

Comprehensive Annual Financial Report
of the
Charlotte Firefighters' Retirement System -
A Component Unit of the
City of Charlotte, North Carolina



For the Fiscal Year Ended
June 30, 2002

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM -
A COMPONENT UNIT OF THE
CITY OF CHARLOTTE, NORTH CAROLINA**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

BOARD OF TRUSTEES

Kurt R. Hollar, Chairman of the Board, Citizen Appointee
James E. Burke, Vice Chairman, Elected Member
W. Carey Odom, Treasurer, Ex-Officio
Bobby W. Davis, Secretary, Elected Retiree
Greg C. Gaskins, Trustee, Ex-Officio
Angela R. Hubbard, Citizen Appointee
Alan Scott King, Trustee, Elected Member
Timothy D. Mayes, Trustee, Ex-Officio
Alan K. Middleton, Elected Member
F. Traylor Renfro, Trustee, Citizen Appointee
Allen J. Stewart, Trustee, Citizen Appointee

Prepared by the Charlotte Firefighters' Retirement System Staff
Barbara J. Avard, Administrator
Patricia E. Adams, Retirement Analyst
Barbara B. Polson, Office Assistant III

WHERE TO WRITE FOR INFORMATION

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Charlotte Firefighters' Retirement System
Charlotte, North Carolina

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INTRODUCTORY SECTION

The Introductory Section includes a letter of transmittal that includes the responsibilities of the Board of Trustees and its staff, the history, administration and operations of the retirement system and significant activities of the year being reported.

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

428 East Fourth Street • Suite 205 • Charlotte, North Carolina 28202 • 704/336-4431 • Fax: 704/336-6101

October 4, 2002

Honorable Board of Trustees,
Members of the City Council of Charlotte, North Carolina
and Charlotte Firefighters' Retirement System Participants:

The Component Unit Financial Report ("Report") of the Charlotte Firefighters' Retirement System (CFRS) for the fiscal year ended June 30, 2002, is submitted herewith. The Board of Trustees and its staff are responsible for the preparation and presentation of the financial information and all other data contained herein, and believe that the Report is based on generally accepted accounting principles, presents fairly and consistently the CFRS's financial position and results of operations and conforms to the standards of governmental accounting and financial reporting principles as promulgated by the Governmental Accounting Standards Board. The Report consists of five sections: (1) an Introductory Section which contains this Letter of Transmittal and general information regarding the system; (2) the Financial Section consisting of the Independent Auditors' Report, audited financial statements and the accompanying notes to financial statements, and required supplementary information which this year includes Management's Discussion and Analysis pursuant to GASB 34; (3) the Investment Section which contains supportive documentation related to the System's investments; (4) the Actuarial Section which contains the consulting actuary's opinion and the results of the annual actuarial valuation report, as of July 1, 2002; and (5) the Statistical Section which contains financial trends and information on investment policy and performance results and other statistical information which may be of interest to those reading this report.

HISTORY

The CFRS was organized pursuant to Chapter 926 of the 1947 Session Laws, as amended, of the State of North Carolina. The CFRS was established on the fifth day of April 1947, for the purpose of providing retirement and permanent and total disability benefits to the uniformed members of the Fire Department of the City of Charlotte. The stated purpose of the CFRS was amended on the 29th day of June 1987, to provide survivor benefits to named beneficiaries as an added objective.

ADMINISTRATION OF THE SYSTEM

The administration and responsibility for the proper operation of the CFRS is vested with the Board of Trustees of the Charlotte Firefighters' Retirement System, which is comprised of the following trustees as defined by the Charlotte Firefighters'

Retirement System Act (Act): (a) a Mecklenburg County resident who is appointed by the Resident Judge of the Superior Court of Mecklenburg County as Chairman of the Board for a three year term; (b) three Mecklenburg County residents who are appointed by the Resident Judge of the Superior Court of Mecklenburg County as trustees for three year staggered terms which results in the appointment of one trustee each year; (c) the City Manager for the City of Charlotte, or her designated trustee, who serves by virtue of her position; (d) the City Finance Director, or his designated trustee, who serves by virtue of his position; (e) the City Treasurer who serves by virtue of his position; (f) three members of the Charlotte Firefighters' Retirement System who are elected by the membership of the system as trustees for three year staggered terms which results in the election of one trustee each year; and (g) one retiree of the Charlotte Firefighters' Retirement System who is elected by the retirees of the system for a term of three years. The Board of Trustees are listed on the title page of this report.

COMMITTEES

The Board of Trustees operationally functions under a committee structure. An investment committee and a benefits committee are annually appointed by the Chairman of the Board to monitor, fact-find and recommend actions for the Board's consideration. Although not required, the committees have generally been comprised of at least three trustees with one committee member being a citizen appointee, another an elected member, and the other an ex-officio trustee. During the past fiscal year, W. Carey Odom, Treasurer, served as the Investment Committee Chairman and Bobby W. Davis, Elected Retiree, served as Benefits Committee Chairman.

PROFESSIONAL SERVICES

The Board of Trustees employs the services of various professionals to aid it in its fiduciary responsibility for the effective and prudent management of the system. These professionals include: (a) a full-time Administrator who is responsible for the administration and coordination of all system operations and activities in accordance with the rules and regulations of the Act and subject to the policies and direction of the Board of Trustees and supervisor of system staff; (b) the City Attorney and his staff serve as the legal advisor to the Board of Trustees; (c) a consulting actuary who is employed by the City of Charlotte to perform such studies and evaluations of the Charlotte Firefighters' Retirement System as may be necessary and/or desirable in connection with the administration of the system. The actuary prepares an Annual Actuarial Valuation to determine the adequacy of the funding of the retirement benefit liabilities accrued by system members; (d) an independent auditor engaged by the Board of Trustees on an annual basis to determine whether the financial statements present fairly, in all material respects, the financial position of the system and the results of its yearly operations in conformity with generally accepted accounting principles; (e) a Medical Board appointed by the Board of Trustees to review and evaluate medical evidence and propose recommendations regarding disability retirements; and (f) investment management counselors employed to invest the system's assets consistent with the objectives and direction of the Board of Trustees. The Board of Trustees may employ other professionals with expertise in various fields for specific services as deemed necessary.

The system's investment performance is monitored on a continuous basis to insure that the objectives and direction of the Board of Trustees are being fulfilled. The investment consulting firm of Callan Associates, Inc., has been employed since 1987 to assist the Board of Trustees to fulfill this obligation and provide other investment consulting services. All of the advisors, consultants and purveyors of professional services to the system are listed on page 13.

FINANCIAL REPORTING

An annual report of the financial and actuarial condition of the CFRS is prepared and submitted to the City Council. The annual report to City Council contains, but is not limited to, the auditors' opinion, statements contained in the auditors' report, a summary of the annual actuarial valuation and the actuary's valuation certification. Additionally, a copy of the annual report to City Council is provided to each of the fire stations and fire department administrative offices of the City of Charlotte. The report is also provided to all retired participants.

The Government Finance Officers Association of the United States and Canada (G.F.O.A.) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Charlotte Firefighters' Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Charlotte Firefighters' Retirement System has received a Certificate of Achievement for the last seven years, for fiscal years ended 1995-2001.

MARKET OUTLOOK

The Past Year

Federal Reserve Chairman Alan Greenspan summed up the prior year with his comments to the Senate Banking, Housing and Urban Affairs Committee in mid-July of 2002 that "...the U.S. economy appears to have withstood a set of blows—major declines in equity markets, a sharp retrenchment in investment spending, and the tragic terrorist attacks of last September—that in previous business cycles almost surely would have induced a severe contraction". This year saw continued volatility, a stubborn bearish market, low inflation and surprising housing-market strength. The eleven interest rate cuts made by the Fed in the last year resulted in the lowest rate in modern history and the possibility of additional reductions until the economic recovery became stable. Growing corporate scandals lead by Enron and WorldCom eroded investor confidence and resulted in legislative action by the Senate which would become the Sarbanes-Oxley laws. In spite of these efforts, most of the domestic stock indices

returned negative results for the fiscal year ended June 30, 2002. Corporate profit warnings and revisions became common toward the end of the fiscal year even though some positive returns were achieved in earlier quarters. The discussions among financial analysts and economists focused on forecasting the length and depth of the recession and probable recovery scenarios.

The volatility in the stock market was matched by some significant positive returns in the bond markets, with the Lehman Aggregate returning 8.63% for the year ended June 30, 2002. Non-U.S. Government Bonds returned 15.73% for the year.

As the end of the fiscal year approached, the volatility continued and the CFRS experienced its second year of negative returns at (4.16%) compared to its benchmark returns of (6.33%), after years of superb returns. Its longer-term relative and absolute results continue to be positive though below its assumed investment return rate of 7.75%. It ranked in the thirty-fifth percentile of the Public Plan Sponsor Database for the year ended June 30, 2002. Most public retirement systems experienced similar volatility and negative results as the fiscal year drew to a close. Professionals with many years of experience in the public pension arena continue their commitment to and belief in diversification of assets as the primary success factor in these volatile years. The CFRS also believes its diversified asset allocation will continue to benefit it over the long term.

Going Forward

The global economic and currency problems as well as political unrest in a number of countries continued to cause concern into fiscal year 2003. The U.S. economy continued its theme of economic slowdown and the hope for a "soft landing" continued to be debated by analysts and economists alike. Federal Reserve Board Chairman Alan Greenspan continued to imply that there would be additional interest rate cuts and that the Fed would do all it could to assist with the U.S. economic recovery.

The Charlotte Firefighters' Retirement System follows a strategic asset allocation approach whereby it recognizes that markets move in cyclical patterns and that timing these market changes is an elusive skill. Consequently, the success of the Charlotte Firefighters' Retirement System is tied to its long term commitment to a well diversified investment approach across several asset classes and management styles. In light of past returns using the existing asset allocation approach and with the belief that the global markets and the U.S. economy will begin a slow yet volatile improvement, we expect Fiscal 2002-2003 overall returns for the Charlotte Firefighters' Retirement System to be flat to minimal.

MAJOR INITIATIVES

During the year, as its primary duty, the Investment Committee spent considerable time reviewing the performance of all existing managers and continued to monitor several for possible replacement due to not meeting investment objectives over an extended period. At the request of the Board of Trustees and in accordance with its policy of periodic review of all professional services provided to the CFRS, the Investment Committee conducted a search process and issued invitations to six firms to respond to a Request for Proposals for Investment Consulting Services. Four firms were interviewed by the Committee. As a result of this process, the Investment Committee

recommended to the Board of Trustees retention of Callan Associates, Inc. on a full service retainer basis. Callan Associates has provided investment consulting and performance measurement services to the CFRS since 1987. This recommendation was approved by the Board of Trustees.

The Investment Committee continued its plans for an asset/liability study which began in the previous fiscal year and recommended engagement of Callan Associates to perform this study. The Board of Trustees approved the recommendation and the Committee worked closely with the consultant until completion of the study in the third quarter of the fiscal year. The report was presented to the Board of Trustees with a recommendation for slight modifications to the asset allocation plan of the CFRS. This recommendation was approved by the Board.

Finally, the Investment Committee began discussion and information gathering on the subject of securities litigation. The Committee plans to report on their findings and possibly bring some recommendations to the Board of Trustees in the next fiscal year.

Issues will continue to be examined on both a proactive and reactive basis to assure continued success as well as continued commitment to a well diversified portfolio and strategic asset allocation. The CFRS will continue to rebalance its portfolio in accordance with its asset allocation and investment objectives and guidelines.

There was again a great deal of activity in the benefits area during the past year. With the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the Benefits Committee worked with the staff and legal counsel to incorporate necessary language into the Act to comply with new provisions contained in EGTRRA. The Benefits Committee completed its consideration of prior government and withdrawn service purchase options and proposed the addition of appropriate language to the Act as well as the language needed to permit participants to purchase such service credits with 457 deferred compensation and 401(k) funds. The Board of Trustees and Charlotte City Council approved these recommended revisions and they were submitted to the North Carolina State Legislature for action which was completed in late Summer of 2002.

The Benefits Committee completed its comprehensive review of the CFRS Disability Regulation and Procedure. A recommendation to the Board of Trustees was made and approved to remove income limitations previously imposed on retirees in order to encourage rehabilitative efforts. The Committee also reviewed legal, actuarial and medical service providers and renewed services for these important areas. The Committee updated the CFRS election procedures which were approved by the Board. Finally, the Committee recommended to the Board initiation of the process to secure an updated letter of determination from the Internal Revenue Service. This was approved by the Board and the application was submitted to the Internal Revenue in the third quarter of the fiscal year.

FINANCIAL INFORMATION

The CFRS's internal control structure is designed to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from theft or

unauthorized use and to ensure the reliability and adequacy of the accounting records. 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 judgment by management. Accounting data are maintained in a manner suitable for preparing financial reports in conformity with generally accepted accounting principles and for providing accurate and timely data to the City Council, Board of Trustees, participants of the retirement system, citizens and other interested parties.

Budgetary Controls

The North Carolina General Statutes require the adoption of an annual budget for all funds except those for which expenditures are authorized by project ordinance, fiduciary funds and internal service funds. The CFRS is a fiduciary fund and is therefore exempt from budgetary requirements. However, the Board of Trustees considers and adopts a budget for each current fiscal year of operations.

Accounting and Actuarial Systems

The financial reports of the CFRS are prepared in accordance with generally accepted principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board. The accrual basis of accounting is used to record assets and liabilities, and revenues and expenses. Revenues and expenses are recorded when earned or incurred, regardless of collection or disbursement. Capital assets are recorded at cost and depreciated through charges to expense over the estimated useful lives of the assets. The system is funded on the entry age normal cost method, which means that the annual contribution is comprised of two elements which are the current or "normal" cost for the year and a contribution to reduce the unfunded accrued liability.

OTHER INFORMATION

Independent Audit

The Charlotte Firefighters' Retirement System Act, a North Carolina statute, requires an annual audit by a certified public accountant. The independent certified public accounting firm of Deloitte & Touche LLP was selected by the Board of Trustees. The auditors' report on the financial statements and required supplementary information is included in the financial section of this report.

Acknowledgments

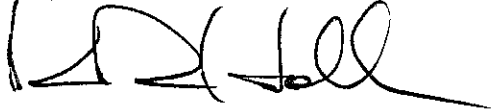
The compilation of this report is intended to provide complete and reliable information regarding the stewardship for the funds contributed by the members of the Charlotte Firefighters' Retirement System and the City of Charlotte.

Several individuals assisted with the preparation of this report and we wish to acknowledge their efforts and assistance. Patricia Adams, Retirement Analyst and Barbara B. Polson, Office Assistant for the CFRS; City Finance staff, Teresa Smith, Financial Reporting Manager and Ann Marie Sullivan and Kathy Pond, City Finance

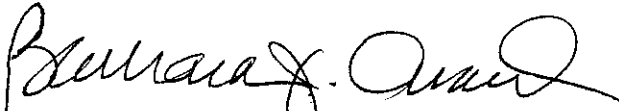
Accountants, all contributed many hours to insure the quality and completeness of this report.

We hope that this year's report will be of interest to you and will be helpful in understanding, evaluating, and assuring the continued success of the Charlotte Firefighters' Retirement System.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Kurt R. Hollar". The signature is fluid and cursive, with a prominent initial "K" and "H".

Kurt R. Hollar, Chairman of the Board

A handwritten signature in black ink, appearing to read "Barbara J. Avard". The signature is cursive and somewhat stylized, with a large initial "B".

Barbara J. Avard, Administrator

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

CHARLOTTE, NORTH CAROLINA

BOARD OF TRUSTEES

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Timothy D. Mayes, Trustee, Ex-Officio

Alan K. Middleton, Trustee, Elected Member

F. Traylor Renfro, Trustee, Citizen Appointee

Allen J. Stewart, Trustee, Citizen Appointee

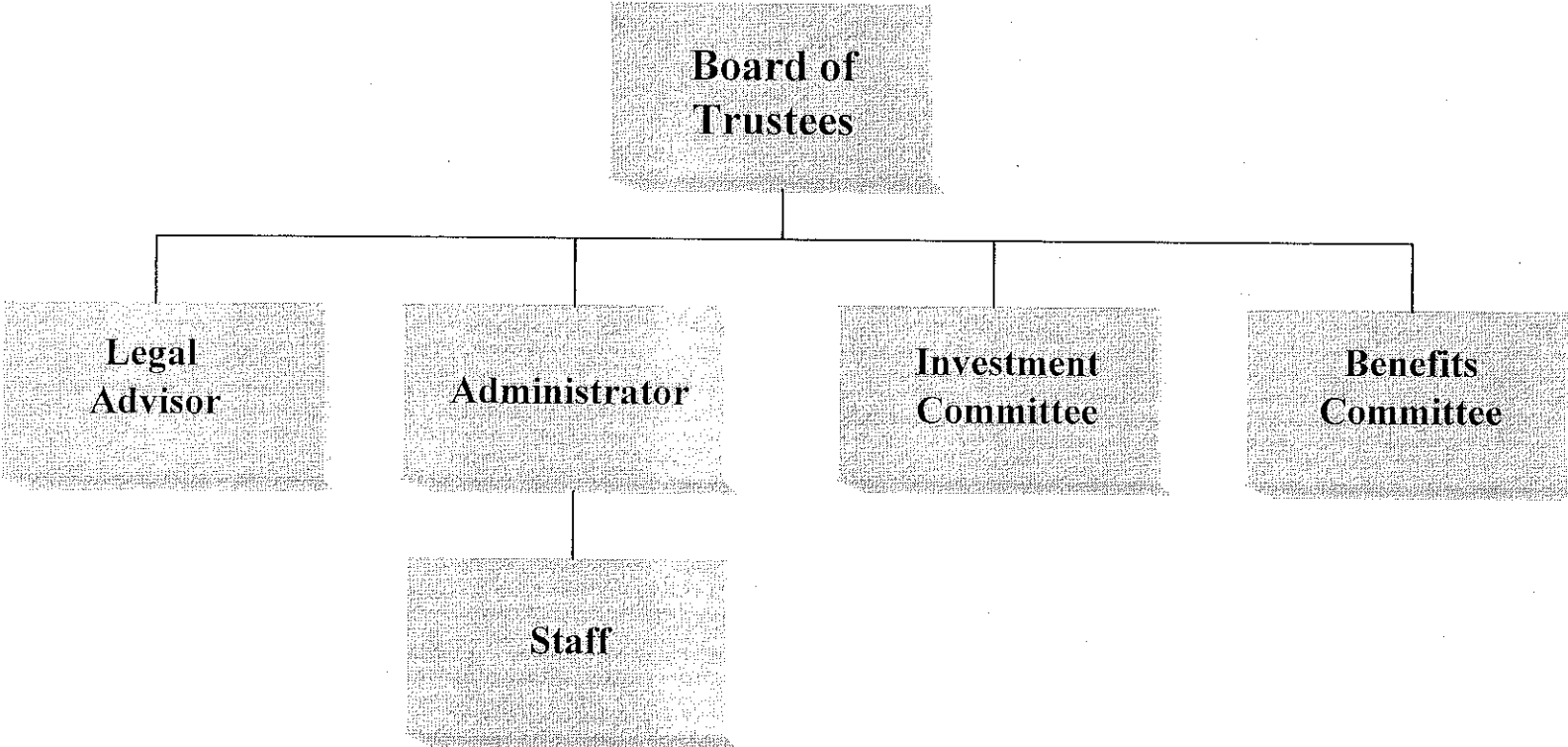
STAFF

Barbara J. Avard, Administrator

Patricia E. Adams, Retirement Analyst

Barbara B. Polson, Office Assistant III

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Charlotte Firefighters'
Retirement System,
North Carolina

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 Tate
President

Jeffrey L. Essler
Executive Director

**PROFESSIONAL SERVICE PROVIDERS
TO THE
CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM**

ACTUARY

Buck Consultants, Atlanta Georgia

CUSTODIAN BANK

State Street Bank and Trust Company, NA

INDEPENDENT AUDITORS

Deloitte & Touche LLP, Charlotte, North Carolina

INVESTMENT ADVISORS

AllianceBernstein Capital Management Corporation, Domestic Equities
Baring Asset Management, Non-Domestic Fixed Income
Boston Partners Asset Management, L.P. Domestic Equities
Cadence Capital Management, Domestic Equities
Essex Investment Management Company, LLC, Domestic Equities
Evergreen Investment Management Company, LLC, Domestic Equities
Investment Counselors of Maryland, Domestic Equities
Metropolitan Life Insurance Company, Real Estate
Morgan Stanley, Non-Domestic Equities
Banc of America Capital Management, Inc., Domestic Fixed Income
State Street Global Advisors, Fixed Income Index
T. Rowe Price International, Inc., Non-Domestic Equities

INVESTMENT CONSULTANT

Callan Associates, Inc.

MEDICAL ADVISORS

NorthEast Medical Center, Concord, North Carolina

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM SUMMARY OF PLAN PROVISIONS

1. Eligibility for Membership

Membership is mandatory for all employees of the Charlotte Fire Department who are subject to the provisions of the Civil Service Act.

2. Normal Service Retirement

A member may elect to retire at any time after attaining age 50 with 25 or more years of service, age 60 with 5 or more years of service or at any age with 30 or more years of service.

3. Normal Service Retirement Benefit

A member receives 2.6% of final average salary per year of credited service not to exceed the limit imposed by Section 415 of the IRS Code. Final average salary is defined as the average monthly pay during the highest paid consecutive 24 months during the final 60 months of service.

4. Early Retirement

A member may retire early before age 50 at any time after completion for 25 years of membership service.

5. Early Retirement Benefit

The early retirement benefit is calculated in the same manner as for normal service retirement, but reduced by .25% for each month the early retirement date precedes age 50.

6. Disability Retirement Benefits

(a) In Line of Duty No minimum age or service requirements. Disability retirement benefits are the greater of 78% of final average salary determined as of date of total and permanent disability incurred in the line of duty or 2.6% of final average salary times membership service. (b) Not In Line of Duty Payable in the event of total and permanent disability after 10 years of

service. Disability retirement benefit is 39% of final average salary, plus 1.95% of such salary for each year of service in excess of 10 years, maximum benefit not to exceed the limits imposed by Section 415 of the IRS Code determined as of date of disability.

7. Retirement Bonus Payment

A retiree may receive an annual bonus payment in the month of January following an annual actuarial valuation when the actuary recommends such a payment and provides the Board with a fiscal note which evaluates the effect of such a payment on the system's funded status. A retiree must have been retired for at least one year as of December 31 in order to be eligible for a bonus payment.

8. Benefit Upon Termination of Employment

(a) Less Than 5 Years Lump-sum distribution of member's contributions.
(b) 5 Or More Years Normal service retirement benefits payable at age 60 or lump sum distribution of member's contribution plus interest compounded at 4.0 % per plan year of participation.

9. Death Benefits

(a) Prior to Retirement Member's contributions, plus those made by City on his or her behalf, together with interest at 4.0 % per year, are payable to the named beneficiary in a lump sum or annuity. Under certain conditions, the beneficiary may elect to receive an actuarial equivalent monthly benefit under the 66 2/3% Joint and Survivor Option.
(b) After Retirement Pre-retirement death benefit as of date of retirement, less any retirement benefits already

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM SUMMARY OF PLAN PROVISIONS

received, is paid to retiree's named beneficiary.

10. Optional Benefits (Other Than Lifetime Benefits) All optional benefits are actuarially equivalent to lifetime retirement benefits.

Option 1 Reduced lifetime monthly benefit to member. If member dies within 10 years following retirement, benefit continues to the named beneficiary for balance of 10 year period.

Option 2 - 100% Joint & Survivor
Reduced monthly lifetime benefit which continues after retiree's death to the designated beneficiary for beneficiary's lifetime.

Option 3 - 75% Joint & Survivor
Similar to Option 2, but 3/4 of retiree's benefit continues to the designated beneficiary after retiree's death.

Option 4 - 66 2/3% Joint & Survivor
Similar to Option 2, but 2/3 of retiree's benefit continues to the designated beneficiary after retiree's death.

Option 5 - 50% Joint and Survivor
Similar to Option 2, but 1/2 of retiree's benefit continues to the designated beneficiary after retiree's death.

Option 6 A retiree may elect any of the Options 2-5 with an added provision which allows the benefit to revert to the amount of the lifetime benefit (pre-option reduced amount) in the event the beneficiary predeceases the retiree.

11. Requirements for Electing Optional Benefits

Any of the options may be elected at any time between 30 and 90 days prior to

early or normal retirement. A disability retiree may elect to receive the benefit under Option 5, subject to approval by the Board of the disability retirement application.

12. Purchase of Membership Service Credit for Prior Active Military Duty

Up to five years of additional service may be purchased upon completion of 5 years in the CFRS, for active duty served prior to CFRS membership. This service may be used to qualify for normal service retirement, but not early retirement.

13. Return from Active Military Duty

Membership service credit is granted to a member who returns to CFRS membership from active duty served during any period of national emergency condition or entry at any time through the operation of the compulsory military service law of the United States of America.

14. Accumulated Sick Leave and Vacation at Retirement

Membership service is credited for the balance of any unpaid sick leave and/or vacation at the time of retirement. Also, a member receives the inclusion of the amount of lump sum payoff at retirement for any vacation and/or sick leave attributable to the member's period of final average salary.

15. Purchase of Membership Service for Prior Government Service

Up to five years of additional service may be purchased upon completion of 5 years of service in the CFRS, for prior service with another government employer. 50% of prior government service may be purchased up to the maximum. The cost of such service is

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM SUMMARY OF PLAN PROVISIONS

calculated at full actuarial cost and may be used to qualify for normal service requirement but not early retirement.

16. Purchase of Membership Service for Withdrawn Service

Prior service with the Charlotte Fire Department and contributions withdrawn from the CFRS may be purchased in total at full actuarial cost upon completion of 5 years of service in the CFRS.

This summary of plan provisions is intended for information purposes and is in no way intended to supplant or replace the language of the Charlotte Firefighters' Retirement System Act which is the controlling document relating to benefits and any disputes regarding same. The CFRS Act should be reviewed prior to applying for or selecting benefits from the system.



FINANCIAL SECTION

The purpose of the Financial Section is to provide the reader the present financial position and condition of the system. This section includes the independent auditors' report, audited financial statements, notes to financial statements, and required supplementary information which includes Management's Discussion and Analysis.



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Charlotte Firefighters' Retirement System
Charlotte, North Carolina

We have audited the accompanying statements of plan net assets of Charlotte Firefighters' Retirement System (the "System"), a component unit of the City of Charlotte, North Carolina, as of June 30, 2002 and 2001, and the related statements of changes in plan net assets for the years then ended, which collectively comprise the System's basic financial statements as listed in the table of contents. 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2002 and 2001, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, in fiscal year 2002, the System adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Management's Discussion and Analysis, the Schedule of Funding Progress, and the Schedule of Employee and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information, listed as Supplementary Schedules in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is also the responsibility of the System's management. 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, when considered in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to auditing procedures applied in the audit of the System's basic financial statements and, accordingly, we express no opinion on it.

Deloitte + Touche LLP

October 4, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents Management's Discussion and Analysis of the Charlotte Firefighters' Retirement System's (CFRS) financial statements and the significant events, conditions and decisions which affected the operations and performance of the CFRS during the years ended June 30, 2002 and 2001.

Overview of the Financial Statements and Accompanying Information

- 1) Fund Financial Statements. The CFRS presents Statements of Plan Net Assets as of June 30, 2002 and 2001 and Statements of Changes in Plan Net Assets for the years then ended. These statements reflect resources available for payment of benefits as of year-end and the sources and uses of those funds during the year.
- 2) Notes to Financial Statements. The notes to financial statements are an integral part of the financial statements and have additional detailed information to provide a better understanding of the financial statements. Information in the notes discloses the CFRS organization, benefits and contributions, how the asset values are determined, contingencies and commitments.
- 3) Required Supplementary Information. The required supplementary information consists of two schedules and related notes concerning the fund status of the CFRS, employer contributions and this Management's Discussion and Analysis.
- 4) Other Supplementary Schedules. Other schedules include detailed information on administrative expenses incurred by the CFRS, a schedule of investment manager fees by asset class and fees paid to consultants for professional services.

Comparative Statements of Plan Net Assets (in thousands)

	Years ended June 30	
	<u>2002</u>	<u>2001</u>
Cash and cash equivalents	\$ 5,880	\$ 7,436
Investments	217,751	232,275
Other assets	901	598
Total Assets	<u>\$224,532</u>	<u>\$240,309</u>
Liabilities	<u>(520)</u>	<u>(404)</u>
Net Assets	<u>\$224,012</u>	<u>\$239,905</u>

Comparative Statements of Changes in Plan Net Assets

	Years Ended June 30	
	<u>2002</u>	<u>2001</u>
Contributions	\$ 10,176	\$ 9,100
Net Investment Loss	(11,825)	(14,630)
Benefits	(13,605)	(14,060)
Other deductions	<u>(639)</u>	<u>(718)</u>
Decrease in Net Assets	<u>\$ (15,893)</u>	<u>\$ (20,308)</u>

Financial Analysis

The CFRS provides retirement benefits to the uniformed firefighters of the City of Charlotte. The CFRS benefits are funded through member and employer contributions and investment income. The net assets of the CFRS decreased approximately \$15.9 million and \$20.3 million during the years ended June 30, 2002 and 2001, respectively, as reflected in the table on Page 21, primarily due to the continued decline in global equity markets.

Funded Ratio

The funded ratio of the plan measures the ratio of actuarially determined assets against actuarial liabilities and is a good indicator of the fiscal strength of a pension fund's ability to meet obligations to its members. The CFRS is required to perform an annual actuarial valuation by the Act. The valuation as of July 1, 2002 showed the funded status of the CFRS declining to 95.6% at July 1, 2002 from 96.8% at July 1, 2001. The CFRS valuations use a 5-year smoothed market basis. The amount by which actuarially determined liabilities exceeded actuarially determined assets was \$11.7 million and \$8.1 million for the years ended June 30, 2002 and 2001, respectively. The decrease in the funded ratio was due to continued weak global equity markets. The funded ratio, although still at a very good level, may continue to decrease if investment returns fail to meet actuarial assumptions.

Contributions and Income

Additions to Plan Net Assets include employer and member contributions and net income from investment activities. Member contributions were \$5.1 million and \$4.6 million for the years ended June 30, 2002 and 2001, respectively, an increase of approximately \$551,000. The member rate is 12.65% of eligible compensation, set by statute and made on a tax-deferred basis. The employer rate is set at 12.65% by statute to equally match that of members. Member contributions accounted for 43% and 35% of the CFRS revenues in fiscal 2002 and 2001, respectively. Employer contributions were \$5.1 million and \$4.5 million for the years ended June 30, 2002 and 2001, respectively.

Net investment losses totaled approximately \$14.5 million during fiscal 2002, and \$18.9 million in fiscal 2001 versus net investment income of \$15.5 million in fiscal 2000, resulting in returns of (4.16%), (5.34%) and 13.56% respectively. For the 5-year period ended June 30, 2002, the CFRS returns were 6.27% compared to its composite benchmark returns of 3.56%. The decrease in investment income in 2002 and 2001 was the result of the downturn in global equity markets.

The most significant deduction from investment income is investment manager fees. The CFRS assets are managed 100% by external investment advisors hired by the Board of Trustees. Many of these managers are paid a fee based on the assets under management. Some of the active managers are also paid a base fee plus the possibility of performance incentive. Most of the managers were generally compensated less than in prior years because of the effect of decreasing asset values. Investment

expenses for the years ended June 30, 2002 and 2001 were \$1.26 million and \$1.5 million, respectively.

Prudent investment of the CFRS assets and diligent monitoring of investment advisors in addition to conservative administrative costs has enabled the CFRS to maintain a high funded status. The Board of Trustees is committed to maintaining the CFRS at or near 100% funding and will dedicate its efforts to that goal.

Benefits, Refunds and Expenses

The most significant recurring deduction to Plan Net Assets is benefit payments. During fiscal 2002 and fiscal 2001, the CFRS paid approximately \$13.9 million and \$14.5 million, respectively, in benefits and refunds, a decrease of \$571,000 in 2002. These lower payments were due primarily to a number of deceased retirees, fewer new retirees and a smaller number of refunds than in the prior year. The CFRS does not provide an automatic Cost of Living Adjustment (COLA). These are recommended to the Charlotte City Council on an ad hoc basis. The last COLA was implemented effective January 2000 and brought retirees to 1999 CPI levels. The CFRS does provide for a "bonus" payment to retirees and survivor beneficiaries based upon its funded status and only after consultation with the CFRS actuary. In January 2002, a reduced bonus payment of \$500 was paid to eligible retirees who retired prior to January 1, 2001.

The administrative costs of the CFRS represented approximately 0.15% of the average assets in both fiscal years 2002 and 2001.

Plan Assets

During fiscal years 2002 and 2001, investments allocated to domestic and international equity portfolios decreased approximately \$19.2 million and \$19.9, respectively. The decrease is attributable to the decline in global equity markets. The CFRS does not invest in alternative classes of investments such as hedge funds, venture capital and private equity. The CFRS also does not have a securities lending program at this time.

The CFRS values its assets at "fair value" as discussed in accounting policies footnote 2(d) to the financial statements. Fair value is the value the CFRS expects to receive in a current sale between a willing buyer and a willing seller that are equally motivated; that is, other than a forced or liquidation sale. The value of publicly traded securities, stocks and bonds, are determined using the latest quote from national exchanges or pricing services. These prices reflect the securities' pricing at the close of business and can be affected by such factors as liquidity, current events and the size of lots being traded. Real Estate is valued using appraisal values by approved appraisers who meet professional qualifications. The appraisal process involves a significant amount of judgment and estimates. As a result, the ultimate value on the sale of the asset may differ from the appraised value. The CFRS utilizes an open end fund for its real estate investment allocation.

Contacting the CFRS Management

This financial report is designed to provide the City Council, members of the CFRS, citizens, taxpayers and other interested parties with an overview of the CFRS operations and financial position and to demonstrate its accountability. Questions concerning this report or requests for additional information should be directed to the Administrator, Charlotte Firefighters' Retirement System, 428 East 4th Street, Suite 205, Charlotte, NC 28202.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA
COMPARATIVE STATEMENTS OF PLAN NET ASSETS
(In Thousands)**

	June 30	
	<u>2002</u>	<u>2001</u>
ASSETS:		
Cash and cash equivalents	\$ 5,880	\$ 7,436
Receivables:		
Member contributions	57	53
Employer contributions	61	53
Interest and dividends	409	409
Total receivables	<u>527</u>	<u>515</u>
Investments, at fair value:		
Equity securities - stocks	120,225	108,101
Fixed income securities - bonds	27,609	27,024
Mutual funds	69,917	97,150
Total investments	<u>217,751</u>	<u>232,275</u>
Capital assets, at cost, net of accumulated depreciation of \$68 - 2002 and \$56 - 2001	<u>374</u>	<u>83</u>
Total assets	224,532	240,309
LIABILITIES:		
Accounts payable	<u>520</u>	<u>404</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (SEE REQUIRED SUPPLEMENTARY INFORMATION FOR SCHEDULE OF FUNDING PROGRESS)	<u>\$ 224,012</u>	<u>\$ 239,905</u>

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

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA**
COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS
(In Thousands)

	<u>Years Ended June 30</u>	
	<u>2002</u>	<u>2001</u>
ADDITIONS:		
Contributions:		
Member	\$ 5,114	\$ 4,563
Employer	5,062	4,537
Total contributions	<u>10,176</u>	<u>9,100</u>
DEDUCTIONS:		
Benefits	13,605	14,060
Refunds	275	391
Administration	352	321
Depreciation	12	6
Investment loss:		
Net depreciation in fair value of investments	13,659	18,558
Interest	(1,661)	(2,346)
Dividends	<u>(1,428)</u>	<u>(3,072)</u>
	10,570	13,140
Investment expense	<u>1,255</u>	<u>1,490</u>
Net investment loss	<u>11,825</u>	<u>14,630</u>
Total deductions	<u>26,069</u>	<u>29,408</u>
Change in net assets	(15,893)	(20,308)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	<u>239,905</u>	<u>260,213</u>
End of year	<u>\$ 224,012</u>	<u>\$ 239,905</u>

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

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA**
NOTES TO THE FINANCIAL STATEMENTS - (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(Dollar Amounts in Thousands)

1. PLAN DESCRIPTION:

The Charlotte Firefighters' Retirement System (the System), a single-employer, defined benefit plan, was organized pursuant to the 1947 Session Laws of the State of North Carolina, for the purpose of providing retirement, disability and death benefits to civil service employees of the Charlotte Fire Department. Membership is mandatory at the date of employment. The System is administered by a Board of Trustees. The City of Charlotte's (City) payroll for members covered by the System for the year ended June 30, 2002 and 2001 was \$40 million and \$38 million, respectively.

At June 30, the System's membership consisted of:

	<u>2002</u>	<u>2001</u>
Retired participants and beneficiaries currently receiving benefits	411	389
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	2	2
Active participants	<u>856</u>	<u>853</u>
Total	<u>1,269</u>	<u>1,244</u>

Benefits vest after five years of credited service. The requirements for normal service retirement are: (a) any age with 30 years of service credit, (b) age 50 with 25 years of service credit, or (c) age 60 with five years service credit. The normal service retirement monthly benefits are 2.6 percent of final average salary multiplied by the years of credited service. Salary in the final year includes portions of cashed-in vacation and sick days. Final average salary is the monthly average received by the member during any two consecutive years of membership which produces the highest average and is contained within the last five years of membership. The minimum monthly benefit is \$902.75. Members less than age 50 may elect early retirement with 25 years of service credit. Early retirement benefits are reduced by 3 percent for each year the early retirement date precedes age 50.

If an employee ceases employment with less than five years of service credit, accumulated employee contributions are refunded to the employee or designated beneficiary. After five or more years of service, the employee may elect to receive a refund of the employee's accumulated contributions with interest compounded annually at 4 percent or receive an accrued benefit at age 60.

Death and disability benefits are also available. Benefit and contribution provisions are established by State law and may be amended only by the North Carolina legislature.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS - (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(Dollar Amounts in Thousands)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Presentation

The System provides services exclusively to the City; therefore, the System is included as a blended component unit and reported as a Fiduciary Pension Trust Fund in the City's basic financial statements.

The financial statements are presented in accordance with Governmental Accounting Standards Board Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, which establishes reporting standards for defined benefit pension plans of state and local government entities.

GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, as amended by GASB Statement No. 25, exempts pension plans from presenting a statement of cash flows. As a result, the System has chosen not to present this statement.

The System has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments and related standards. These new standards provide for significant changes in terminology and presentation and the inclusion of Management's Discussion and Analysis as required supplementary information.

The System applies all applicable GASB pronouncements, as well as Financial Accounting Standards Board pronouncements, Accounting Principles Board opinions and Accounting Research Bulletins, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

b. Basis of Accounting

The financial statements are presented on the accrual basis of accounting. Property is stated at historical cost. Depreciation is computed using the straight-line method over an estimated useful life of twenty-five years for buildings and five years for equipment. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Interest and dividend income is reported as earned. The net appreciation (depreciation) in the fair value of investments includes realized gains and losses on investments that were both bought and sold during the year.

c. Cash and Cash Equivalents/Investments

Short-term, highly liquid investments are considered cash equivalents. Short-term refers to investments with an original maturity of three months or less at date of acquisition. Highly liquid

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS - (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(Dollar Amounts in Thousands)**

investments are those that are readily convertible to known amounts of cash and so near their maturity that the risk of changes in value because of changes in interest rates is insignificant.

The carrying amount of deposits and investments were \$5,880 and \$217,751 at June 30, 2002 and \$7,436 and \$232,275 at June 30, 2001, respectively.

Deposits

All deposits of the System are made in board-designated official depositories and are collateralized with securities held by the System or by the System's agent in the System's name. The bank balances at June 30, 2002 and 2001 were \$70 and \$538, respectively.

Investments

The North Carolina Act (Act) which established the System requires the Board of Trustees to act with the same care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims. The Act requires the Trustees to design an investment plan to further the purpose of the System by giving consideration to the following: (a) diversification of investments, (b) liquidity and return relative to cash flow needs and (c) projected return. In accordance with the Act, the Board of Trustees has developed and periodically revises a policy statement of investment goals, objectives, and guidelines, which specifically define vehicles which may be used for the investment of System funds. The System invests in United States government securities, corporate bonds, common stocks and mutual funds.

The System has also invested in collateralized mortgage obligations (CMO) and mortgage backed securities. CMO and mortgage backed securities are based on cash flows from principal and interest payments on underlying mortgages. CMO rates, trading in sympathy with treasury rates, declined during the year.

All investments, other than mutual funds, are insured or registered, or are securities held by its agent in the System's name (category 1). Mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

d. Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities and mutual funds traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

e. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA**
NOTES TO THE FINANCIAL STATEMENTS - (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(Dollar Amounts in Thousands)

that affect the reported amounts of assets, liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates. The Plan utilizes various investment instruments including U. S. Government Securities, corporate bonds, common stocks, and mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

f. Capital Assets

Capital asset activity for the year ended June 30, 2002, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ 132	\$ 303	\$ -	\$ 435
Equipment	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
Total capital assets being depreciated	<u>139</u>	<u>303</u>	<u>-</u>	<u>442</u>
Less accumulated depreciation for:				
Buildings	50	11	-	61
Equipment	<u>6</u>	<u>1</u>	<u>-</u>	<u>7</u>
Total accumulated depreciation	<u>56</u>	<u>12</u>	<u>-</u>	<u>68</u>
Capital assets, net	<u>\$ 83</u>	<u>\$ 291</u>	<u>\$ -</u>	<u>\$ 374</u>

3. CONTRIBUTIONS:

Pursuant to the Act which established the System, the City is required to match the member's contribution. The Act dictates that the member's contribution is equal to the member's compensation multiplied by the sum of the current social security contribution rate plus five percent. The current rate is 12.65 percent. The total contributions for the year ended June 30, 2002 were \$10.2 million, which consisted of \$5.1 million from the City and \$5.1 million from employees. For 2001 contributions were \$9.1 million, which consisted of \$4.5 million from the City and \$4.6 million from employees. Administrative costs are funded through contributions and investment earnings.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA**
NOTES TO THE FINANCIAL STATEMENTS - (Continued)
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(Dollar Amounts in Thousands)

An actuarial study is completed annually as of July 1 to determine the actuarial requirements of this funding method. The actuarial method used is the Entry Age Actuarial Cost Method. The contributions made by the City and the members of the System compared to the actuarially determined requirements intended to cover normal cost and amortized unfunded actuarial accrued liabilities follows:

	<u>In Dollars</u>		<u>Percent of Covered Payroll</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Contributions made by -				
City	\$5,062	\$4,537	12.70%	11.92%
Members	<u>5,114</u>	<u>4,563</u>	<u>12.84</u>	<u>11.98</u>
Total	<u>\$10,176</u>	<u>\$9,100</u>	<u>25.54%</u>	<u>23.90%</u>
Actuarially determined contributions -				
Normal cost	\$9,560	\$8,236	23.99%	21.63%
Amortization of unfunded actuarial accrued liability	<u>616</u>	<u>864</u>	<u>1.55</u>	<u>2.27</u>
Total	<u>\$10,176</u>	<u>\$9,100</u>	<u>25.54%</u>	<u>23.90%</u>

4. CONCENTRATIONS:

The System had individual fixed income or equity investments at June 30 with the following organizations that represented more than five percent of the System's net assets:

	<u>2002</u>	<u>2001</u>
Morgan Stanley Dean Witter	15%	14%
Evergreen Investment Management	14	17
State Street Global Advisors	14	12
Banc of America Capital Management	13	12
Alliance Capital Management	10	13
Boston Partners	8	8
Cadence Capital Management	7	8
Baring Asset Management	6	5

5. TREND INFORMATION:

Six-year historical trend information, designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due, is presented as required supplementary information.

6. INTERNAL REVENUE STATUS: The Internal Revenue Service has determined that the System meets the requirements of Section 401(a) of the Internal Revenue Code and is exempt from Federal income tax under Section 501(a) of the Code.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
(Dollar Amounts in Thousands)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/1997	\$ 161,731	\$ 168,146	\$ 6,415	96.2%	\$ 26,922	23.8%
7/1/1998	187,387	179,351	(8,036)	104.5	28,964	(27.7)
7/1/1999	216,336	186,854	(29,482)	115.8	32,462	(90.8)
7/1/2000	235,901	239,784	3,883	98.4	33,080	11.7
7/1/2001	246,614	254,767	8,153	96.8	38,079	21.4
7/1/2002	254,013	265,712	11,699	95.6	39,849	29.4

Schedule of Employee and Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
1997	\$ 6,059	115.2%
1998	4,812	155.7
1999	3,694	210.0
2000	4,446	193.5
2001	9,100	100.0
2002	10,176	100.0

*CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA*
REQUIRED SUPPLEMENTARY INFORMATION - (Continued)

Notes to Required Supplementary Information
(Dollar Amounts in Thousands)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	7/1/2002
Actuarial cost method	Entry age
Amortization method	Level dollar open
Remaining amortization period	33 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75 to 7.75%
Includes inflation at	3.75%
Cost-of-living adjustments	None

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
(Dollar Amounts in Thousands)**

	<u>Years Ended June 30</u>	
	<u>2002</u>	<u>2001</u>
CASH RECEIPTS:		
Contributions:		
Member	\$ 5,110	\$ 4,558
Employer	<u>5,054</u>	<u>4,532</u>
Total contributions	10,164	9,090
Investing activities:		
Sales of investments	231,834	196,193
Interest	1,682	2,404
Dividends	<u>1,407</u>	<u>3,106</u>
Total investing activities	<u>234,923</u>	<u>201,703</u>
Total cash receipts	<u>245,087</u>	<u>210,793</u>
CASH DISBURSEMENTS:		
Benefits	13,543	14,041
Refunds	274	391
Administration	352	332
Purchase of building and equipment	303	-
Investing activities:		
Purchase of investments	230,969	195,766
Investment expense	<u>1,202</u>	<u>1,539</u>
Total investing activities	<u>232,171</u>	<u>197,305</u>
Total cash disbursements	<u>246,643</u>	<u>212,069</u>
Net decrease in cash and cash equivalents	(1,556)	(1,276)
CASH AND CASH EQUIVALENTS, beginning of year	<u>7,436</u>	<u>8,712</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,880</u>	<u>\$ 7,436</u>

*CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA*

SCHEDULE OF ADMINISTRATIVE EXPENSES AND DEPRECIATION

Year Ended June 30, 2002

(Dollar Amounts in Thousands)

PERSONAL SERVICES:

Staff Salaries	\$	135
Social Security		10
Retirement		6
Insurance		5
401 (k) Contributions		<u>4</u>

Total Personal Services \$ 160

PROFESSIONAL SERVICES:

Other		32
Legal Counsel		21
Health Services		7
Audit		6
Actuarial Services		<u>5</u>

Total Professional Services 71

COMMUNICATION:

Travel and Training		45
Postage		9
Printing		7
Meetings		4
Telecommunications		4
Parking		1
Books and Subscriptions		<u>1</u>

Total Communication 71

MISCELLANEOUS:

Office Condominium Fees		17
Insurance		15
Depreciation		12
Office and Computer Supplies		6
Office Furniture and Equipment		5
Annual Retiree Reunion		3
Office Equipment Maintenance		2
Professional Memberships		<u>2</u>

Total Miscellaneous 62

TOTAL ADMINISTRATIVE EXPENSES AND DEPRECIATION \$ 364

*CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA*

SCHEDULE OF INVESTMENT EXPENSES

Year Ended June 30, 2002

(Dollar Amounts in Thousands)

INVESTMENT MANAGEMENT FEES:

Evergreen Investment Management Company LLC	\$	437
Morgan Stanley Dean Witter		316
Metropolitan Life Insurance Company		112
Cadence Capital Management		67
Baring Asset Management		66
AllianceBernstein Capital Management Corporation		65
Boston Partners Asset Management LP		46
Essex Investment Management Company		<u>36</u>
Total Investment Management Fees		1,145

TRUST AND BANK FEES:

State Street Bank and Trust Company NA		102
Bank of America		2
Litigation Settlement		<u>(6)</u>
Total Trust and Bank Fees		98

INVESTMENT CONSULTING FEES:

Callan Associates Inc.		79
Commission Recapture		<u>(67)</u>
Total Investment Consulting Fees		12

TOTAL INVESTMENT EXPENSES \$ 1,255

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF PROFESSIONAL SERVICE EXPENSES
Year Ended June 30, 2002
(Dollar Amounts in Thousands)**

	Official System Position	Payments	Nature of Services
Evergreen Investment Management Co	Money Manager	\$ 406	Money Management
Morgan Stanley Dean Witter	Money Manager	289	Money Management
Metropolitan Life Insurance Company	Money Manager	112	Money Management
State Street Bank and Trust Company NA	Custodian	98	Custodian
Callan Associates Inc.	Consultant	79	Consulting
AllianceBernstein Capital Management Corp	Money Manager	70	Money Management
Cadence Capital Management	Money Manager	70	Money Management
Baring Asset Management	Money Manager	64	Money Management
Boston Partners Asset Management	Money Manager	46	Money Management
Essex Investment Management	Money Manager	39	Money Management
Ceridian Employer Services	Benefits Processor	18	Benefits Processing
Edwards, Church & Muse	Insurance	15	Insurance
Parker, Poe, Adams & Bernstein	Attorney	14	Legal
Raymond P. Warren	Contractor	13	Painting
Deloitte & Touche LLP	Auditor	7	Audit
IKON Management	Printer	5	Printing
Banc of America Capital Management	Money Manager	4	Money Management
Buck Consultants	Actuary	4	Actuarial Services
Forty Plus Staffing	Employment Agency	3	Temporary Staffing
Lowrance Reporting Services	Court Reporter	3	Transcription
NorthEast Medical Center	Medical Board	3	Health Services
Value Business Interiors	Office Furniture	3	Office Furniture
SMS Catering	Caterer	2	Catering
Womble, Carlyle, Sandridge & Rice	Attorney	2	Legal
Cabarrus Memorial Hospital	Medical Exams	1	Health Services
David Norman & Associates	Consultant	1	Facilitator
Miller Orthopedic Clinic	Medical Exams	1	Health Services
NCT, Inc.	Telecommunication	1	Telecommunications
Office Interiors	Office Furniture	1	Office Furniture
RTG Enterprises	Consultant	1	Surveillance
Sunbelt Graphics	Printer	1	Printing
The Travelers	Insurance	1	Insurance
Subtotal		1,377	
Accrued at June 30, 2001		(136)	
Accrued at June 30, 2002		190	
TOTAL PROFESSIONAL SERVICE EXPENSES		\$ 1,431	

*CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA*
SCHEDULE OF INVESTMENTS
Year Ended June 30, 2002
(Dollar Amounts in Thousands)

Type of Investment	June 30, 2001 Fair Value	Purchases	Sales Redemptions	Net Appreciation (Depreciation)	June 30, 2002 Fair Value	Percentage Fair Value
FIXED INCOME:						
U. S. government securities	\$ 15,646	\$ 110,965	\$ 106,185	\$ (4,220)	\$ 16,206	7.25%
Corporate bonds	11,378	1,661	20,288	18,652	11,403	5.10%
Total fixed income	27,024	112,626	126,473	14,432	27,609	12.35%
COMMON AND PREFERRED STOCK:	108,101	103,035	113,264	(8,974)	88,898	39.75%
MUTUAL FUNDS:						
Domestic Equities	8,930	295		716	9,941	4.44%
Fixed Income Bond Index	28,813	12		2,502	31,327	14.01%
International Equities	39,229		507	(926)	37,796	16.90%
International Fixed Income	11,189			1,783	12,972	5.80%
Real Estate	8,989			219	9,208	4.12%
Total mutual funds	97,150	307	507	4,294	101,244	45.27%
SHORT-TERM INVESTMENTS:	7,436	115,886	107,798	(9,644)	5,880	2.63%
	\$ 239,711	\$ 331,854	\$ 348,042	\$ 108	\$ 223,631	100.00%

*Note: Short-term Investments are reflected as Cash and Cash Equivalents in the Statement of Plan Net Assets.
A portfolio listing is available for review at the System's office.*



INVESTMENT SECTION

The purpose of the Investment Section is to provide the reader with data reflecting investment policy and the investment operations of the system. This section includes a consultant report, a list of investment goals for the system, an explanation of the investment performance analysis, a schedule of investment results and the system's return on investments. Also included is a schedule of largest assets held, schedule of fees and commissions, and a schedule of investment summary.

JEANNE VALCIK, CPA, CFA
VICE PRESIDENT

November 14, 2002



SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

CFRS' investment program objective is to provide plan participants with retirement benefits. This is accomplished by the implementation of a carefully planned and executed long-term investment program. The Board of Trustees (Board) has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies, and policies.

The assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the pension fund. While recognizing the importance of the "preservation of capital," CFRS also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long run. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this objective. These activities are executed in a manner that serves the best interests of CFRS' members and beneficiaries.

The Board has adopted an Investment Policy Statement, which provides a framework for the management of CFRS' investments. This Statement establishes CFRS' investment policies and objectives and defines the principal duties of the Board and the investment managers.

Asset Allocation

A pension fund's strategic asset allocation policy implemented in a consistent and disciplined manner is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation) which is expected to achieve a specific set of investment objectives. The following factors were evaluated to determine CFRS' asset allocation adopted in Fiscal Year 2001-2002:

- Projected actuarial assets, liabilities, benefit payments and contributions.
- Historical and expected long-term capital market risk and return behavior.
- CFRS' current and projected funding status.

The asset allocation adopted by the Board is efficient – it generates the maximum level of expected return for the expected level of risk. The asset mix reflects the appropriate level of risk for the plan, based upon a balanced consideration of plan liabilities and the expected interaction of the liabilities with potential fund performance.

Performance

For the second consecutive year, CFRS did not generate a positive return for the fiscal year. Due primarily to declining stock markets, the total fund return was a negative 2.42% for the fiscal year. This result, while disappointing, was not unexpected after the string of very good years. The five-year annualized return is still a positive number at 6.27%, but is down from last year. The CFRS total fund performance ranks in the top quartile or better in the Callan Public Fund Universe for the past 5 years and since inception (14 years). The performance information in this report is fully compliant with the AIMR Performance Presentation Standards.

Very truly yours,

Jeanne Valcik, CFA

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM INVESTMENT POLICY, GOALS, OBJECTIVES & GUIDELINES

BACKGROUND

The Charlotte Firefighters' Retirement System is the primary retirement income vehicle for its members and is co-sponsored by the City of Charlotte and the uniformed employees of the Charlotte Fire Department. The Board will discharge its investment responsibilities and make all decisions solely in the interest of plan participants and their beneficiaries.

Funding Philosophy

The Board's funding goal for the system is to be as fully funded as prudently possible so that:

- the ability to pay all benefit obligations when due is ensured;
- the City of Charlotte and the Board have maximum flexibility in determining the future level of contributions; and
- a funding "cushion" is maintained for unexpected developments and for possible future changes in retirement benefit levels.

Investment results are considered to be a critical element in achieving the system's funding goal stated above.

Risk Tolerance

In establishing investment objectives and guidelines that are consistent with the Board's funding goal, several factors were examined to determine the system's financial ability to withstand variability of investment return. The Board analyzed the system's financial and legal characteristics, work force demographics and actuarial and funding policies.

The assets of the system should be invested with a risk orientation that is consistent with a moderate ability to assume risk. The Board defines a moderate risk orientation as:

- a willingness to tolerate some interim fluctuations in market value and rates of return in order to achieve the asset allocation objective stated below; and
- a desire to limit the volatility in the fund's rate of return to a level that approximates the average volatility experienced by other U.S. defined benefit retirement plans.

INVESTMENT OBJECTIVES & GUIDELINES

Asset Allocation

The system's risk tolerance is, in large part, a function of the asset mix established for the fund. Based on its analysis of capital and money market return patterns, both historical and projected, the Board considers the following asset allocation to be consistent with the risk tolerance previously defined.

Total Fund Asset Mix Ranges

The Total Fund Asset Mix Guidelines will be implemented and maintained by the following distribution through a combination of "Specialist" Investment Managers and internal management in each of the asset class categories as follows:

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM INVESTMENT POLICY, GOALS, OBJECTIVES & GUIDELINES

<u>"Specialist Managers</u>	<u>Target</u> <u>Allocation</u>	<u>Acceptable</u> <u>Range</u>
Domestic Equity	51.5%	+/-5%
Non-domestic Equity	15.5%	+3/-2%
Real Estate	3.0%	+2/-3%
Domestic Fixed Income	22.5%	+/-4%
Non-Domestic Fixed	6.0%	+/-2%
Internal Account	1.5%	+2/-5%

Total Fund Asset Mix Ranges

This distribution of assets among the aforementioned investment managers and the individual manager guidelines will produce the following Total Fund Asset Mix Ranges:

<u>Asset Class</u>	<u>Market Value Exposure</u>	
	<u>Maximum</u>	<u>Minimum</u>
Domestic Equities	56.5%	46.5%
Non-Domestic Equities	18.5%	13.5%
Real Estate	5.0%	0.0%
Domestic Fixed Income	26.5%	18.5%
Non-Domestic Fixed	8.0%	4.0%
Internal Account	3.5%	1.0%

These guidelines are to be pursued by the fund on a long term basis (five year goal) but will be revised if significant changes occur within the economic and/or capital market environments.

INVESTMENT GOALS

In formulating investment goals for the system's assets, the Board placed primary emphasis on the following:

- Achieving investment results that will accomplish the stated funding goal for the system. Inflation is the key factor driving the cost of retirement programs. The primary function of a retirement plan investment program is to help pay the cost of providing retirement

benefits by offsetting the impact of inflation on costs. Therefore, investment performance that exceeds the rate of inflation, thereby providing a real rate of return, will contribute to the proper funding of the system.

- Receiving from its investment managers' performance that is above average compared to other comparably styled managers.
- Annual income production sufficient to cover benefit payments, administrative costs and investment manager, trustee, actuary, performance measurement and consultant fees.

Accordingly, the specific goals set forth below reflect the above general goals.

Total Fund Goals

As noted in a prior section, the system's primary funding goal is to achieve and maintain a funded status that provides for the security of retirement income to participants in the plan.

Given the impact of inflation on retirement plan funding, the primary total fund investment goal is to achieve a positive inflation adjusted (real) return. The Board recognizes that over short and intermediate periods of time its goal may be difficult to achieve because rapid increases or decreases in the level of inflation tend to adversely impact the capital markets. For this reason, the total fund inflation adjusted goal is established in the context of a longer-term time horizon:

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM INVESTMENT POLICY, GOALS, OBJECTIVES & GUIDELINES

- The fund's overall annualized total return (price change plus income) should exceed the return available from a policy of "rolling over" 91 day Treasury Bills (as a proxy for the inflation rate) by at least 325 basis points per year measured over a period of 10 years. A 325 basis points annual premium above "risk free" Treasury Bill rates is consistent with the desired risk tolerance.
 - The fund's annualized total return over a rolling period of five years should exceed by 75 basis points the return that would have been achieved if the fund had been invested (as of October 1, 2000), 51.5% in the Wilshire 5000 Stock Index, 13.5% in the Morgan Stanley Capital International (MSCI) Europe, Australia Far East Index, 2% MSCI Emerging Markets Free, 22.5% in the Lehman Brothers Aggregate Bond Index, 3% in the Callan Associates or comparable Real Estate Data Median, 1.5% in the Merrill Lynch (ML) 1-3 year Government/Corporate Index and 6% in the Salomon Brothers Non-US Government Bond Index.
- fund portfolios measured over a period of five years.
- The domestic equity segment total return should exceed the total return of the Wilshire 5000 Stock Index by at least 200 basis points per year measured over a period of five years.

Non-Domestic Equity Segment Goals

The following performance goals have been established for the Non-domestic equity segment of the system's assets:

- The non-domestic equity segment total return should rank in the upper 35% compared to the non-domestic equity results of other retirement fund portfolios measured over a period of five years.
- The non-domestic equity segment total return should exceed the total return of the Morgan Stanley Capital International Europe, Australia, Far East Index (MSCI-EAFE) by at least 200 basis points per year measured over a period of five years.

Real Estate Segment Goals

The following performance goals have been established for the real estate segment of the system's assets:

- The total real estate segment return should rank in the upper 35% compared to the real estate results of other retirement fund portfolios measured over a period of five years.

Domestic Equity Segment Goals

The following performance goals have been established for the fund's domestic equity segment:

- The domestic equity segment total return should rank in the upper 35% compared to the domestic equity results of other retirement

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM INVESTMENT POLICY, GOALS, OBJECTIVES & GUIDELINES

- The total real estate segment return should exceed the Callan Associates, or comparable real estate database median by at least 100 basis points per year over a period of five years.

Domestic Fixed Income Segment Goals

The following performance goals have been established for the domestic fixed income segment of the system's assets:

- The total domestic fixed income segment return should rank in the upper 50% compared to the fixed income results of other retirement fund portfolios measured over a period of five years.
- The total domestic fixed income return should exceed the total return of the Lehman Brothers Aggregate Bond Index by at least 30 basis points per year measured over a period of five years.

Internal Account

The following performance goals have been established for the Fund's Internal Account segment of the system's assets:

The internal account is used solely for payment of benefit payments and administrative expenses and shall be invested in a U.S. Treasury Money Market account with the Fund's Custodian at all times.

Non-Domestic Fixed Income Segment Goals

The following performance goals have been established for the fund's non-domestic fixed income segment of the system's assets:

- The total non-domestic fixed income segment should rank in the upper 50% compared to the non-domestic fixed income results of other retirement fund portfolios measured over a period of five years.
- The total non-domestic fixed income return should exceed the total return of the Salomon Brothers Non-US Government Bond Index by at least 150 basis points per year measured over a period of five years.

INVESTMENT PERFORMANCE

The investment performance of the system is being monitored by Callan Associates, Inc., a highly respected portfolio evaluation service provider and consultant in the United States.

A summary of the Charlotte Firefighters' Retirement System's performance results, along with a brief description of issues to be considered in interpreting the results follow. Since the purpose of the summary is to provide an overview, the reader is cautioned against forming conclusions that may be premature.

The information provided is prepared for the Charlotte Firefighters' Retirement System Comprehensive Annual Financial Report to provide a profile of the system's performance.

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM INVESTMENT POLICY, GOALS, OBJECTIVES & GUIDELINES

Total Annualized Rate of Return

This shows how the Charlotte Firefighters' Retirement System performed over multi-year periods compared with a customized portfolio of asset class investments invested in the same proportion as the CFRS fund targets.

Segment Annualized Rate of Return

This shows how each asset class component of the Charlotte Firefighters' Retirement System performed over the multi-year periods. Since the system's total return is comprised of the combination of each segment, reviews are important because academic studies have clearly shown that the asset allocation decision (the decision on what segments and proportion invested in each) determines between 70% to 95% of the total annualized rate of return.

Percentile rank indicates the annualized rate of return of a comparable portfolio that attained that level of performance in each segment component as measured by the Callan Associates, Inc. universe. A low percentage indicates a relatively higher return. The reader can choose a time period of particular interest and examine the return the CFRS earned for that period. For any time period one chooses to examine, the median serves as an effective standard for determining what a "reasonable" return for that period would have been (the median is that return which outranked 50% of the funds in the Callan universe and which was outranked by 50% of the funds).

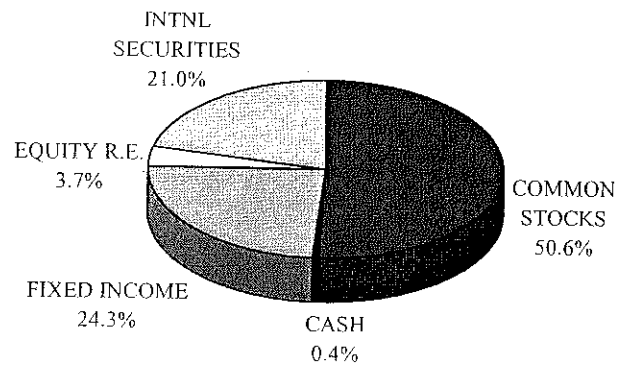
This summary should be regarded only as an introduction to evaluating the Charlotte Firefighters' Retirement System's investment performance results. Nevertheless, it is hoped that this brief overview will be of some assistance.

RETURN ON INVESTMENT

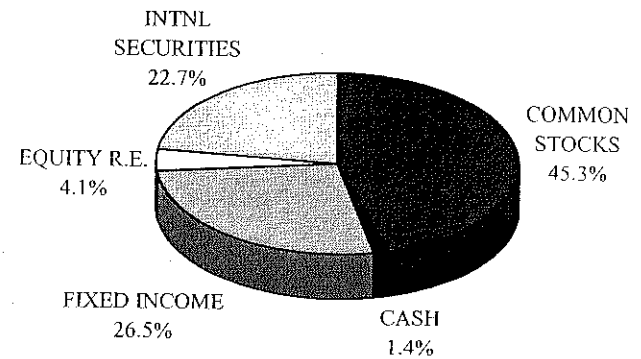
The return on investments, which is defined as the income plus or minus the appreciation or depreciation in value, is analyzed each quarter. The Charlotte Firefighters' Retirement System return on investments is compared with the returns of the Callan Associates, Incorporated universe which is comprised of over 80% of the professionally managed investments in the United States. Evaluation for the various time periods ended June 30, 2002 are shown on subsequent pages. All returns are "time weighted", annualized "total" rates of return in accordance with AIMR performance presentation standards and are based on market values.

PORTFOLIO DISTRIBUTION

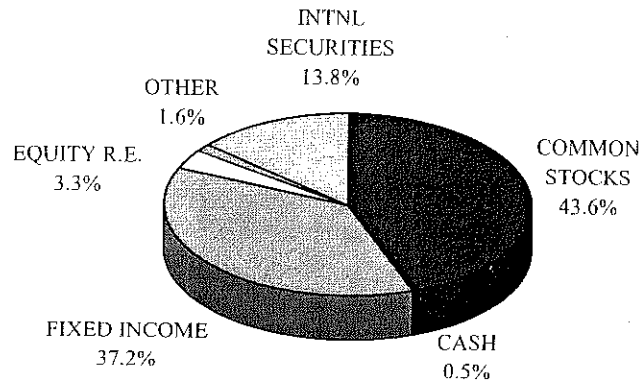
CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM
AS OF JUNE 30, 2001



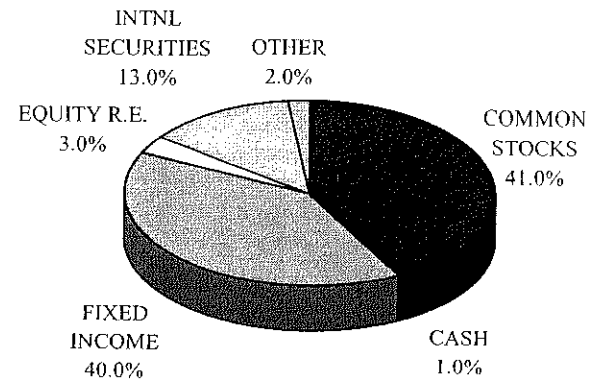
CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM
AS OF JUNE 30, 2002



PUBLIC PENSION FUNDS UNIVERSE*
AS OF JUNE 30, 2001



PUBLIC PENSION FUNDS UNIVERSE*
AS OF JUNE 30, 2002

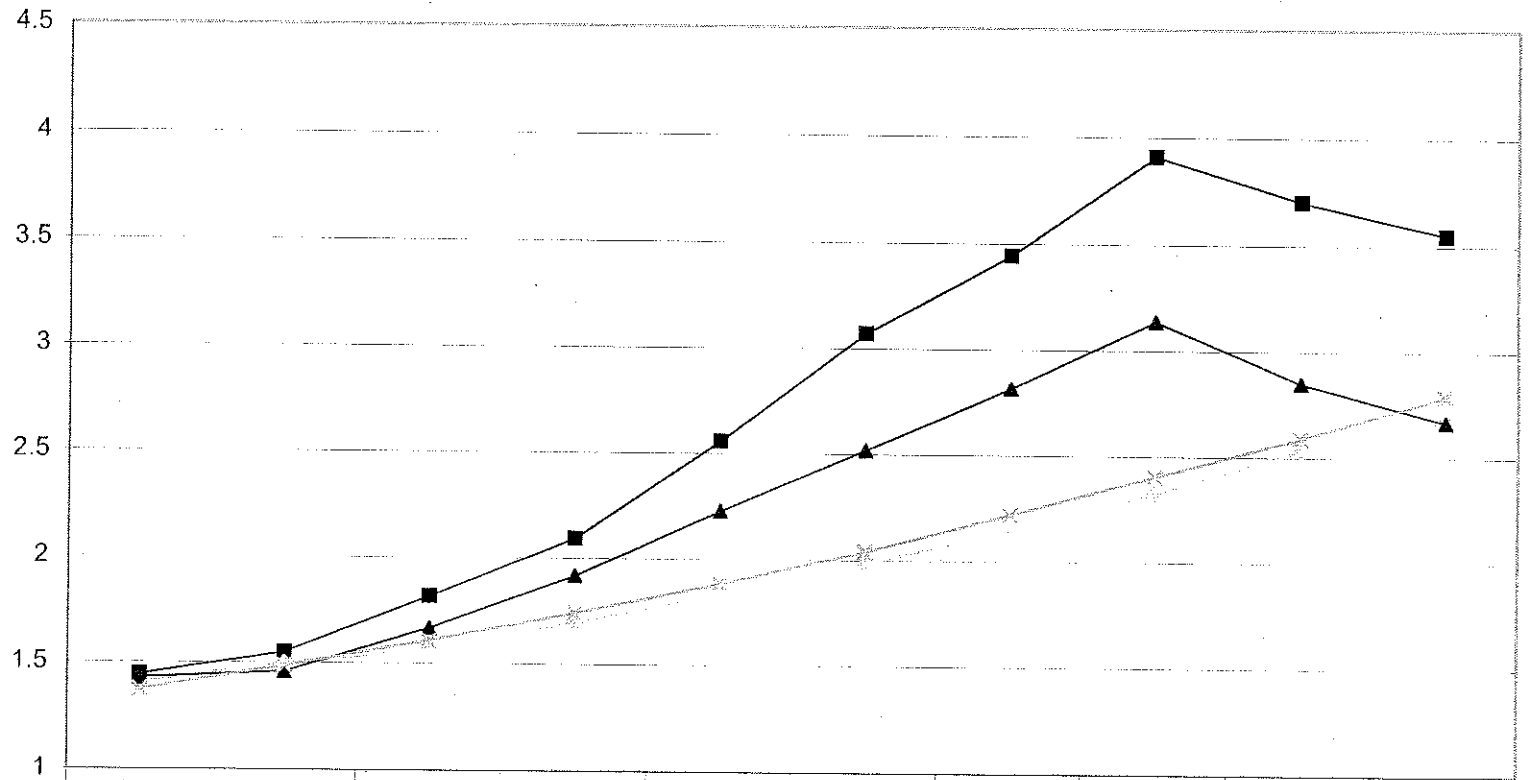


*CALLAN ASSOCIATES, INC., c2002

CFRS TOTAL FUND INVESTMENT GOALS

LAST TEN FISCAL YEARS

42



	06/30/93	06/30/94	06/30/95	06/30/96	06/30/97	06/30/98	06/30/99	06/30/00	06/30/01	06/30/02
■ CFRS	1.443800	1.550000	1.816800	2.093900	2.558100	3.070700	3.443176	3.910071	3.701273	3.547300
▲ T-BILLS +3%	1.405200	1.496700	1.562900	1.693400	1.834000	1.986400	2.142730	2.325505	2.532010	2.674562
▲ CUSTOMIZED INDEX	1.428100	1.458000	1.667400	1.917200	2.227800	2.519000	2.815738	3.135324	2.848442	2.668136
* ACTUARIAL ASSUMPTIONS 7.75%	1.373100	1.486400	1.609000	1.741700	1.885400	2.040900	2.220927	2.404153	2.590475	2.791237

Note: Actuarial assumption changed from 8.25% to 7.75% as of July 1, 2000.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA
INVESTMENT RESULTS
as of June 30, 2002**

	FISCAL YEAR										Rates Over 10 Years	10-Year Rate
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002		
RATE OF RETURN												
CFRS	11.25%	7.36%	17.33%	15.25%	22.17%	20.04%	12.13%	13.56%	-5.34%	-4.16%	10.96%	109.59%
Consumer Price Index	2.82%	2.39%	3.08%	2.81%	2.15%	1.60%	1.94%	3.87%	3.19%	0.74%	2.46%	24.59%
Customized Index	13.10%	2.10%	14.36%	14.98%	16.20%	13.07%	11.78%	11.35%	-9.15%	-6.33%	8.15%	81.46%
Market Indicators												
* Callan Real Estate Median	-2.56%	2.58%	8.82%	6.67%	9.15%	16.75%	11.24%	9.54%	7.99%	5.88%	7.61%	76.06%
* Custom Mid Value Index	24.48%	0.67%	20.54%	22.16%	25.95%	26.22%	5.39%	-3.91%	28.37%	2.52%	15.24%	152.39%
* FRMS Stock Index	14.97%	-2.22%	20.56%	23.66%	24.12%	20.28%	18.23%	***	***	***	17.09%	119.60%
* Lehman Aggregate Index	11.79%	-1.30%	12.54%	5.02%	8.15%	10.54%	3.15%	4.57%	11.22%	8.63%	7.43%	74.31%
* ML 1-3 Govt/Corp Bond Index	6.58%	1.61%	7.81%	5.53%	6.64%	6.85%	5.18%	4.92%	9.43%	6.82%	6.14%	61.37%
* MSCI EAFE Index	20.28%	17.00%	1.66%	13.28%	12.84%	6.10%	2.54%	17.15%	-23.83%	-9.49%	5.75%	57.53%
* MSCI Emerging Markets Free	18.55%	37.16%	-0.03%	8.48%	12.82%	-39.09%	28.71%	9.48%	-25.93%	1.31%	5.15%	51.46%
* Russell 2000 Stock Index	25.95%	4.41%	20.06%	23.89%	16.33%	16.51%	1.50%	14.32%	0.57%	-8.60%	11.49%	114.94%
* S&P MidCap Index	22.69%	-0.06%	22.35%	21.58%	23.33%	27.15%	17.19%	16.97%	8.87%	-4.72%	15.54%	155.35%
* SB EMB Market ex-US	14.87%	16.48%	-4.58%	16.98%	1.27%	-1.68%	1.02%	12.68%	-19.45%	-0.98%	3.66%	36.61%
* SB NON-US Bond Index	9.75%	9.46%	22.71%	-1.69%	2.16%	0.89%	4.87%	2.42%	-7.43%	15.73%	5.89%	58.87%
* Standard & Poor's 500 Index	13.63%	1.41%	26.07%	26.00%	34.70%	30.16%	22.76%	7.24%	-14.83%	-17.99%	12.92%	129.15%
* Treasury Bills	3.15%	3.40%	5.44%	5.35%	5.30%	5.31%	4.89%	5.53%	5.88%	2.63%	4.69%	46.88%
* Wilshire 5000 Stock Index	16.15%	1.19%	24.72%	26.22%	29.32%	28.86%	19.59%	9.53%	-15.28%	-16.62%	12.37%	123.68%

***FRMS Stock Index discontinued in October 1999 and substituted by CFRS with the Wilshire 5000 Stock Index.

See Glossary for explanation of the Market Indices shown in this Table.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA**

INVESTMENT RESULTS

Periods Ended June 30, 2002

	Last Year	Last 3 Years	Last 5 Years
Domestic Equity	-15.18%	-5.04%	5.21%
AllianceBernstein	-28.77%	-16.19%	-
Boston Partners Asset Management	1.73%	3.65%	-
Cadence Capital Management	-14.33%	3.63%	-
Essex Investment Management	-25.75%	-	-
Evergreen Investment Management	-16.96%	-4.87%	5.94%
ICM Small Company Portfolio	11.33%	13.64%	12.40%
Wilshire 5000	-16.62%	-8.19%	3.58%
Standard & Poor's 500	-17.99%	-9.18%	3.66%
S&P MidCap Index	-4.72%	6.66%	12.58%
Custom MidCap Value Index*	2.52%	8.14%	10.96%
Custom MidCap Index**	-6.99%	3.85%	10.06%
Russell 1000 Value	-8.95%	-2.92%	6.53%
Russell 1000 Growth	-26.49%	-16.15%	-0.28%
Russell 2000	-8.60%	1.67%	4.44%
Russell 2000 Value	8.49%	12.02%	9.70%
Russell 2000 Growth	-25.00%	-9.63%	-1.98%
Domestic Fixed-Income	7.94%	7.86%	7.29%
Banc of America Capital Management	7.10%	7.51%	7.07%
SSGA Bond Market Fund	8.73%	-	-
Lehman Aggregate	8.63%	8.10%	7.57%
ML 1-3yr Govt/Corp	6.82%	7.04%	6.63%
International Equity	2.45%	7.16%	8.35%
Morgan Stanley International Equity	5.49%	8.09%	9.68%
Morgan Stanley Emerging Markets	5.77%	-2.12%	-4.07%
T. Rowe Price Discovery Fund	-17.42%	4.99%	7.35%
MSCI EAFE Index	-9.49%	-6.78%	-1.55%
MSCI Emerging Markets Free	1.31%	-6.30%	-8.40%
SB EMB ex-US	-0.98%	-2.12%	-0.51%
International Fixed Income	-15.48%	3.99%	-
Baring International Fixed Income	16.60%	2.41%	-
Baring Emerging Debt	9.43%	14.68%	-
S/B Non-U.S. Govt Bond	15.73%	3.14%	3.03%
Emerging Markets Bond	-5.21%	9.64%	4.72%
Real Estate	2.43%	8.87%	11.03%
SSR Realty Advisors	2.43%	8.87%	11.03%
Treasury Bills	2.63%	4.67%	4.84%
Consumer Price Index	0.74%	2.61%	2.25%
Total Fund	-4.16%	1.00%	6.27%
Composite Benchmark	-6.33%	-1.96%	3.56%

Returns for periods longer than one year are annualized.

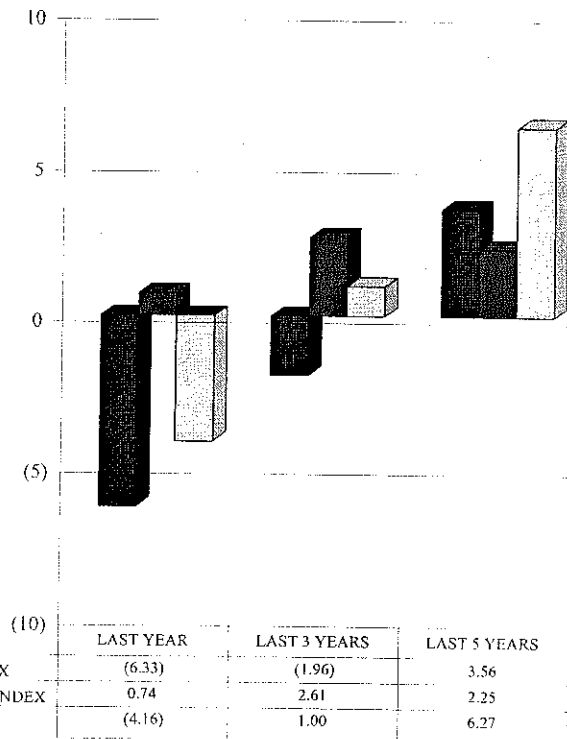
*Custom Mid Cap Value Index = 50% S&P Mid Cap Value and 50% Russell Mid Cap Value.

**Custom Mid Cap Index = 50% S&P Mid Cap and 50% Russell Mid Cap.

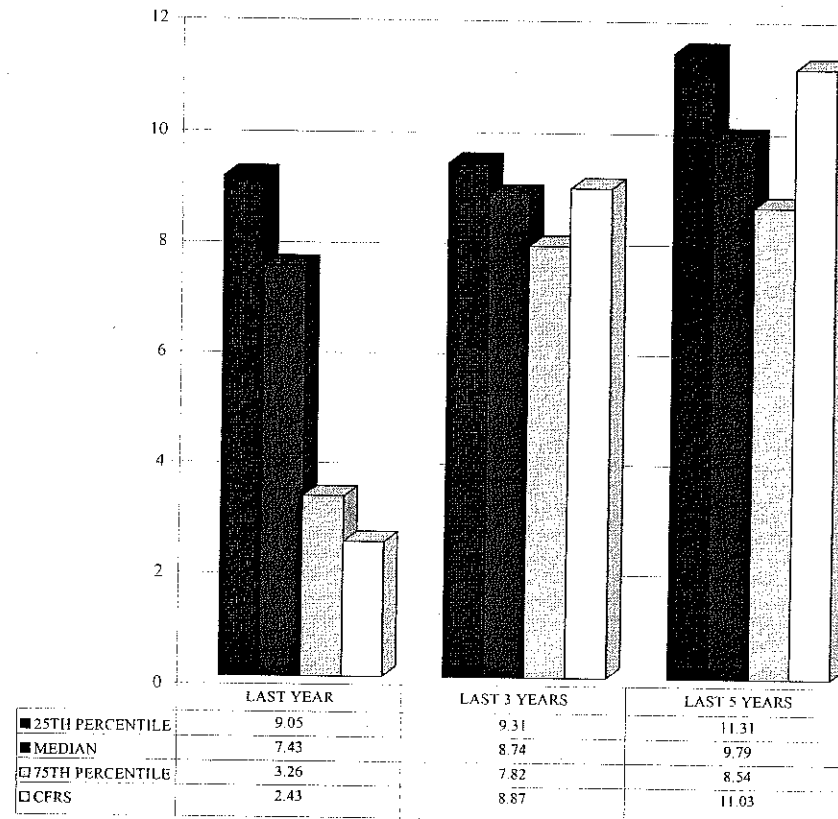
See Glossary for explanation of the Market Indices shown in this Table.

RETURN ON INVESTMENTS

TOTAL PORTFOLIO

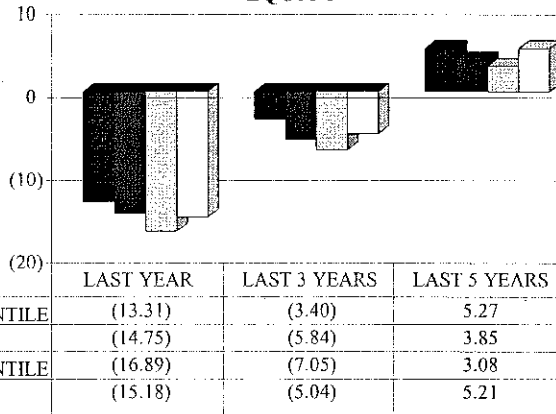


REAL ESTATE

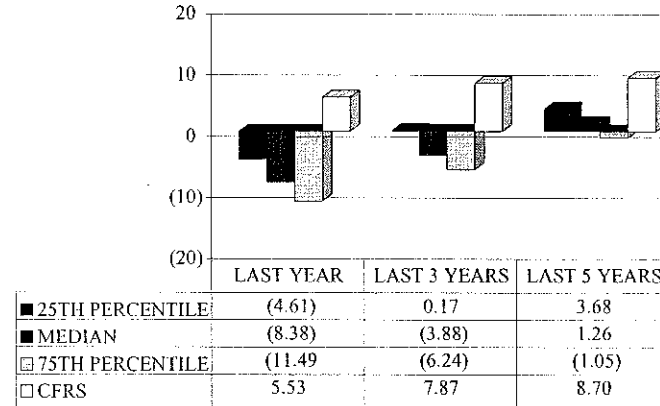


RETURN ON INVESTMENTS

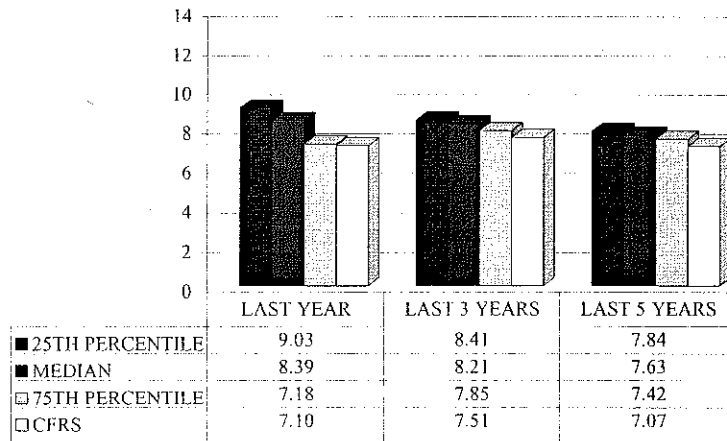
EQUITY



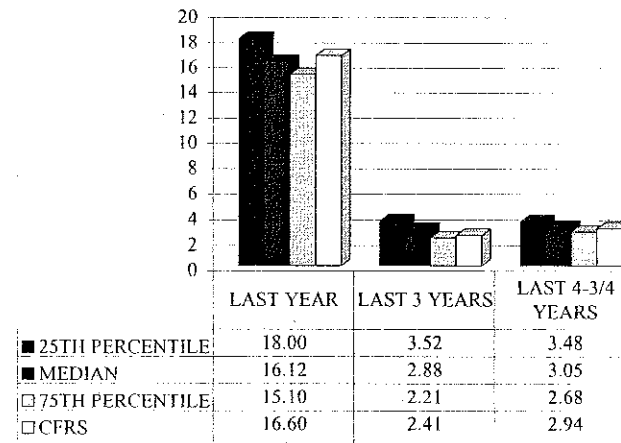
INTERNATIONAL EQUITY



FIXED INCOME

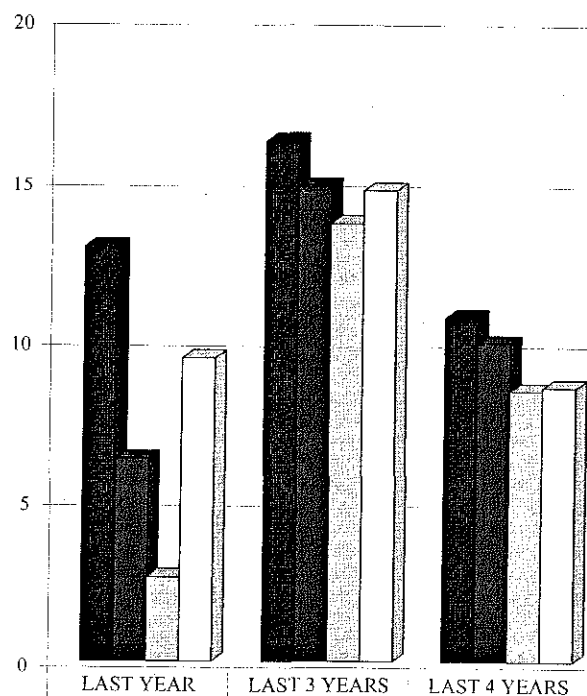


INTERNATIONAL FIXED INCOME



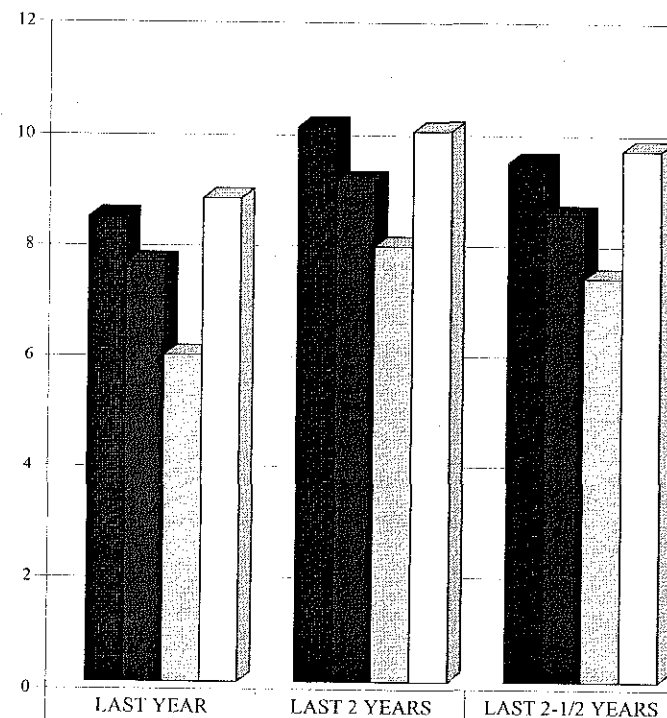
RETURN ON INVESTMENTS

INTERNATIONAL EMERGING DEBT FUND



	LAST YEAR	LAST 3 YEARS	LAST 4 YEARS
■ 25TH PERCENTILE	12.91	16.22	10.72
■ MEDIAN	6.26	14.82	9.91
□ 75TH PERCENTILE	2.59	13.64	8.41
□ CFRS	9.43	14.68	8.53

BOND MARKET FUND



	LAST YEAR	LAST 2 YEARS	LAST 2-1/2 YEARS
■ 25TH PERCENTILE	8.39	10.02	9.39
■ MEDIAN	7.57	9.05	8.43
□ 75TH PERCENTILE	5.89	7.86	7.29
□ CFRS	8.73	9.94	9.60

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA**

LIST OF LARGEST ASSETS HELD

(Dollar Amounts in Thousands)

**Largest Stock Holdings (By Fair Value)
June 30, 2002**

	Shares	Stock	Fair Value
1)	320	Morgan Stanley Pooled International Equity Trust	\$ 31,061
2)	354	UAM Small Co/Advisors Inner Circle Fund	9,941
3)	15	Metropolitan Life Insurance Tower Fund	9,208
4)	225	T Rowe Price International Discovery Fund	4,144
5)	173	Morgan Stanley Emerging Markets Trust	2,590
6)	33	Microsoft Corp	1,805
7)	44	Pfizer Inc	1,544
8)	39	Citigroup Inc	1,527
9)	16	American Intl Group Inc	1,122
10)	38	General Electric Co	1,113

**Largest Bond Holdings (By Fair Value)
June 30, 2002**

	Par	Bond	Fair Value
1)	\$ 2,036	State Street Global Advisors Fixed Income Index Fund	\$ 31,327
2)	70	Baring International Trust Fund F - Non-Dollar Fixed Income	11,836
3)	4,175	FNMA 6.500% due 2/01/2032 Rating AGY	4,256
4)	3,075	FNMA 6.500% due 2/01/2032 Rating AGY	3,185
5)	1,275	FNMA 7.000% due 5/01/2032 Rating AGY	1,320
6)	9	Baring International Trust Fund G - Emerging Debt	1,136
7)	1,025	FNMA 5.250% due 4/15/2007 Rating AGY	1,063
8)	875	Residential Asset Sec Mtg Pass 6.280% due 8-25-2025 Rating Aaa	890
9)	552	FNMA Pool #608366 6.000% due 10/01/2016 Rating AGY	563
10)	425	FHLMC 6.000% due 6/15/2011 Rating AGY	445

A portfolio listing is available for review at the System's office.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA**

SCHEDULE OF FEES AND COMMISSIONS

Year Ended June 30, 2002

(Dollar Amounts in Thousands)

	Assets under management	Fees
INVESTMENT MANAGERS' FEES:		
Equity managers	\$ 142,187	\$ 967
Fixed income managers	72,236	66
Real estate managers	9,208	112
Total investment managers' fees	<u>\$ 223,631</u>	<u>1,145</u>
OTHER INVESTMENT SERVICE FEES:		
Custodian fees		102
Investment consultant fees		79
Banking fees		2
Commission Recapture		(67)
Litigation Settlement		(6)
Total investment service fees		<u>110</u>
TOTAL INVESTMENT FEES		<u><u>\$ 1,255</u></u>

Brokerage Firm	Number of Shares Traded	Total Commissions	Percentage Cost of Transactions
Lynch Jones & Ryan Inc	1,603	95	0.06
BNY Clearing Services LLC	407	20	0.05
Merrill Lynch Pierce Fenner & Smith	392	20	0.05
Credit Suisse First Boston Corporation	298	14	0.05
Salomon Smith Barney Inc	249	12	0.05
Goldman Sachs Co	240	12	0.05
UBS Warburg LLC	188	9	0.05
Morgan Stanley Co Incorporated	175	9	0.05
Lehman Brothers Inc	161	8	0.05
Bear Stearns & Co Inc	147	7	0.05
J P Morgan Securities Inc	135	7	0.05
Prudential Securities Incorporated	114	6	0.05
Banc America Security LLC Montgomery Div	112	6	0.05
Lazard Freres & Co	91	5	0.05
F P Maglio & Co Inc	88	2	0.02
Weeden & Co	78	4	0.05
Bridge Trading	78	4	0.05
Deutsche Bank Securities Inc	71	4	0.06
SG Cowen Securities Corp	70	3	0.04
Robertson Stephens Inc	69	3	0.04
CIBC World Markets Corp	61	3	0.05
Wit Soundview Corp	57	3	0.05
First Union Capital Markets	52	3	0.06
Jefferies & Company Inc	47	2	0.04
La Branche Financial Services Inc	46	2	0.04
Robb Peck McCooley Clearing Corporation	42	2	0.05

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA

SCHEDULE OF FEES AND COMMISSIONS - (continued)

Year Ended June 30, 2002

(Dollar Amounts in Thousands)

Brokerage Firm	Number of Shares Traded	Total Commissions	Percentage Cost of Transactions
Thomas Weisel Partners	41	2	0.05
ABN Amro Securities LLC	39	2	0.05
Janney Montgomery Scott Inc	39	2	0.05
Charles Schwab Co Inc	38	1	0.03
Sandler Oneill & Part LP	36	2	0.06
Leerink Swann & Co	36	2	0.06
First Albany Corp	34	2	0.06
Instinet	32	1	0.03
Deutsche Banc Alex. Brown Inc.	31	2	0.06
U S Bancorp Piper Jaffray Inc	30	1	0.03
FleerBoston Robertson Stephens	29	1	0.03
Legg Mason Wood Walker Inc	28	1	0.04
Liquidnet Inc	28	1	0.04
Donaldson, Lufkin & Jenrette Secs	27	1	0.04
Factset Data Systems (Thru Bear Stearns)	27	1	0.04
Raymond James And Associates Inc	27	1	0.04
Spelman & Company	26	1	0.04
Baird, Robert W & Company Inc	25	1	0.04
Gerard Klauer Mattison & Co	24	1	0.04
Knight Securities	24	1	0.04
Sanford Bernstein & Co LLC	21	1	0.05
Cantor Fitzgerald & Co	21	1	0.05
Jones & Associates	21	1	0.05
Weiss Peck & Greer LLC	20	1	0.05
Investec Ernst & Company	20	1	0.05
ISI Group Inc	20	1	0.05
McDonald & Company Securities, Inc.	16	1	0.06
Edwards Ag & Sons Inc	15	1	0.07
Gruntal & Co LLC	14	1	0.07
Advest Inc	14	1	0.07
First Tennessee Securities Corp	13	1	0.08
Fidelity Capital Markets	12	1	0.08
Broadcort Capital (Thru MI)	12	1	0.08
Howard Weil Division Legg Mason	12	1	0.08
Spear Leeds & Kellogg Capital Markets	11	1	0.09
William Blair & Company LLC	11	1	0.09

The CFRS participates in commission recapture programs with BNY ESI Inc. and Lynch, Jones & Ryan, Inc. Pursuant to these agreements, BNY ESI and Lynch, Jones & Ryan agree to refund \$1 to the System for every \$2 of the total brokerage commissions that may be paid to them in connection with such transactions.

*CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA*

SCHEDULE OF INVESTMENT SUMMARY

Year Ended June 30, 2002

(Dollar Amounts in Thousands)

TYPE OF INVESTMENT	<u>Fair Value</u>	<u>Percent of total Fair Value</u>
FIXED INCOME:		
Government and Agencies	\$ 16,206	7.25%
Corporate Obligations	11,403	5.10%
Total Fixed Income	<u>27,609</u>	<u>12.35%</u>
COMMON STOCK:		
Consumer Discretionary	15,317	
Consumer Staples	8,617	
Energy	4,536	
Financials	17,418	
Health Care	13,483	
Industrials	8,705	
Information Technology	12,016	
Materials	4,835	
Telecommunication Services	1,199	
Utilities	2,772	
Total Common Stock	<u>88,898</u>	<u>39.75%</u>
MUTUAL FUNDS:	101,244	45.27%
CASH AND CASH EQUIVALENTS:	<u>5,880</u>	<u>2.63%</u>
TOTAL	<u>\$ 223,631</u>	<u>100.00%</u>



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ACTUARIAL SECTION

The purpose of the Actuarial Section is to provide the reader with the results of the actuarial valuation at July 1, 2002 and various other actuarial information related to the Charlotte Firefighters' Retirement System. This section includes an actuarial certification, valuation results, asset and contribution information, actuarial assumptions, a summary of plan provisions, long-range funding adequacy information and membership data. The reader of this component unit financial report may note differences between the actuarial valuation of assets contained in this section and the valuation of assets contained in the financial section. The financial statements value assets at the fair value which conforms with generally accepted accounting principles. The actuarial long term yield asset valuation method values assets through a smoothing process of the actual market values for the prior five fiscal years.

BUCK CONSULTANTS®

A Mellon Consulting Company

200 Galleria Parkway, N.W. Suite 1900
Atlanta, Georgia 30339-5945

October 18, 2002

Board of Trustees
Charlotte Firefighters' Retirement System
428 East Fourth Street
Suite 205
Charlotte, NC 28202

Dear Members of the Board:

We are pleased to submit herewith the results of the annual actuarial valuation of the City of Charlotte Firefighters' Retirement System prepared as of July 1, 2002. The purpose of this report is to provide a summary of the funded status of the System as of July 1, 2002, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Actuarial value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 33-year period, on the assumption that payroll will increase by 3.75% annually. Due to recent asset losses and an amortization period that already exceeds 30 years, it is likely that the next valuation, as of June 30 2002, will indicate that an employer contribution above 12.65% will be required under GASB. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System.

The valuation has been prepared in accordance with the parameters set forth in Statement Nos. 25 and 27 of the Governmental Accounting Standards Board. The annual required contribution (ARC) of the City under GASB for the fiscal year ending June 30, 2002 is 12.65% of payroll, which will liquidate the unfunded accrued liability over a 33-year period.

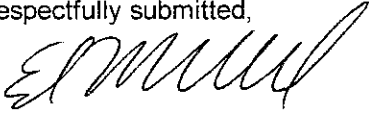
We have prepared the Schedule of Active Member Valuation Data, Schedule of Retirants and Beneficiaries Added to and Removed from Rolls, the Solvency Test and the Analysis of Financial Experience for the actuarial section of the Annual Report and the Schedule of Funding Progress and Trend Information for the financial section of the Annual Report.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

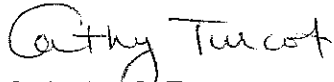
In our opinion the System is operating on an actuarially sound basis. Assuming that contributions to the System are made by the City from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

We trust that the report will meet the approval of the Board and will furnish the desired information concerning the financial condition of the Retirement System.

Respectfully submitted,



Edward A. Macdonald, ASA, MAAA, FCA
Principal, Consulting Actuary



Catherine G. Turcot
Senior Consultant, Actuary

EAM/CGT:sr

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM
REPORT OF ACTUARY
ON THE VALUATION
PREPARED AS OF JULY 1, 2002**

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the current and preceding valuations are summarized below.

Valuation Date	July 1, 2002	July 1, 2001
Number of active members	856	853
Annualized compensation	\$ 39,848,691	\$ 38,079,024
Retired members and beneficiaries:		
Number	411	389
Annual allowances	\$ 13,754,421	\$ 12,824,893
Number of terminated vested members	2	2
Assets:		
Market Value	\$ 224,011,606	\$ 239,904,885
Actuarial Value	254,012,864	246,613,781
Unfunded actuarial accrued liability	\$ 11,699,052	\$ 8,152,804
Amortization Period	33 years	19 years
Fiscal Year Ending	June 30, 2003	June 30, 2002
City annual required contribution rate (ARC):		
Normal (including expenses of 0.75%)	11.21%	11.11%
Accrued liability	<u>1.44</u>	<u>1.54</u>
Total	12.65%	12.65%
Member contribution rate	12.65%	12.65%

2. The major benefit and contribution provisions of the System as reflected in the valuation are summarized in Schedule G. There have been no change since the previous valuation.
3. Schedule E of this report outlines the full set of actuarial assumptions and methods used in the valuation. There have been no changes since the previous valuation.
4. The entry age actuarial cost method was used to prepare the valuation. Schedule F contains a brief description of the actuarial cost method.
5. Comments on the valuation results as of July 1, 2002 are given in Section IV and further discussion of the contributions is set out in Section V.

SECTION II - MEMBERSHIP DATA

1. Data regarding the membership of the System for use as a basis of the valuation were furnished by the Retirement System office. The valuation included 856 active members with annualized compensation totaling \$39,848,691.
2. The following table shows the number of retired members and beneficiaries as of July 1, 2002 together with the amount of their annual retirement benefits payable under the System as of that date.

**THE NUMBER AND ANNUAL BENEFITS OF
RETIRED MEMBERS AND BENEFICIARIES
AS OF JULY 1, 2002**

GROUP	NUMBER*	ANNUAL RETIREMENT BENEFITS
Service Retirements	335	\$ 12,187,746
Disability Retirements	61	1,344,616
Beneficiaries of Deceased Members	<u>15</u>	<u>222,059</u>
Total	411	\$ 13,754,421

* In addition, there are two terminated members entitled to deferred vested benefits.

3. Table 1 of Schedule H shows the distribution by age and years of membership service of the number of active members included in the valuation, while Table 2 shows the number and annual benefits of retired members and beneficiaries included in the valuation, distributed by age. Table 3 shows the schedule of active member valuation data and Table 4 shows the schedule of retirants and beneficiaries added to and removed from the rolls.

SECTION III - ASSETS

As of July 1, 2002, the total market value of assets amounted to \$224,011,606. The actuarial value of assets used for the current valuation was \$254,012,864. Schedule C shows the development of the actuarial value of assets as of July 1, 2002. Schedule D shows the allocation of the System's assets and the market value of assets for three years.

SECTION IV - COMMENTS ON VALUATION

1. Schedule B of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the System as of July 1, 2002. The valuation was prepared in accordance with the actuarial assumptions set forth in Schedule E and the actuarial cost method which is described in Schedule F.
2. The valuation balance sheet shows that the System has total prospective liabilities of \$367,248,775 of which \$130,540,248 is for the prospective benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits, and \$236,708,527 is for the prospective benefits payable on account of present active members. Against these liabilities, the System has a total present actuarial value of assets of \$254,012,864 as of July 1, 2002. The difference of \$113,235,911 between the total liabilities and the total present assets represents the present value of future contributions.
3. The contributions to the System consist of normal contributions and accrued liability contributions. The valuation indicates that normal contributions at the rate of 23.11% of payroll are required under the entry age method. Of this amount, 12.65% is paid by the members and the remaining 10.46% is required by the City.
4. Prospective normal contributions at the rate of 23.11% have a present value of \$101,536,859. When this amount is subtracted from \$113,235,911 is the present value of the total future contributions to be made, there remains \$11,699,052 as the amount of unfunded accrued liability contributions. The development of the unfunded accrued liability is shown in Schedule A.

SECTION V - CONTRIBUTIONS PAYABLE

1. The contributions consist of a normal contribution and an accrued liability contribution as determined by actuarial valuation.
2. The normal contribution rate is calculated as the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. On the basis of the valuation the normal contribution rate was determined to be 23.11%.
3. Section 24 of Title V of the Charlotte Firefighters' Retirement System Act states that each member shall contribute an amount equal to the Member's Compensation multiplied by 12.65%.
4. The City normal contribution rate is equal to the difference between the normal contribution rate of 23.11% and the member contribution rate of 12.65%, or 10.46% of payroll. An additional 0.75% is required for expenses, making the total City normal rate 11.21% of payroll.
5. Section 25 of Title V of the Charlotte Firefighters Retirement System Act states that the City of Charlotte shall contribute an amount equal to the Member's Compensation multiplied by 12.65%.
6. Based on a total employer rate of 12.65%, the annual accrued liability contribution rate is determined to be 1.44% of payroll. This rate will be sufficient to amortize the unfunded actuarial accrued liability within approximately 33 years following the valuation date, on the assumption that the payroll will increase 3.75% each year.

7. The following table summarizes the employer contributions which were determined by the July 1, 2002 valuation and are recommended for use.

**CITY ANNUAL REQUIRED CONTRIBUTIONS (ARC)
FOR FISCAL YEAR ENDING JUNE 30, 2003**

CONTRIBUTION	PERCENTAGE OF ACTIVE MEMBERS' COMPENSATION
Normal (including expenses of 0.75%)	11.21%
Accrued Liability	<u>1.44</u>
Total	12.65%

SECTION VI - ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statements 25 and 27 set forth certain items of required supplementary information to be disclosed in the financial statements of the System and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

**NUMBER OF ACTIVE AND RETIRED PARTICIPANTS
AS OF JULY 1, 2002**

GROUP	NUMBER
Retired participants and beneficiaries currently receiving benefits	411
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	2
Active Participants	<u>856</u>
Total	1,269

2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS
Dollar Amounts in Thousands

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/97	\$161,731	\$168,146	\$ 6,415	96.2%	\$26,922	23.8%
7/1/98	187,387	179,351	(8,036)	104.5	28,964	(27.7)
7/1/99	216,336	186,854	(29,482)	115.8	32,462	(90.8)
7/1/00*	235,901	239,784	3,883	98.4	33,080	11.7
7/1/01	246,614	254,767	8,153	96.8	38,079	21.4
7/1/02	254,013	265,712	11,699	95.6	39,849	29.4

All figures prior to 7/1/99 are from July 1, 1998 actuarial valuation report prepared by the prior actuary.

* Economic and demographic assumptions were changed as of July 1, 2000 due to an experience review. In addition, the asset valuation method was changed.

3. Following is the calculation of the annual pension cost and net pension obligation for the fiscal year ending June 30, 2002.

Annual Pension Cost and Net Pension Obligation for Fiscal Year Ending 6/30/02

(a) Employer annual required contribution	\$ 5,062,000
(b) Interest on net pension obligation	(530,000)
(c) Adjustment to annual required contribution	492,000
(d) Annual pension cost (a) + (b) + (c)	\$ 5,024,000
(e) Employer contributions made for fiscal year ending 6/30/02	5,062,000
(f) Increase (decrease) in net pension obligation (d) - (e)	\$ (38,000)
(g) Net pension obligation beginning of fiscal year	(6,845,000)
(h) Net pension obligation end of fiscal year (f) + (g)	\$ (6,883,000)

TREND INFORMATION
Dollar Amounts in Thousands

Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation (NPO)
June 30, 2000	\$ (15)	N/A	\$(7,848)
June 30, 2001	5,540	81.9%	(6,845)
June 30, 2002	5,024	100.8	(6,883)

4. The annual required contribution (ARC) as a percentage of payroll, determined in accordance with the parameters of GASB 25/27, is shown below.

**2002/2003 FISCAL YEAR
EMPLOYER ANNUAL REQUIRED CONTRIBUTION (ARC)
BASED ON THE VALUATION AS OF JULY 1, 2002**

EMPLOYER ANNUAL REQUIRED CONTRIBUTION (ARC)	
Normal (includes expenses)	11.21%
Accrued liability	<u>1.44</u>
Total	12.65%

5. Additional information as of July 1, 2002 follows.

Valuation date	7/1/02
Actuarial cost method	Entry age
Amortization method	Level dollar open
Remaining amortization period	33 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases*	4.75-7.75%
*Includes inflation at	3.75%
Cost-of-living adjustments	N/A

SECTION VII – EXPERIENCE

1. As an aid to the Board in adopting service and mortality tables, the actuary prepared an experience investigation for the five-year period ending June 30, 1999. The valuation was based on the assumptions adopted by the Board at the April 27, 2000 Board meeting as a result of that investigation.

2. The following table shows the estimated change in the unfunded accrued liability from various factors that resulted in an increase of \$3,546,000 in the unfunded accrued liability from \$8,153,000 to \$11,699,000 during the fiscal year ending July 1, 2002.

ANALYSIS OF FINANCIAL EXPERIENCE - CHANGE IN UNFUNDED ACCRUED LIABILITY (in thousands of dollars)

Item	Amount of Increase/ (Decrease)
Interest (7.75%) added to previous unfunded accrued liability	631.8
Accrued Liability Contribution	(616.2)
Recognized Asset Loss	7,500.3
Liability (Gain)/ Loss	(2,552.6)
Salary Increases	(1,417.3)
Amendments	0
Asset Method Change	0
Assumption Changes	0
Increase In Unfunded Accrued Liability	3,546.0

SCHEDULE A

**DEVELOPMENT OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY
AS OF JULY 1, 2002**

(1)	Present value of prospective benefits:	
	(a) Present active members	\$ 236,708,527
	(c) Present retired members, beneficiaries and former members entitled to deferred vested benefits	<u>130,540,248</u>
	(c) Total	\$ 367,248,775
(2)	Present value of future System and member normal contributions before expenses	<u>101,536,859</u>
(3)	Actuarial accrued liabilities 1(c) – (2)	\$ 265,711,916
(4)	Actuarial value of assets	<u>254,012,864</u>
(5)	Unfunded actuarial accrued liability (3) – (4)	\$ 11,699,052

SCHEDULE B - VALUATION BALANCE SHEET AND SOLVENCY TEST

VALUATION BALANCE SHEET

RESULTS OF THE VALUATION AS OF JULY 1, 2002
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES
OF THE CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

ACTUARIAL LIABILITIES

Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits	\$ 130,540,248
Present value of prospective benefits payable on account of present active members	<u>\$ 236,708,527</u>
Total liabilities	<u>\$ 367,248,775</u>

PRESENT AND PROSPECTIVE ASSETS

Actuarial value of assets	\$ 254,012,864
Present value of future contributions	
City and member normal contributions	101,536,859
Unfunded accrued liability contributions	<u>11,699,052</u>
Total prospective contributions	\$ 113,235,911
Total assets	<u>\$ 367,248,775</u>

SCHEDULE B (cont'd)

**SOLVENCY TEST
(\$ millions)**

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
7/1/02	\$39.7	\$130.5	\$95.5	\$254.0	100%	100%	87.7%
7/1/01	37.7	121.1	96.0	246.6	100	100	91.5
7/1/00*	34.0	123.8	82.0	235.9	100	100	95.2
7/1/99	32.3	87.9	66.7	216.3	100	100	100.0
7/1/98	31.1	79.6	68.7	187.4	100	100	100.0
7/1/97	29.4	73.6	65.1	161.7	100	100	90.2
7/1/96	28.1	68.3	64.8	142.9	100	100	71.7
7/1/95	26.1	63.7	61.9	129.0	100	100	63.4
7/1/94	24.8	59.3	58.7	117.4	100	100	56.8
7/1/93**	22.3	59.5	54.8	109.7	100	100	51.0

All figures prior to July 1, 1999 are from July 1, 1998 actuarial report prepared by the prior actuary.

- * Economic and demographic assumptions were changed as of July 1, 2000 due to an experience review. In addition, the asset valuation method was changed.
- ** Assumptions were changed beginning with the July 1, 1993 valuation to reflect recognition of unused sick and vacation time. The salary increase assumption was lowered from 6.0% to 5.0%.

SCHEDULE C

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

(1)	Actuarial Value of Assets as of July 1, 2001	\$ 246,613,781
(2)	2001/2002 Net Cash Flow	
	(a) Contributions	10,176,000
	(b) Disbursements	<u>14,232,000</u>
	(c) Net Cash Flow	
	(2)a - (2)b	(4,056,000)
(3)	Expected Investment Return [(1) x .0775] + [(2)c x .03875]	18,955,398
(4)	Expected Actuarial Value of Assets as of July 1, 2002 (1) + (2)c + (3)	261,513,179
(5)	Market Value of Assets as of July 1, 2002	224,011,606
(6)	Excess of Market Over Expected (5) - (4)	(37,501,573)
(7)	20% Adjustment Towards Market .20 x (6)	(7,500,315)
(8)	Actuarial Value of Assets as of July 1, 2002 (4) + (7)	\$ 254,012,864
(9)	Rate of Return on Market Value	(4.98%)
(10)	Rate of Return on Actuarial Value	4.68%

SCHEDULE D
ASSET INFORMATION

Investment Managers	Type of Investment	Percent Allocation
Evergreen Investment Management Co. LLC	Value Equity – Large Capitalization	14.1%
Boston Partners	Value Equity – Mid Capitalization	8.2
Investment Counselors of Maryland	Value Equity – Small Capitalization	4.4
Alliance Capital Management	Growth Equity – Large Capitalization	10.0
Cadence Capital Management	Growth Equity – Mid Capitalization	7.1
Essex	Growth Equity – Small Capitalization	1.4
Morgan Stanley Dean Witter	International Equity Fund	13.9
	Emerging Markets Equity Fund	1.2
T. Rowe Price	International Equity Fund	1.8
Metropolitan Life	Real Estate Equity Fund	4.1
Banc of America Capital Management	Fixed Income	12.5
State Street Global Advisors	Fixed Income Index Fund	14.0
Baring Asset Management	International Fixed Income Fund	5.3
	Emerging Debt Fund	0.5
Internal Management	Money Market	1.5

	June 30, 2002	June 30, 2001	June 30, 2000
Cash	\$ (9,186,275)	\$ 457,131	\$ 218,141
Cash Equivalents	15,066,403	6,978,547	8,493,473
Fixed Income Investments	58,935,800	55,837,070	51,351,556
Equity Investments	158,815,054	176,437,942	199,908,775
Other	373,334	83,678	90,321
Accrued Income	409,094	408,997	501,164
Accrued Contributions	118,234	105,933	95,494
Accrued Liabilities/Expenses	(520,037)	(404,413)	(445,797)
Total Market Value	\$ 224,011,606	\$ 239,904,885	\$ 260,213,127

SCHEDULE E

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods used in the valuation were selected by the Actuary and adopted by the Board April 27, 2000 unless otherwise indicated.

INVESTMENT RATE OF RETURN: 7.75% per year, compounded annually. (adopted 10-26-2000)

SALARY INCREASES: Representative values of the assumed annual rates of salary increases (adopted 10-26-2000) are as follows:

<u>Age</u>	<u>Rate*</u>
20	7.75%
25	7.75
30	7.75
35	7.25
40	6.25
45	4.75
50	4.75
55	4.75

* Includes inflation of 3.75%

SEPARATIONS FROM ACTIVE SERVICE: For death rates, the UP 1994 Male Table was used. Representative values of the assumed annual rates of separation from active service are as follows:

<u>Age</u>	<u>Annual Rate of</u>		
	<u>Withdrawal</u>	<u>Disability*</u>	<u>Death</u>
20	2.0%	0.05%	.0006%
25	2.0	0.05	.0007
30	2.0	0.09	.0009
35	2.0	0.23	.0009
40	1.7	0.41	.0012
45	0.8	0.61	.0017
50		1.00	.0028
55		1.00	.0048

* 65% of the disabilities are assumed to be in the line of duty.

<u>Annual Rate of Retirement*</u>			
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
50-54	20%	60	20%
55	20	61	20
56	20	62	20
57	20	63	20
58	20	64	20
59	20	65	100

* An additional 30% are assumed to retire at the age when first eligible for unreduced retirement and 100% are assumed to retire after completing 30 years of membership service.

DEATHS AFTER RETIREMENT: The UP 1994 Male Table is used for the period after retirement and for dependent beneficiaries. The same table is used for the period after disability set forward five years.

EXPENSES: 0.75% of payroll.

PERCENT MARRIED: 100% of active members are assumed to be married with the male three years older than his spouse.

ASSETS: Actuarial value, as developed in Schedule B. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. (adopted 10-26-2000)

VALUATION METHOD: Entry age actuarial cost method (adopted 7-1-98). See Schedule F for a brief description of this method.

SCHEDULE F

ACTUARIAL COST METHOD

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 7.75 per cent), of each member's expected benefits at retirement or death is determined, based on age, service and sex. The calculations take into account the probability of a member's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service, disability or survivor's benefit. The present value of the expected benefits payable on account of the active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable from the System on account of the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the System are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the entry age actuarial cost method. Under this method, a calculation is made to determine the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability is determined by subtracting the present value of prospective employer normal contributions and member contributions, together with the current actuarial value of assets held, from the present value of expected benefits to be paid from the System.

SCHEDULE G

SUMMARY OF MAIN SYSTEM PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

Member	An employee of the Charlotte Fire Department who is subject to the provisions of the Civil Service Act.
Membership Service Credit	Service for all periods of employment with the Charlotte Fire Department for which contributions have been paid.
Final Average Salary	A member's average monthly compensation for any 2 consecutive years within the last 5 years of membership service.
Accrued Benefit	The monthly amount of retirement benefits earned by a member as of any date computed on his Final Average Salary and Membership Service Credit at that date.
Service Retirement Benefit	
Eligibility	Age 50 and 25 years of membership service credit, age 60 and 5 years of membership service credit or 30 years of membership service credit.
Benefit	Monthly benefit is 2.6% of final average salary multiplied by years of membership service credit. Salary in the final year includes cashed-in vacation and sick days. The minimum monthly benefit is \$902.75.
Early Retirement Benefit	
Eligibility	25 years of membership service credit.
Benefit	Accrued benefit reduced by 3% for each year member is under age 50.
In the Line of Duty Disability Retirement Benefit	
Eligibility	No requirements.
Benefit	78% of final average salary or normal retirement benefit if greater.
Not in the Line of Duty Disability Retirement Benefit	
Eligibility	10 years of service.
Benefit	39% of final average salary plus 1.95% of such salary for each year of membership service credit in excess of 10 years, not less than \$902.75 per month.

Deferred Vested
Retirement Benefit

Eligibility

5 years of service. Member contributions not withdrawn.

Benefit

Accrued benefit payable at age 60. A member may choose a refund of contributions with 4% interest in lieu of this benefit.

Termination Benefit

If a member is terminated with less than 5 years of membership service credit, he is entitled to a return of his accumulated contributions.

Death Benefit

If a member dies in service, his beneficiary is entitled to a return of the member's accumulated contributions, plus those contributions made by the City on his behalf, plus interest of 4% per year. May elect to receive actuarial equivalent monthly benefit under the 66-2/3% Joint and Survivor Option.

Optional Forms of Benefit

- (1) 10 year certain and life annuity.
- (2) 100%, 75%, 66-2/3% or 50% joint and survivorship annuity.
- (3) Joint and survivorship annuity with a pop-up provision.

Contributions

The City and the members each contribute 12.65%.

SCHEDULE H

TABLE 1

AGE - SERVICE TABLE

Distribution of Active Members as of July 1, 2002 by Age and Service Groups

Attained Age	Completed Years of Service									Total
	0	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	> 35	
24 & under	18	36								54
Total Pay	533,094	1,187,297								1,720,391
Avg. Pay	29,616	32,980								31,859
25 to 29	10	79	30							119
Total Pay	306,992	2,667,438	1,252,190							4,226,620
Avg. Pay	30,699	33,765	41,740							35,518
30 to 34	5	59	67	35	3					169
Total Pay	154,993	2,081,689	2,964,818	1,842,852	159,668					7,204,021
Avg. Pay	30,999	35,283	44,251	52,653	53,223					42,627
35 to 39	1	30	32	65	41	1				170
Total Pay	29,203	1,054,412	1,433,075	3,339,048	2,254,222	47,567				8,157,527
Avg. Pay	29,203	35,147	44,784	51,370	54,981	47,567				47,985
40 to 44		4	15	41	89	12				161
Total Pay		137,487	655,394	2,045,991	4,821,041	677,434				8,337,348
Avg. Pay		34,372	43,693	49,902	54,169	56,453				51,785
45 to 49			9	11	31	77	8			136
Total Pay			441,268	568,779	1,647,113	4,330,323	482,336			7,469,820
Avg. Pay			49,030	51,707	53,133	56,238	60,292			54,925
50 to 54				4	2	20	11			37
Total Pay				219,558	88,447	1,163,595	646,715			2,118,315
Avg. Pay				54,890	44,224	58,180	58,792			57,252
55 to 59				2	2		1	1	1	7
Total Pay				86,291	88,447		62,155	43,145	73,349	353,388
Avg. Pay				43,145	44,224		62,155	43,145	73,349	50,484
60 to 64				1				1	1	3
Total Pay				43,145				93,059	125,058	261,262
Avg. Pay				43,145				93,059	125,058	87,087
Total	34	208	153	159	168	110	20	2	2	856
Total Pay	1,024,281	7,128,324	6,746,745	8,145,665	9,058,939	6,218,920	1,191,206	136,204	198,407	39,848,691
Avg. Pay	30,126	34,271	44,096	51,231	53,922	56,536	59,560	68,102	99,204	46,552

TABLE 2
NUMBER OF RETIRED MEMBERS AND BENEFICIARIES
AND THEIR BENEFITS BY AGE

<u>Attained Age</u>	<u>Number Of Members</u>	<u>Total Annual Benefits</u>	<u>Average Annual Benefit</u>
50 & Under	17	\$ 384,437	\$ 22,614
51-55	95	3,512,425	36,973
56-60	89	3,141,377	35,296
61-65	61	2,442,688	40,044
66-70	73	2,399,181	32,865
71-75	24	670,116	27,922
76-80	32	784,922	24,529
Over 80	<u>20</u>	<u>419,275</u>	<u>20,964</u>
Total	411	\$ 13,754,421	\$ 33,466

TABLE 3
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>Valuation Date</u>	<u>Number Prior Year</u>	<u>Exits</u>	<u>New Entrants</u>	<u>Number Current Year</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
7/1/02	853	31	34	856	\$39,848,691	\$46,552	4.3%
7/1/01	780	15	88	853	38,079,024	44,641	5.3
7/1/00	783	35	32	780	33,079,899	42,410	2.3
7/1/99	778	31	36	783	32,462,456*	41,459	11.4
7/1/98	749	30	59	778	28,963,868	37,229	3.6
7/1/97	721	29	57	749	26,922,035	35,944	-0.6
7/1/96	709	25	37	721	26,072,828	36,162	3.7
7/1/95	N/A	N/A	N/A	709	24,723,956	34,872	4.7
7/1/94	N/A	N/A	N/A	724	24,120,362	33,315	2.4
7/1/93	N/A	N/A	N/A	721	23,448,153	32,522	0.0

Results prior to the 7/1/99 valuation were provided by the prior actuary.

* Reflects all pay raises granted to firefighters effective July 7, 1999.

TABLE 4

**SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
ADDED TO AND REMOVED FROM ROLLS**

Year Ended	Rolls – Beginning of Year		Added to Rolls		Removed from Rolls		Rolls – End of Year		% Increase in Annual Allowances	Average Annual Allowances
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances		
7/1/02	389	\$12,824,893	29	\$1,202,320	7	\$273,092	411	\$13,754,121	7.2	\$33,466
7/1/01	394	13,000,973**	11	287,966	16	464,046	389	12,824,893	(1.4)	32,969
7/1/00	377	9,946,747*	28	3,260,650**	11	206,424	394	13,000,973**	30.7	32,997
7/1/99	358	8,882,634	26	950,857	7	119,640	377	9,946,747*	12.0	26,384
7/1/98	337	8,199,997	24	762,314	3	79,677	358	8,882,634	8.3	24,812
7/1/97	321	7,602,561	22	698,791	6	101,335	337	8,199,997	7.9	24,332
7/1/96	307	7,046,272	19	616,589	5	60,300	321	7,602,561	7.9	23,684
7/1/95	298	6,552,767	18	613,085	9	119,580	307	7,046,272	7.5	22,952
7/1/94	N/A	N/A	N/A	N/A	N/A	N/A	298	6,552,767	0.4	21,989
7/1/93	N/A	N/A	N/A	N/A	N/A	N/A	301	6,524,697	30.1	21,677

Results prior to the 7/1/99 valuation were provided by the prior actuary.

- * Includes 8.33% benefit adjustment effective July 1, 1998 for members retired prior to July 1, 1989.
- ** Includes ad hoc benefit adjustments granted since the previous valuation.



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STATISTICAL SECTION

The purpose of the Statistical Section is to provide the reader with additional data reflecting financial and demographic trends. This section includes a schedule of average benefit payments, a schedule of retired members by type of benefit and a schedule of benefit expenses by type.

*CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA*
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE
for Fiscal Years Ended June 30
(Dollar Amounts in Thousands)

Revenues by Source and Expenses by Type

Fiscal Year	Revenues by Source				Expenses by Type				Employer Contributions as a Percentage of Covered Payroll
	Employee Contributions	Employer Contributions	Investment Income	Total Revenues	Benefits	Administrative Expenses	Refunds	Total Expenses	
1993	\$ 3,080	\$ 3,077	\$ 9,309	\$ 15,466	\$ 6,103	\$ 588	\$ 144	\$ 6,835	12.65
1994	3,095	3,093	9,458	15,646	7,079	658	208	7,945	12.65
1995	3,221	3,219	5,396	11,836	6,530	689	597	7,816	12.65
1996	3,374	3,372	13,481	20,227	7,456	753	438	8,647	12.65
1997	3,489	3,488	31,079	38,056	8,278	222	167	8,667	12.65
1998	3,758	3,734	35,641	43,133	9,217	232	420	9,869	12.65
1999	3,886	3,870	20,665	28,421	10,284	253	165	10,702	12.65
2000	4,325	4,276	29,233	37,834	12,406	304	85	12,795	12.65
2001	4,563	4,537	(14,630)	(5,530)	14,060	327	391	14,778	12.65
2002	5,114	5,062	(11,825)	(1,649)	13,605	364	275	14,244	12.65

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF BENEFIT EXPENSES BY TYPE
for Fiscal Years Ended June 30
(Dollar Amounts in Thousands)**

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Fiscal Year Ending	Age & Service Benefits			Death in Service Benefits	Retiree Disability Benefits			Refunds Death	Refunds Separation	Total
	Retirees	Survivors	QDROs		Duty	Non-duty	Survivor			
1994	\$5,605	\$94	\$0	0	\$467	\$914	\$0	\$0	\$208	\$7,288
1995	5,662	36	23	0	296	490	0	23	597	7,127
1996	6,592	38	24	0	295	507	0	178	260	7,894
1997	7,298	86	24	0	310	561	0	0	167	8,446
1998	8,121	92	34	0	330	635	5	174	247	9,638
1999	9,044	95	34	0	364	735	12	0	165	10,449
2000	10,931	127	26	0	483	827	12	0	85	12,491
2001	12,440	180	24	0	511	873	32	0	391	14,451
2002	12,076	143	23	0	522	797	44	10	265	13,880

The above table is building toward a 10-year history. Data for prior years is not available.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
as of June 30, 2002**

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Amount of Monthly Benefit	Number of Retirees	Type of Retirement*									Option Selected #							
		1	2	3	4	5	6	7	8	9	Basic	Opt.1	Opt.2	Opt.3	Opt.4	Opt.5	Opt.6	
Deferred	2								2									
\$ 1 - 500																		
501 - 600	1																	
601 - 700	1																	
701 - 800																		
801 - 900	2									2								
901-1000	3			1						2								
Over 1000	404	269	67	6		24	37				1	314	9	11	4		54	12
Totals	413	269	67	7	0	24	37	4	2	3		322	9	11	4	0	55	12

***Type of Retirement**

- 1 - Service Retirement
- 2 - Early Retirement
- 3 - Survivor payment - normal or early retirement
- 4 - Survivor payment - death in service
- 5 - Duty disability retirement
- 6 - Non-duty disability retirement
- 7 - Survivor payment - disability retirement
- 8 - Former member with deferred future benefit
- 9 - Spouse payment - QDRO

#Option Selected

- Basic - Basic Benefit
- Option 1 - 10CC
- Option 2 - 100% Joint Survivor
- Option 3 - 75% Joint Survivor
- Option 4 - 66.67% Joint Survivor
- Option 5 - 50% Joint Survivor
- Option 6 - Joint Survivor with Reversion to Basic

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF AVERAGE BENEFIT PAYMENTS
for Fiscal Years Ended June 30**

	Membership Service Credit					
	5-10	10-15	15-20	20-25	25-30	30 +
Period 7/1/1993 to 6/30/1994						
Average Monthly Benefit	\$ 1,261	\$ 911	\$ 871	\$ 1,354	\$ 1,603	\$ 2,371
Average Final Average Salary	1,688	1,446	1,405	2,004	2,345	2,920
Number of Active Retirants	2	9	8	21	152	106
Period 7/1/1994 to 6/30/1995						
Average Monthly Benefit	\$ 1,458	\$ 993	\$ 967	\$ 1,280	\$ 1,701	\$ 2,514
Average Final Average Salary	2,025	1,495	1,535	2,056	2,479	3,073
Number of Active Retirants	1	10	8	25	152	111
Period 7/1/1995 to 6/30/1996						
Average Monthly Benefit	\$ 1,458	\$ 993	\$ 1,046	\$ 1,280	\$ 1,817	\$ 2,531
Average Final Average Salary	2,025	1,495	1,736	2,056	2,667	3,094
Number of Active Retirants	1	10	9	25	165	111
Period 7/1/1996 to 6/30/1997						
Average Monthly Benefit	\$ 1,458	\$ 1,053	\$ 1,182	\$ 1,303	\$ 1,902	\$ 2,585
Average Final Average Salary	2,025	1,578	2,123	2,112	2,790	3,178
Number of Active Retirants	1	11	11	25	179	110
Period 7/1/1997 to 6/30/1998						
Average Monthly Benefit	\$ 1,458	\$ 1,056	\$ 1,268	\$ 1,413	\$ 1,975	\$ 2,602
Average Final Average Salary	2,025	1,696	2,321	2,362	2,925	3,203
Number of Active Retirants	1	12	12	30	192	111
Period 7/1/1998 to 6/30/1999						
Average Monthly Benefit	\$ 1,579	\$ 1,137	\$ 1,374	\$ 1,498	\$ 2,119	\$ 2,735
Average Final Average Salary	2,025	1,779	2,321	2,362	3,095	3,322
Number of Active Retirants	1	13	12	30	207	114
Period 7/1/1999 to 6/30/2000						
Average Monthly Benefit	\$ 0	\$ 1,428	\$ 1,616	\$ 1,856	\$ 2,611	\$ 3,508
Average Final Average Salary		1,945	2,395	2,282	3,229	3,401
Number of Active Retirants		15	13	27	224	116
Period 7/1/2000 to 6/30/2001						
Average Monthly Benefit	\$ 0	\$ 1,389	\$ 1,669	\$ 1,826	\$ 2,621	\$ 3,531
Average Final Average Salary		2,049	2,684	2,386	3,277	3,439
Number of Active Retirants		16	13	28	223	111
Period 7/1/2001 to 6/30/2002						
Average Monthly Benefit	\$ 2,291	\$ 1,389	\$ 1,669	\$ 2,017	\$ 2,676	\$ 3,556
Average Final Average Salary	3,112	2,049	2,684	2,761	3,396	3,590
Number of Active Retirants	1	16	13	33	237	113

The above table is building toward a 10-year history. Data for prior years is not available.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF
THE CITY OF CHARLOTTE, NORTH CAROLINA**
SCHEDULE OF BONUS HISTORY
for Years Ended December 31
(Dollar Amounts in Thousands)

<u>Year</u>	<u>Bonus Distribution</u>	<u>Annual Benefits</u>	<u>Retirees</u>	<u>Bonus Percentage</u>	<u>Consumer Price Index*</u>
1991	\$ 115	\$ 4,236	237	2.71%	6.1%
1992	90	4,892	255	1.84%	3.1%
1993	69	6,339	292	1.10%	2.9%
1994	65	6,429	292	1.01%	2.7%
1995	109	6,641	294	1.65%	2.7%
1996	366	7,388	312	4.95%	2.5%
1997	600	7,948	331	7.55%	3.3%
1998	734	8,753	357	8.33%	1.6%
1999	808	9,733	371	8.33%	1.9%
2000	1,070	12,998	398	8.33%	3.2%
2001	197	13,064	395	1.50%	1.3%
**2002	-	-	-	-	0.7%

Average Percentage of Bonus Amount Per Retiree over 12-year Period: 3.94%
Average Percentage of Bonus Amount Per Retiree over 5-year Period : 5.30%

*Source: Callan Associates, Inc.

**Pursuant to the Actuary's recommendation, the Board of Trustees did not approve a bonus for 2002.



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GLOSSARY OF TERMS

This section is to provide the reader with definitions and/or explanations of key financial, actuarial and investment terms used or referenced throughout the report.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM
GLOSSARY OF KEY ACTUARIAL, FINANCIAL AND INVESTMENT TERMS**

ACCRUED BENEFIT

The amount of a pension plan participant's benefit (whether or not vested) as of a specified date, determined in accordance with the terms of the pension plan and based on compensation (if applicable) and service to that date.

ACTIVE PARTICIPANTS

Eligible individuals who have hours of service and make contributions to a retirement plan.

ACTUARIAL ACCRUED LIABILITY

The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Sometimes referred to as "accrued liability".

ACTUARIAL ASSUMPTIONS

Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

ACTUARIAL PRESENT VALUE (APV)

The discounted value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

ACTUARIAL VALUATION

An examination by an actuary of a group of people, with regard to certain characteristics of the people in that group. Some of the characteristics are age, service, salaries, rate of turnover by death or termination. The actuary can then determine whether contributions are sufficient to fund liabilities earned.

AMENDMENT

Changes made to an existing plan.

AMORTIZE

To pay off an interest-discounted amount with periodic payments of interest and principal as opposed to paying off with a lump sum payment.

AUDIT

An examination by someone or some firm outside an organization of the accounting records developed by the staff of the organization. Recommendations and suggestions for better record keeping and management are often part of an audit.

AUDITOR

A certified public accountant who examines an organization's accounting records according to a set of procedures and issues a report.

BENEFICIARY/BENEFICIARIES

The person(s) to whom a share of a deceased participant's account balance is payable.

BENEFITS

Payments to which participants may be entitled under a pension plan, including pension benefits, death benefits and benefits due on termination of employment.

CALLAN REAL ESTATE MEDIAN

A database comprised totally of the open-end funds of banks and insurance companies.

COMPENSATION

The amount of a participant's taxable and nontaxable wages that is considered for purposes of a certain employee benefit requirement.

CONSUMER PRICE INDEX (CPI)

A measure of the average change in prices for a fixed market basket of goods and services. This market basket is based on the spending patterns of urban wage earners and clerical workers, who represent 40 percent of the total civilian population.

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COST-OF-LIVING ADJUSTMENT (COLA)

Provision for the adjustment of payment designed to offset changes in the cost of living, usually as measured by the consumer price index.

CUSTOM MIDCAP VALUE INDEX

A customized mid cap value index consisting of 50 percent of the Standard and Poor's Mid Cap Value and 50 percent of the Russell Mid Cap Value.

DEFINED BENEFIT PENSION PLAN

A pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors, such as age, years of service and/or compensation.

DISABILITY

Inability to pursue an occupation because of physical or mental impairment.

DISCOUNT RATE

The rate used to adjust a series of future payments to reflect the time value of money. For the purpose of calculating the pension benefit obligation defined by G.A.S.B., this rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.

DIVERSIFICATION

The practice of investing in several different businesses, industries and classes of investment securities in order to minimize total portfolio risks.

EARLY RETIREMENT

Provision made in a retirement plan to allow employees who have met certain conditions, such as length of service and specified age, to retire prior to their regularly scheduled retirement age. In general, in case of such early retirement, the benefits which a participant can expect to receive from the plan will be less than those offered at full retirement age.

FIDUCIARY FUND TYPE

The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units and/or other funds.

FRMS UNIVERSE INDEX

An index composed of all common stock issues used in the Fundamental Risk Measurement Service (FRMS) by Barra. The index contains about 5,700 companies and is capitalization-weighted. This index was terminated by Barra as of September 30, 1999.

FUNDING RATIO

The actuarial value of benefit obligations accrued to date, compared to the pension plan assets expressed as a percentage.

GASB

Governmental Accounting Standards Board is the body which creates the various accounting standards for governmental and non-profit organizations. Currently based in Norwalk, Connecticut.

INVESTMENT POLICY

A formal statement outlining the broad investment objectives of the plan.

LEHMAN BROTHERS AGGREGATE BOND INDEX

An index that is a combinations of the Mortgage Backed Securities Index and the intermediate and long-term components of the Government/Corporate Bond Index. The Government/Corporate Index, in turn, is a composite of all publicly issued, fixed rate, nonconvertible, domestic bonds. The issues are rated at least BBB, have a minimum outstanding principal of \$100 million for U.S. Government issues or \$50 million for other bonds and have a maturity of at least one year. The index is capitalization-weighted.

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LEVEL-COST FINANCING

A method of financing a retirement system in which contributions, as a percentage of payroll, remain level from generation to generation, if benefit provisions are not changed.

MERRILL LYNCH 1-3 YEAR GOVERNMENT CORPORATE BOND INDEX

An unmanaged index trading short-term U.S. government securities and short-term domestic investment-grade corporate bonds with maturities between 1 and 2.99 years.

MORGAN STANLEY CAPITAL INTERNATIONAL EAFE INDEX

An index that is composed of approximately 1,000 equity securities representing stock exchanges of Europe, Australia, New Zealand and the Far East. The index is capitalization-weighted, includes currency changes and is expressed in terms of U.S. dollars.

MORGAN STANLEY CAPITAL INTERNATIONAL EMERGING MARKETS FREE INDEX

An index composed of about 549 equity securities representing the stock exchanges of 13 countries in Central Asia and the Far East, Latin America, Europe, and the Middle East. Only 20 percent of Korea's market capitalization is included in the index. The index is market capitalization-weighted and is expressed in terms of U.S. dollars.

NET PENSION OBLIGATION (NPO)

The standardized measure of funding status and progress required by the GASB to be disclosed in the notes to the financial statements. It is the actuarial present value of credited projected benefits, prorated on service and is counted at a rate equal to the expected return on present and future plan assets.

NORMAL COST

The actuarial present value of retirement system benefits allocated to the current year by the actuarial cost method. This amount does not include any payment related to an unfunded actuarial accrued liability. For plans financed in

part by employee contributions, normal cost ordinarily refers to the total of employee contributions and employer normal cost.

PENSION CONTRIBUTION

The amount paid into a pension plan by an employer (or employee), pursuant to the terms of the plan, state law, actuarial calculations or some other basis for determinations

PORTFOLIO

The total of all investments held.

PRUDENT PERSON

Requires that a plan fiduciary use the "care, skill and diligence" that would be used by a reasonably prudent person familiar with "such matters". While essentially an extension of the common-law requirement of good faith in handling other people's money, it creates a "prudent expert" test that places an additional burden on the plan sponsor---to know what a person in this position of responsibility should know, rather than a reliance on the knowledge level of the general populace.

QUALIFIED DOMESTIC RELATIONS ORDER (QDRO)

A domestic relations order that creates or recognizes the existence of an alternate payee's right or assigns an alternate payee the right to receive all or a portion of the benefits payable with respect to a participant under a qualified retirement plan, and that it complies with certain special requirements. Only a spouse, former spouse or dependent can be the alternate payee.

RISK

The possibility that the expected rate of return may not be attained for the total portfolio or for specific asset classes.

RUSSELL 2000 INDEX

An index composed of the 2000 smallest stocks in the Russell 3000 Index, representing approximately 11 percent of the U.S. equity market capitalization.

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SALOMON BROTHERS EXTENDED MARKET BOND (EMB) MARKET EX-US

An index that is comprised of the bottom 20% of the cumulative available market capital of the Salomon Smith Barney Broad Market Index. The EMB ex-US defines the small stock index.

SALOMON BROTHERS NON-US DOLLAR WORLD BOND INDEX

An index that is composed of the Salomon Brothers World Bond Index excluding U.S. bonds. The index consists of Government bonds, Eurobonds and foreign bonds rated at least AA with remaining maturities of 5 or more years. The index is weighted by the outstanding principal amount of each issue and is expressed in terms of U.S. dollars.

SECTION 415

Sets out the maximum contribution and benefit limitations of the Internal Revenue Code for qualified plans.

STANDARD AND POOR'S 500 INDEX

An index that is a composite of 400 industrial, 40 financial, 40 utility and 20 transportation common stocks. The index is capitalization-weighted with each stock weighted by its proportion of the total market value of all 500 issues. Thus, larger companies have a greater effect on the index.

TOTAL RATE OF RETURN

Cash income plus capital appreciation, less capital depreciation, realized and unrealized, adjusted for capital contributions and withdrawals expressed as a percentage on an accrual basis.

TOTAL REAL ESTATE FUNDS

A database that consists of both open and closed-end commingled funds managed by real estate firms. The returns represent the overall performance of commingled institutional capital invested in real estate properties.

TREASURY BILLS

Short-term direct obligations of the U.S. Government, usually issued with maturities of three months, six months, or one year. Because

of their safety and liquidity, Treasury bills are often used as risk-free proxies in portfolio analytics.

TRUSTEE

A fiduciary holding property on behalf of another. An individual with the responsibility of administering all aspects of a pension fund.

UNFUNDED ACTUARIAL ACCRUED LIABILITIES

The difference between actuarial accrued liabilities and valuation assets. Sometimes referred to as "unfunded actuarial liability" or "unfunded accrued liability".

VESTED BENEFIT

A benefit for which the employer has an obligation to make payment even if an employee terminates; thus, the benefit is not contingent on an employee's future service.

WILSHIRE 5000 TOTAL MARKET INDEX

An index which measures the performance of all U.S. headquartered equity securities with readily available price data. Over 7,000 capitalization weighted security returns are used to adjust the index. The Wilshire 5000 base is its 12/31/80 capitalization of \$1,404,596 billion. Therefore, the index is an excellent approximation of dollar changes in the U.S. equity market.