.0031	0.0000	0.0896
58	0.1050	0.0850	0.0538	0.0150	0.0350	0.0059	0.0150	0.0058	0.0023	0.0036	0.0000	0.1033
59	0.1050	0.0850	0.0538	0.0150	0.0350	0.0059	0.0150	0.0062	0.0023	0.0042	0.0000	0.1349
60	0.1050	0.0850	0.0538	0.0100	0.0350	0.0048	0.0102	0.0066	0.0029	0.0048	0.0000	0.1232
61	0.1050	0.0850	0.0538	0.0100	0.0350	0.0046	0.0102	0.0069	0.0024	0.0055	0.0000	0.2041
62	0.1050	0.0850	0.0538	0.0100	0.0350	0.0042	0.0102	0.0074	0.0024	0.0063	0.0000	0.4000
63	0.1050	0.0850	0.0538	0.0100	0.0350	0.0038	0.0102	0.0083	0.0025	0.0072	0.0000	0.3130
64	0.1050	0.0850	0.0538	0.0100	0.0350	0.0032	0.0102	0.0093	0.0025	0.0082	0.0000	0.3281
65	0.1050	0.0850	0.0538	0.0000	0.0350	0.0000	0.0000	0.0104	0.0026	0.0093	0.0000	0.7500
66	0.1050	0.0850	0.0538	0.0000	0.0350	0.0000	0.0000	0.0115	0.0026	0.0104	0.0000	0.4986
67	0.1050	0.0850	0.0538	0.0000	0.0350	0.0000	0.0000	0.0127	0.0026	0.0116	0.0000	0.6061
68	0.1050	0.0850	0.0538	0.0000	0.0350	0.0000	0.0000	0.0133	0.0026	0.0126	0.0000	0.6927
69	0.1050	0.0850	0.0538	0.0000	0.0350	0.0000	0.0000	0.0139	0.0026	0.0137	0.0000	0.8659
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

SAFETY MEMBERS

<u>Age</u>	<u>With 0<Svc<1</u>	<u>With 1<Svc<2</u>	<u>With 2<Svc<3</u>	<u>With 3<Svc<4</u>	<u>With 4<Svc<5</u>	<u>With 5<Svc</u>	<u>Vested Term</u>	<u>Ordinary Disab.</u>	<u>Duty Disab.</u>	<u>Ordinary Death</u>	<u>Duty Death</u>	<u>Svc Ret</u>
<=20	0.0600	0.0250	0.0200	0.0200	0.0100	0.0070	0.0500	0.0000	0.0005	0.0005	0.0002	0.0000
21	0.0600	0.0250	0.0200	0.0200	0.0100	0.0070	0.0500	0.0000	0.0006	0.0006	0.0002	0.0000
22	0.0600	0.0250	0.0200	0.0200	0.0100	0.0070	0.0500	0.0000	0.0007	0.0006	0.0002	0.0000
23	0.0600	0.0250	0.0200	0.0200	0.0100	0.0070	0.0500	0.0000	0.0007	0.0006	0.0002	0.0000
24	0.0600	0.0250	0.0200	0.0200	0.0100	0.0070	0.0500	0.0000	0.0007	0.0007	0.0002	0.0000
25	0.0600	0.0250	0.0200	0.0200	0.0100	0.0070	0.0500	0.0002	0.0009	0.0007	0.0002	0.0000
26	0.0600	0.0250	0.0200	0.0200	0.0100	0.0070	0.0500	0.0002	0.0011	0.0007	0.0002	0.0000
27	0.0600	0.0250	0.0200	0.0200	0.0100	0.0068	0.0142	0.0003	0.0012	0.0008	0.0002	0.0000
28	0.0600	0.0250	0.0200	0.0200	0.0100	0.0065	0.0139	0.0003	0.0015	0.0008	0.0002	0.0000
29	0.0600	0.0250	0.0200	0.0200	0.0100	0.0063	0.0136	0.0004	0.0018	0.0008	0.0002	0.0000
30	0.0600	0.0250	0.0200	0.0200	0.0100	0.0060	0.0132	0.0004	0.0018	0.0009	0.0002	0.0000
31	0.0600	0.0250	0.0200	0.0200	0.0100	0.0060	0.0139	0.0005	0.0022	0.0009	0.0002	0.0000
32	0.0600	0.0250	0.0200	0.0200	0.0100	0.0060	0.0126	0.0005	0.0026	0.0009	0.0002	0.0000
33	0.0600	0.0250	0.0200	0.0200	0.0100	0.0060	0.0115	0.0006	0.0028	0.0009	0.0002	0.0000
34	0.0600	0.0250	0.0200	0.0200	0.0100	0.0060	0.0104	0.0006	0.0031	0.0009	0.0002	0.0000
35	0.0600	0.0250	0.0200	0.0200	0.0100	0.0055	0.0096	0.0007	0.0035	0.0009	0.0002	0.0000
36	0.0600	0.0250	0.0200	0.0200	0.0100	0.0055	0.0089	0.0008	0.0039	0.0009	0.0002	0.0000
37	0.0600	0.0250	0.0200	0.0200	0.0100	0.0055	0.0081	0.0009	0.0045	0.0010	0.0002	0.0000
38	0.0600	0.0250	0.0200	0.0200	0.0100	0.0055	0.0074	0.0010	0.0046	0.0010	0.0002	0.0000
39	0.0600	0.0250	0.0200	0.0200	0.0100	0.0055	0.0066	0.0011	0.0046	0.0011	0.0002	0.0000
40	0.0600	0.0250	0.0200	0.0200	0.0100	0.0050	0.0066	0.0012	0.0046	0.0011	0.0002	0.0000
41	0.0600	0.0250	0.0200	0.0200	0.0100	0.0050	0.0066	0.0013	0.0046	0.0012	0.0002	0.0000
42	0.0600	0.0250	0.0200	0.0200	0.0100	0.0050	0.0066	0.0014	0.0047	0.0013	0.0002	0.0000
43	0.0600	0.0250	0.0200	0.0200	0.0100	0.0050	0.0066	0.0015	0.0049	0.0015	0.0002	0.0000
44	0.0600	0.0250	0.0200	0.0200	0.0100	0.0050	0.0066	0.0017	0.0052	0.0016	0.0002	0.0000
45	0.0600	0.0000	0.0000	0.0000	0.0000	0.0050	0.0046	0.0019	0.0068	0.0017	0.0003	0.0020
46	0.0600	0.0000	0.0000	0.0000	0.0000	0.0050	0.0046	0.0021	0.0077	0.0019	0.0003	0.0040
47	0.0600	0.0000	0.0000	0.0000	0.0000	0.0050	0.0046	0.0023	0.0087	0.0020	0.0003	0.0075
48	0.0600	0.0000	0.0000	0.0000	0.0000	0.0050	0.0046	0.0025	0.0095	0.0023	0.0003	0.0146
49	0.0600	0.0000	0.0000	0.0000	0.0000	0.0050	0.0046	0.0028	0.0100	0.0025	0.0003	0.0283
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0025	0.0028	0.0100	0.0028	0.0003	0.0509
51	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0025	0.0031	0.0100	0.0031	0.0003	0.0493
52	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0025	0.0033	0.0100	0.0035	0.0003	0.0521
53	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0025	0.0037	0.0100	0.0039	0.0003	0.0638
54	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0025	0.0040	0.0100	0.0043	0.0003	0.0624
55	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0025	0.0043	0.0100	0.0048	0.0004	0.3255
56	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0025	0.0047	0.0100	0.0053	0.0004	0.3315
57	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0025	0.0051	0.0100	0.0060	0.0004	0.2332
58	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0025	0.0054	0.0100	0.0068	0.0004	0.2060
59	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0025	0.0058	0.0100	0.0076	0.0004	0.2176
60	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
61	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
62	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
63	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
64	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
65	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
66	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
67	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
68	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
69	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000

Statistical Section

Schedule of Participating Employers and Active Members

SCERS Member Agency	Plan	6/30/02	6/30/01	6/30/00	6/30/99	6/30/98	6/30/97
Carmichael Recreation and Park District	General	18	20	18	18	20	20
	Safety						
Elk Grove Cemetery District	General	1	1	1	1	1	
	Safety						
Fair Oaks Cemetery District	General	3	3	4	4	5	5
	Safety						
Galt-Arno Cemetery District	General	3	2	2	2	3	1
	Safety						
Mission Oaks Recreation and Park District	General	13	13	12	12	12	12
	Safety						
Orangevale Recreation and Park District	General	14	14	14	14	13	10
	Safety						
Sacramento County Fire District	General						
	Safety	7	7	9	9	10	10
S.E.T.A.	General	520	520	409	445	345	257
	Safety						
Sunrise Recreation and Park District	General	28	29	28	28	27	26
	Safety						
U.C. Davis Medical Center	General	1	1	2	3	3	3
	Safety						
Board of Supervisors	General	5	5	5	5	5	5
	Safety						
Sheriff	Safety	1	1	1	1	1	1
Assessor	General	1	1	1	1	1	1
District Attorney	General	1	1	1	1	1	1
Total Special District Members	General	608	610	497	534	436	341
	Safety	8	8	10	10	11	11
Sacramento County Members	General	11,010	10,171	9,720	8,816	8,430	8,343
	Safety	2,407	2,202	2,008	1,994	1,924	1,852
Total Members	General	11,618	10,781	10,217	9,350	8,866	8,684
	Safety	2,415	2,210	2,018	2,004	1,935	1,863
	Total	14,033	12,991	12,235	11,354	10,801	10,547

Source: Actuarial Report for June 30, 1997 - 2002

Schedule of Revenue by Source (in thousands)

Year Ended	Member Contributions	Employer Contributions			
		Dollars	% of Annual Covered Payroll	Investment Income/(Loss) (Net)	Total
6/30/1997	\$27,233	\$44,760	10.67%	\$438,167	\$510,160
6/30/1998	29,930	43,109	9.16	464,511	537,550
6/30/1999	30,385	46,745	9.30	360,748	437,878
6/30/2000	30,018	42,024	7.52	315,790	387,832
6/30/2001	32,964	40,358	6.36	(207,580)	(134,257)
6/30/2002	38,432	44,547	6.41	(194,104)	(111,125)

Source: Audited Financial Statements for June 30, 2002

Schedule of Expenses by Type (in thousands)

Year Ended	Benefits Paid					Refunds	Total
	Service	Survivor Benefits	Retiree Death Benefits	Health and Dental Benefits	Admin. and Other Expenses		
6/30/1997	\$66,314	\$ 942	\$120	\$5,868	\$2,300	\$2,020	\$77,564
6/30/1998	72,748	1,166	106	5,981	2,868	2,460	85,329
6/30/1999	79,426	1,190	95	5,973	3,363	3,306	93,353
6/30/2000	88,103	1,200	293	6,946	3,602	3,181	103,325
6/30/2001	95,526	1,229	561	8,072	3,831	3,611	112,830
6/30/2002	102,555	1,274	524	9,111	5,485	3,517	122,466

Source: Audited Financial Statements for June 30, 2002

Schedule of Retiree Members by Type of Benefit

General (Misc.) Members

	Count	Monthly Allowances			Average Benefit
		Basic	COL	Total	
Service Retirement					
Unmodified	3,035	\$3,156,748	\$1,179,765	\$4,336,513	\$1,429
Option 1	228	206,264	64,969	271,233	1,190
Option 2, 3 & 4	241	193,548	48,850	242,398	1,006
Total	3,504	3,556,560	1,293,584	4,850,144	1,384
Ordinary Disability					
Unmodified	282	206,811	89,472	296,283	1,051
Option 1	20	12,109	4,031	16,140	807
Option 2, 3 & 4	8	5,893	1,853	7,746	968
Total	310	224,813	95,356	320,169	1,033
Duty Disability					
Unmodified	171	183,362	95,877	279,239	1,633
Option 1	6	7,873	2,171	10,044	1,674
Option 2, 3 & 4	5	5,227	1,665	6,892	1,378
Total	182	196,462	99,713	296,175	1,627
Beneficiary					
Total	789	382,929	297,586	680,515	863
Total (All Groups)	4,785	\$4,360,764	\$1,786,239	\$6,147,003	\$1,285

Safety Members

	Count	Monthly Allowances			Average Benefit
		Basic	COL	Total	
Service Retirement					
Unmodified	565	\$1,549,351	\$444,929	\$1,994,280	\$3,530
Option 1	22	50,957	16,810	67,767	3,080
Option 2, 3 & 4	28	72,601	15,677	88,278	3,153
Total	615	1,672,909	477,416	2,150,325	3,496
Ordinary Disability					
Unmodified	20	26,860	13,191	40,051	2,003
Option 1	-	-	-	-	-
Option 2, 3 & 4	1	1,434	364	1,798	1,798
Total	21	28,294	13,555	41,849	1,993
Duty Disability					
Unmodified	152	285,829	126,321	412,150	2,712
Option 1	6	10,284	4,019	14,303	2,384
Option 2, 3 & 4	3	5,052	1,017	6,069	2,023
Total	161	301,165	131,357	432,522	2,686
Beneficiary					
Total	160	155,553	117,574	273,127	1,707
Total (All Groups)	957	\$2,157,921	\$739,902	\$2,897,823	\$3,028

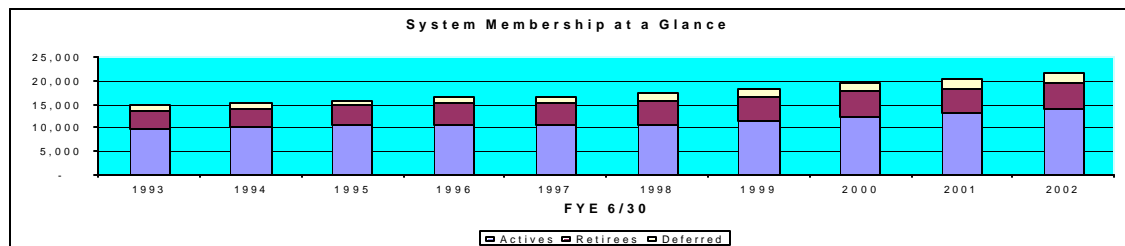
Source: Actuarial Report for June 30, 2002

Schedule of Average Benefit Payments for Retirees and Beneficiaries

Retirement Effective Dates 7/01/96 to 6/30/02	0-4	5-9	10-14	15-19	20-24	25-29	30&over
Period 7/01/96–6/30/97:							
Average Monthly Benefit	\$1,539	\$1,404	\$1,151	\$950	\$760	\$651	\$485
Number of Active Retirants	1,501	1,092	902	683	337	104	27
Period 7/01/97–6/30/98:							
Average Monthly Benefit	\$1,659	\$1,472	\$1,228	\$1,007	\$858	\$698	\$482
Number of Active Retirants	1,633	1,043	962	700	366	147	33
Period 7/01/98–6/30/99:							
Average Monthly Benefit	\$1,639	\$1,552	\$1,313	\$1,079	\$923	\$727	\$579
Number of Active Retirants	1,667	1,262	979	744	432	179	40
Period 7/01/99–6/30/00:							
Average Monthly Benefit	\$1,821	\$1,675	\$1,381	\$1,180	\$947	\$729	\$2,125
Number of Active Retirants	1,528	1,249	965	840	561	282	75
Period 7/01/00–6/30/01:							
Average Monthly Benefit	\$1,758	\$1,779	\$1,439	\$1,269	\$1,047	\$776	\$770
Number of Active Retirants	1,433	1,287	1,002	815	610	308	71
Period 7/01/01–6/30/02:							
Average Monthly Benefit	\$1,804	\$1,865	\$1,614	\$1,376	\$1,121	\$859	\$834
Number of Active Retirants	1,494	1,327	1,024	823	650	324	100

Source: Actuarial Report for June 30, 2002

Growth of System Membership



FYE 6/30	Members	Retirees	Deferred	Total
1993	9,812	3,935	1,023	14,770
1994	10,110	4,130	1,040	15,280
1995	10,462	4,387	1,099	15,948
1996	10,756	4,502	1,152	16,410
1997	10,547	4,646	1,383	16,576
1998	10,801	4,884	1,658	17,343
1999	11,354	5,303	1,739	18,396
2000	12,235	5,488	1,828	19,551
2001	12,991	5,526	2,146	20,663
2002	14,033	5,742	1,944	21,719

Source: Audited Financial Statements for June 30, 2002

Schedule of Employer Contribution Rates

Actuarial Report for Year Ended	<u>County</u>					<u>Special Districts</u>		
	<u>General</u>		Tier 3	<u>Safety</u>		<u>General</u>		<u>Safety</u>
	Tier 1	Tier 2		Tier 1	Tier 2	Tier 1	Tier 3	Tier 1
6/30/1997	8.14%	5.33%	6.77%	19.92%	14.63%	17.04%	16.59%	25.97%
6/30/1998	6.43	3.40	5.02	17.96	13.42	14.44	15.40	23.80
6/30/1999	5.85	2.91	4.55	14.57	10.30	14.58	14.91	20.45
6/30/2000	5.89	2.94	4.56	14.56	10.29	14.63	14.54	20.64
6/30/2001	5.85	2.90	4.53	14.52	10.37	16.44	14.94	21.75
6/30/2002	6.86	3.41	5.26	16.04	11.96	17.54	15.90	23.12

Source: Actuarial Report for June 30, 2002

Schedule of Administrative Expenses

<u>Type of Expense</u>	<u>6/30/02</u>	<u>6/30/01</u>	<u>6/30/00</u>	<u>6/30/99</u>	<u>6/30/98</u>	<u>6/30/97</u>
Salaries and Benefits	\$2,077,187	\$1,817,936	\$1,464,159	\$1,418,423	\$1,300,446	\$1,004,357
Professional Fees	420,311	433,167	634,020	753,372	783,323	568,322
Equipment Purchases and Maintenance	313,967	241,896	155,414	110,426	109,086	256,523
Rent and Lease Expense	415,657	203,834	170,880	155,031	150,555	68,608
Depreciation Expense	42,409	42,450	25,289	43,407	45,025	3,731
Other Administrative Expenses	<u>2,215,777</u>	<u>1,092,133</u>	<u>1,152,303</u>	<u>882,524</u>	<u>480,000</u>	<u>608,409</u>
TOTAL	<u>\$5,485,308</u>	<u>\$3,831,416</u>	<u>\$3,602,065</u>	<u>\$3,363,183</u>	<u>\$2,868,435</u>	<u>\$2,509,950</u>

Source: Audited Financial Statements for June 30, 2002

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