



Sacramento County Employees' Retirement System, Sacramento, California

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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2001

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Sacramento County Employees' Retirement System, Sacramento, California

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

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

Mission Statement

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

Issued by:
John R. Descamp
Chief Executive Officer

Jeffrey States
Chief Investment Officer

Steven A. Grimshaw
Chief Operations Officer

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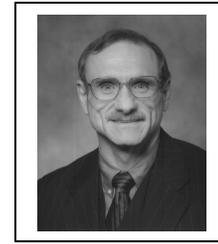
Introductory Section

Sacramento County Employees' Retirement System

Letter of Transmittal

October 15, 2001

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



John R. Descamp
Chief Executive Officer

Dear Board Members,

As Chief Executive Officer of the Sacramento County Employees' Retirement System ("SCERS" or the "System"), I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001.

The System

SCERS is a public employees' retirement system enacted, managed and administered in accordance with provisions of the County Employees' Retirement Law of 1937 (California Government Code Section 31450, et seq). The purpose of which is to provide retirement, disability and survivors' benefits to participants of the System. In accordance with Section 31500 of that law, SCERS was created by ordinance adopted by the Sacramento County Board of Supervisors on April 30, 1941 and was effective July 1, 1941. Article XVI, Section 17 of the constitution of the State of California establishes that the Board of Retirement shall have plenary authority and fiduciary responsibility for investment of monies and administration of the System. At June 30, 2001, participating local government employers consisted of the County of Sacramento and 11 special districts.

The Comprehensive Annual Financial Report

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

The CAFR is divided into five sections.

- ✍ The Introductory Section contains a letter of transmittal, a list of Board of Retirement members, an organization chart for SCERS, a list of participating employers, and a list of professional consultants used by the System.
- ✍ The Financial Section presents the Independent Auditor's Report, the financial statements, notes and required supplemental information.
- ✍ The Investment Section contains the Chief Investment Officer's Report, summarizing the investment policy and asset allocation, and includes a listing of investment professionals currently under contract with SCERS. In addition, this section contains current and historical investment results, a listing of the top ten holdings at June 30, 2001 and a schedule of manager's fees.
- ✍ The Actuarial Section provides the independent actuary's certification, a summary of actuarial assumptions and methods, and various actuarial statistics.

✍ The Statistical Section contains significant detailed information pertaining to the administration of the System.

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

SCERS Mission Statement and Core Values

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

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

Accounting System and Reports

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

This report has been prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

Investments – General Authority and SCERS

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

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

SCERS maintains a diversified investment portfolio. For the year ending June 30, 2001, SCERS investments provided a -5.0% rate of return, net of manager fees. This negative return is the first negative fiscal year investment return for SCERS since 1988. Although negative, this one-year return is 110 basis points better than the SCERS Board adopted weighted benchmark return.

Revenues

SCERS revenue comes from the earnings of the investment portfolio and the collection of employer and employee contributions. Net revenue for the fiscal year ended June 30, 2001

and June 30, 2000 amounted to (\$134,257,491) and \$387,831,374, respectively. The fair value of the investment portfolio, net of related liabilities was \$3.4 billion, a decrease of \$247.1 million over the previous year. An explanation of investment policies, investment strategies and the portfolio's composition is included in the Investment Section of this report.

Contributions and Investment Earnings (in millions)

Revenues – Additions to Plan Net Assets	2001	2000	Increase (Decrease) Amount	Increase (Decrease) Percentage
Employer	\$ 40.36	\$ 42.02	\$ (1.66)	(3.95%)
Members	32.96	30.02	2.94	9.79%
Net Investment (Loss) / Income	(207.58)	315.79	(523.37)	(165.73%)
Total	(134.26)	387.83	(522.09)	(134.63%)

Expenses

SCERS was created to provide lifetime retirement benefits, survivor benefits and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the plan, the refund of contributions to terminated employees and the cost of administering the system. Benefit payments and other expenses were consistent with the prior year and increased by 9.2% percent.

Benefit Payments and other Expenses (in millions)

Expenses – Deductions in Plan Net Assets	2001	2000	Increase (Decrease) Amount	Increase (Decrease) Percentage
Service Retirement, Death and Disability Benefits Paid	\$ 96.76	\$ 89.30	\$ 7.46	7.96%
Retired Members Death Benefits	.56	.29	.27	93.10%
Health & Dental Benefits	8.07	6.95	1.12	16.12%
Refunds Paid	3.61	3.18	.43	13.52%
Administrative	3.83	3.60	.23	6.39%
Total	112.83	103.32	9.51	8.87%

Actuarial Funding Status

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

SCERS engages an independent actuarial consulting firm, William M. Mercer, Incorporated, to conduct annual actuarial valuations. Recommendations are presented to the Board of Retirement for consideration. Triennially, an analysis is made of the appropriateness of all economic and non-economic assumptions. The last triennial analysis was performed as of June 30, 1998 and the Board adopted certain changes to non-economic assumptions.

The actuarial accrued liability of SCERS at June 30, 2001 and June 30, 2000 amount to \$3,451,864,000 and \$3,111,760,000 respectively. The net actuarial value of assets at June 30, 2001 and June 30, 2000 amounted to \$3,718,198,000 and \$3,427,348,000 respectively.

Major Initiatives and Significant Events

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

- ✍ Continued implementation of long range strategic action plans.
- ✍ Significant progression of the Member and Benefit Account System, ("MBASE") project to streamline flow of information to desktops by incorporating spreadsheet and database information into a centrally available format.
- ✍ Significant progress on a project to produce an electronic interface file from a legacy accounting system to MBASE for participating membership employer special districts.
- ✍ Reconciliation and continued debugging of the Comprehensive Online Management Personnel And Accounting System ("COMPASS").
- ✍ Improved and expanded information provided in SCERS "Member's Annual Statement".
- ✍ Completed and distributed a comprehensive Purchasable Service Desk Manual for benefit counselors.
- ✍ Significant progress on a Benefit Processing Desk Manual for benefit counselors.
- ✍ Provided retiree first checks on average one processing day after statutory minimum.
- ✍ Began a commission recapture program.
- ✍ Hired a relative value/core small capitalization equity investment manager.
- ✍ Hired a deep value/contrarian small capitalization equity value manager.
- ✍ Began a search for a second active core-plus fixed income manager.

Acknowledgements

The compilation of this report reflects the combined effort of SCERS' staff under the leadership of the Board of Retirement. It is intended to provide complete and reliable information and reflect the Board's responsible stewardship.

On behalf of the Board of Retirement, I take this opportunity to thank the staff and SCERS' professional advisors for their commitment to SCERS and its participants.

Copies of this report are available at SCERS, 980 9th Street, Suite 1800, Sacramento, California 95814 and on the System's web site.

Respectfully submitted,



John R. Descamp
Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento County
Employees' Retirement
System, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

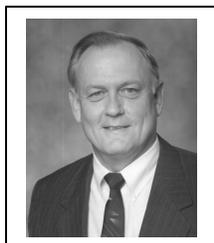
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



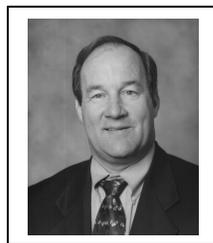
Imelda Aruwa
President

Jeffrey L. Essler
Executive Director

Sacramento County Employees' Retirement System Board of Retirement Members



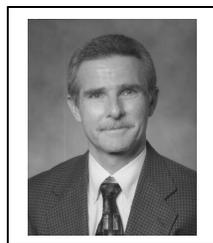
President
Jan Hoganson
Elected by safety members
Present term expires:
December 31, 2003



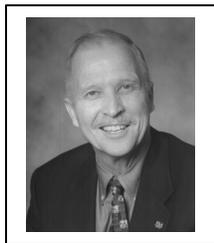
1st Vice President
Ronald Suter
Elected by miscellaneous
Present term expires:
December 31, 2003



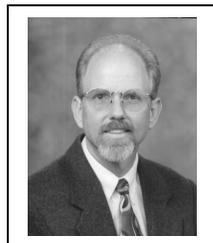
2nd Vice President
James A. Diepenbrock
Appointed by Board of
Supervisors
Present term expires:
June 30, 2003



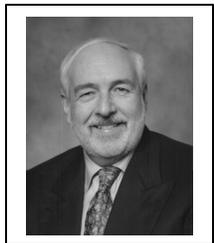
**Ex-Officio
Director of Finance**
Mark Norris
Member mandated by law



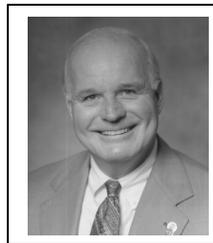
Trustee
William Cox
Elected by retired members
Present term expires:
December 31, 2001



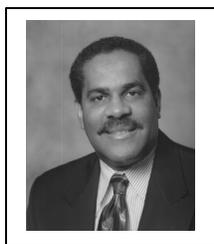
Trustee
Keith DeVore
Elected by miscellaneous
Present term expires:
December 31, 2001



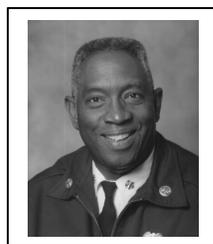
Trustee
Winston Hickox
Appointed by Board of
Supervisors
Present term expires:
June 30, 2003



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

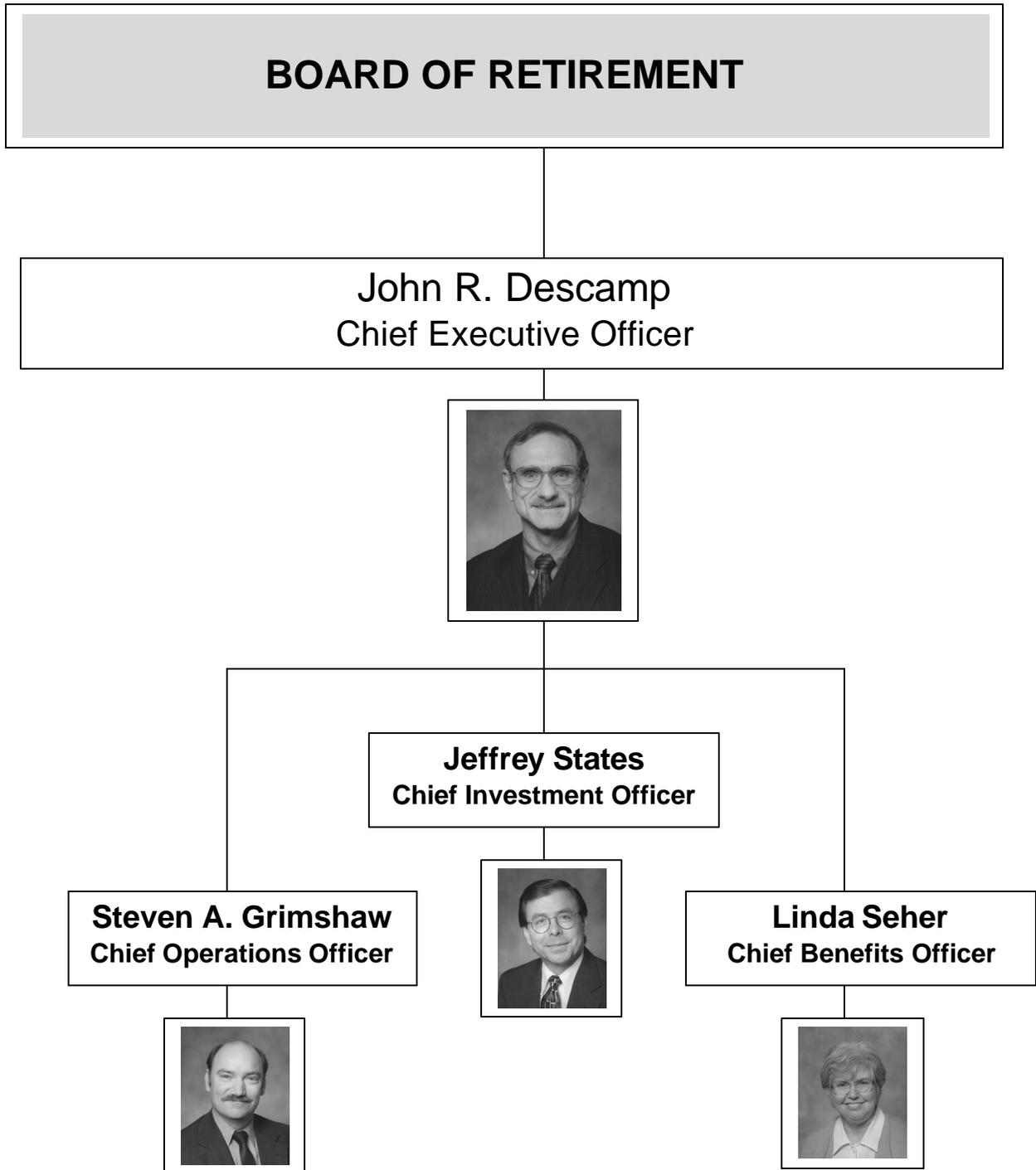


Trustee
Robert Woods
Appointed by Board of
Supervisors
Present term expires:
June 30, 2004



Alternate Trustee
James C. Crump, Jr.
Elected by safety members
Present term expires:
December 31, 2003

**Sacramento County Employees' Retirement System
Organization Chart**



Participating Employers

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

Professional Consultants

Auditor

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

Actuary

William M. Mercer, Inc.
3 Embarcadero Center, Suite 1500
San Francisco, CA 94111

Custodian

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

Legal Counsel

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

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

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

Investment Consultant

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

Investment Managers

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

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

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

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

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

Trinity Investment Management
12835 East Arapahoe Road
Englewood, CO 80112

Investment Managers – (cont.)

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

Deutsche Asset Management
130 Liberty Street
New York, NY 10006

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

Bank of Ireland Asset Management
MGM Plaza
2425 Colorado Avenue, Suite 212
Santa Monica, CA 90404

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

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

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

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

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

SSR Realty Advisors
444 Market Street
San Francisco, CA 94111

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

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

LaSalle Advisors, Inc.
200 East Randolph
Chicago, IL 60601

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

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

A schedule of manager fees is located on page 49 in the investment section.

Financial Section



Macias, Gini & Company LLP
 Certified Public Accountants and
 Management Consultants

Partners

Kenneth A. Macias, Managing Partner
 Ernest J. Gini
 Kevin J. O'Connell
 Richard A. Green
 Jan A. Rosati
 James V. Godsey

3927 Lennane Drive
 Suite 200
 Sacramento, CA 95834-1922
 916•928•4600
 916•928•2755 FAX
 www.maciasgini.com

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of plan net assets of Sacramento County Employees' Retirement System (System) as of June 30, 2001 and 2000, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 plan net assets of the System as of June 30, 2001 and 2000, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated December 10, 2001, on our consideration of the System's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

OFFICE LOCATIONS

Sacramento • Los Angeles • Fresno • San Francisco Bay Area

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

The other data included in this report, designated as the investment, actuarial and statistical sections in the table of contents, has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion on such data.

Macias, Gini & Company LLP

Certified Public Accountants
Sacramento, California
December 10, 2001

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF PLAN NET ASSETS

AS OF JUNE 30, 2001 and 2000

	2001	2000
Assets		
Cash invested with Sacramento County Treasurer	\$ 1,219,009	\$ 672,891
Short-term investments with fiscal agent	<u>114,406,832</u>	<u>137,328,285</u>
Cash and short-term investments	<u>115,625,841</u>	<u>138,001,176</u>
 <i>Receivables</i>		
Notes	1,456,706	1,366,341
Securities sold	23,184,135	19,941,021
Accrued investment income	13,652,048	16,343,910
Employee and employer contributions	<u>3,869,009</u>	<u>3,725,330</u>
Total receivables	<u>42,161,898</u>	<u>41,376,602</u>
 <i>Investments, at fair value</i>		
United States government obligations	150,312,303	302,818,562
Domestic corporate bonds	653,637,632	639,025,263
International bonds	42,824,898	29,653,543
Common and preferred stock – domestic	1,438,829,249	1,494,543,928
Common and preferred stock – international	318,391,786	389,468,172
International equity index fund	313,038,939	336,439,299
Real estate equity	394,079,312	303,624,697
Real estate mortgage loans	133,686,215	117,734,533
Securities lending collateral	<u>264,340,633</u>	<u>452,551,581</u>
Total investments	<u>3,709,140,967</u>	<u>4,065,859,578</u>
 <i>Equipment & fixtures – (net of accumulated depreciation of \$162,055 in 2001, \$119,605 in 2000)</i>		
	91,229	133,679
Prepaid dental	<u>131,605</u>	<u>127,108</u>
Total assets	<u>3,867,151,540</u>	<u>4,245,498,143</u>
 Liabilities		
Accounts payable	3,431,275	5,127,452
Investment trades payable	92,024,120	33,191,297
Mortgages payable	73,171,465	73,404,050
Warrants payable	1,358,237	1,310,907
Securities lending liability	<u>264,340,633</u>	<u>452,551,581</u>
Total liabilities	<u>434,325,730</u>	<u>565,585,287</u>
Net assets held in trust for pension benefits (A schedule of funding progress for the system is presented on page 36)	<u><u>\$3,432,825,810</u></u>	<u><u>\$3,679,912,856</u></u>

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

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN PLAN NET ASSETS FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

	2001	2000
Additions		
Contributions		
Employee	\$ 32,964,209	\$ 30,017,703
Employer	40,358,154	42,023,885
Total contributions	73,322,363	72,041,588
Investment income		
From investment activities		
Net appreciation / (depreciation) in fair value of investments – securities	(328,128,740)	200,834,972
Net appreciation in fair value of investments – real estate	4,994,476	13,175,597
Interest	80,654,842	72,963,430
Dividends	21,243,801	24,838,429
Real estate	20,692,258	13,357,443
Net income /(loss) from investment activities	(200,543,363)	325,169,871
From securities lending activities		
Securities lending income	25,943,349	21,221,388
Securities lending expense		
Borrower rebate expense	(23,967,438)	(19,445,214)
Security lending management fees	(823,218)	(169,378)
Net income from securities lending	1,152,693	1,606,796
Other income	301,034	562,105
Investment fees and expenses	(8,490,218)	(11,548,986)
Net investment income / (loss)	(207,579,854)	315,789,786
Total additions / (deductions)	(134,257,491)	387,831,374
Deductions		
Benefits paid	97,314,487	89,596,727
Withdrawal of contributions	3,611,188	3,181,009
Retiree health insurance	6,529,456	5,462,582
Retiree dental insurance	1,543,008	1,483,069
Administrative and other expenses	3,831,416	3,602,065
Total deductions	112,829,555	103,325,452
Net (decrease) / increase	(247,087,046)	284,505,922
Net assets held in trust for pension benefits, beginning	3,679,912,856	3,395,406,934
Net assets held in trust for pension benefits, ending	\$3,432,825,810	\$3,679,912,856

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

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

NOTE 1 - PLAN DESCRIPTION

The Sacramento County Employees' Retirement System (System) is the administrator of a multiple employer cost sharing public employee retirement system (PERS) which operates under the County Employees' Retirement Law of 1937. The System was created by resolution of the Board of Supervisors on July 1, 1941, to provide retirement, disability, and death benefits for qualified employees of Sacramento County and participating special districts. A nine member Board of Retirement manages the System.

At June 30, 2001, participating local government employers consisted of the County of Sacramento and 11 special districts.

The membership consists of the following categories:

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

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

Membership and contribution data is based on the July 1, 2001 and 2000 actuarial reports. At June 30, the System's membership consisted of:

	<u>2001</u>	<u>2000</u>
Retirees and beneficiaries currently receiving benefits:		
Miscellaneous – Service	3,394	3,381
Miscellaneous – Beneficiary	745	726
Disability Miscellaneous – Ordinary	305	326
Disability Miscellaneous – Duty	172	178
Safety – Service	581	556
Safety - Beneficiary	155	150
Disability Safety - Ordinary	23	20
Disability Safety - Duty	<u>151</u>	<u>151</u>
Total Retired	<u>5,526</u>	<u>5,488</u>
Terminated employees entitled to benefits but not yet receiving them:		
	<u>2,146</u>	<u>1,828</u>
Current Members:		
Vested		
Miscellaneous Tier 1	1,398	1,487
Miscellaneous Tier 2	457	500
Miscellaneous Tier 3	4,348	4,187
Safety Tier 1	1,122	1,115
Safety Tier 2	<u>347</u>	<u>252</u>
Subtotal	<u>7,672</u>	<u>7,541</u>
Non-vested		
Miscellaneous Tier 1	4	6
Miscellaneous Tier 2	0	5
Miscellaneous Tier 3	4,574	4,032
Safety Tier 1	46	47
Safety Tier 2	<u>695</u>	<u>604</u>
Subtotal	<u>5,319</u>	<u>4,694</u>
Total Current Members	<u>12,991</u>	<u>12,235</u>

Pension Benefits

The System's benefits are established by statutes and provide for retirement, death and disability benefits. All permanent full-time or part-time employees of the County or member

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
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districts are eligible to participate in the System. Upon reaching five years of service, participants have earned the right to receive a retirement benefit, subject to certain restrictions if retirement is prior to attaining age 50 or if less than 10 years service has been achieved. Retirement benefits for each tier are as follows:

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

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

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

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

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

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

Member Termination

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

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
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Financing

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

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

Basis of Accounting

The System has adopted Governmental Accounting Standards Board (GASB) Statement 25 as its source of accounting and reporting principles and prepares its financial statements on the accrual basis. GASB Statement 25 requires that investments be valued at their fair value, which results in the recognition of fair value gains and losses. Member and employer contributions are recognized as revenues in the period in which member services are performed. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investment purchases and sales are recorded on the trade date.

Fixed Assets

Equipment and fixtures are generally stated at historical cost. Depreciation is provided for fixed assets using the straight-line method over a useful life of five, eight or ten years. Costs of assets sold or retired (and the related amount of accumulated depreciation for assets) are removed from the accounts in the year of sale or retirement. Any resulting gain or loss is reported in the statement of changes in plan net assets of the System.

Valuation of Investments

Investments are reported based on quoted market prices. The fair value of the real estate trust holdings has been determined using industry standard appraisal techniques and assumptions. The real estate trust managers use appraisals, which are updated annually, to determine the fair value of these trusts. Real estate mortgage loans are reported at fair value. Cash deposited in

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NOTES TO FINANCIAL STATEMENTS (Continued)
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the Sacramento County (County) Treasurer's pool is stated at fair value. The value of the System's pool shares is determined on an amortized cost basis, which may be different than fair value.

Short Term Investments

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

Real Estate Mortgage Loans

Real estate mortgage loans are stated at the remaining principal balance, less discounts, and are collateralized by deeds of trust on real property. Real estate mortgage loans are administered and serviced internally, with a small portion serviced by a company independent of the System.

NOTE 3 - CASH AND INVESTMENTS

Cash invested with Sacramento County Treasurer

The System invests in various cash and investment pools, including the Sacramento County Treasurer's pool. The System's share of the County Treasurer's pool is separately accounted for and interest earned, net of related expenses, is apportioned quarterly based on the relationship of its average daily cash balance to the total of the pooled cash and investments. The fair value of the System's investment in the County Treasurer's pool totaled \$1,219,009 and \$672,891 at June 30, 2001 and 2000, respectively.

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

Short-Term Investments with Fiscal Agents

At June 30, 2001 and 2000, the fair value of the System's short-term investments with fiscal agents were \$114,406,832 and \$137,328,285, respectively. The total short-term investments consisted of investments in the State Street Short-Term Investment Fund (STIF) and cash with foreign banks. The STIF is designed to provide qualified benefit plans with a readily accessible investment vehicle that may be accessed on a daily basis. The STIF is limited to investing in securities that are rated A-1 by Moody's Investors Services and P-1 by Standard & Poor's Corporation at the time of issuance. Most investments range in maturity from overnight to 90 days with up to 20% of the STIF's value eligible for investment between 90 days and 13 months. The average maturity was 72 days at June 30, 2001, and net assets invested in the STIF from all participating custodial clients of State Street were \$36.3 billion on that date.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

Securities Lending

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

During the fiscal year, State Street lent, on behalf of the System, certain securities held by State Street as custodian and received, as collateral, United States and foreign currency cash, securities issued or guaranteed by the United States government, sovereign debt of foreign countries and irrevocable bank letters of credit. State Street did not have the ability to pledge or sell collateral securities absent borrower default. Borrowers were required to deliver collateral for each loan equal to not less than 102% and 105% of the fair value of the loaned domestic and international securities, respectively. In accordance with GASB Statement 28, securities lending collateral reported in the Statement of Plan Net Assets represents only cash collateral invested in the lending agent's cash collateral investment pool.

The System did not impose any restrictions on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal years ended June 30, 2001 and 2000. Moreover, there were no losses resulting from default of the borrowers or State Street.

During the fiscal years ended June 30, 2001 and 2000, the System and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received in connection with each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. For the fiscal years ended June 30, 2001 and 2000, the collective investment pool had an average duration of 75 days and 74 days, respectively. At June 30, 2001 and 2000, the collective investment pool had an average weighted maturity of 548 days and 485 days, respectively. Because the loans were terminable at will, the maturities of the securities on loan did not generally match the maturities of the investments made with cash collateral. At year-end, the System has no credit risk exposure to borrowers as the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Furthermore, the lending agreement with the custodian requires the custodian to indemnify the System if the borrower fails to return the securities. The collateral held and the fair value of securities on loan for the System as of June 30, 2001 were \$264,340,633 and \$255,551,899. The collateral held and the fair value of securities on loan for the System as of June 30, 2000 were \$452,551,581 and \$442,914,503, respectively.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

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

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

Cash collateral and related securities on loan at June 30, 2001 and 2000, were as follows:

<u>Security Description</u>	<u>2001</u>	
	<u>Cash Collateral Value</u>	<u>Fair Values of Securities on Loan</u>
U.S. Government and Agency	\$149,921,666	\$145,971,688
Common Stock - Domestic	65,777,865	63,542,301
Domestic Fixed Income	6,436,960	6,289,930
Common Stock - International	<u>42,204,142</u>	<u>39,747,980</u>
Totals	<u>\$264,340,633</u>	<u>\$255,551,899</u>

<u>Security Description</u>	<u>2000</u>	
	<u>Cash Collateral Value</u>	<u>Fair Values of Securities on Loan</u>
U.S. Government and Agency	\$304,596,881	\$299,489,182
Common Stock - Domestic	99,091,408	96,212,088
Domestic Fixed Income	6,209,130	6,087,208
Common Stock - International	<u>42,654,162</u>	<u>41,126,025</u>
Totals	<u>\$452,551,581</u>	<u>\$442,914,503</u>

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

Categories of Investment Risk

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

Generally accepted accounting principles define three levels of custodial credit risk for securities:

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

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

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

For financial reporting purposes, the System's investments are categorized below to provide an indication of the level of custodial credit risk assumed by the System at June 30, 2001 and 2000.

	June 30, 2001	
	Category 1	Fair Value
Investments		
Common and preferred stock – domestic	\$1,375,286,948	\$1,375,286,948
Common and preferred stock – international	278,643,806	278,643,806
Domestic bonds	651,688,317	651,688,317
International bonds	42,824,898	42,824,898
Total investments	2,348,443,969	2,348,443,969
Investments not considered securities for the purpose of custodial risk classification:		
Cash held in County investment pool		1,219,009
Short-term investment funds		114,406,832
International equity index fund		313,038,939
Real estate mortgage loans		133,686,215
Real estate equity investments		394,079,312
Securities lending collateral		264,340,633
Securities on loan, collateralized with cash		255,551,899
Total deposits and investments		\$3,824,766,808
Reconciliation of domestic bonds:		
United States Government Obligations		\$ 4,340,615
Domestic Corporate Bonds		647,347,702
Total		\$ 651,688,317

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

	June 30, 2000	
	Category 1	Fair Value
Investments		
Common and preferred stock – domestic	\$1,398,331,840	\$1,398,331,840
Common and preferred stock – international	348,342,147	348,342,147
Domestic bonds	636,267,435	636,267,435
International bonds	29,653,543	29,653,543
Total investments	2,412,594,965	2,412,594,965
Investments not considered securities for the purpose of custodial risk classification:		
Cash held in County investment pool		672,891
Short-term investment funds		137,328,285
International equity index fund		336,439,299
Real estate mortgage loans		117,734,533
Real estate equity investments		303,624,697
Securities lending collateral		452,551,581
Securities on loan, collateralized with cash		442,914,503
Total deposits and investments		\$4,203,860,754
Reconciliation of domestic bonds:		
United States Government Obligations		\$ 3,329,380
Domestic Corporate Bonds		632,938,055
Total		\$ 636,267,435

For the fiscal years ended June 30, 2001 and 2000, there were no violations of State statutes or System policy in pooled investments.

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

Derivatives

The System, through its external investment managers, holds investments in certain floating rate notes. At June 30, 2001 and 2000, the System's investment in these instruments totaled \$32,933,000 and \$13,921,000, respectively.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

NOTE 4 - FIXED ASSETS

A summary of fixed assets transactions for the years ended June 30, 2001 and 2000, follows:

	<u>Equipment</u>
Balance, July 1, 1999	\$ 222,617
Additions	30,667
	253,284
Less: accumulated depreciation	(119,605)
Balance, June 30, 2000	\$ 133,679
Balance, July 1, 2000	\$ 253,284
Less: accumulated depreciation	(162,055)
Balance, June 30, 2001	\$ 91,229

NOTE 5 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Contributions to the plan are made pursuant to Section 31584 of the County Employees' Retirement Law of 1937. The System's funding policy provides for periodic contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Members of the System are required to contribute between 2.89% and 11.77% of their annual covered salary. Each employer of the System is obligated by state law to make all required contributions to the plan, ranging from 2.85% to 24.98% of covered payroll. The required contributions include current service cost, and amortization of prior service cost over an initial amortization period of 30 years. There is currently 21 years remaining in the amortization period of prior service cost.

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

Contributions for the year ending June 30, 2001 and 2000 totaled \$73,322,363 and \$72,041,588, respectively. Included in this total are employer contributions of \$40,358,154 and 42,023,885, and member contributions of \$32,964,209 and \$30,017,703, in 2001 and 2000, respectively. All contributions were made in accordance with actuarially determined contribution requirements based on the actuarial valuations performed at July 1, 1999 and July 1, 1998, respectively.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

NOTE 6 – RESERVES

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. County, member, and retirement allowance reserves are fully funded.

Descriptions of the purpose for each reserve and designated accounts are provided below.

The reserve for employee contributions includes:

- ? contributions from plan members,
- ? contributions from terminated members,
- ? a cost-of-living provision,
- ? contributions representing members who have bought back prior years' service credits for prior service in certain public agencies,
- ? contributions made by former employees who have not yet applied for their retirement benefits.

The reserve for employer contributions includes:

- ? employer contributions to the System for active members,
- ? a cost-of-living provision.

The reserve for retirees includes:

- ? amounts transferred from member contributions (annuity),
- ? amounts transferred from employer contributions (pension) made in prior years for active members upon retirement,
- ? a cost-of-living provision.

The retiree death benefit reserve includes excess earnings of the System allocated to provide a burial allowance to retirees.

The 401h reserve includes transfers made by the System from excess earnings to fund a health and dental subsidy for retirees.

The *Net Assets Available for Benefits* statement located on page 32 provides a detailed reconciliation of ending reserve balances.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

NET ASSETS AVAILABLE FOR BENEFITS AS OF JUNE 30,

	<u>2001</u>	<u>2000</u>
<i>Employee reserves, July 1</i>	\$ 392,113,512	\$ 362,074,223
<i>Contributions</i>	32,964,209	30,017,703
<i>Withdrawal</i>	(3,611,188)	(3,181,009)
<i>Transfers</i>	(15,409,987)	(25,391,423)
<i>Interest crediting</i>	31,609,195	28,594,018
<i>Employee reserves, June 30</i>	<u>437,665,741</u>	<u>392,113,512</u>
<i>Employer reserves, July 1</i>	1,411,149,062	1,289,944,499
<i>Contributions</i>	40,358,154	42,023,885
<i>Benefits paid</i>	(342,555)	(278,472)
<i>Transfers</i>	(55,545,572)	(97,873,353)
<i>Transfer to fund employer contributions</i>	9,116,873	9,015,019
<i>Transfer out to fund 401h reserve</i>	(9,116,873)	(9,015,019)
<i>Transfers to offset future employee contributions</i>		5,136,509
<i>Transfers to offset future employer contributions</i>		71,100,000
<i>Interest crediting</i>	112,908,791	101,095,994
<i>Employer reserves, June 30</i>	<u>1,508,527,880</u>	<u>1,411,149,062</u>
<i>Retiree reserves, July 1</i>	1,174,134,562	1,052,758,241
<i>Benefits paid</i>	(96,410,612)	(89,025,255)
<i>Transfers</i>	70,955,558	123,264,776
<i>Interest crediting</i>	93,833,513	87,136,800
<i>Retiree reserves, June 30</i>	<u>1,242,513,021</u>	<u>1,174,134,562</u>
<i>Retiree death benefit reserves, July 1</i>	11,556,635	5,585,829
<i>Benefits paid</i>	(561,320)	(293,000)
<i>Transfer to increase burial allowance to \$4,000</i>		5,600,000
<i>Interest crediting</i>	909,823	663,806
<i>Retiree death benefit reserves, June 30</i>	<u>11,905,138</u>	<u>11,556,635</u>
<i>401 h reserve, July 1</i>	9,515,000	7,251,000
<i>County advance funding for subsequent years</i>	9,116,873	9,015,019
<i>Retiree health insurance</i>	(6,529,456)	(5,462,582)
<i>Retiree dental insurance</i>	(1,543,008)	(1,483,069)
<i>Interest crediting</i>	290,591	194,632
<i>401 h reserve, June 30</i>	<u>10,850,000</u>	<u>9,515,000</u>
<i>Contingency reserves, July 1</i>	227,387,152	218,213,124
<i>(Reduction) / Addition to maintain 2.5% reserve</i>	(9,458,665)	9,174,028
<i>Contingency reserves, June 30</i>	<u>217,928,487</u>	<u>227,387,152</u>
<i>Total reserved</i>	<u>3,429,390,267</u>	<u>3,225,855,923</u>
<i>Amount in excess of reserved benefits & contingencies</i>	<u>3,435,543</u>	<u>454,056,933</u>
<i>Net assets available for benefits, at fair value</i>	<u>\$ 3,432,825,810</u>	<u>\$ 3,679,912,856</u>

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

NOTE 7 - OTHER BENEFITS

In addition to providing pension benefits, the System provides certain health care and dental insurance subsidies for retired members. These benefits are provided under provisions of Internal Revenue Code Section 401 (h) that allows for the System to fund a health benefit out of excess earnings of the fund. Members are eligible for these benefits upon retirement and after meeting the minimum qualifications. This is not a vested benefit and is subject to the availability of excess earnings from the System. The cost of the retiree health care and dental insurance subsidy is recognized as an expense of the System in the year the benefit is paid. For the years ended June 30, 2001 and 2000 those costs were \$6,529,456 and \$5,462,582 for health insurance and \$1,543,008 and \$1,483,069 for dental insurance for a total of \$8,072,464 and \$6,945,651, respectively.

NOTE 8 - SYSTEM EMPLOYEES RETIREMENT PLAN

The System has 37 permanent full time employees, including the chief executive officer and 3 permanent part time employees. These employees are considered County employees for hiring, benefit and salary purposes. All of these employees are members of the System.

NOTE 9 - PLAN TERMINATION

The System is administered in accordance with the provisions of California Government Code Section 31450 et seq. California Government Code Section 31483 allows the governing body of the County or special district, through the adoption of an ordinance or resolution, to terminate the applicability of the plan to employees of the County or district whose services commence after a given future date.

NOTE 10 – LEASE OBLIGATIONS

A commitment under an operating lease agreement for office facilities provides for minimum future rental payments as of June 30, 2001, as follows:

Year ending <u>June 30:</u>	
2002	\$ 322,343
2003	514,510
2004	524,749
2005	534,988
2006	545,227
2007 and after	<u>2,165,549</u>
Total minimum rentals	<u>\$4,607,366</u>

Rental expenditures during fiscal year ended June 30, 2001 and 2000 were \$193,440 and \$160,543, respectively.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE 11 – CONTINGENCY TRANSFERS

The contingency reserve was established, pursuant to California Government Code Section 31592.2 at a minimum of 1% of the total assets of the Fund. It was created to serve as a reserve against deficiencies in interest earnings in other years, losses on investments and other contingencies. The Board elected to augment the contingency reserves by \$121,249,698 to provide for liabilities arising out of anticipated litigation or legislation. In addition, based upon the Retirement Board's decision on December 10, 1999, a decrease of \$9,458,665 and an increase of \$9,174,028 were made to the contingency reserves to maintain the balance at 2.5% of total assets for fiscal years ending June 30, 2001 and 2000, respectively. At June 30, 2001 and 2000, the contingency reserves were \$217,928,487 and \$227,387,152, respectively.

NOTE 12 – CONTINGENCIES

Litigation – The System, as well as other 1937 Retirement Act (the Act) Systems, are being sued in a statewide litigation entitled RETIREMENT CASES (Judicial Counsel Coordination Proceeding N. 4049). The case is now in the final stages of Superior Court proceedings. In the Superior Court, the case was tried in two parts. First the court determined which elements of compensation were to be included in determining retirement allowances, and secondly, the court determined the retroactive effect of the 1997 *Ventura* decision.

On July 20, 2000, the court addressed the elements of compensation to be included for retirement purposes. The decision affirmed the positions taken by the System and the County of Sacramento, and denied any recovery to plaintiffs. On August 31, 2001, in the second part of the litigation the court ruled that *Ventura* must be retroactively applied. The amount at issue with respect to retroactivity is approximately \$134 million. It is anticipated that the entire matter will be appealed and will take at least one more year at the appellate level to be concluded. The potential outcome is unknown but may cause a material unfunded liability, which would be funded by an increase in required contributions.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

FUNDING PROGRESS

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability Entry Age	Accrued (AAL)	Unfunded/ (Over funded) AAL	Funded Ratio	Annual Covered Payroll	Unfunded/ (Over funded) AAL as a Percentage of Covered Payroll
<u>July 1</u>	<u>(a)</u>	<u>(b)</u>		<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
1996	\$1,956,715	\$1,987,230		\$30,515	98.46%	\$417,603	7.3%
1997	2,238,557	2,226,440		(12,117)	100.54	419,467	(2.9)
1998	2,600,547	2,409,642		(190,905)	107.92	470,385	(40.6)
1999	3,017,639	2,734,548		(283,091)	110.35	502,325	(56.4)
2000	3,427,348	3,111,760		(315,588)	110.10	559,047	(56.5)
2001	3,718,198	3,451,864		(266,334)	107.70	634,798	(42.0)

Schedule II - Schedule of employer contributions:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1996	\$35,643,177	100.0%
1997	44,760,183	100.0
1998	43,108,885	100.0
1999	46,745,055	100.0
2000	42,023,885	100.0
2001	40,358,154	100.0

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

Schedule III – Significant actuarial assumptions:

The following significant actuarial assumptions underlying the required supplementary schedules were utilized as part of the actuarial valuation dated July 1, 2001:

Actuarial cost method:	Entry age normal
Amortization method:	Level percent open
Remaining amortization period:	21 years
Asset valuation method:	5-year smooth fair value

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

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

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

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OTHER SUPPLEMENTAL INFORMATION

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE FISCAL YEARS ENDED JUNE 30, 2001 and 2000

Schedule I – Administrative expenses:

Type of expense	<u>2001</u>	<u>2000</u>
Salaries and benefits	\$1,817,936	\$ 1,464,159
Professional fees	433,167	634,020
Equipment purchases and maintenance	241,896	155,414
Rent and lease expense	203,834	170,880
Other administrative expenses	<u>1,134,583</u>	<u>1,177,592</u>
Total administrative expenses	<u>\$ 3,831,416</u>	<u>\$ 3,602,065</u>

Schedule II – Investment fees and expenses:

Type of investment expense	<u>2001</u>	<u>2000</u>
Domestic equity managers	\$ 2,660,247	\$ 3,611,814
International equity managers	1,812,072	3,182,564
Bond managers	1,888,387	2,052,697
Real estate managers	1,734,964	1,591,517
Custodian fees	196,643	889,144
Actuarial fees		43,793
Investment consulting fees	143,000	177,457
Other professional fees	<u>54,905</u>	
Total investment fees and expenses	<u>\$8,490,218</u>	<u>\$11,548,986</u>

Schedule III – Payments to consultants:

Type of consulting expense	<u>2001</u>	<u>2000</u>
William M. Mercer:		
Actuarial fees	\$	\$ 43,793
Investment consulting fees	<u>143,000</u>	<u>177,457</u>
Total consulting fees	<u>\$ 143,000</u>	<u>\$ 221,250</u>

Investment Section

Sacramento County Employees' Retirement System

Chief Investment Officer's Report on Investment Activity

September 24, 2001



Dear Members of the Board,

Introduction

SCERS total fund return for the twelve-month period ending June 30, 2001 was -5.0% , net of manager fees. This is the first negative fiscal year investment return that SCERS has experienced since 1988. Over the past ten years SCERS has achieved an annualized investment return of 10.8% . The one-year return, although disappointing, is 110 basis points better than the policy weighted benchmark return. Domestic and international equity investment returns were negative for the one-year period as the U.S. economy and most international economies experienced a substantial slowdown. Fixed income investment returns and real estate investment returns were positive for the one-year period. On a peer comparison this places SCERS in the 44th percentile of all public funds in the TUCS Public Fund Universe and in the 59th percentile of the Mercer Balanced Universe. William Mercer Investment Consulting, Inc. prepares the investment returns using information it receives from SCERS custodian bank and investment managers. The return calculations are prepared using a time-weighted rate of return based on the market rate of return in accordance with AIMR performance standards.

General Information

SCERS uses external investment managers chosen the Board to invest the funds' assets. As of June 30, 2001 there are fifteen investment managers investing sixteen separate account portfolios. SCERS also has an investment in an international equity indexed commingled fund managed by Deutsche Asset Management, an investment in an emerging markets commingled fund managed by Capital International and investments in nine commingled real estate funds. A list of the managers and commingled trust funds is on the following page. SCERS also hires professional investment consultants and legal counsel that along with investment and accounting staff, closely monitor the activity of the managers and assist the Board in developing and implementing investment policy.

A review of the domestic equity investment manager structure was completed in the fall of 2000. As a result of the review two small cap value style equity managers were hired to diversify small cap equity investments. The two new managers were chosen after a manager search and began investing the portfolios in December of 2000. In addition to the investment manager hires the investment portfolios were re-balanced to keep the asset allocation in line with the investment policy target allocations.

SCERS custodian bank agreement was renewed for an additional three years. As part of the contract renewal a new fee schedule was negotiated that reduces custody bank costs by increasing the percentage of securities lending income received by SCERS from sixty percent to

seventy percent. This ten-percent increase is estimated to provide a saving of at least \$200,000. In addition a new brokerage policy was approved that authorizes a commission recapture program for equity commissions. This program was implemented in March of 2001 with all of SCERS equity investment managers participating is estimated to produce a savings of at least \$250,000 in commissions.

SCERS Investment Objectives

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

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

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

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

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

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

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

Summary of Proxy Voting Guidelines and Procedures

As a fiduciary SCERS Board has an obligation to manage the retirement system's assets in the best interest of the plan participants. The Board has established a Proxy Voting & Corporate Governance Policy. This policy provides guidance to the Chief Investment Officer for voting proxies and acting on corporate action issues such as mergers. For the fiscal year ending June 30, 2001 all proxies that were received were voted in accordance with the Board's policy with the assistance of research and analysis provided by The Proxy Monitor.

Summary of Asset Allocation

The Board develops the strategic asset allocation with the assistance of an external investment consultant. The investment consultant is Thomas Lightvoet, Mercer Investment consulting, Inc. The intent of the asset allocation policy is to ensure that investments are diversified in a manner that achieves the desired rate of investment return with an acceptable investment risk. The actual and policy allocation for each asset class is shown in the pie chart on the following page. The actual allocation of the investments by investment manager also is included. The capital market assumptions adopted along with the asset allocation give SCERS an expected 8.55% annualized total rate of return over the next ten years with a standard deviation of returns of 11.71%.

Summary of Investment Results

The returns for the capital markets and SCERS major benchmark indices are shown on the following page. For the twelve-month period ending June 30, 2001 the domestic equity market benchmark Russell 3000 index return is -13.9%, the Lehman Aggregate bond index return is 11.2% and the Morgan Stanley Capital Markets International Europe, Australia, Far East (MSCI EAFE) index return is -23.6%. The NCREIF real estate benchmark return is 11.5% for the fiscal year. SCERS total return, net of manager fees, for the fiscal year is -5.0%. For the last five years the annualized rate of return, net of manager fees, for the fund is 10.4%. Our asset allocation is broadly diversified between asset classes as well as within each asset class in a manner that will insure positive consistent long-term performance.

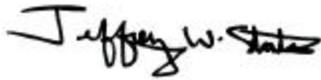
The investment policy divides domestic equity investments into two asset classes, large capitalization (large cap) managers and small capitalization (small cap) investments. The investment return of each asset class is compared to a specified equity market benchmark index. The benchmark for large cap is the Russell 1000 index and the benchmark for small cap is the Russell 2000 index. SCERS large cap equity investment return of -10.3% is better than the Russell 1000 index return of -15.0% by 4.7%. The small cap equity investment return of -26.8% was 27.4% below the Russell 2000 index return of 0.6%. The large cap equity return ranked in the 49th percentile in the Mercer large cap equity universe. The small cap equity return ranked in the 87th percentile in the Mercer small cap equity universe.

The combined investment return for domestic equity of -10.9% is better than the equity benchmark Russell 3000 index return of -13.9%. The annualized domestic equity return over the past three years is 4.6% and for five years is 13.1%. During this past year investment sentiment shifted resulting in companies classified as value substantially out performing those classified as growth. This follows a long period where growth stocks were preferred. There, also, was a wide dispersion in performance within the equity asset class between large cap and small cap stocks. In the Mercer Equity Universe SCERS combined domestic equity return is in the 59th percentile for the one-year period.

The international equity return for the last year is -24.5%. This is behind the return of the benchmark MSCI EAFE index return of -23.6% by 0.9%. This asset class uses both passive and active management. As shown in the table of investment results performance has been better than the benchmark for the three-year, five-year and longer time periods. For the last year SCERS peer ranking is in the 57th percentile in the Mercer International Equity Universe. The below median peer ranking for the year is primarily the result of the high percentage of SCERS international equity assets that are indexed to the MSCI EAFE index and the poor performance of the emerging markets. The emerging markets return is -29.4% for the year compared to -25.8% for the MSCI Emerging Markets Free index.

Fixed income investments provided the best asset class returns for the year. For the one-year period the combined return of the four investment managers is 10.5%. The return is below the return of the benchmark Lehman Aggregate Bond Index return of 11.2%. On an annualized basis over the past five years the fixed income return is 7.7%. The five-year return for the benchmark is 7.5%. SCERS one year peer ranking in the Mercer Fixed Income Universe is in the 62nd percentile.

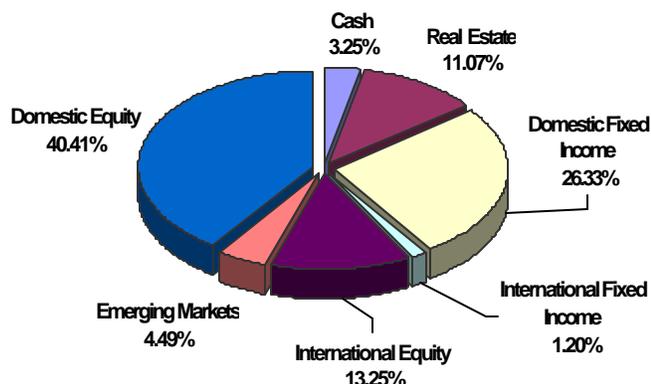
SCERS invests 11.07% of its assets in equity real estate. These investments include two actively managed separate accounts and nine investments that are in commingled trusts. The two separate account managers invest in multi-tenant commercial real estate properties Real estate investments are made to improve overall investment diversification and to reduce performance volatility. In the last year the real estate investments returned 9.6% compared to the return of the NCREIF Classic Property index of 11.5%. Over a three-year period the annualized return of 10.3% trailed the NCREIF index return of 12.6%. Compared to the Mercer Real Estate Universe SCERS ranks in the 74th percentile for the last year.

A handwritten signature in black ink that reads "Jeffrey W. States". The signature is written in a cursive style with a large initial "J".

Jeffrey W. States
Chief Investment Officer

Asset Allocation

2001 SCERS Actual Asset Allocation



Target Asset Allocation



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

The 2001 Actual Asset Allocation is based upon the Investment Summary

Investment Professionals at June 30, 2001

Investment Managers

EQUITY-DOMESTIC

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

EQUITY-INTERNATIONAL

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

FIXED INCOME

Lincoln Capital Management
Bradford & Marzec, Inc.
Payden & Rygel
David L. Bonuccelli & Assoc.

REAL ESTATE

SSR Realty Advisors
PM Realty Advisors

Commingled Trusts:

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

Real Estate Legal Counsel

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

Proxy Advisor

The Proxy Monitor

Investment Consultant

William M. Mercer Investment Consulting

Investment Summary

<u>Equity</u>	<u>Fair Value at 06/30/01</u>	<u>Percentage of Total Fair Value</u>
Domestic		
Alliance-Russell 3000 Index	\$ 648,138,334	18.20%
Alliance-Russell 1000 Value Index	126,225,648	3.55
Dalton, Greiner -Active Small Cap Value	57,476,148	1.61
Independence-Growth	228,312,665	6.41
Nicholas Applegate-Small Cap	112,042,830	3.15
Oppenheimer-CORE	95,636,029	2.69
Trinity-Value	104,667,098	2.94
TCW Asset Mgmt- Active Small Cap Value	<u>66,330,498</u>	<u>1.86</u>
Total Domestic Equity	<u>1,438,829,250</u>	<u>40.41</u>
International		
Deutsche Asset Management - EAFE Index	153,204,266	4.30
Capital Guardian Trust - EAFE Index	192,254,780	5.40
Capital International - Emerging Markets	159,834,673	4.49
Bank of Ireland Asset Management – EAFE	<u>126,137,007</u>	<u>3.54</u>
Total International Equity	<u>631,430,726</u>	<u>17.73</u>
Total Equities	<u>2,070,259,976</u>	<u>58.14</u>
Fixed Income		
Domestic		
Lincoln Capital-Index Salomon BIG	487,125,783	13.68
Bradford & Marzec-Salomon BIG	270,684,828	7.60
Payden & Rygel-Merrill 1-3	46,139,325	1.30
Bonuccelli-Commercial Mortgage	<u>133,686,215</u>	<u>3.75</u>
Total Domestic Fixed	<u>937,636,151</u>	<u>26.33</u>
International		
Bradford & Marzec-Salomon BIG	41,937,732	1.18
Payden & Rygel-Merrill 1-3	<u>887,165</u>	<u>.02</u>
Total International Fixed	<u>42,824,897</u>	<u>1.20</u>
Total Fixed Income	<u>980,461,048</u>	<u>27.53</u>
Real Estate		
SSR Realty-Separate	312,486,435	8.78
PM Realty-Separate	57,572,696	1.62
Commingled Trusts	<u>24,020,181</u>	<u>.67</u>
Total Real Estate ¹	<u>394,079,312</u>	<u>11.07</u>
Total Investments at Fair Value	<u>3,444,800,336</u>	<u>96.74</u>
Cash (Unallocated)	<u>115,625,841</u>	<u>3.26</u>
Total Cash & Investments	<u>3,560,426,177</u>	<u>100.00%</u>
Other Assets		
Receivables	42,161,896	
Fixed Assets	91,229	
Prepaid Dental	131,605	
Securities lending collateral	<u>264,340,633</u>	
Total Assets	<u>3,867,151,540</u>	
Liabilities		
Investment Trades Payable	92,024,120	
Mortgages Payable	73,171,465	
Other Liabilities	4,789,512	
Securities lending liability	<u>264,340,633</u>	
Net Assets held in Trust for Pension Benefits	<u>\$ 3,432,825,810</u>	

1. The SSR Realty account includes investments made using \$73.4 million from loan proceeds.

Investment Results¹

Domestic Equity	Current Year	Annualized	
	Ending June 30, 2001	3 Year	5 Year
Total Domestic Equity	-10.9%	4.6%	13.1%
Mercer Equity Universe Median	-4.3%	7.7%	15.1%
Benchmark: Russell 3000 Index	-13.9%	4.2%	13.8%
International Equity			
Total International Equity	-24.5%	-0.6%	3.4%
Mercer International Equity Universe Median	-23.6%	1.8%	7.0%
Benchmark: MSCI EAFE Index	-23.6%	-1.2%	2.9%
Fixed Income			
Total Fixed Income	10.5%	6.6%	7.7%
Mercer Fixed Income Universe Median	10.9%	6.3%	7.4%
Benchmark: Lehman Brothers Aggregate	11.2%	6.2%	7.5%
Real Estate			
Total Real Estate	9.6%	10.3%	12.8%
Mercer Real Estate Universe Median	11.7%	11.4%	12.7%
Benchmark: NCREIF Classic Property Index	11.5%	12.6%	13.5%
Total Fund			
Sacramento Total Fund	-4.9%	5.4%	10.6%
Mercer Balanced Fund Median Universe ²	-2.1%	6.5%	10.5%
Benchmark: Asset Allocation Weightings ³	-6.1%	5.5%	11.0%

Notes:

- Returns were prepared by William Mercer Investment Consulting, Inc., and shown on a gross of fee basis.
- The Mercer 40/30/15/10/5 Balanced Universe is comprised of 40% managed domestic equity funds, 30% managed fixed income funds, 15% international equity funds, 10% real estate funds and 5% international emerging market funds. Prior to January 1, 2000, the Benchmark Universe consisted of 47% managed domestic equity funds, 23% managed fixed income funds, 15% international equity funds and 15% real estate funds.
- The Benchmark consists of 35% Russell 3000, 5% Russell 2000, 30% Lehman Brothers Aggregate Bond Index, 15% MSCI EAFE index, 5% MSCI Emerging Markets Free and 10% NCREIF Classic Property Index. Prior to January 1, 2000 the Benchmark consisted of 47% Russell 3000, 23% Salomon smith Barney Broad Investment Grade bond Index, 15% MSCI EAFE and 15% NCREIF.

Return calculations were prepared using a time-weighted rate of return based on the fair rate of return in accordance with AIMR performance presentation standards.

Schedule of Manager Fees

<u>Manager</u>	<u>Total</u>	<u>Category Total</u>
<i>Equity-Domestic</i>		
Alliance Capital Management	\$ 184,406	
Dalton, Greiner, Hartman, Maher & Company	173,347	
Independence Investment Associates	200,000	
Nicholas Applegate	1,089,761	
Oppenheimer Capital Management	478,805	
Trinity Investment Management	354,971	
TCW Asset Management	<u>178,957</u>	
		<u>2,660,247</u>
<i>Equity-International</i>		
Bankers Trust Investment Management	258,113	
Bank of Ireland	634,275	
Capital Guardian	<u>919,684</u>	
		<u>1,812,072</u>
<i>Fixed Income</i>		
Lincoln Capital Management	229,633	
Bradford & Marzec	1,018,383	
Payden & Rygel	90,247	
David L. Bonuccelli & Associates	<u>550,124</u>	
		<u>1,888,387</u>
<i>Real Estate</i>		
PM Realty Advisors	199,970	
SSR Realty Advisors*	<u>1,534,994</u>	
		<u>1,734,964</u>
 Total Manager Fees	 <u>8,095,670</u>	
<i>Other Professional Fees</i>		
State Street Bank – Custodian & Securities Lending Fees	196,643	
William Mercer Consulting – Investment Consulting	143,000	
Proxy Monitoring Service	15,700	
Legal Fees and Misc	<u>39,205</u>	
 Total Investment Fees and Expenses	 <u>\$ 8,490,218</u>	

Ten Largest Stock Holdings (by Fair Value) As of June 30, 2001

<u>Rank</u>	<u>Shares</u>	<u>Security Name</u>	<u>Fair Value</u>
1.	869,740	General Electric	\$ 35,528,879
2.	570,638	Citigroup Inc.	26,819,986
3.	658,950	Pfizer Inc.	26,806,086
4.	437,100	Microsoft Corp.	26,514,486
5.	651,176	Exxon Mobil Corp.	26,509,375
6.	693,400	Intel Corp.	19,387,464
7.	179,300	International Business Machines	18,640,028
8.	261,132	Merck & Co.	18,597,821
9.	330,146	Verizon Communications	17,345,871
10.	401,711	SBC Communications	<u>16,972,290</u>
Total of Ten Largest Stock Holdings			<u>\$ 233,122,286</u>

Ten Largest Bond Holdings (by Fair Value) As of June 30, 2001

<u>Rank</u>	<u>Par</u>	<u>Security Name</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
1.	21,210,000	FHLMC TBA JUL 30	6.500%	12/31/99	\$ 20,885,275
2.	16,865,000	Federal Natl Mtg Assn	5.500%	02/15/06	16,835,992
3.	13,505,000	FNMA TBA Jul 30	7.500%	12/31/99	13,779,287
4.	10,383,000	US Treasury Bonds	8.750%	5/15/17	13,478,380
5.	9,300,000	US Treasury Bonds	12.750%	11/15/10	12,075,492
6.	11,900,668	GNMA Pool #003053	6.500%	03/20/31	11,710,971
7.	11,672,348	FNMA Pool #323979	6.500%	04/01/29	11,500,881
8.	7,995,000	US Treasury Bonds	12.000%	08/15/13	11,068,038
9.	6,945,000	UK Treasury Stock	7.500%	12/07/06	10,681,685
10.	10,300,000	FHLMC TBA JUL 30	7.000%	12/31/99	<u>10,351,500</u>
Total Largest Bond Holdings					<u>\$132,367,501</u>

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

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

Schedule of Equity Brokerage Fees FYE June 30, 2001

<u>Brokerage Firm</u>	<u>Commission per Share</u>	<u>Total Commission</u>	<u>Shares Traded</u>
ABG SECURITIES AS (STOCKHOLM)	0.05660	1,798.97	31,800
ABN AMRO	0.01120	2,010.64	179,300
ABN AMRO AUSTRALIA LIMITED	0.03230	654.77	20,300
ABN AMRO CHICAGO CORPORATION	0.05090	4,465.00	87,700
ABN AMRO EQUITIES AUSTRALIA LTD.	0.02860	362.82	12,700
ABN AMRO EQUITIES UK LTD LONDON	0.01870	2,084.56	111,445
ABN AMRO SECURITIES (USA) INC	0.00710	867.31	121,400
ABN AMRO SECURITIES LLC	0.06000	150.00	2,500
ABN AMRO SECURITIES LLC	0.05430	2,138.00	39,400
ADAMS HARKNESS + HILL,INC	0.05000	5,210.00	104,200
ADVEST,INC	0.05000	45.00	900
ALLEN & COMPANY INCORPORATED	0.06000	2,520.00	42,000
ARNHOLD AND S BLEICHROEDER,INC	0.05000	30.00	600
AUTRANET,INC.	0.04730	14,103.50	298,000
BANC AMERICA SECURITY LLC MONTGOMERY DIV	0.05010	21,073.64	420,666
BANK JULIUS BAR FRANKFURT	0.07610	1,103.47	14,500
BANK OF AMERICA INTL LIMI	0.11090	243.96	2,200
BARING SECURITIES (HONG KONG)	0.01560	904.49	58,000
BARRINGTON RESEARCH ASSOC	0.05990	1,628.00	27,200
BEAR STEARNS + CO INC	0.05050	80,423.70	1,592,494
BEAR STEARNS + CO INC	0.05860	826.00	14,100
BEAR STEARNS SECURITIES CORP	0.05600	19,720.00	352,000
BEAR STEARNS SECURITIES CORP	0.05000	240.00	4,800
BERNSTEINSANFORD C + CO INC	0.05580	36,548.00	655,500
BNY ESI SECURITIES COMPANY	0.05000	3,500.00	70,000
BREAN MURRAY	0.05000	160.00	3,200
BRIDGE TRADING	0.05070	11,400.00	225,000
BROADCORTCAPITAL (THRU ML)	0.05940	35,005.00	589,100
BROCKHOUSE + COOPER INC MONTREAL	0.03390	113.67	3,350
BT ALEX BROWN INCORPORATED	0.05590	9,363.00	167,400
B-TRADE SERVICES LLC	0.02350	7,633.00	324,200
BUCKINGHAM RESEARCH GROUP	0.05990	9,450.00	157,800
C.E. UNTERBERG, TOBIN	0.05000	840.00	16,800
C.L.KING & ASSOCIATES	0.05130	9,945.00	193,700
CANADIAN IMPERIAL BANK OF COMMERCE	0.04010	2,263.76	56,400
CANTOR FITZGERALD + CO.	0.04480	11,450.00	255,800
CARNEGIE INT'L LND	0.04740	776.83	16,400
CARNEGIE INT'L LND	0.01850	865.86	46,900
CAZENOVE + CO	0.01050	2,184.59	208,596
CHAPMAN COMPANY (THE)	0.05000	45.00	900
CHARLES SCHWAB & CO., INC.	0.03000	6,852.00	228,400
CHARTERHOUSE TILNEY SECURITIES LTD	0.01420	2,603.60	183,835
CI NORDICSECURITIES AB	0.07940	3,987.10	50,200
CIBC WORLD MARKETS CORP	0.04600	53,677.50	1,165,700
CITATION GROUP	0.05680	35,787.48	629,658
COMMERZ BANK	0.00930	241.40	25,900
COMMERZ SECURITIES (JAPAN) CO.	0.01160	618.89	53,400
COMMERZBANK AG	0.00750	606.98	81,320

<u>Brokerage Firm</u>	<u>Commission per Share</u>	<u>Total Commission</u>	<u>Shares Traded</u>
COMMERZBANK AG	0.00650	119.90	18,400
COMMERZBANK AG	0.01750	123.05	7,050
CONNING +CO.	0.04770	124.00	2,600
CORRESPONDENT SERVICES, INC	0.05250	2,678.00	51,000
CREDIT AGRICOLE INDOSUEZ CHEUVREUX	0.19380	1,763.90	9,100
CREDIT LYONNAIS HONGKONG	0.01790	2,430.44	135,500
CREDIT LYONNAIS SECURITIES (USA)	0.00400	104.93	25,930
CREDIT LYONNAIS SECURITIES(ASIA)	0.00790	305.24	38,500
CREDIT SUISSE FIRST BOSTON	0.00390	98.24	25,110
CREDIT SUISSE FIRST BOSTON	0.03550	212.83	6,000
CREDIT SUISSE FIRST BOSTON EQUITIES	0.02160	1,145.42	52,933
CREDIT SUISSE FIRST BOSTON EQUITIES (EUR)	0.01950	7,969.84	409,591
CREDIT SUISSE FST BOSTON SINGAPORE	0.01680	201.83	12,000
CS FIRST BOSTON (HONG KONG) LIMITED	0.00240	1,125.80	464,573
CS FIRST BOSTON (JAPAN) LIMITED	0.02540	338.01	13,300
CS FIRST BOSTON AUSTRALIA EQUITIES	0.02010	122.72	6,100
CS FIRST BOSTON CORPORATION	0.04950	61,633.31	1,244,459
CSFB AUSTRALIA EQUITIES LTD	0.00620	620.06	99,943
D.A. DAVIDSON + CO., INC.(CLR.THUR 443)	0.06000	360.00	6,000
DAIN RAUCHSER INC	0.05000	265.00	5,300
DAIWA SECURITES SB CAPITAL MA	0.01880	740.95	39,356
DAVY (J+E)	0.02440	401.97	16,500
DB CLEARING SERVICES	0.05030	11,584.35	230,367
DEUTSCHE BANK ASIA SECS LTD	0.01490	379.99	25,500
DEUTSCHE MORGAN GRENPELL (LONDON)	0.01960	17,494.02	893,725
DEUTSCHE SECURITIES AUSTRALIA (SYDNEY)	0.00990	1,564.16	157,934
DEUTSCHE SECURITIES LIMITED	0.01360	141.14	10,400
DLJ INTERNATIONAL SECURITIES	0.06400	241.68	3,775
DMR/KANSAS CITY BROKERAGE	0.06000	114.00	1,900
DONALDSON, LUFKIN + JENRETTE SECS	0.04920	45,747.91	929,111
DONALDSONLUFKIN + JENRETTE SEC CORP	0.05370	7,536.00	140,300
DRESDNER KLEINWORT BENSON ASIA LTD	0.02850	208.35	7,302
DRESDNER SECURITIES (USA) INC.	0.05000	3,550.00	71,000
EDWARDS AG & SONS INC	0.03490	2,593.00	74,300
EXANE S.A.	0.18920	1,313.36	6,940
FACTSET DATA SYSTEMS (THRU BEAR STEARNS)	0.05880	6,948.00	118,200
FACTSET DATA SYSTIMES INC	0.06000	330.00	5,500
FAHNESTOCK + CO.	0.05590	2,029.00	36,300
FIRST ALBANY CORP.	0.05000	600.00	12,000
FIRST ANALYSIS SECURITIES CORP	0.05000	535.00	10,700
FIRST SECURITY VAN KASPER + CO	0.05000	2,110.00	42,200
FIRST UNION CAPITAL MARKETS	0.04750	5,075.00	106,800
FIRST UNION SECURITIES INC	0.06000	714.00	11,900
FLEETBOSTON ROBERTSON STEPHENS INC	0.05000	3,960.00	79,200
FLEMING MARTIN LONDON UK	0.01090	65.64	6,000
FLEMING MARTIN SECURITIES LTD	0.01090	21.77	2,000
FOX PITT KELTON INC	0.06000	1,332.00	22,200
FOX-PITT KELTON LTD	0.08220	115.05	1,400
FRIEDMAN BILLINGS + RAMSEY	0.05700	769.00	13,500
GABELLI +COMPANY	0.06000	1,464.00	24,400
GERARD KLAUER MATTISON + CO	0.05310	5,145.00	96,900
GILFORD SECURITIES	0.05000	165.00	3,300

<u>Brokerage Firm</u>	<u>Commission per Share</u>	<u>Total Commission</u>	<u>Shares Traded</u>
GLAZER C.L. + COMPANY	0.04180	4,281.00	102,400
GOLDMAN SACHS (JAPAN) LTD.	0.01630	1,100.93	67,514
GOLDMAN SACHS + CO	0.05280	60,670.00	1,149,500
GOLDMAN SACHS ASIA FINANCE	0.00870	1,139.46	131,000
GOLDMAN SACHS INTERNATIONAL LONDON	0.02370	24,804.20	1,048,467
GOLDMAN SACHS INTL LTD	0.05000	70.00	1,400
GOLDSMITH& HARRIS (THRU BEAR STEARNS)	0.05000	700.00	14,000
GOODBODY STOCKBROKERS	0.01830	119.76	6,550
GRUNTAL +CO.	0.06000	2,202.00	36,700
HERZOG HEINE GEDULD INC	0.06000	12,294.00	204,900
HOAK SECURITIES	0.05000	70.00	1,400
HOARE GOVETT ABN AMRO	0.00380	51.22	13,500
HOARE GOVETT SECURITIES	0.02210	4,709.34	213,200
HOARE GOVETT SECURITIES LIMITED	0.01050	925.92	88,540
HOEFER + ARNETT	0.05000	400.00	8,000
HOENIG + COMPANY INC	0.05000	3,670.00	73,400
HOWARD WEIL DIVISION LEGG MASON	0.06000	480.00	8,000
HOWARD WEIL DIVISION LEGG MASON	0.06000	2,052.00	34,200
HSBC	0.02930	88.01	3,000
HSBC INVESTMENT BANK PLC	0.01790	6,644.05	371,941
HSBC SECURITIES (JAMES CAPEL)	0.03920	900.50	23,000
HSBC SECURITIES (JAPAN) LTD	0.04320	1,085.26	25,100
INDOSUEZ WI CARR SECURITIES LIMITED	0.01570	133.23	8,500
INDOSUEZ WI CARR SECURITIES SINGAPORE	0.02110	505.68	24,000
ING BARING SECURITIES (JAPAN)	0.06810	580.15	8,517
ING BARING SECURITIES (SINGAPORE)	0.02550	804.37	31,522
INGALLS +SNYDER	0.03950	6,116.00	154,800
INSTINET	0.05170	34,185.65	661,523
INSTINET CLEARING SERVICES, INC	0.02500	5.00	200
INTERFUNDTRANSFER	0.02000	494.00	24,700
INVESTEC ERNST & COMPANY	0.05640	9,713.00	172,100
INVESTMENT TECHNOLOGY GROUP INC.	0.02200	254,635.84	11,595,343
INVESTMENT TECHNOLOGY GROUP LTD	0.02310	20.77	900
ISI GROUPINC	0.06000	5,274.00	87,900
J B WERE AND SON	0.01180	2,288.15	194,481
JAMES CAPEL PACIFIC LTD., TOKYO	0.01990	726.94	36,600
JANNEY MONTGOMERY, SCOTT	0.05900	12,119.00	205,400
JARDINE FLEMING SECURITIES LIMITED	0.00810	2,892.83	356,480
JARDINE FLEMING SECURITIES LTD	0.00530	709.91	133,000
JARDINE FLEMING SINGAPORE SECS	0.03340	233.70	7,000
JEFFERIES+ CO	0.04890	20,857.20	426,200
JESUP ANDLAMONT	0.04830	777.00	16,100
JONES + ASSOCIATES	0.04610	9,479.00	205,600
JP MORGANSECURITIES LIMITED	0.02900	4,165.10	143,460
JULIUS BAER SECURITIES	0.08740	104.88	1,200
JULIUS BAER/BANK JULIUS BAER	0.08580	8.58	100
KEEFE BRUYETTE + WOODS INC	0.04220	4,328.00	102,600
KLEINWORTBENSON SECURITIES LIMITED	0.01080	12,839.32	1,184,100
KNIGHT SECURITIES	0.06000	870.00	14,500
LAZARD FRERES & CO.	0.05570	1,625.00	29,200
LEGG MASON WOOD WALKER INC	0.05850	1,714.00	29,300
LEHMAN BROS INC.	0.04540	33,879.00	746,300

<u>Brokerage Firm</u>	<u>Commission per Share</u>	<u>Total Commission</u>	<u>Shares Traded</u>
LEHMAN BROTHERS INTERNATIONAL (EUROPE)	0.02340	9,491.49	405,671
LEHMAN BROTHERS JAPAN INC, TOKYO	0.05950	4,665.74	78,400
LEHMAN BROTHERS SECS (ASIA)	0.02980	2,029.40	68,000
LEWCO SECS AGENT FOR WERTHEIM SHCRODER	0.06000	3,300.00	55,000
LEWCO SECURITIES AGENT/CHASE H&Q	0.05180	2,425.00	46,800
LIQUIDNETINC	0.02000	346.00	17,300
LYNCH JONES AND RYAN INC	0.05000	7,650.00	153,000
M RAMSEY KING SECURITIES INC	0.04740	1,757.00	37,100
MACQUARIEINVESTMENT			70,400
MCDONALD + CO	0.05460	1,239.00	22,700
MERRILL LYNCH	0.03940	161.59	4,100
MERRILL LYNCH + CO INC	0.03670	249.29	6,800
MERRILL LYNCH EQUITIES (SYDNEY)	0.01070	726.56	68,000
MERRILL LYNCH FAR EAST LTD	0.00820	6,444.04	784,500
MERRILL LYNCH INTERNATIONAL	0.02180	13,933.07	640,456
MERRILL LYNCH INTERNATIONAL	0.44120	2,867.54	6,500
MERRILL LYNCH JAPAN INCORPORATED	0.02070	1,664.35	80,433
MERRILL LYNCH PIERCE FENNER + SMITH	0.03220	153,014.11	4,752,321
METZLER NEDERLAND B V	0.08040	940.99	11,700
MIDWEST RESEARCH MA XXUS GROUP	0.06000	1,284.00	21,400
MILLER SECURITIES INC	0.06000	1,662.00	27,700
MONNESS,CRESPI,HARDT + CO, INC	0.05000	20.00	400
MORGAN GRENFELL AND CO LIMITED	0.01630	6,450.41	396,723
MORGAN KEEGAN & CO INC	0.05000	295.00	5,900
MORGAN STANLEY AND CO, INC	0.04570	51,223.50	1,121,462
MORGAN STANLEY AND CO. INTERNATIONAL	0.03010	19,249.34	639,525
MORGAN STANLEY ASIA LTD	0.02020	4,652.68	230,400
MORGAN STANLEY JAPAN LTD	0.02760	2,069.07	75,011
MORGAN, J.P. SECURITIES	0.00760	4,221.32	552,525
MORGAN,J.P.,SECURITIES INC	0.05120	20,154.00	393,400
NCB STOCKBROKERS LTD	0.02170	272.90	12,600
NDB CAPITAL MARKETS INC	0.04500	7,973.00	177,300
NEEDHAM +COMPANY	0.05000	310.00	6,200
NESBITT BURNS	0.03920	2,607.34	66,500
NEUBERGER+ BERMAN	0.05210	4,394.00	84,300
NIKKO SALOMON SMITH BARNEY	0.01300	704.34	54,200
NIKKO SALOMON SMITH BARNEY LTD	0.07150	207.47	2,900
NIKKO SECURITIES CO LTD	0.00760	276.45	36,500
NOMURA INTERNATIONAL (HONG KONG) LTD	0.01330	133.47	10,000
NOMURA SECURITIES CO., LTD.	0.02060	1,027.83	50,009
NUTMEG SECURITIES	0.04570	4,691.00	102,700
O NEIL, WILLIAM AND CO. INC/BCC CLRG	0.05000	335.00	6,700
ORD MINNETT GROUP LIMITED (SYDNEY)	0.01990	3,321.03	166,500
PAINE WEBBER INCORPORATED	0.05920	6,732.00	113,700
PAULSEN, DOWLING SECURITIES INC.	0.06000	1,167.00	19,450
PIPER JAFFRAY INC	0.05770	3,089.00	53,500
PRUDENTIAL SECURITIES INCORPORATED	0.05630	39,212.36	696,656
QUAKER SECURITIES INC	0.02000	170.00	8,500
RBC DOMINION SECURITIES	0.03960	732.69	18,500
ROBERT FLEMING	0.01830	219.93	12,000
ROBERT FLEMING & CO. LTD	0.02040	107.90	5,300
ROBERT W BAIRD & CO., INCORPORATED	0.05370	6,045.00	112,600

<u>Brokerage Firm</u>	<u>Commission per Share</u>	<u>Total Commission</u>	<u>Shares Traded</u>
ROBINSON HUMPHREY	0.05970	2,168.00	36,300
ROCHDALE SEC CORP.(CLS THRU 443)	0.05710	7,519.00	131,750
SALOMAN BROS	0.00400	20.22	5,000
SALOMON BROS HONG KONG	0.01280	871.67	68,000
SALOMON BROTHERS ASIA LIMITED	0.01080	2,913.47	270,100
SALOMON BROTHERS INTERNATIONAL	0.01460	9,630.39	660,124
SALOMON SMITH BARNEY	0.00720	241.90	33,700
SALOMON SMITH BARNEY AUSTRALIA	0.02430	526.67	21,705
SALOMON SMITH BARNEY INC	0.02830	189.86	6,700
SALOMON SMITH BARNEY INC	0.04640	66,172.84	1,425,196
SANDLER ONEILL + PART LP	0.05880	629.00	10,700
SBC WARBURG LONDON	0.04530	15,474.29	341,686
SCOTIA CAPITAL MARKETS (USA) INC	0.03990	882.21	22,100
SCOTIA MCLEOD	0.04030	1,459.68	36,200
SCOTIA MCLEOD INC.	0.03940	141.66	3,600
SCOTT + STRINGFELLOW	0.06000	60.00	1,000
SG COWEN SECURITIES CORP	0.05790	25,602.00	442,100
SG SECURITIES (SINGAPORE) PTE LTD	0.00530	229.16	43,000
SG SECURITIES (SINGAPORE) PTE LTD	0.02570	417.47	16,261
SG SECURITIES HK	0.01540	53.74	3,500
SHIELD + COMPANY	0.06000	384.00	6,400
SIDOTI + CO	0.04550	1,735.00	38,100
SIMMONS +COMPANY INTERNATIONAL	0.05000	95.00	1,900
SKANDINAVISKA ENSKILDA BANKEN LONDON	0.07250	1,616.62	22,300
SOCIETE GENERALE	0.08170	1,004.41	12,300
SOUNDVIEWTECHNOLOGY GROUP INC	0.05200	5,040.00	97,000
SPEAR, LEEDS & KELLOGG	0.03490	37,781.50	1,082,200
SPRING STREET SECURITIES	0.06000	2,544.00	42,400
STANDARD + POORS SECURITIES INC	0.05270	6,741.00	128,000
STATE STREET BANK + TR CO	0.05150	13,844.00	268,700
STEPHENS,INC.	0.04670	126.00	2,700
STIFEL NICOLAUS & CO INC	0.05000	820.00	16,400
SVENSKA HANDELSBANKEN LONDON BRANCH	0.04480	533.70	11,900
THOMAS WEISEL PARTNERS	0.05490	10,992.00	200,400
THOMASON INSTITUTIONAL SERVICES, INC	0.06000	1,944.00	32,400
TUCKER ANTHONY CLEARY GULL	0.04800	4,039.00	84,100
UBS AG LONDON	0.01600	4,634.21	289,796
UBS WARBURG (HONG KONG) LIMITED	0.00440	3,623.07	831,000
UBS WARBURG LLC	0.05550	30,688.20	553,285
VERITAS SECURITIES	0.02500	2,575.00	103,000
WACHOVIA SECURITIES INS	0.06000	888.00	14,800
WARBURG DILLION READ (ASIA) LTD	0.00620	2,619.83	420,048
WARBURG DILLON READ (JAPAN)	0.01280	2,048.71	160,315
WARBURG DILLON READ (NEW ZEALAND)	0.00460	211.29	45,800
WARBURG DILLON READ EQUITIES (MELBOURNE)	0.01040	347.28	33,420
WARBURG DILLON READ SECURITIES LTD	0.57060	4,204.96	7,370
WEDBUSH MORGAN SECURITIES, INC.	0.06000	6,960.00	116,000
WEEDEN + CO.	0.05240	29,573.50	563,950
WILLIAMS CAPITAL GROUP(THE)	0.05000	2,960.00	59,200
WILSHIRE ASSOCIATES	0.05000	315.00	6,300
		<u>\$ 1,890,501.16</u>	<u>\$ 56,429,749</u>

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Actuarial Section



December 3, 2001

Board of Retirement
Sacramento County Employees'
Retirement System
980 - 9th Street, Suite 750
Sacramento, California 95814

Dear Members of the Board:

We are pleased to present the actuarial valuation for the Sacramento County Employees' Retirement System prepared as of June 30, 2001 by William M. Mercer, Incorporated. The report includes:

- (1) a determination of the recommended employer contribution rates. These rates are to be effective July 1, 2002;
- (2) a determination of the recommended member contribution rates, also to be effective on July 1, 2002;
- (3) a determination of the funded status as of June 30, 2001; and
- (4) financial reporting and disclosure information pursuant to applicable accounting standards.

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

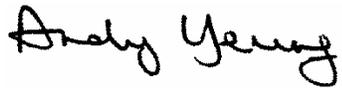
This report reflects the impact on funding status and contribution rates of the Retirement Board's expansion of the pay items includable in Earnable Compensation in response to the 1997 California Supreme Court decision in the Ventura County Deputy Sheriff's Association vs. Board of Retirement, Ventura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

We have calculated the employer and member contribution rates assuming:

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

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

Sincerely,



Andy Yeung, ASA, EA, MAAA



Marcia L. Chapman, FSA, EA, MAAA

Actuary's Certification Letter



The annual actuarial valuation required for the Sacramento County Employees' Retirement System has been prepared as of June 30, 2001 by William M. Mercer, Incorporated. In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to determine a sound value for the System's assets, liability and future contribution requirements. Our calculations are based upon member data and unaudited financial information provided to us by the System's staff. This data has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior years' data.

The contribution requirements are determined as a percentage of payroll. The primary funding objective of the System is to determine employer rates required to provide for both normal cost and a contribution to amortize the unfunded actuarial accrued liability. The amortization period for the unfunded actuarial accrued liability is 21 years as of June 30, 2001. The contribution to the unfunded actuarial accrued liability (which is currently negative for the County, resulting in a rate credit) is calculated to remain level as a percentage of future payroll (including projected payroll for future members). The dollar amount of payments (credits) will increase with payroll at a rate of 4.25% per year. The period for amortizing the unfunded actuarial accrued liability is set by the Board of Retirement.

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

Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of Actuarial Value of Assets to Actuarial Accrued Liabilities decreased from 110.1% to 107.7% during the year as a result of greater than expected salary increases for active members and actuarial assumption changes.

The results in this valuation were based on the actuarial assumptions adopted by the Board in the June 30, 2001 experience study. A summary of the assumption changes identified in the June 30, 2001 experience study were as follows:

Pre-Retirement Assumptions:

- ✍ Withdrawal – Some changes were made to General and Safety withdrawal assumptions to more closely match the observed experience. In general, we observed more withdrawals than expected. The modifications to assumptions were slight and had an insignificant impact on costs.
- ✍ Termination with Vested Benefit – In all categories, more members than expected left and maintained a benefit in the System. The assumptions were increased to reflect this trend. This change also had an insignificant cost impact.
- ✍ Disability – There were fewer duty and ordinary disabilities among all categories than expected. Adjustments were made to anticipate fewer duty and ordinary disabilities. However, since disability rates tend to increase in times of economic uncertainty, we made only slight modifications to the assumptions. We believe that the low observed disabilities over the past three years may be related to the good economic environment. This reduces plan costs slightly.

- ✍ Service Retirement Rates — Service retirement was lower than expected in all categories. We recommend only slight modifications since external factors such as the expectation of a benefit improvement in the near future often impact retirement rates. We will continue to monitor this assumption. This should have an insignificant impact on plan costs.
- ✍ Average Entry Age – To determine member contribution rates for those members hired after January 1, 1975, we use an average entry age. The age increased by one year for both General and Safety members. This increases member rates.

Salary Increase

- ✍ Salary Increase — The merit and longevity salary increase assumptions were raised to partially reflect observed salary increases over the last three years.

Post-Retirement Mortality

- ✍ Post-Retirement Mortality — The mortality tables for retired male General members reflect lower than expected deaths over the experience study period. Adjustments were made to reflect the improvement in life expectancy for this group.

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

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

- (1) Schedule of Active Member Valuation Data
- (2) Retirees and beneficiaries Added to and Removed From Retiree Payroll
- (3) Solvency Tests
- (4) Actuarial Analysis of Financial Experience
- (5) Schedule of Average Benefit Payments for Retirees and Beneficiaries
- (6) Schedule of Funding Progress

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

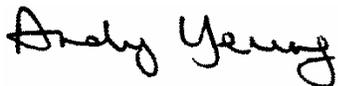
- (1) differences between actual experience and anticipated experience;
- (2) changes in actuarial assumptions or methods;
- (3) changes in statutory provisions; and
- (4) differences between the contribution rates determined by the valuation and those adopted by the Board.

This report reflects the impact on funding status and contribution rates of the Retirement Board's expansion of the pay items includable in Earnable Compensation in response to the 1997

California Supreme Court decision in the Ventura County Deputy Sheriff's Association vs. Board of Retirement, Ventura County Employees' Retirement Association. This report assumes no retroactive application of the Ventura decision.

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

William M. Mercer, Incorporated



Andy Yeung, ASA, EA, MAAA

Date: 12/3/2001



Marcia L. Chapman, FSA, EA, MAAA

Date: 12/3/2001

Summary of Actuarial Assumptions and Methods

The following assumptions were recommended by the actuary and have been adopted by the Board for the June 30, 2001 valuations.

Assumption:

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

Post-Retirement Mortality

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

Pre-Retirement Mortality	Based upon the 6/30/2002 Experience Analysis
Withdrawal Rates	Based upon the 6/30/2002 Experience Analysis
Disability Rates	Based upon the 6/30/2002 Experience Analysis
Service Retirement Rates	Based upon the 6/30/2002 Experience Analysis
Salary Scales	Total increases of 5.75% per year reflecting 4.25% for inflation and approximately 1.50% for merit and longevity
Assets	Valued at Five Year Smoothed Fair Value
Percentage of Members Married at Retirement	70% for male members and 50% for female members
Terminated Members Eligible for Reciprocal Benefits	60%

Funding Method and Amortization of Actuarial Gains or Losses

The County's liability is being funded on the Entry Age Normal Method, the amortization period for the Unfunded Actuarial Accrued Liability is 21 years from the June 30, 2001 valuation date.

Summary of Plan Provisions

Benefit Sections 31676.1 and 31664 of the 1937 County Act

Briefly summarized below are the major provisions of the County Employees Retirement Law of 1937, as amended through June 30, 2001 that are applicable to Sacramento County Employees' Retirement System.

Membership

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

Final Average Salary (FAS)

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

Return of Contributions

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

Service Retirement Benefit

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

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

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

Disability Benefit

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

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

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

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

Death Benefit (Before Retirement)

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

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

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

Death Benefit (After Retirement)

If a member dies after retirement, a lump sum amount of \$4,000 is paid to the beneficiary or estate.

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

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

Maximum Benefit

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

Cost of Living

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

Contribution Rates

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

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

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay *
6/30/96	General	8,860	\$ 329,019,000	\$ 37,135	-0.58%
	Safety	1,896	88,584,000	46,722	-0.84%
	Total	10,756	\$ 417,603,000	\$ 38,825	0.21%
6/30/97	General	8,684	\$ 328,676,000	\$ 37,848	1.92%
	Safety	1,863	90,791,000	48,734	4.31%
	Total	10,547	\$ 419,467,000	\$ 39,771	2.44%
6/30/98	General	8,866	\$ 367,781,000	\$ 41,482	9.60%
	Safety	1,935	102,604,000	53,025	8.81%
	Total	10,801	\$ 470,385,000	\$ 43,550	9.50%
6/30/99	General	9,350	\$ 400,287,000	\$ 42,811	3.20%
	Safety	2,004	102,038,000	50,917	-3.98%
	Total	11,354	\$ 502,325,000	\$ 44,242	1.59%
6/30/00	General	10,217	\$441,118,000	\$ 43,175	0.85%
	Safety	2,018	117,930,000	58,439	14.77%
	Total	12,235	\$559,048,000	\$ 45,693	3.28%
6/30/01	General	10,781	\$498,408,000	\$ 46,230	7.08%
	Safety	2,210	136,390,000	61,715	5.61%
	Total	12,991	\$634,798,000	\$ 48,864	6.94%

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

Retirees and Beneficiaries Added to and Removed from Retiree Payroll

Plan Year Ending	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Retiree Payroll (In Thousands)	% Increase in Annual Retiree Payroll	Average Annual Allowance
06/30/96	4,387	N/A	N/A	4,502	\$ 65,098	6.47%	\$ 14,460
06/30/97	4,502	320	176	4,646	70,716	8.63	15,221
06/30/98	4,646	394	156	4,884	78,762	11.38	16,127
06/30/99	4,884	573	154	5,303	85,698	8.81	16,160
06/30/00	5,303	377	192	5,488	93,620	9.24	17,059
06/30/01	5,488	205	167	5,526	98,600	5.32	17,843

N/A – Not Available

Schedule of Funding Progress (in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (I) (a)	Actuarial Accrued Liability (AAL) - Entry Age (ii) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/96	\$1,956,715	\$1,987,230	\$ 30,515	98.5%	\$417,603	7.3%
06/30/97	2,238,557	2,226,440	(12,117)	100.5	419,467	(2.9)
06/30/98	2,600,547	2,409,642	(190,905)	107.9	470,385	(40.6)
06/30/99	3,017,639	2,734,548	(283,091)	110.4	502,325	(56.4)
06/30/00	3,427,348	3,111,760	(315,588)	110.1	559,047	(56.5)
06/30/01	3,718,198	3,451,864	(266,334)	107.7	634,798	(42.0)

(i) Excludes accounts payable.

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

Solvency Tests (in thousands)

Valuation Date	Active Member Contributions	Retired/Vested Members	Active Members (Employer Financed Portion)		Actuarial Value of Assets	Active Member Contributions	Retired/Vested Members	Active Members (Employer Financed Portion)
				Total				
06/30/96	\$244,228	\$ 892,185	\$ 850,817	\$1,987,230	\$1,956,715	100%	100%	96%
06/30/97	260,787	975,206	990,447	2,226,440	2,238,557	100	100	100
06/30/98	285,779	1,043,514	1,080,349	2,409,642	2,600,547	100	100	100
06/30/99	303,957	1,122,054	1,308,537	2,734,548	3,017,639	100	100	100
06/30/00	322,134	1,239,894	1,549,732	3,111,760	3,427,348	100	100	100
06/30/01	393,924	1,323,405	1,734,535	3,451,864	3,718,198	100	100	100

Events affecting year to year comparability:

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

06/30/99 – No change in assumptions.

06/30/00 – No change in assumptions.

06/30/01 – Salary increase assumption increased from 5.55% to 5.75%.

Actuarial Analysis of Financial Experience (in millions)

	Plan Years ending 6/30					
	2001	2000	1999	1998	1997	1996
Prior Valuation Unfunded Actuarial Accrued Liability	(\$316)	(\$283)	(\$191)	(\$12)	\$ 31	\$ 69
Salary Increase Greater (Less) than Expected	50	46	(93)	(29)		
Asset Return Less (Greater) than Expected	(3)	(6)	(11)	(205)		
Other Experience	(18)	(2)	(18)	55		
Liability from Ventura Court Decision				95		
Actuarial Value of Assets Method Change	-	-	-	-		
Economic and Non-Economic Assumption Changes	21	-	-	21		
Data Corrections	-	-	30 *	-		
Transfer from Excess Earnings	-	(71)	-	(116)		
Consolidated changes (detail unavailable)	-	-	-	-	(43)	(38)
Ending Unfunded Actuarial Accrued Liability	(\$266)	(\$316)	(\$283)	(\$191)	(\$12)	\$ 31

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

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

GENERAL TIER 1 MALE MEMBERS

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

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

GENERAL TIER 1 FEMALE MEMBERS

<u>Age</u>	<u>With 0<Svc<1</u>	<u>With 1<Svc<2</u>	<u>With 2<Svc<3</u>	<u>With 3<Svc<4</u>	<u>With 4<Svc<5</u>	<u>With 5<Svc</u>	<u>Vested Term</u>	<u>Ordinary Disab.</u>	<u>Duty Disab.</u>	<u>Ordinary Death</u>	<u>Duty Death</u>	<u>Svc Ret</u>
<=20	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250	0.0150	0.0000	0.0000	0.0003	0.0000	0.0000
21	0.1150	0.1150	0.1150	0.1150	0.1150	0.1150	0.0150	0.0000	0.0000	0.0003	0.0000	0.0000
22	0.1060	0.1060	0.1060	0.1060	0.1060	0.1060	0.0150	0.0000	0.0000	0.0003	0.0000	0.0000
23	0.0980	0.0980	0.0980	0.0980	0.0980	0.0980	0.0150	0.0000	0.0000	0.0003	0.0000	0.0000
24	0.0930	0.0930	0.0930	0.0930	0.0930	0.0930	0.0150	0.0000	0.0000	0.0003	0.0000	0.0000
25	0.0900	0.0900	0.0900	0.0900	0.0900	0.0858	0.0150	0.0001	0.0001	0.0003	0.0000	0.0000
26	0.0880	0.0880	0.0880	0.0880	0.0880	0.0786	0.0150	0.0001	0.0001	0.0003	0.0000	0.0000
27	0.0860	0.0860	0.0860	0.0860	0.0860	0.0714	0.0150	0.0001	0.0001	0.0003	0.0000	0.0000
28	0.0840	0.0840	0.0840	0.0840	0.0840	0.0614	0.0150	0.0001	0.0001	0.0003	0.0000	0.0000
29	0.0820	0.0820	0.0820	0.0820	0.0820	0.0520	0.0150	0.0001	0.0001	0.0004	0.0000	0.0000
30	0.0759	0.0759	0.0759	0.0759	0.0759	0.0432	0.0150	0.0002	0.0001	0.0004	0.0000	0.0000
31	0.0711	0.0711	0.0711	0.0711	0.0711	0.0351	0.0150	0.0002	0.0001	0.0004	0.0000	0.0000
32	0.0663	0.0663	0.0663	0.0663	0.0663	0.0276	0.0150	0.0002	0.0001	0.0004	0.0000	0.0000
33	0.0615	0.0615	0.0615	0.0615	0.0615	0.0210	0.0150	0.0003	0.0001	0.0005	0.0000	0.0000
34	0.0567	0.0567	0.0567	0.0567	0.0567	0.0149	0.0150	0.0003	0.0001	0.0005	0.0000	0.0000
35	0.0479	0.0479	0.0479	0.0479	0.0479	0.0113	0.0125	0.0002	0.0002	0.0005	0.0000	0.0000
36	0.0452	0.0452	0.0452	0.0452	0.0452	0.0101	0.0125	0.0003	0.0002	0.0006	0.0000	0.0000
37	0.0408	0.0408	0.0408	0.0408	0.0408	0.0086	0.0125	0.0004	0.0002	0.0006	0.0000	0.0000
38	0.0364	0.0364	0.0364	0.0364	0.0364	0.0063	0.0125	0.0004	0.0002	0.0006	0.0000	0.0000
39	0.0328	0.0328	0.0328	0.0328	0.0328	0.0052	0.0125	0.0005	0.0002	0.0007	0.0000	0.0000
40	0.0293	0.0293	0.0293	0.0293	0.0293	0.0065	0.0125	0.0010	0.0002	0.0008	0.0000	0.0000
41	0.0275	0.0275	0.0275	0.0275	0.0275	0.0055	0.0125	0.0014	0.0002	0.0008	0.0000	0.0000
42	0.0258	0.0258	0.0258	0.0258	0.0258	0.0046	0.0125	0.0017	0.0003	0.0009	0.0000	0.0000
43	0.0241	0.0241	0.0241	0.0241	0.0241	0.0041	0.0125	0.0023	0.0003	0.0009	0.0000	0.0000
44	0.0224	0.0224	0.0224	0.0224	0.0224	0.0035	0.0125	0.0029	0.0003	0.0010	0.0000	0.0000
45	0.0215	0.0215	0.0215	0.0215	0.0215	0.0029	0.0100	0.0036	0.0004	0.0010	0.0000	0.0000
46	0.0206	0.0206	0.0206	0.0206	0.0206	0.0029	0.0100	0.0044	0.0004	0.0011	0.0000	0.0000
47	0.0197	0.0197	0.0197	0.0197	0.0197	0.0029	0.0100	0.0050	0.0004	0.0012	0.0000	0.0000
48	0.0188	0.0188	0.0188	0.0188	0.0188	0.0029	0.0100	0.0050	0.0006	0.0013	0.0000	0.0000
49	0.0179	0.0179	0.0179	0.0179	0.0179	0.0029	0.0100	0.0050	0.0007	0.0014	0.0000	0.0000
50	0.0184	0.0184	0.0184	0.0184	0.0184	0.0026	0.0070	0.0050	0.0008	0.0015	0.0000	0.0702
51	0.0175	0.0175	0.0175	0.0175	0.0175	0.0026	0.0070	0.0050	0.0010	0.0017	0.0000	0.0491
52	0.0165	0.0165	0.0165	0.0165	0.0165	0.0026	0.0070	0.0050	0.0012	0.0019	0.0000	0.0408
53	0.0155	0.0155	0.0155	0.0155	0.0155	0.0023	0.0070	0.0050	0.0013	0.0021	0.0000	0.0472
54	0.0146	0.0146	0.0146	0.0146	0.0146	0.0023	0.0000	0.0050	0.0015	0.0022	0.0000	0.0540
55	0.0137	0.0137	0.0137	0.0137	0.0137	0.0000	0.0000	0.0050	0.0017	0.0025	0.0000	0.0701
56	0.0127	0.0127	0.0127	0.0127	0.0127	0.0000	0.0000	0.0050	0.0018	0.0028	0.0000	0.0861
57	0.0113	0.0113	0.0113	0.0113	0.0113	0.0000	0.0000	0.0050	0.0020	0.0031	0.0000	0.1022
58	0.0098	0.0098	0.0098	0.0098	0.0098	0.0000	0.0000	0.0050	0.0019	0.0036	0.0000	0.1182
59	0.0088	0.0088	0.0088	0.0088	0.0088	0.0000	0.0000	0.0050	0.0018	0.0042	0.0000	0.1343
60	0.0080	0.0080	0.0080	0.0080	0.0080	0.0000	0.0000	0.0050	0.0017	0.0048	0.0000	0.1503
61	0.0070	0.0070	0.0070	0.0070	0.0070	0.0000	0.0000	0.0050	0.0016	0.0055	0.0000	0.2154
62	0.0060	0.0060	0.0060	0.0060	0.0060	0.0000	0.0000	0.0050	0.0015	0.0063	0.0000	0.3147
63	0.0050	0.0050	0.0050	0.0050	0.0050	0.0000	0.0000	0.0050	0.0016	0.0072	0.0000	0.2790
64	0.0040	0.0040	0.0040	0.0040	0.0040	0.0000	0.0000	0.0050	0.0018	0.0082	0.0000	0.2844
65	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0050	0.0021	0.0093	0.0000	0.6000
66	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0050	0.0022	0.0104	0.0000	0.4729
67	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0050	0.0024	0.0116	0.0000	0.5618
68	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0050	0.0024	0.0126	0.0000	0.6420
69	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0050	0.0024	0.0137	0.0000	0.8025
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

GENERAL TIER 2 & 3 MALE MEMBERS

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

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

GENERAL TIER 2 & 3 FEMALE MEMBERS

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

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

SAFETY MEMBERS

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

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Statistical Section

Schedule of Participating Employers and Active Members June 30, 1996 to 2001

SCERS Member Agency	Plan	6/30/01	6/30/00	6/30/99	6/30/98	6/30/97	6/30/96
Carmichael Recreation and Park District	General	20	18	18	20	20	20
	Safety						
Elk Grove Cemetery	General	1	1	1	1		
	Safety						
Fair Oaks Cemetery	General	3	4	4	5	5	4
	Safety						
Florin Fire	General						4
	Safety						85
Galt-Arno Cemetery	General	2	2	2	3	1	1
	Safety						
Mission Oaks Recreation and Park District	General	13	12	12	12	12	12
	Safety						
Orangevale Recreation and Park District	General	14	14	14	13	10	10
	Safety						
Sacramento County Fire	General						
	Safety	7	9	9	10	10	10
S.E.T.A.	General	520	409	455	345	257	193
	Safety						
Sunrise Recreation and Park District	General	29	28	28	27	26	27
	Safety						
UC Davis	General	1	2	3	3	3	3
	Safety						
Board of Supervisors	General	5	5	5	5	5	5
	Safety						
Auditor	General						1
Sheriff	Safety	1	1	1	1	1	1
Assessor	General	1	1	1	1	1	1
District Attorney	General	1	1	1	1	1	1
Total Special District Members	General	610	497	534	436	341	281
	Safety	8	10	10	11	11	96
Sacramento County Members	General	10,171	9,720	8,816	8,771	8,343	8,579
	Safety	2,202	2,008	1,994	1,924	1,852	1,800
Total Members	General	10,781	10,217	9,350	8,866	8,684	8,860
	Safety	2,210	2,018	2,004	1,935	1,863	1,896
	Total	12,991	12,235	11,354	10,801	10,547	10,756

Data source for 6/30/99 and 6/30/98 from SCERS Actuarial Report for June 30, 1999 and 1998, respectively.
Data source for 6/30/01- 6/30/00 and 6/30/97-6/30/96 from SCERS audited financial statements.

Schedule of Revenue by Source (in thousands)

Year Ending	Member Contributions	Employer Contributions			
		Dollars	% of Annual Covered Payroll	Investment Income/(Loss) (Net)	Total
6/30/1996	\$24,395	*\$568,677	136.17%	\$322,841	\$915,913
6/30/1997	27,233	44,760	10.67	438,167	510,160
6/30/1998	29,930	43,109	9.16	464,511	537,550
6/30/1999	30,385	46,745	9.30	360,748	437,878
6/30/2000	30,018	42,024	7.52	315,790	387,832
6/30/2001	32,964	40,358	6.36	(207,580)	(134,257)

Schedule of Expenses by Type (in thousands)

Year Ending	Benefits Paid				Admin. Expenses	Refunds	Total
	Service	Survivor Benefits	Retiree Death Benefits	Health and Dental Benefits			
6/30/1996	**\$61,720			5,828	1,981	1,353	70,882
6/30/1997	66,314	\$ 942	\$120	5,868	2,300	2,020	77,564
6/30/1998	72,748	1,166	106	5,981	2,868	2,460	85,329
6/30/1999	79,426	1,190	95	5,973	3,363	3,306	93,353
6/30/2000	88,103	1,200	293	6,946	3,602	3,181	103,325
6/30/2001	95,526	1,229	561	8,072	3,831	3,611	112,830

* This total includes the effect of Pension Obligation Bond funding of prior years' liabilities by Sacramento County (\$533,034,360).

** Detail unavailable.

Schedule of Retiree Members by Type of Benefit at June 30, 2001

General (Misc.) Members

	Count	Monthly Allowances			Average Benefit
		Basic	COL	Total	
Service Retirement					
Unmodified	2,942	\$2,952,472	\$1,073,932	\$4,026,404	\$1,369
Option 1	225	196,831	57,332	254,163	1,130
Option 2, 3 & 4	227	179,857	43,889	223,746	986
Total	3,394	3,329,160	1,175,153	4,504,313	1,327
Ordinary Disability					
Unmodified	279	189,996	86,060	276,056	989
Option 1	18	9,904	4,268	14,172	787
Option 2, 3 & 4	8	5,893	1,575	7,468	934
Total	305	205,793	91,903	297,696	976
Duty Disability					
Unmodified	161	170,191	84,614	254,805	1,583
Option 1	6	7,873	1,876	9,749	1,625
Option 2, 3 & 4	5	5,672	1,806	7,478	1,496
Total	172	183,736	88,296	272,032	1,582
Beneficiary					
Total	745	351,944	200,918	552,862	742
Total (All Groups)	4,616	\$4,070,633	\$1,556,270	\$5,626,903	\$1,219

Safety Members

	Count	Monthly Allowances			Average Benefit
		Basic	COL	Total	
Service Retirement					
Unmodified	534	\$1,403,197	\$375,198	\$1,778,395	\$3,330
Option 1	20	45,481	14,203	59,684	2,984
Option 2, 3 & 4	27	68,783	12,593	81,376	3,014
Total	581	1,517,461	401,994	1,919,455	3,304
Ordinary Disability					
Unmodified	22	29,039	13,339	42,378	1,926
Option 1	-	-	-	-	-
Option 2, 3 & 4	1	1,434	294	1,728	1,728
Total	23	30,473	13,633	44,106	1,918
Duty Disability					
Unmodified	142	266,677	111,957	378,634	2,666
Option 1	6	10,284	3,469	13,753	2,292
Option 2, 3 & 4	3	5,052	784	5,836	1,945
Total	151	282,013	116,210	398,223	2,637
Beneficiary					
Total	155	151,265	76,685	227,950	1,471
Total (All Groups)	910	\$1,981,212	\$608,522	\$2,589,734	\$2,846

Schedule of Average Benefit Payments for Retirees and Beneficiaries

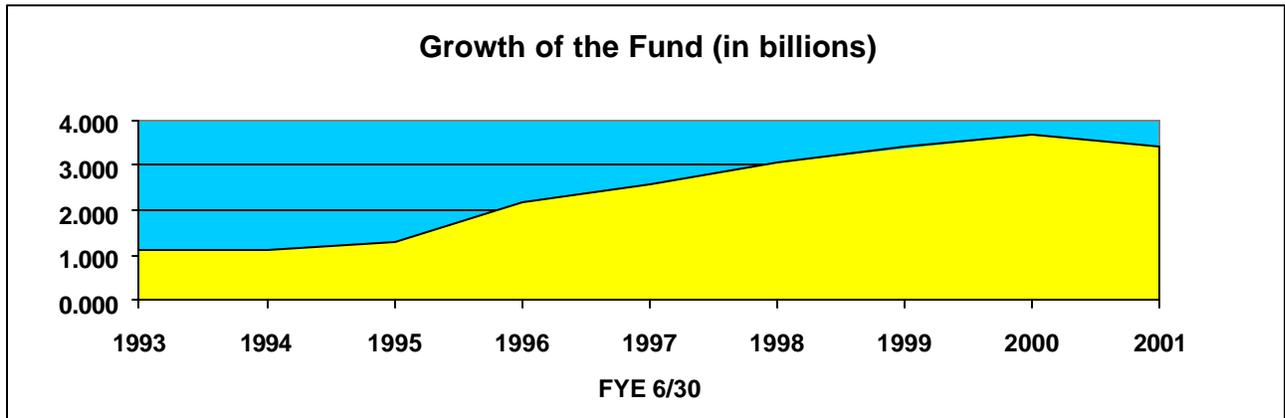
Retirement Effective Dates 7/01/95 to 6/30/01	0-4	5-9	10-14	15-19	20-24	25-29	30&over
Period 7/01/95–6/30/96:							
Average Monthly Benefit	1,501	1,283	1,114	893	697	633	478
Number of Active Retirants	1,430	1,121	875	649	317	82	28
Period 7/01/96–6/30/97:							
Average Monthly Benefit	1,539	1,404	1,151	950	760	651	485
Number of Active Retirants	1,501	1,092	902	683	337	104	27
Period 7/01/97–6/30/98:							
Average Monthly Benefit	1,659	1,472	1,228	1,007	858	698	482
Number of Active Retirants	1,633	1,043	962	700	366	147	33
Period 7/01/98–6/30/99:							
Average Monthly Benefit	1,639	1,552	1,313	1,079	923	727	579
Number of Active Retirants	1,667	1,262	979	744	432	179	40
Period 7/01/99–6/30/00:							
Average Monthly Benefit	1,821	1,675	1,381	1,180	947	729	2,125
Number of Active Retirants	1,528	1,249	965	840	561	282	75
Period 7/01/00–6/30/01:							
Average Monthly Benefit	1,758	1,779	1,439	1,269	1,047	776	770
Number of Active Retirants	1,433	1,287	1,002	815	610	308	71

Growth of System Membership



FYE 6/30	Members	Retirees	Deferred	Total
1992	9,868	3,710	1,033	14,611
1993	9,812	3,935	1,023	14,770
1994	10,110	4,130	1,040	15,280
1995	10,462	4,387	1,099	15,948
1996	10,756	4,502	1,152	16,410
1997	10,547	4,646	1,383	16,576
1998	10,801	4,884	1,658	17,343
1999	11,354	5,303	1,739	18,396
2000	12,235	5,488	1,828	19,551
2001	12,991	5,526	2,146	20,663

Growth of the Fund



FYE 6/30	Total Assets (in Billions)
1992	1.010
1993	1.118
1994	1.141
1995	1.321
1996	2.166
1997	2.599
1998	3.051
1999	3.395
2000	3.680
2001	3.433

Schedule of Employer Contribution Rates

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

Source: Actuarial Balance Sheet

Schedule of Administrative Expenses

<u>Type of Expense</u>	<u>6/30/01</u>	<u>6/30/00</u>	<u>6/30/99</u>	<u>6/30/98</u>	<u>6/30/97</u>	<u>6/30/96</u>
Salaries and Benefits	\$1,817,936	\$1,464,159	\$1,418,423	\$1,300,446	\$1,004,357	\$ 746,709
Professional Fees	433,167	634,020	753,372	783,323	568,322	667,455
Equipment Purchases and Maintenance	241,896	155,414	110,426	109,086	256,523	64,952
Rent and Lease Expense	203,834	170,880	155,031	150,555	68,608	66,143
Other Administrative Expenses	<u>1,134,583</u>	<u>1,177,592</u>	<u>925,931</u>	<u>525,025</u>	<u>612,140</u>	<u>437,415</u>
TOTAL	<u>\$3,831,416</u>	<u>\$3,602,065</u>	<u>\$3,363,183</u>	<u>\$2,868,435</u>	<u>\$2,509,950</u>	<u>\$1,982,674</u>

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**Sacramento County Employees' Retirement System
980 9th Street – Suite 1800
Sacramento, CA 95814**

Phone # (916) 874-9119

<http://www.co.sacramento.ca.us/retirement>