



FRESNO COUNTY EMPLOYEES
RETIREMENT SYSTEM

COMPREHENSIVE
ANNUAL FINANCIAL REPORT-
A COMPONENT UNIT OF THE COUNTY OF FRESNO

FOR THE FISCAL YEAR ENDED
JUNE 30, 2001

Fresno County
Employees Retirement System

Fresno County, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2001

ISSUED BY

GARY W. PETERSON
AUDITOR - CONTROLLER / TREASURER - TAX COLLECTOR

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FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
2281 TULARE STREET
FRESNO, CALIFORNIA 93721

A COMPONENT UNIT OF THE COUNTY OF FRESNO

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INTRODUCTORY SECTION



Employees Retirement Association

Gary W. Peterson
Auditor-Controller/Treasurer-Tax Collector

October 3, 2001

Board of Retirement
Fresno County Employees' Retirement Association
2281 Tulare Street
Fresno, CA 93715

Dear Board Members:

It is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) of the Fresno County Employees' Retirement Association ("Association") for the fiscal year ended June 30, 2001. Information contained in this report is designed to provide a complete and accurate review of the year's operations and is the responsibility of the Association's management. The required financial statements have been prepared in accordance with generally accepted accounting principles, the reporting guidelines for government entities, and the County Employees' Retirement Law of 1937. Macias, Gini & Company LLP, independent auditors, have audited the financial statements. The Board of Retirement (Board) adopts a budget each fiscal year to facilitate the oversight of the Retirement Office's administrative functions. Management believes that internal control is adequate and that the accompanying statements, schedules and tables are fairly presented.

The Association is a contributory defined benefit plan initially organized on January 1, 1945. The Association is a cost-sharing, multiple-employer plan that includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County of Fresno, Superior Courts of California – County of Fresno, Clovis Memorial District, Fresno Mosquito and Vector Control District, North Central Fire Protection District, Fresno-Madera Area Agency on Aging, and certain employees of the Fresno County Office of Education. The Association provides normal service retirement benefits for members who attain the age and service requirements or thirty years of service, regardless of age. Early service retirement benefits are also provided for members who attain the minimum age and years of service requirements.

Structure of the Report

This report is presented in five sections:

- The Introductory Section describes the Association's management and organizational structure and a listing of the professional services used.
- The Financial Section contains the opinion of the independent auditor, Macias, Gini & Company LLP, and the financial statements and notes of the Association.

- The Investment Section contains the investment consultant's statement produced by Pension Consulting Alliance, Inc., the Association's investment consulting firm, along with graphs and schedules regarding asset allocation, asset diversification, and history of performance.
- The Actuarial Section includes the certification letter produced by the independent actuary, Buck Consultants, along with supporting schedules and information.
- The Statistical Section contains graphs and schedules with comparative data related to revenues and expenses, active and deferred membership, retired membership, benefit expenses by type, average monthly benefits, participating employers, and employer contribution rates.

Investments

The investments of the Association are governed primarily by an investment authority known as the "prudent person rule". The prudent person rule establishes a standard for all fiduciaries, which includes anyone that has authority with respect to the fund. The prudent person rule states that fiduciaries shall discharge their duties of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. By permitting further diversification of investments within a fund, the prudent person standard may enable a fund to reduce overall risk and increase returns.

The prudent person rule permits the fund to establish an investment policy based upon certain investment criteria and allows for the delegation of investment authority to professional investment advisors. The investment policy outlines the responsibility for the investment of the fund and the degree of risk that is deemed appropriate for the fund. Investment advisors are to execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, but are to use full discretion within the policy and guidelines.

The Association experienced slower performance during the fiscal year ended June 30, 2001. For the year, the portfolio earned a total return of (1.5%): Over long-term periods, the portfolio has earned total annualized returns of 4.6% over the past three years and 10.6% over the past five years. The five-year earnings have outperformed the current rate of 8.25%. On a fair value basis, the total net assets available for benefits declined from \$1,782,030,000 to \$1,690,811,000.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. The Association's funding objective is to meet long-term obligations through contributions and investment income. During fiscal 1997/98, the County of Fresno issued Pension Obligation Bonds, in the amount of \$184,910,000, to fully fund its portion of the Unfunded Actuarial Accrued Liability. As of June 30, 2000, the date of the Association's latest report on the experience analysis and actuarial valuation, the Association was funded at 97.4%. The decreased funding level was due to several factors, including the increased benefit levels adopted as of January 1, 2001, increased life span of members, and the average age of newly hired employees.

Revenues

The following schedule recaps the revenues of the Association for the last two fiscal years:

Contributions and Investment Earnings (amounts in thousands)

	2001	2000	Increased/(Decreased) Amount	Increased/(Decreased) Percentage
Employees' Contributions	\$ 9,973	\$ 9,198	\$ 775	8.43%
Net Investment Income/(Loss)	(33,930)	133,170	(167,100)	(125.48%)
TOTAL	<u>\$ (23,957)</u>	<u>\$ 142,368</u>	<u>\$ (166,325)</u>	(116.83%)

Expenses

The following schedule recaps the expenses of the Association for the last two fiscal years:

Benefits and Other Expenses (amounts in thousands)

	2001	2000	Increased/(Decreased) Amount	Increased/(Decreased) Percentage
Benefits Paid to Participants	\$ 63,881	\$ 52,223	\$ 11,658	22.32%
Refunds of Prior Contributions	1,146	2,275	(1,129)	(49.63%)
Administrative Expenses	2,235	867	1,368	157.78%
TOTAL	<u>\$ 67,262</u>	<u>\$ 55,365</u>	<u>\$ 11,897</u>	21.49%

For the fiscal year 2000/2001, overall revenue decreased 116.83% over the prior fiscal year. The Association's investment performance reflects the changes in market conditions in 2000/2001.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Association for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, of which the contents conform to the program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

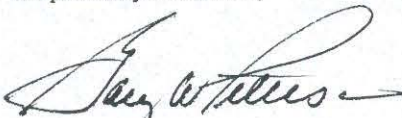
A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to the GFOA.

Acknowledgments

The compilation of this report reflects the combined effort of the Retirement Office staff. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the Association's investment portfolio.

I would like to take this opportunity to thank each member for their confidence in the Association during the past year. I also want to express my thanks to the Board of Retirement for their dedicated effort in supporting the Association through the past year. Likewise, I also want to thank our consultants and staff for their commitment to the Association and for their diligent work to assure the Association's continued successful operation.

Respectfully submitted,



Gary W. Peterson
Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fresno 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.



Thomas A. Gruen
President

Jeffrey L. Esser
Executive Director

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
THE BOARD OF RETIREMENT**

ADMINISTRATOR ✓
GARY W. PETERSON

Auditor-Controller/Treasurer-Tax Collector
Statutory required.

CHAIRMAN ✓
AMERICO PAPALEO

Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2002.

SECRETARY ✓
JOHN SOUZA

Retired Member - Elected by Retirees
Present term expires December 31, 2001.

MEMBER ✓
RON ADOLPH

Safety Member - Elected by Safety Members
Present term expires December 31, 2002.

MEMBER ✓
BILL CASAREZ

General Member - Elected by General Members
Present term expires December 31, 2001.

MEMBER ✓
TOM ABSHERE, JR.

Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2003.

MEMBER ✓
JANET COLEMAN

General Member - Elected by General Members
Present term expires December 31, 2003.

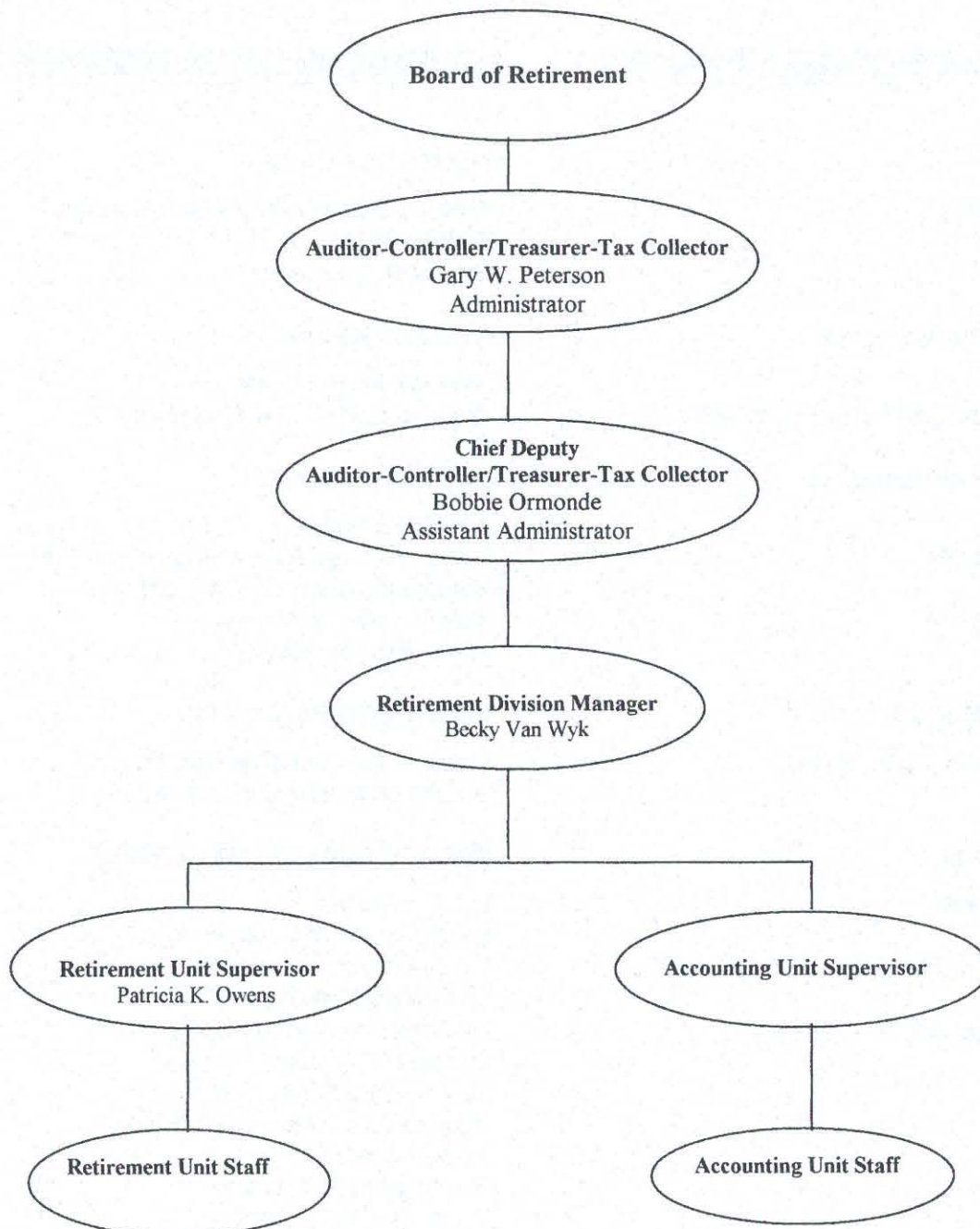
MEMBER ✓
HIROSHI KUSAKAI

Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2002.

MEMBER ✓
JAMES LONG

Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2001.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ORGANIZATION CHART**



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
LIST OF PROFESSIONAL CONSULTANTS**

CONSULTING SERVICES

ACTUARY

Buck Consultants

AUDITOR

Macias, Gini & Company, LLP

COMMISSION RECAPTURE SERVICES

Pension Fund Evaluations, Inc.

CUSTODIAN BANK

Fifth Third Bank

INVESTMENT CONSULTANT

Pension Consulting Alliance, Inc.

LEGAL COUNSEL

Stroup & de Goede

SHAREHOLDER VOTING SERVICES

Institutional Shareholder Services, Inc.

INVESTMENT MANAGERS

DOMESTIC BONDS

Boston Partners Assets Management, LP
Bradford & Marzec, Inc.
Vanderbilt Capital Advisors

GLOBAL BONDS

Strategic Fixed Income, LP
Grantham, Mayo, Van Otterloo & Co.

DOMESTIC STOCKS

Aronson & Partners
Boston Partners Assets Management, LP
Brandywine Asset Management, Inc.
John A. Levin & Co., Inc.
Wellington Management Company, LLP.

INTERNATIONAL STOCKS

Marvin & Palmer Associates, Inc.
Templeton Investment Counsel, Inc.

PRIVATE MARKETS INVESTMENT

BCI Growth V, LP
CB Richard Ellis Investors, LLC
DT Investment Advisers, Inc.
Glenborough Institutional, Inc.
Heitman/JMB Advisory Corporation
JE Robert Company, Inc.
MIG Realty Advisors, Inc.
Sentinel Real Estate Corporation
TA Associates Realty
The Blackstone Group
Warburg, Pincus and Co.

SECURITIES LENDING

Marshall & Ilsley Trust Company

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

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To the Board of Retirement of
Fresno County Employees'
Retirement Association
Fresno, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of plan net assets of Fresno County Employees' Retirement Association (Association), a component unit of the County of Fresno, California, 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 Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Association as of June 30, 2001 and 2000, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The schedules designated as required supplementary information in the table of contents are not required parts of the basic financial statements but are 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules designated as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 audit 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
September 28, 2001

OFFICE LOCATIONS

Sacramento • Los Angeles • Fresno • San Francisco Bay Area

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2001 AND 2000
(amounts expressed in thousands)

	<u>2001</u>	<u>2000</u>
ASSETS:		
Cash and cash equivalents	\$ 41,216	\$ 76,719
Securities lending short-term investment pool	228,483	278,081
Total cash and cash equivalents (Note 3)	<u>269,699</u>	<u>354,800</u>
Receivables:		
Investment trades receivable (Note 4)	51,330	105,605
Interest and dividends receivable	5,964	7,307
Note receivable (Note 5)	535	640
Contributions and other receivables	1,179	3,988
Securities lending receivable	871	1,710
Total receivables	<u>59,879</u>	<u>119,250</u>
Investments, at fair value (Note 3):		
Domestic stocks	615,129	662,764
Domestic bonds	230,575	234,338
International stocks	302,406	393,306
Mortgage backed securities	209,759	178,889
Private markets	166,305	139,438
Global bond index fund	116,405	49,835
Global bonds	0	52,080
Total investments	<u>1,640,579</u>	<u>1,710,650</u>
Fixed assets, net of accumulated depreciation of \$83 and \$101, respectively	644	351
Prepaid expenses	<u>23</u>	<u>23</u>
Total assets	<u>1,970,824</u>	<u>2,185,074</u>
LIABILITIES:		
Investment trades payable (Note 4)	46,442	121,171
Cash collateral payable for securities lending (Note 3)	228,483	278,081
Accounts payable	4,372	2,287
Securities lending bank and broker fees	716	1,505
Total liabilities	<u>280,013</u>	<u>403,044</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (Note 6)		
(A schedule of funding progress is presented on page 22)	<u>\$ 1,690,811</u>	<u>\$ 1,782,030</u>

See accompanying notes to financial statements.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000
(amounts expressed in thousands)

	<u>2001</u>	<u>2000</u>
ADDITIONS:		
Contributions:		
Employees	\$ 9,973	\$ 9,198
Total contributions	<u>9,973</u>	<u>9,198</u>
Investment income/(loss):		
From investment activities		
Net appreciation/(depreciation) in fair value of investments	(89,641)	82,838
Interest	31,761	34,206
Dividends	14,290	18,790
Private markets	14,361	4,746
Net income/(loss) from investment activities	<u>(29,229)</u>	<u>140,580</u>
From securities lending activities		
Securities lending income	19,546	11,019
Securities lending expenses		
Borrower rebate expenses	(18,338)	(10,040)
Security lending management fees	(319)	(219)
Net income from securities lending activities	<u>889</u>	<u>760</u>
Miscellaneous income	641	857
Investment expense	(6,231)	(9,027)
Net investment income/(loss)	<u>(33,930)</u>	<u>133,170</u>
Total additions/(subtractions)	<u>(23,957)</u>	<u>142,368</u>
DEDUCTIONS:		
Benefits paid to participants	63,881	52,223
Refunds of prior contributions	1,146	2,275
Administrative expenses (See note 8)	2,235	867
Total deductions	<u>67,262</u>	<u>55,365</u>
NET INCREASE/(DECREASE)	<u>(91,219)</u>	<u>87,003</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,		
BEGINNING OF YEAR	<u>1,782,030</u>	<u>1,695,027</u>
END OF YEAR	<u>\$ 1,690,811</u>	<u>\$ 1,782,030</u>

See accompanying notes to financial statements.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the Fresno County Employees' Retirement Association (Association) is provided for general information purposes only. The Association is governed by the Board of Retirement (Board) under the 1937 County Employees' Retirement Law (1937 Act). Members should refer to the 1937 Act for more complete information.

General

The Association is a contributory defined benefit plan initially organized under the provisions of the 1937 Act on January 1, 1945. It provides benefits upon retirement, death or disability of members. The Association is a cost-sharing, multiple-employer plan that includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County of Fresno, including Superior Court of California-County of Fresno, (County), Clovis Memorial District, Fresno Mosquito and Vector Control District, North Central Fire Protection District, Fresno-Madera Area Agency on Aging and certain employees of the Fresno County Office of Education (collectively, the "Employers"). An employee becomes eligible for membership commencing with the pay period following the date of employment in a permanent position.

The Association membership at June 30, 2001 and 2000 is as follows:

	<u>2001</u>	<u>2000</u>
Retirees and beneficiaries receiving benefits	3,553	3,310
Terminated employees entitled to benefits but not yet receiving them	1,353	1,326
Current employees:		
Vested:		
General	3,466	3,674
Safety	641	614
Nonvested:		
General	3,083	2,691
Safety	301	304
Total current employees	<u>7,491</u>	<u>7,283</u>
Total membership	<u><u>12,397</u></u>	<u><u>11,919</u></u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

NOTE 1 - DESCRIPTION OF THE PLAN (CONTINUED)

Benefit Provisions

Benefit provisions are established by the Board under the provisions of the 1937 Act. Benefits are based upon a combination of age, years of service, average monthly salary for the highest paid year of employment, the option selected by the participant, and whether the participant was employed as a safety member in law enforcement or fire suppression, or as a general member. Disability and death benefits are additionally based upon whether the disability was service connected and whether the death occurred before or after retirement. Retirement benefit payments consist of regular retirement benefits, cost of living benefits, supplemental cost of living benefits, supplemental benefits or supplemental annuity benefits and health care benefits. The supplemental cost of living and health care benefits are subject to annual approval by the Board.

Administration

The management of the Association is vested in the Board, which is composed of the following nine members:

1. County Treasurer,
2. Two members of the Association elected by the general members,
3. One member of the Association elected by the safety members,
4. One retired member of the Association elected by the retired members, and
5. Four members appointed by the County Board of Supervisors. These members shall be qualified electors of the County who are not connected with County government in any capacity, except one may be a County Supervisor.

Administrative expenses are financed through the investment earnings of plan assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Fresno County Employees' Retirement Association is the public employee retirement system established by the County on January 1, 1945, and administered by the Board of Retirement to provide retirement, disability, death and survivor benefits for its employees under the 1937 Act. The Association is a component unit of the County of Fresno and is included in the County's General Purpose Financial Statements as a pension trust fund.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The Association's financial statements are prepared using the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized in the period in which they are incurred. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds of prior contributions are recognized when due and payable under the provisions of the plan.

Cash and Investments

Cash and cash equivalents include deposits in the County Treasurer's commingled cash and investment pool and investments held by the custodian bank. Investments with the custodian bank are comprised of foreign currencies, cash held in a short-term investment fund and other short-term, highly liquid investments. Short-term investments considered cash equivalents are recorded at cost, which approximates fair value.

Plan investments are reported at fair value. The fair values of equity and fixed income securities are derived from quoted market prices. The fair values of private market investments are estimated from fair values provided by the real estate investment funds, futures investment managers, and alternative investment managers (see Note 3). All investment purchases and sales are recorded on the trade date.

Fixed Assets

Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of three years for computer equipment, five years for office equipment and ten years for furniture, structures and leasehold improvements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Except as otherwise expressly restricted by the California Constitution and by law, the Board may, at its discretion, invest, or delegate the Association to invest the assets of the Association through the purchase, holding, or sale of any form or type of instrument, or financial transaction when prudent in the informed opinion of the Board. In addition, the Board has established an investment policy which places limits on the compositional mix of cash, fixed income and equity securities, alternative investments, and real estate investments. The Association currently employs external investment managers to manage its assets subject to the guidelines of the investment policy.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment Custodial Credit Risk

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

	June 30, 2001		
	Category 1	Category 3	Fair Value
Cash and cash equivalents:			
Short-term investments with fiscal agent	\$ 39,093	\$ --	\$ 39,093
Total cash and cash equivalents	39,093	--	39,093
Investments:			
Domestic stocks	499,137	--	499,137
Domestic bonds	141,596	--	141,596
International stocks	280,236	--	280,236
Total investments	\$ 920,969	\$ --	920,969
Investments not considered securities for the purposes of custodial risk classification:			
Cash held in county investment pool			2,123
Securities lending short-term investment pool			228,483
Mortgage backed securities			209,759
Global bond index fund			116,405
Private markets (investments in limited partnerships, hedge fund, real estate)			166,305
Securities on loan, collateralized with cash			227,140
Total Deposits and Investments			\$ 1,908,935

	June 30, 2000		
	Category 1	Category 3	Fair Value
Cash and cash equivalents:			
Short-term investments with fiscal agent	\$ 73,841	\$ --	\$ 73,841
Total cash and cash equivalents	73,841	--	73,841
Investments:			
Domestic stocks	527,635	--	527,635
Domestic bonds	146,912	--	146,912
International stocks	346,263	--	346,263
Global bonds	33,989	11,810	45,799
Total investments	\$ 1,054,799	\$ 11,810	\$ 1,066,609
Investments not considered securities for the purposes of custodial risk classification:			
Cash held in county investment pool			2,879
Securities lending short-term investment pool			278,081
Mortgage backed securities			178,889
Global bond index fund			49,835
Private markets (investments in limited partnerships, hedge fund, real estate)			139,438
Securities on loan, collateralized with cash			275,878
Total Deposits and Investments			\$ 2,065,450

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment Custodial Credit Risk (Continued)

Custodial credit risk categories have been established by Governmental Accounting Standard Board (GASB) Statement No. 3. Category 1 includes investments that are insured or registered or for which the securities are held by the Association or its agents in the Association's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Association's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Association's name. In accordance with GASB Statement No. 3 disclosure requirements, private market investments, securities lending, cash held in the County investment pool, reverse repurchase agreements, index funds, and mortgage backed securities are not categorized.

Deposits in the County investment pool are insured or collateralized with securities held by the Association or its agent.

Derivatives

The Association, through its external investment managers, enters into forward foreign currency contracts to hedge against changes in the fair values of foreign bonds and equity securities, primarily denominated in European and Asian currencies. It is possible that, due to foreign exchange fluctuations, the Association may be exposed to a potential loss. At June 30, 2001, the Association has approximately \$31 million of its \$302 million foreign equity portfolio hedged through the use of such forward foreign currency contracts.

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

The Association's investment portfolio also contains certain variable rate notes and collateralized mortgage obligations. At June 30, 2001 and 2000, the Association had approximately \$13,388,000 and \$22,885,000 in these investments, respectively.

Reverse Repurchase Agreements

The Association did not have any reverse repurchase agreements outstanding at June 30, 2001, or June 30, 2000.

Securities Lending

The Board authorized the Association, through its custodian bank, to enter into securities lending transactions, whereby securities owned by the Association are loaned on a short-term basis to various banks and brokers. Securities on loan include international and domestic stocks as well as global and domestic bonds. Securities on loan must be collateralized at 102% of the market value of the loaned securities. Collateral may take the form of cash, commercial paper, certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements, obligations issued or guaranteed as to interest and principal by the United States Government (or agencies or instrumentality's thereof), bank time deposits, variable rate demand notes, Marshall & Ilsley Trust Company's money market mutual fund, and any common trust fund maintained by a bank or other financial institution or any commingled or pooled trust.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

Securities Lending (Continued)

The lending agreement places no restriction on the amount of loans that can be made. The Association's lending agent is authorized to invest and reinvest cash collateral, but it is not expressly permitted to pledge or sell securities collateral without borrower default. Cash collateral is invested in the lending agent's short-term investment pool. The relationship between the maturities of the investment pool and the Association's loans is affected by the securities loans of other entities that use the agent's pool, which the Association cannot determine. At year end, the Association has no credit risk exposure to borrowers as the amounts the Association owes the borrowers exceed the amounts the borrowers owe the Association. Furthermore, the lending agreement with the custodian requires the custodian to indemnify the Association if the borrower fails to return the securities.

There were no losses associated with securities lending transactions during the years ended June 30, 2001 and June 30, 2000. Income from these transactions is reported on the statement of changes in plan net assets. Securities on loan are reported at fair value on the statement of plan net assets. The fair values of securities on loan were as follows (in thousands):

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Domestic stocks	\$ 115,992	\$ 135,129
International stocks	22,170	47,043
Total stocks on loan	<u>138,162</u>	<u>182,172</u>
Domestic bonds	88,978	87,426
Global bonds	0	6,280
Total bonds on loan	<u>88,978</u>	<u>93,706</u>
Total stocks and bonds on loan	<u>\$ 227,140</u>	<u>\$ 275,878</u>

NOTE 4 - INVESTMENT TRADES RECEIVABLE AND PAYABLE

Investment trades receivable and payable include forward currency contracts, and sales and purchases of investments. Forward currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2001, forward foreign currency contracts receivable and payable totaled \$31,173,000 and \$31,154,000, respectively. At June 30, 2000, forward foreign currency contracts receivable and payable totaled \$81,926 and \$81,746, respectively. The remaining investment trades receivable and payable balances represent investment sales and investment purchases outstanding, respectively.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

NOTE 5 - NOTE RECEIVABLE

During the year ended June 30, 1997, the Association's investment in TCW Realty Fund VIA was redeemed by the fund manager. Accordingly, the Association was issued an interest bearing promissory note. At June 30, 2001, the note had a principal balance of \$535,000, which is scheduled to be repaid when all assets owned by the partnership are sold.

NOTE 6 - CONTRIBUTIONS AND RESERVES

Contributions

Contributions are made by the members and the employers at rates recommended by the Association's independent actuary and approved by the Board and the County Board of Supervisors. Employee contribution rates vary according to age and classification (safety or general), and are designed to provide funding for approximately one-fourth of the regular retirement benefits and one-half of all cost of living benefits. Members are required to contribute between 2% and 5% of their annual covered salary. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act.

Interest is credited to member contributions every six months based on the prior six months ending balance. No member may borrow or withdraw their member contributions until retiring or terminating employment with the Employers, at which time they may request a refund of accumulated contributions and interest. Member contributions are forfeited to the Association if the member does not request a refund within five years of terminating membership.

Employer rates are determined pursuant to Section 31453 of the 1937 Act and are designed to provide funding for the remaining regular retirement and cost of living benefits, as well as all regular disability and survivor's benefits.

Contribution rates are actuarially determined using the entry age normal method and consist of normal cost (the estimated amount necessary to finance benefits earned by employees during the current year) and amortization of the unfunded actuarial accrued liability beginning in 1980, over a 30 year period. Details of funding progress, annual required contributions and percentage of contributions made by the employers, and the latest actuarial valuation methods are presented in the required supplementary information schedules on pages 22 and 23.

Members' contributions, including interest, are 100% vested at all times. Employers' contributions do not become vested until completion of five years of credited service at which time they become 100% vested. A member may receive a regular retirement allowance after attaining age 50 provided that such member has attained at least 10 years of credited service; or at any age after 30 years of service for a general member and 20 years of service for a safety member.

Reserves and Designations

Net assets held in trust for pension benefits are segregated into members' accumulated contributions, reserves established by the Board and undistributed earnings. The Board has established reserves for various benefit payments pursuant to the 1937 Act, and it has designated a reserve for market stabilization. The reserves are generally based on actuarially determined amounts.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

NOTE 6 - CONTRIBUTIONS AND RESERVES (CONTINUED)

The amounts and changes in reserves and designations for the year ended June 30, 2001 consist of the following (in thousands):

	Balance		Increase		Balance
	July 1,		(Decrease)		June 30,
	<u>2000</u>		In Plan	Net	<u>2001</u>
			<u>Net Assets</u>	<u>Transfers</u>	
Reserves:					
Members' accumulated contributions	\$ 251,943	\$	8,827	\$ (5,774)	\$ 254,996
Current service reserve	428,549		(147)	(36,861)	391,541
Annuity pension reserve	60,079		(8,182)	20,927	72,824
Current service pension reserve	322,969		(29,541)	95,013	388,441
Survivors' death benefit reserve	4,106		(492)	464	4,078
Cost of living adjustment reserve	310,345		(12,659)	31,720	329,406
Supplemental cost of living reserve	10,033		(1,964)	807	8,876
Supplemental benefit reserve	--		(4,965)	92,568	87,603
Supplemental annuity reserve	--		(528)	134,431	133,903
Contingency reserve	17,820		--	(912)	16,908
Retiree health insurance reserve	63,836		(5,402)	34,135	92,569
Designated for market stabilization	59,696		--	(192,806)	(133,110)
Undistributed earnings	252,654		(36,166)	(173,712)	42,776
Net assets held in trust for pension benefits	\$ <u>1,782,030</u>	\$	<u>(91,219)</u>	\$ <u>--</u>	\$ <u>1,690,811</u>

The amounts and changes in reserves and designations for the year ended June 30, 2000 consist of the following (in thousands):

	Balance		Increase		Balance
	July 1,		(Decrease)		June 30,
	<u>1999</u>		In Plan	Net	<u>2000</u>
			<u>Net Assets</u>	<u>Transfers</u>	
Reserves:					
Members' accumulated contributions	\$ 239,494	\$	6,923	\$ 5,526	\$ 251,943
Current service reserve	417,103		(127)	11,573	428,549
Annuity pension reserve	55,896		(7,277)	11,460	60,079
Current service pension reserve	302,424		(26,875)	47,420	322,969
Survivors' death benefit reserve	3,744		(495)	857	4,106
Cost of living adjustment reserve	295,004		(11,498)	26,839	310,345
Supplemental cost of living reserve	10,946		(1,816)	903	10,033
Contingency reserve	16,950		--	870	17,820
Retiree health insurance reserve	62,790		(4,134)	5,180	63,836
Designated for market stabilization	123,654		--	(63,958)	59,696
Undistributed earnings	167,022		132,302	(46,670)	252,654
Net assets held in trust for pension benefits	\$ <u>1,695,027</u>	\$	<u>87,003</u>	\$ <u>--</u>	\$ <u>1,782,030</u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

NOTE 6 - CONTRIBUTIONS AND RESERVES (CONTINUED)

Members' accumulated contributions include all contributions net of refunds and benefits paid of current members. At retirement or disability, balances are transferred to the annuity pension reserve and the cost of living adjustment reserve. Employers' contributions are paid into the current service reserve and cost of living adjustment reserve. When an employee retires, applicable balances are transferred from the current service reserve to the current service pension reserve. Undistributed earnings are credited with all investment income and charged with investment and other fees. Transfers from undistributed earnings to other reserves are made twice a year at an annual rate of 8.25% of the balance in the transferee reserve. Any additional transfers out of undistributed earnings are made in accordance with the authorization of the Board.

The survivor's death benefit reserve is credited with balances transferred from members' accumulated contributions and the current service reserve in those instances where the survivor is entitled to continuation benefits. Lump sum survivor benefits are paid directly from members' accumulated contributions and the current service reserve. Pension and disability benefits are paid from the annuity pension reserve, current service pension reserve and cost of living adjustment reserve.

Both the retiree health insurance and the supplemental cost of living reserves are approved annually by the Board. The retiree health insurance reserve was established during 1987 to provide funds for payment of supplemental benefits. The supplemental cost of living reserve was established in 1990 to provide additional benefits for eligible members who retired on or before April 1, 1981. The supplemental cost of living reserve balance reflects Board approved transfers from undistributed earnings. The retiree health insurance reserve balance reflects Board approved transfers through June 30, 2001. These transfers include amounts mandated from undistributed earnings as required by the settlement agreement (see note 8). Per the settlement agreement accepted December 15, 2000, effective January 1, 2001 the health benefit is now tied directly to increases in undistributed earnings starting with the actuarial period ending June 30, 2002, and thereafter.

In addition to the retiree health insurance reserve, two new reserves were established to comply with the settlement agreement (see note 8). The two new reserves are supplemental benefit reserve and supplemental annuity reserve. The supplemental benefit reserve was established for the benefit increase given to retirees or the beneficiaries of retirees who retired prior to January 1, 2001. The supplemental annuity benefit reserve was established for the benefit increase given to all members who retired on or after January 1, 2001.

The designation for market stabilization serves to spread unanticipated market gains and losses over a five year period and represents a portion of net investment earnings in excess of actuarial expectations.

NOTE 7 - COMMITMENTS

The Association committed to invest in, and has partially funded, various private market investment funds. At June 30, 2001, the remaining commitments totaled \$ 54,168,000.

NOTE 8 - CALIFORNIA SUPREME COURT DECISION

On August 14, 1997, the Supreme Court of the State of California issued a decision in a case entitled Ventura County Deputy Sheriff's Association vs. Board of Retirement of Ventura County Employees' Retirement Association Case No. S055682. On October 1, 1997, the decision of the California Supreme Court became final. The Supreme Court held that a County Retirement System operating under the provisions of the 1937 Act must include certain types of cash incentive payments and additional pay elements received by an employee, within the employee's "compensation earnable" and "final compensation" when calculating the employee's retirement benefits.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

NOTE 8 – CALIFORNIA SUPREME COURT DECISION (CONTINUED)

The Association, in conjunction with legal counsel, has worked toward implementing this court decision. The Board of Retirement voted to implement the changes as of October 1, 1997, the date the decision became final. Two claims were subsequently filed against the Association seeking retroactive application of the decision and the inclusion of additional compensation items in the calculation of retirement benefits. At June 30, 1999, a claim was pending against the Board of Retirement challenging the Board's distribution of excess earnings. On June 21, 2000, the Superior Court of San Francisco ruled that the additional compensation items were not to be included in the calculation of retirement benefits. The County of Fresno Board of Supervisors, the Board of Retirement and all parties to the three litigation proceedings reached a tentative settlement agreement. The tentative agreement was contingent upon finalization of judicial and legislative approvals. The Superior Court of San Francisco approved the settlement agreement on September 29, 2000, but, the legislation required to enable the County of Fresno to offer the enhanced benefits detailed in the settlement agreement was vetoed by the Governor on September 28, 2000. The Superior Court of San Francisco accepted a settlement agreement that was not contingent upon legislative changes on December 15, 2000. As part of the settlement, the Association was required to transfer funds from the undistributed reserves to the various reserves in the amount of \$252,654,000 and to pay attorneys fees totaling \$1,250,000.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2001**

SCHEDULE OF FUNDING PROGRESS

(amounts in thousands)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded (Overfunded) AAL (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Unfunded (Overfunded) AAL Percentage of Covered Payroll (3)/(5)
6/30/94	\$ 795,748	\$ 1,008,658	\$ 212,910	78.9%	\$ 217,439	97.9%
6/30/96	1,296,256	1,470,331	174,075	88.2%	191,114	91.1%
6/30/98	1,647,935	1,549,166	(98,769)	106.4%	219,398	(45.0%)
6/30/00	1,698,282	1,719,905	21,623	98.7%	273,426	7.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(amounts in thousands)

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
1995	\$ 22,707	100.00%
1996	26,468	100.00%
1997	31,666	100.00%
1998	18,918	100.00%
1999	6,005	100.00%
2000	--*	100.00%
2001	--*	100.00%

Actuarial reviews are performed biennially.

The actuarial value of assets was based on historical cost for the year ended June 30, 1994. For the year ended June 30, 1996 and thereafter, the actuarial value of assets was based on a 5 year smoothed market method.

* On March 19, 1998, the County of Fresno issued Pension Obligation Bonds, which paid off the estimated Unfunded Actuarial Accrued Liability. As a result of the June 30, 1998 Actuary Study, the Board of Retirement elected to use a distribution of excess earnings to pay the employer contributions for approximately six years and six months beginning July 1, 1999. With the establishment of the enhanced benefits, Safety employers will be required to begin contributions during fiscal year 2002. General employers are not anticipated to begin contributions until a later time.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2001**

LATEST ACTUARIAL VALUATION METHODS

Valuation date	June 30, 2000
Actuarial cost method	Entry age normal funding method
Amortization method	Level percent - closed
Remaining amortization period	10 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25% (3.75% real return, 4.5% inflation)
Projected salary increases	5.5% (1.0% merit increase, 4.5% inflation)
Cost of living adjustments	0 – 3% (tied to the change in Consumer Price Index)

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
Personnel Services		
Salaries and Benefits	\$ 591,591	\$ 598,649
Total Personnel Services	<u>591,591</u>	<u>598,649</u>
Office Expenses		
Office Expense	<u>19,246</u>	<u>7,260</u>
Other Services and Charges		
Attorney Fees - New Benefits (See Note 8)	1,250,000	0
Telephone Charges	3,638	5,718
Insurance Other	2,632	1,500
Maintenance	46,494	40,362
Memberships	4,195	2,970
Postage	17,126	10,866
Off Site Storage	263	0
Professional and Specialized Services	142,761	84,722
Disability Expenses	35,497	43,660
Data Processing Services	43,607	22,562
Transportation, Travel, and Education	70	2,687
Transportation, Travel - Commissions & Advisory Board	<u>21,415</u>	<u>12,114</u>
Total Other Services and Charges	<u>1,567,698</u>	<u>227,161</u>
Depreciation	56,888	34,414
Total Administrative Expenses	<u><u>\$ 2,235,423</u></u>	<u><u>\$ 867,484</u></u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
Investment Manager Fees	\$ 5,572,354	\$ 8,084,517
Fiduciary Insurance Premium	27,316	30,149
Custodial Service Fees	400,071	638,437
Actuarial Service Fees	62,673	62,427
Consulting Fees	168,569	211,003
Total Investment Expenses	<u>\$ 6,230,983</u>	<u>\$ 9,026,533</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	2001	2000
Disability Attorney Fees	\$ 5,326	\$ 6,774
Retirement Board Attorney Fees	28,033	11,887
External Audit Fees	17,750	12,560
Actuarial Consulting Fees	62,673	62,427
Investment Consulting Fees	168,569	211,003
Custodial Fees	400,071	638,437
Data Processing Fees	<u>43,607</u>	<u>22,562</u>
TOTAL PAYMENTS TO CONSULTANTS	<u>\$ 726,029</u>	<u>\$ 965,650</u>

Refer to page 34 for information on fees paid to investment professionals.

INVESTMENT SECTION

The FCERA total investment portfolio declined by \$89 million over the past year to a value of \$1.7 billion as of 6/30/01. As highlighted below, the FCERA portfolio is broadly diversified, holding investments ranging from publicly-traded bonds to privately held partnerships. Clearly, the scale and breadth of investments make the management and oversight of these assets highly complex. FCERA has been effective in using its resources in a cost-efficient manner to ensure that benefits continue to flow to plan participants.

Investment Allocation

The most critical factor influencing overall investment performance is the allocation of the FCERA portfolio across major asset classes. The second quarter report reflects asset allocation guidelines adopted by FCERA in October of 1997. The portfolio's actual allocation as of 6/30/01 is slightly different from policy. The domestic equity and fixed income portfolios were overweight while private markets and both international equity and fixed income portfolios were underweight.

Investment Results

Over the last year, the FCERA investment portfolio produced an overall return of minus 1.5%. This result outpaced the FCERA policy benchmark by 1.6%¹ due to relative outperformance in all asset classes except domestic fixed income, which on an absolute basis produced double-digit returns. During this period, both allocation decisions determined by the FCERA Board and Staff as well as active management decisions by FCERA's managers added value.

During the last three years, the FCERA portfolio generated a 4.6% return versus 5.7% for the policy benchmark. Over the last five years, the FCERA investment portfolio produced an average annual return of 10.6%, exceeding its policy benchmark by 80 basis points. Positive absolute performance early in the period as well as strong relative performance over the past year contributed to these results. This result is mostly due to allocation decisions related to strategic policy and, more recently, active management decisions by FCERA's managers.

Pension Consulting Alliance, Inc.

¹ The policy benchmark consists of passive managed asset class portfolios weighted by FCERA's policy decisions. The difference between actual results and the benchmark are due to two factors: i) deviations from policy and ii) active decisions on the part of FCERA and its investment managers.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION GENERAL INFORMATION

The goal of the Fresno County Employees' Retirement Association ("Association") is to provide retirement compensation, death benefits, and disability benefits to County employees. The Association should meet this goal through judicious investment of employee and employer contributions.

The County Employees' Retirement Law of 1937 governs the Association. California Public Law (including Sections 31594 and 31595) also regulates Association action. Section 31594 and 31595 are especially important because they provide for prudent person governance of the plan. These laws do not specify the type, amount, and quality of plan investments. Rather, these laws guide the Association to make investments assumed to be in the best interest of the plan's beneficiaries. Such decisions should be consistent with the decisions of other investors possessing similar information.

The Retirement Board ("Board") has exclusive control of the investment of the employees' retirement fund. The assets of the Association are trust funds and shall be held for the exclusive purposes of providing benefits to its members in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the Association. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest the assets of the fund through the purchase, holding, or sale of any form or type of investment financial instrument, or financial transaction when prudent in the informed opinion of the Board.

The officers and employees of the Board shall discharge their duties to the Association as follows:

- The Board will act solely in the interest of and for exclusive purposes of providing benefits to participants and their beneficiaries. The Board will keep employer contributions to the Association at a minimum level. The Board will also pay reasonable expenses required to administer the plan.
- The Board will act like a prudent person under equivalent circumstances and having similar goals. Attention to care, skill, prudence, and diligence is of utmost importance when acting on behalf of the Association.
- The Board shall diversify the Association's investments to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so. The following is the diversification of Association's portfolio:

<u>Association's Portfolio</u>	<u>Target Allocations</u>	<u>Actual Allocations</u>
Domestic Bonds*	25%	26.18%
Global Bonds	9%	6.92%
Domestic Stocks	35%	36.58%
International Stocks	20%	17.98%
Private Markets**	10%	9.89%
Cash and Cash Equivalents	1%	2.45%

* Includes mortgage backed securities

** Includes real estate, futures, and alternative investments

The Association's assets are exclusively managed by external, professional investment management firms. The Board closely monitors the performance of the managers with the assistance of an external investment consultant.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION SUMMARY OF INVESTMENT OBJECTIVES

The Association's primary objective is to efficiently allocate and manage the assets dedicated to the payment of retirement and disability benefits. While recognizing the importance of "preservation of capital", the Association also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long run.

To accomplish its investment objectives, the Association has established a series of procedures and guidelines. The procedures, grouped together as the Investment Policy, serve to guide the Association's investment program. The procedures also help to define the responsibilities of the Board members as they relate to the investment process.

The policy drives the investment actions of the Association. This policy considers various mixes of different investment asset class risk and return expectations for each mixed-class portfolio current and projected plan liabilities. In addition, the Board has established proxy voting policies for its equity investments. The Board retains a firm to vote its own proxy voting fulfilling compliance with California law.

The following schedules reflecting investment results were based on time-weighted rate of return using fair value.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT RESULTS BASED ON FAIR VALUE
AS OF JUNE 30, 2001

TOTAL FUNDS	Current Year	Annualized Rate of Return for the Preceding	
		3 - Year	5 - Year
Bonds			
Domestic	10.0%	5.2%	7.0%
Benchmark : Lehman Aggregate	11.4%	6.3%	7.5%
Global	-2.5%	1.0%	2.1%
Benchmark : Salomon World Government	-3.1%	1.4%	2.4%
Stocks			
Domestic Value	15.8%	5.6%	14.7%
Benchmark Return at Actual Allocation	14.1%	6.4%	14.9%
Domestic Growth	-36.9%	-2.1%	10.2%
Benchmark Return at Actual Allocation	-34.3%	1.7%	12.6%
Domestic Small Capital	49.2%	3.8%	13.3%
Benchmark : Russell 2000	27.9%	16.1%	16.2%
International	-19.6%	4.1%	11.3%
Benchmark : MSCI EAFE	-23.8%	-0.5%	3.3%
Private Markets			
Real Estate	12.4%	13.2%	11.8%
Benchmark : NCREIF	11.9%	12.5%	12.7%
Alternative Investments	1.1%	8.5%	N/A
Benchmark : S&P 500 + 4.47%	-16.5%	8.6%	N/A
Cash, Custodial and Investment Pool			
Cash	5.5%	4.5%	5.4%
Benchmark: 90-Day Treasury Bill	5.6%	5.2%	5.2%
TOTAL	-1.5%	4.6%	10.6%

Notes:

Realty is net of fees and lagged one quarter.

Securities Lending is lagged one quarter.

Alternative Investment is lagged one quarter.

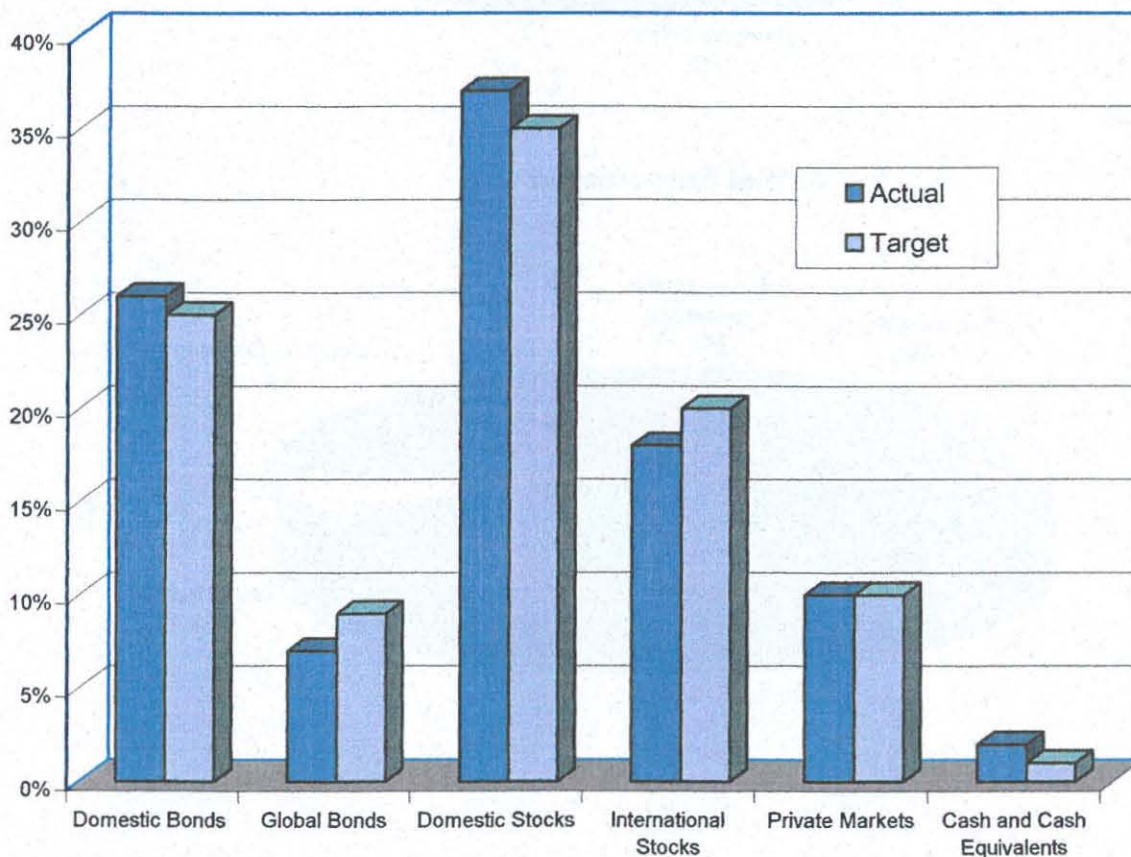
Investment results were prepared using a time-weighted rate of returned based on the market rate of return in accordance with AIMR's performance presentation standards.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TARGET AND ACTUAL ASSET ALLOCATIONS
AS OF JUNE 30, 2001**

The Board reviews the Association's Investment Policy every two years, taking into consideration the latest actuarial study. Based on this review, the Board adopts an asset allocation mix with the goal of helping the Association achieve a fully-funded status. Each asset class has a target allocation. The Association treats these targets as long-term funding objectives. Adhering to these targets allows the Association to keep investment risk at a manageable level and minimizes investment costs.

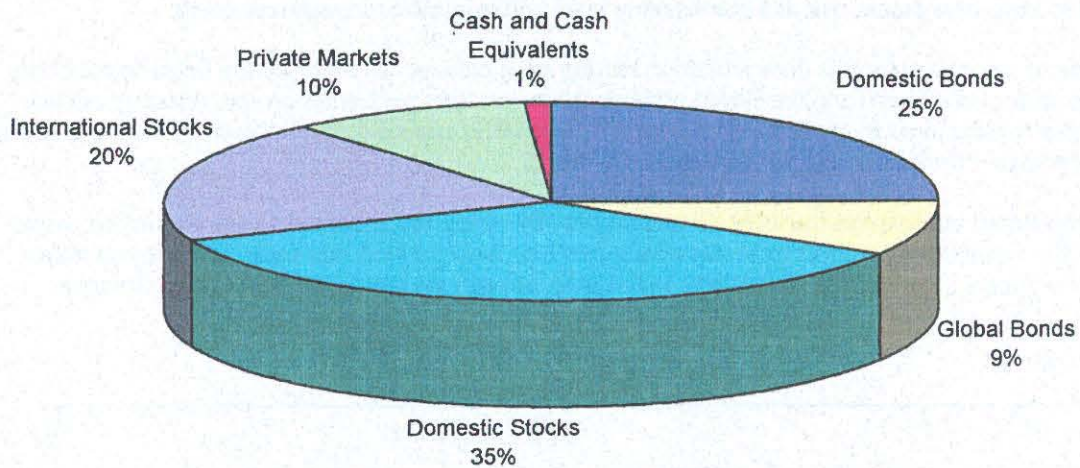
One keystone of asset allocation is diversification among asset classes. Diversification helps to maintain risk at a tolerable level. Therefore, the Board reviews the investment performance and volatility of each asset class on a regular basis over various time periods (quarterly, annually, multi-years) to ensure that the current allocation continues to meet the Association's needs.

Over time, the Board implements the asset allocation plan by hiring investment managers to invest assets on behalf of the Association, subject to investment guidelines incorporated into each firm's investment management contract. The 2000/01 target and actual asset allocations are presented in the following graphs:

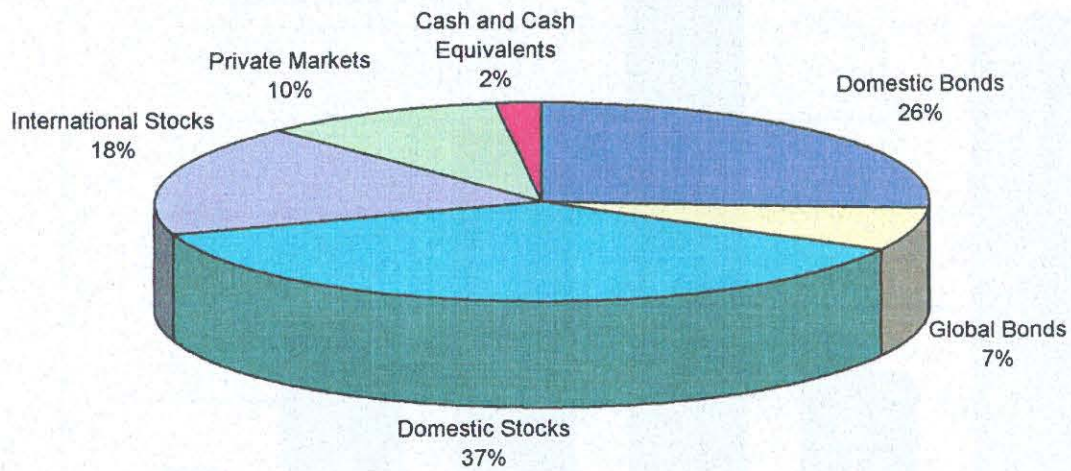


**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TARGET AND ACTUAL ASSET ALLOCATIONS (CONTINUED)
AS OF JUNE 30, 2001**

Target Percentages



Actual Percentages



FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
LARGEST BOND HOLDINGS
AS OF JUNE 30, 2001

PAR	NAME	FAIR VALUE
\$ 20,766,000	TREASURY NOTE 8/15/09	\$ 21,595,228
14,417,000	TREASURY NOTE 4/30/02	14,711,727
9,736,000	TREASURY BOND 2/1/10	12,622,656
11,499,000	TREASURY NOTE 11/15/04	11,893,818
11,077,538	GNMA II 3/20/31	10,906,182
6,147,000	TREASURY BOND 2/15/15	9,308,384
9,000,000	FNMA 6/1/31	9,181,406
8,588,949	FNMA 12/1/29	8,640,570
8,158,000	FNMA 9/15/09	8,450,660
7,402,000	TREASURY NOTE 4/30/03	7,373,739
	TOTAL	<u>\$ 114,684,370</u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
LARGEST STOCK HOLDINGS
AS OF JUNE 30, 2001

SHARES	NAME	FAIR VALUE
289,900	GENERAL ELECTRIC CO.	\$ 14,132,625
157,000	VERIZON	8,399,500
176,180	JP MORGAN CHASE & CO.	7,857,628
87,800	EXXON CORP.	7,669,330
186,475	PFIZER, INC.	7,468,324
120,910	ELAN PLC ADR	7,375,510
136,266	CITIGROUP, INC.	7,200,295
190,500	WASHINGTON MUTUAL	7,153,275
47,562	TOTAL FINA ELF	6,659,995
330,000	NOMURA SECURITIES	6,323,765
	TOTAL	<u>\$ 80,240,247</u>

A complete list of portfolio holdings is available upon request.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FEES AND COMMISSIONS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	2001	2000
Investment Manager Fees		
Domestic Stocks	\$ 2,130,127	\$ 2,601,122
International Stocks	2,101,346	2,553,708
Domestic Bonds	1,089,380	994,014
Global Bonds	107,511	261,284
Private Markets	143,990	1,674,389
Total Investment Manager Fees	<u>\$ 5,572,354</u>	<u>\$ 8,084,517</u>
 Other Investment Expenses		
Securities Lending Expense	\$ 18,657,301	\$ 10,259,209
Fiduciary Insurance Premium	27,316	30,149
Custodial Service Fees	400,071	638,437
Actuarial Service Fees	62,673	62,427
Consulting Fees	168,569	211,003
Total Other Investment Expenses	<u>\$ 19,315,930</u>	<u>\$ 11,201,225</u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FEES AND COMMISSIONS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2001

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
Investment Trade Commissions				
Merrill Lynch, Pierce, Fenner & Smith	1,537,254,718	\$ 623,617.84	\$ 0.0004	20.24%
Capital Institute	9,969,793	263,472.80	0.0264	8.55%
Wishire Assoc.	5,037,265	251,948.25	0.0500	8.18%
Goldman Sachs	126,325,279	161,231.93	0.0013	5.23%
Lehman Brothers	125,633,173	145,511.33	0.0012	4.72%
Morgan Stanley & Co.	176,340,489	136,962.94	0.0008	4.45%
Deutsche Bank	59,844,730	89,429.71	0.0015	2.90%
HSBC Securities	14,971,770	80,466.37	0.0054	2.61%
Pension Fund Evaluations	1,217,656	67,194.30	0.0552	2.18%
Knight Securities	1,357,687	66,304.50	0.0488	2.15%
First Boston Corporation	63,586,406	65,136.32	0.0010	2.11%
Instinet	2,728,936	63,385.40	0.0232	2.06%
Bear, Stearns & Co., Incorporated	46,130,852	58,811.83	0.0013	1.91%
Salomon Smith Barney	2,253,987,552	54,363.44	0.0000	1.76%
UBS Securities	728,296,927	51,067.17	0.0001	1.66%
Prudential Securities	6,464,663	48,473.20	0.0075	1.57%
Jardine Flemming	4,526,132	45,592.85	0.0101	1.48%
Credit Lyonnais Securities	62,638,767	42,258.71	0.0007	1.37%
Brockhouse and Cooper	856,858	38,842.48	0.0453	1.26%
JP Morgan	60,468,121	38,517.72	0.0006	1.25%
CSFB Europe London	3,863,350	37,816.27	0.0098	1.23%
DRES Klein Ben Incorporated	2,268,938	35,673.11	0.0157	1.16%
Jeffries	1,188,044	34,985.12	0.0294	1.14%
Salomon Brothers, Inc.	908,863,627	28,777.38	0.0000	0.93%
Other	586,669,628	551,216.14	0.0009	17.90%
Total Investment Trade Commissions	<u>6,790,491,361</u>	<u>\$ 3,081,057.11</u>	<u>\$ 0.0005</u>	<u>100.00%</u>

The Association has established a Directed Commission Recapture Program generated by equity and fixed income transactions. The Association provides each manager with a target amount of commissions that they will direct annually, based on investment and trading styles. However, the Association communicates to its managers that best execution and best price are still the primary considerations when a transaction is made.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT SUMMARY
AS OF JUNE 30, 2001
(amounts in thousands)

	Fair Value	Actual Percentages	Target Percentages
Investments			
Domestic Bonds*	\$ 440,334	26.18%	25.00%
Global Bonds	<u>116,405</u>	<u>6.92%</u>	<u>9.00%</u>
Total Bonds	<u>556,739</u>	<u>33.10%</u>	<u>34.00%</u>
Domestic Stocks	615,129	36.58%	35.00%
International Stocks	<u>302,406</u>	<u>17.98%</u>	<u>20.00%</u>
Total Stocks	<u>917,535</u>	<u>54.56%</u>	<u>55.00%</u>
Private Markets**	<u>166,305</u>	<u>9.89%</u>	<u>10.00%</u>
Total Investments	<u>1,640,579</u>	<u>97.55%</u>	<u>99.00%</u>
Cash and Cash Equivalents			
Cash held in County Investment Pool	2,123	0.13%	***
Short term investment with fiscal agent	<u>39,093</u>	<u>2.32%</u>	<u>***</u>
Total Cash and Cash Equivalents	<u>41,216</u>	<u>2.50%</u>	<u>1.00%</u>
TOTAL INVESTMENT, CASH AND CASH EQUIVALENTS	<u>\$ 1,681,795</u>	<u>100.00%</u>	<u>100.00%</u>

* Includes mortgage backed securities.

** Includes real estate, futures, and alternative investments.

*** The overall target allocation for Cash and Cash equivalents is 1% and is not broken down by the type of investment.

ACTUARIAL SECTION

**ACTUARY'S
CERTIFICATION
LETTER**

**BUCK
CONSULTANTS**

100 California Street Suite 1300
San Francisco, California 94111

August 27, 2001

Board of Retirement
Fresno County
Employees' Retirement Association P.O.
Box 1247
Fresno, California 93715-1247

Members of the Board:

Re: *Actuarial Certification of the
Fresno County
Employees' Retirement Association*

Buck Consultants, Inc. is the Consulting
Actuary for the Fresno County Employees'
Retirement Association.

The funding objective of the Plan is to establish contribution rates which, over time, will remain as a level percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL). As of June 30, 2000, the remaining amortization period for the UAAL was 10 years. The progress being made towards the realization of the funding objective through June 30, 2000 is shown in the attached Exhibits.

Currently, actuarial valuations and experience analyses are performed bi-annually. The date of the most recent actuarial valuation and experience analysis was June 30, 2000. At that time an analysis

was made as to the appropriateness of all economic and non-economic assumptions. Recommendations were presented to, and adopted by, the Retirement Board.

For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period.

For the Financial Section of the Comprehensive Annual Financial Report, our firm provided the trend data shown in the Required Supplementary Information. Our firm has prepared and/or reviewed all of the schedules presented in the actuarial section. All actuarial assumptions shown in the schedules were determined by us and adopted by the Board. These assumptions produce results which, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The employee census data and asset information were provided by the Retirement Office. The census data was reviewed, compared against the prior years and deemed reasonable. The asset information was accepted without further audit.

We certify that the Retirement Association is in sound financial condition and that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

Respectfully submitted,

K. H. Upstill

Krystyna H. Upstill, E.A., M.A.A.A.
Principal and Consulting Actuary

Michael Moehle

Michael Moehle, E.A., F.S.A., M.A.A.A.
Principal and Consulting Actuary

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The Entry Age Normal Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The UAAL is being funded over 10 years from the June 30, 2000 valuation date. The following interest rate assumptions along with the post retirement and pre retirement demographic experiences are based on the plan's actuarial experience through June 30, 2000. The actuarial valuation report was approved and adopted by the Fresno County Board of Retirement on May 4, 2001.

1.	Interest:	8.25% per annum. (3.75% real, 4.5% inflation)
2.	Interest Credited to Employee Accounts:	8.25% per annum.
3.	Inflation:	4.50% per annum.
4.	Salary Scale:	5.50% per annum. (1% merit increase, 4.50% inflation)
5.	Asset Valuation:	Smoothed market value.
6.	Spouses and Dependents:	90% of male employees and 50% of female employees assumed married at retirement, with wives assumed three years younger than husbands.
7.	Rates of Termination of Employment:	0% to 16.50%
8.	Years of Life Expectancy After Retirement:	1994 Group Annuity Mortality
9.	Years of Life Expectancy After Disability:	1981 Disability Annuity Mortality
10.	Life Expectancy After Retirement for Employee Contribution Rate Purposes	
	- General Members:	1994 Group Annuity Table for Males, set back two years
	- Safety Members:	1994 Group Annuity Table for Males, with no set back
11.	Reciprocity Assumption:	50% of members who terminate with a vested benefit are assumed to enter a reciprocal system.
12.	Deferral Age for Vested Terminations:	63 for General Members; 55 for Safety.
13.	Sex:	All Safety members are assumed to be male.
14.	Gains & Losses	Gains and Losses are reflected in the UAAL. They are found over the period described above.

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 2000.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ACTIVE MEMBER VALUATION DATA**

Valuation Date	Plan Type	Number *	Annual Payroll	Average Monthly Salary	% Increase in Average Salary
June 30, 1994	General	6,091	\$ 189,354,000	\$ 2,591	7.2%
	Safety	<u>743</u>	<u>28,085,000</u>	\$ 3,150	10.6%
	Total	<u>6,834</u>	<u>\$ 217,439,000</u>	\$ 2,651	7.7%
June 30, 1996 **	General	4,856	\$ 158,601,000	\$ 2,722	5.1%
	Safety	<u>826</u>	<u>32,513,000</u>	\$ 3,280	4.1%
	Total	<u>5,682</u>	<u>\$ 191,114,000</u>	\$ 2,803	5.7%
June 30, 1998	General	5,200	\$ 181,813,000	\$ 2,914	7.1%
	Safety	<u>857</u>	<u>37,585,000</u>	\$ 3,655	11.4%
	Total	<u>6,057</u>	<u>\$ 219,398,000</u>	\$ 3,019	7.7%
June 30, 2000	General	6,195	\$ 227,910,000	\$ 3,066	5.2%
	Safety	<u>904</u>	<u>45,516,000</u>	\$ 4,196	14.8%
	Total	<u>7,099</u>	<u>\$ 273,426,000</u>	\$ 3,210	6.3%

* Difference in membership balances for actuary purposes and financial statement schedule on page 12 reflects adjustments to actuary information made after the financial statements were prepared.

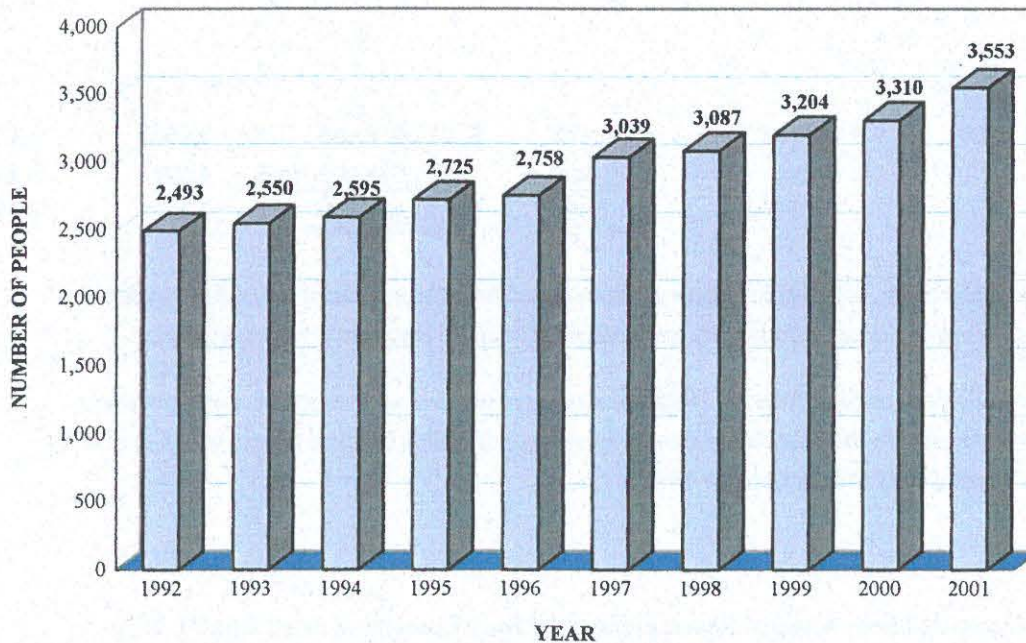
** The actuary study performed at June 30, 1996 included a prospective adjustment for members who terminated membership in the Association due to the merger of Valley Medical Center with Community Hospitals of Central California in October 1996.

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 2000.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO
AND REMOVED FROM RETIREE PAYROLL**

Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year
1992	2,346	209	62	2,493
1993	2,493	130	73	2,550
1994	2,550	110	65	2,595
1995	2,595	223	93	2,725
1996	2,725	124	91	2,758
1997	2,758	367	86	3,039
1998	3,039	130	82	3,087
1999	3,087	215	98	3,204
2000	3,204	203	97	3,310
2001	3,310	339	96	3,553

RETIRANTS AND BENEFICIARIES AT THE END OF THE YEAR



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FUNDING PROGRESS (GASB 25)**

(amounts in thousands)

The funding ratios based on the Entry Age Normal cost funding method

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Overfunded) AAL	Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL Percentage of Covered Payroll
June 30, 1994	\$ 795,748	\$ 1,008,658	\$ 212,910	78.9%	\$ 217,439	97.9%
June 30, 1996	1,296,256	1,470,331	174,075	88.2%	191,114	91.1%
June 30, 1998	1,647,935	1,549,166	(98,769)	106.4%	219,398	(45.0%)
June 30, 2000	1,698,282	1,719,905	21,623	98.70%	273,426	7.90%

The required employer contributions

Fiscal Year Ended	Annual Required Contributions	Percentage Contribution
June 30, 1994	\$ 21,428	100%
June 30, 1996	26,468	100%
June 30, 1998	202,550 *	100%
June 30, 2000	0	100%

* Includes proceeds from Pension Obligation Bonds.

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 2000.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ANALYSIS OF FINANCIAL EXPERIENCE
(amounts in thousands)

Changes to UAAL	1998	2000
Prior Valuation Unfunded Actuarial Accrued Liability	\$ 174,075	\$ (63,425) *
Expected Increased from Prior Valuation	(5,322)	47,536
Salary Increase Greater (Less) than Expected	(6,464)	834
Asset Return Less (Greater) than Expected	(150,168)	8,308
Proceeds from Pension Obligation Bond	(183,632)	0
Other Experience	26,365	22,804
Benefit Improvements	0	277,179
Asset Transfers for Benefit Improvements	0	(224,231)
Actuarial Assumptions Changes	0	(47,382)
Actuarial Value of Assets Method Change	46,722	0
Economic and Non-Economic Assumption Changes	(345)	0
Ending Unfunded Actuarial Accrued Liability (Surplus)	<u>\$ (98,769)</u>	<u>\$ 21,623</u>

* Excludes the unused asset transfer of \$35,344,000 as of 6/30/1998.

Note: Information compiled from Actuarial Report prepared by Buck Consultants.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SOLVENCY TEST
(amounts in thousands)

	Actuarial Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions (1)	Retirants and Beneficiaries (2)	Active Members Employer Financed (3)	Reported Assets	(1)	(2)	(3)
June 30, 1994	\$ 162,315	\$ 338,652	\$ 507,691	\$ 795,748	100%	100%	58.1%
June 30, 1996	\$ 190,456	\$ 439,643	\$ 840,232	\$ 1,296,256	100%	100%	79.3%
June 30, 1998	\$ 211,171	\$ 456,118	\$ 881,877	\$ 1,647,935	100%	100%	111.2%
June 30, 2000	\$ 251,943	\$ 622,130	\$ 845,832	\$ 1,698,282	100%	100%	97.4%

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE
(Current Assumptions)

Age	Withdrawal	Ordinary Death	Ordinary Disability	Service	Death While Eligible	Duty Death	Duty Disability	Terminated Vested
-----	------------	-------------------	------------------------	---------	-------------------------	------------	--------------------	----------------------

General Members - Male

20	0.15500	0.00020	0.00000	0.00000	0.00000	0.00010	0.00005	0.00045
30	0.13000	0.00040	0.00007	0.00000	0.00013	0.00010	0.00010	0.00630
40	0.03900	0.00060	0.00035	0.00000	0.00039	0.00010	0.00020	0.02070
50	0.01000	0.00130	0.00147	0.03500	0.00104	0.00010	0.00055	0.01080
60	0.01000	0.00240	0.00308	0.15000	0.00234	0.00030	0.00155	0.00540
70	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000

General Members - Female

20	0.16500	0.00010	0.00000	0.00000	0.00000	0.00000	0.00010	0.00270
30	0.13500	0.00030	0.00010	0.00000	0.00008	0.00000	0.00020	0.00450
40	0.04500	0.00060	0.00030	0.00000	0.00008	0.00000	0.00030	0.01665
50	0.02600	0.00100	0.00110	0.04000	0.00022	0.00000	0.00060	0.01170
60	0.01300	0.00180	0.00230	0.14000	0.00045	0.00000	0.00150	0.00450
70	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000

Safety Members

20	0.13000	0.00015	0.00000	0.00000	0.00000	0.00015	0.00060	0.00100
30	0.06400	0.00030	0.00030	0.00000	0.00015	0.00030	0.00130	0.02500
40	0.02200	0.00045	0.00100	0.00000	0.00022	0.00045	0.00390	0.01200
50	0.00500	0.00075	0.00160	0.03000	0.00060	0.00075	0.01060	0.00000
60	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 2000.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
YEARS OF LIFE EXPECTANCY AFTER SERVICE RETIREMENT
(Current Assumptions)

Age	Years of Life Expectancy
-----	--------------------------

General Members - Male

50	30.69
60	21.83
70	14.29
80	8.37
90	4.42
100	2.39
110	1.52

General Members - Female

50	33.94
60	24.70
70	16.54
80	9.71
90	4.98
100	2.50
110	1.50

Safety Members

50	30.69
60	21.83
70	14.29
80	8.37
90	4.42
100	2.39
110	1.52

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 2000.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
YEARS OF LIFE EXPECTANCY AFTER DISABILITY RETIREMENT
(Current Assumptions)

Age	Years of Life Expectancy
-----	--------------------------

General Members

20	38.73
30	31.98
40	26.21
50	21.08
60	16.37
70	11.70
80	7.00
90	4.09
100	2.20
110	0.50

Safety Members

20	49.29
30	40.36
40	31.77
50	23.59
60	16.64
70	11.70
80	7.00
90	4.09
100	2.20
110	0.50

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 2000.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUMMARY OF MAJOR PLAN PROVISIONS**

1. ELIGIBILITY

First of month following date of employment.

2. DEFINITION OF SALARY

Highest 12 consecutive months of compensation earnable.

3. SERVICE RETIREMENT

- Normal retirement age - 60 and 55 for the General and Safety 2.5% benefit formulas respectively.

- Early retirement

Age 50 and 10 years, or any age with 30 years for General, and any age with 20 years for Safety.

- Benefit

1/40 times final average salary per year of service.

- Benefit Adjustments

Reduced for retirement before 55 and 50 for General and Safety 2.5% benefit formulas respectively.

Increased for retirement after 55 and 50 for General and Safety 2.5% benefit formulas respectively.

4. DISABILITY RETIREMENT

- Non-service connected

2.25% of final average salary per year of service, with a maximum of 33-1/3% if projected service is used (age 60 for General, age 55 for Safety), or 90% of the accrued service retirement benefit without a benefit adjustment, or service retirement benefit (if eligible).

- Service-connected

Greater of 50% of final average salary or service retirement benefit (if eligible).

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUMMARY OF MAJOR PLAN PROVISIONS (CONTINUED)**

5. DEATH BEFORE RETIREMENT

- Refund of contributions plus 1/12 of salary per year of service up to 6 years.
- If eligible for disability or service retirement
 - 60% of member's accrued allowance.
- If service-connected
 - 50% of salary.

6. DEATH AFTER RETIREMENT

- Service retirement or ordinary disability
 - 60% of member's allowance payable to an eligible spouse.
- Service disability
 - 100% of member's allowance payable to an eligible spouse.

7. VESTING

- After five years of service.
- Must leave contributions on deposit.

8. MEMBERS' CONTRIBUTIONS

Based on entry age.

9. COST-OF-LIVING

"Automatic" 3% COLA for all members.

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 2000.

STATISTICAL SECTION

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE**

(amounts in thousands)

REVENUES BY SOURCE

		EMPLOYER CONTRIBUTIONS				
Fiscal Year Ended June 30,	Member Contributions	Dollars Amounts	% of Annual Covered Payroll	Net Investment Income	Total	
1992	\$ 5,579	\$ 18,771	10.19%	\$ 67,911	\$ 92,261	
1993	6,056	19,995	10.10%	88,960	115,011	
1994	6,374	21,428	9.67%	82,378	110,180	
1995	6,723	22,707	9.73%	75,072	104,502	
1996	8,038	26,468	11.34%	125,679	160,185	
1997	7,087	31,666	11.03%	204,115	242,868	
1998	7,168	202,550 *	93.44%	250,001	459,719	
1999	7,775	6,005	2.57%	105,166	118,946	
2000	9,198	0	0.00%	133,170	142,368	
2001	9,973	0	0.00%	(33,930)	(23,957)	

* Includes proceeds from Pension Obligation Bonds

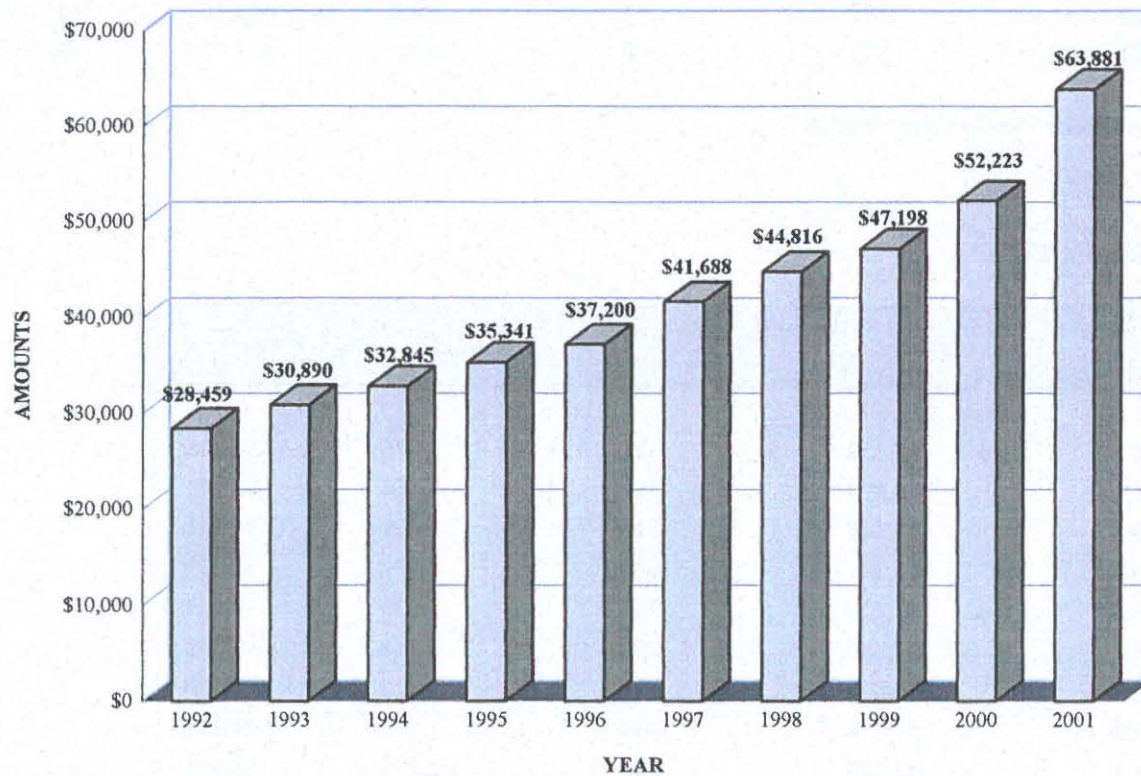
EXPENSES BY TYPE

Fiscal Year Ended June 30,	Benefits	Administrative Expenses	Refunds	Total
1992	\$ 28,459	\$ 421	\$ 1,726	\$ 30,606
1993	30,890	552	1,514	32,956
1994	32,845	520	1,478	34,843
1995	35,341	660	1,298	37,299
1996	37,200	787	1,678	39,665
1997	41,688	757	5,346	47,791
1998	44,816	721	1,772	47,309
1999	47,198	764	1,568	49,530
2000	52,223	867	2,275	55,365
2001	63,881	2,235	1,146	67,262

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF BENEFIT EXPENSES BY TYPE
(amounts in thousands)

MEMBERS	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
GENERAL	\$23,875	\$26,024	\$27,455	\$29,231	\$31,043	\$35,082	\$37,715	\$39,263	\$42,909	\$52,480
SAFETY	4,179	4,487	4,969	5,642	5,659	6,074	6,587	7,239	8,530	10,529
SURVIVOR	405	379	421	468	498	532	514	696	784	872
TOTAL	\$28,459	\$30,890	\$32,845	\$35,341	\$37,200	\$41,688	\$44,816	\$47,198	\$52,223	\$63,881

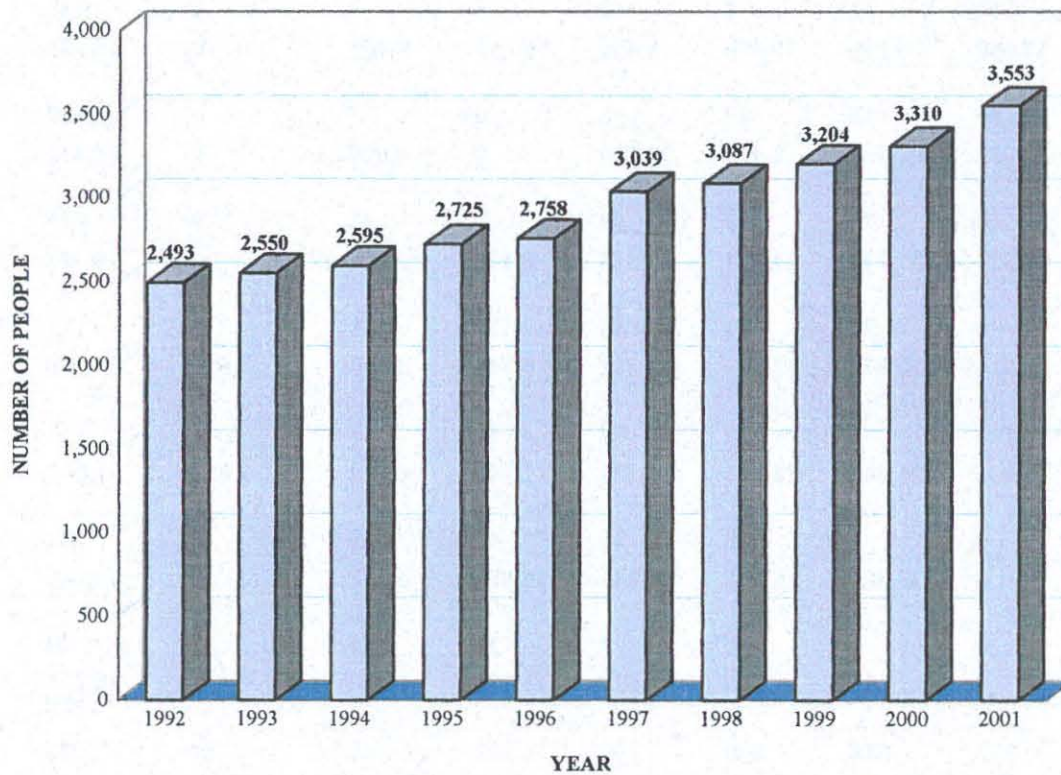
BENEFIT EXPENSES
(amounts in thousands)



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF RETIRED MEMBERS BY TYPE OF RETIREMENT**

MEMBERS	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
GENERAL	2,231	2,276	2,299	2,412	2,429	2,697	2,732	2,816	2,897	3,089
SAFETY	217	227	247	261	272	284	292	318	338	390
SURVIVOR	45	47	49	52	57	58	63	70	75	74
TOTAL	2,493	2,550	2,595	2,725	2,758	3,039	3,087	3,204	3,310	3,553

TOTAL RETIRED MEMBERS



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AVERAGE ANNUAL BENEFIT AND MEMBERSHIP DISTRIBUTION
OF RETIRED GENERAL MEMBERS
AS OF JUNE 30, 2000**

MALES

YEARS OF RETIREMENT

CURRENT AGE	YEARS OF RETIREMENT							TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	
Below 45	6	4	0	0	0	0	0	10
	7,805	6,976	0	0	0	0	0	7,473
45-49	1	1	2	0	0	0	0	4
	18,520	18,140	12,460	0	0	0	0	15,395
50-54	71	1	3	1	0	0	0	76
	10,595	11,652	10,696	9,213	0	0	0	10,595
55-59	70	35	1	2	3	1	0	112
	17,600	12,819	12,309	8,490	8,617	9,455	0	15,583
60-64	68	58	27	5	0	1	0	159
	27,882	21,537	8,418	18,320	0	4,620	0	21,815
65-69	49	79	59	39	2	1	0	229
	19,521	25,747	14,952	8,675	8,178	1,824	0	18,468
70-74	6	34	74	38	17	1	3	173
	6,914	22,892	22,573	12,522	9,749	4,562	4,635	18,210
75-79	1	5	36	72	30	13	1	158
	15,914	25,446	18,873	19,529	11,166	4,434	2,658	16,607
80-84	0	1	8	35	49	9	0	102
	0	33,085	16,932	14,845	15,878	6,417	0	14,940
85 & Over	0	0	0	7	21	14	7	49
	0	0	0	14,224	13,038	6,610	5,339	10,271
TOTAL	272	218	210	199	122	40	11	1,072
	18,233	21,689	17,448	14,860	13,072	5,710	4,903	16,965

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AVERAGE ANNUAL BENEFIT AND MEMBERSHIP DISTRIBUTION
OF RETIRED GENERAL MEMBERS* (CONTINUED)
AS OF JUNE 30, 2000**

FEMALES

CURRENT AGE	YEARS OF RETIREMENT							TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	
Below 45	12	1	1	0	0	0	0	14
	10,294	5,073	3,697	0	0	0	0	9,450
45-49	8	1	3	2	0	0	0	14
	12,257	12,042	19,587	19,421	0	0	0	14,836
50-54	130	7	3	0	2	0	0	142
	10,203	13,314	9,492	0	9,504	0	0	10,331
55-59	136	65	5	3	1	1	0	211
	12,733	10,542	11,135	6,649	5,946	9,698	0	11,887
60-64	108	61	45	5	5	3	0	227
	14,640	15,627	7,843	6,263	11,395	4,216	0	13,164
65-69	63	118	60	41	10	3	1	296
	14,971	16,214	9,162	7,417	10,340	6,408	5,323	12,967
70-74	9	81	90	54	36	4	2	276
	12,142	13,521	13,073	10,210	7,018	2,834	3,901	11,609
75-79	0	19	71	106	62	17	3	278
	0	12,142	13,729	12,560	7,880	4,526	5,916	11,223
80-84	0	2	14	59	90	32	7	204
	0	12,584	12,733	12,966	9,076	4,182	6,524	9,631
85 & Over	0	0	1	9	60	65	32	167
	0	0	7,250	12,115	8,288	5,233	4,629	6,598
TOTAL	466	355	293	279	266	125	45	1,829
	12,689	14,121	11,557	11,294	8,424	4,831	4,993	11,226

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AVERAGE ANNUAL BENEFIT AND MEMBERSHIP DISTRIBUTION
OF RETIRED SAFETY MEMBERS
AS OF JUNE 30, 2000**

CURRENT AGE	YEARS OF RETIREMENT							TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	
Below 45	6	5	1	1	0	0	0	13
	23,185	13,818	22,837	20,799	0	0	0	19,372
45-49	6	5	2	1	0	0	0	14
	19,465	18,859	22,912	22,690	0	0	0	19,971
50-54	18	14	14	1	1	0	0	48
	26,008	18,837	20,109	16,125	13,944	0	0	21,739
55-59	36	19	11	2	1	0	0	69
	36,345	18,328	17,970	15,638	5,617	0	0	27,409
60-64	7	18	7	6	1	1	0	40
	40,616	28,903	22,359	12,843	24,803	11,813	0	26,869
65-69	4	4	21	12	4	1	0	46
	10,489	42,874	26,724	15,874	14,248	11,616	0	22,473
70-74	2	0	6	15	14	3	0	40
	9,404	0	43,050	32,227	14,227	9,481	0	24,703
75-79	0	0	1	3	22	9	0	35
	0	0	75,936	27,801	21,664	11,236	0	21,059
80-84	0	0	0	1	4	6	3	14
	0	0	0	11,412	15,185	14,091	6,019	12,483
85 & Over	0	0	0	0	1	7	3	11
	0	0	0	0	6,369	10,773	10,667	10,344
TOTAL	79	65	63	42	48	27	6	330
	30,095	22,571	25,394	22,301	17,589	11,591	8,343	22,995

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ACTIVE AND DEFERRED MEMBERS**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Active Vested										
General	2,868	2,803	3,537	4,318	3,627	3,368	3,588	3,412	3,674	3,466
Safety	294	464	466	451	551	513	488	590	614	641
Total	3,162	3,267	4,003	4,769	4,178	3,881	4,076	4,002	4,288	4,107
Active Nonvested										
General	3,017	3,153	2,527	1,973	2,614	1,580	1,551	2,241	2,691	3,083
Safety	429	258	280	331	275	329	385	273	304	301
Total	3,446	3,411	2,807	2,304	2,889	1,909	1,936	2,514	2,995	3,384
Total Active Members										
General	5,885	5,956	6,064	6,291	6,241	4,948	5,139	5,653	6,365	6,549
Safety	723	722	746	782	826	842	873	863	918	942
TOTAL	6,608	6,678	6,810	7,073	7,067	5,790	6,012	6,516	7,283	7,491
Deferred Members	665	708	722	745	792	1,182	1,289	1,310	1,326	1,353
TOTAL	665	708	722	745	792	1,182	1,289	1,310	1,326	1,353

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS**

	1994	1995	1996	1997	1998	1999	2000	2001
County of Fresno								
General Members	6,039	6,266	6,218	4,926	5,098	5,605	6,312	6,494
Safety Members	707	743	788	803	833	825	877	902
Total	6,746	7,009	7,006	5,729	5,931	6,430	7,189	7,396
Participating Agencies (General Members)								
Clovis Memorial	4	4	3	3	3	4	4	4
Fresno County Office of Education	3	3	3	3	2	3	3	1
Fresno Mosquito and Vector Control	10	10	10	9	9	10	10	10
Fresno-Madera Area Agency on Aging	0	0	0	0	20	25	29	34
North Central Fire Protection	8	8	7	7	7	6	7	6
Total	25	25	23	22	41	48	53	55
Participating Agencies (Safety Members)								
North Central Fire Protection	39	39	38	39	40	38	41	40
Total	39	39	38	39	40	38	41	40
Total Active Members								
General Members	6,064	6,291	6,241	4,948	5,139	5,653	6,365	6,549
Safety Members	746	782	826	842	873	863	918	942
TOTAL	6,810	7,073	7,067	5,790	6,012	6,516	7,283	7,491

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER CONTRIBUTION RATES**

EFFECTIVE DATES			GENERAL	SAFETY
July 1, 2000	to	June 30, 2001	0.00%	0.00%
June 28, 1999	to	June 30, 2000	0.00%	0.00%
March 20, 1998	to	June 27, 1999	2.07%	5.93%
June 19, 1995	to	March 19, 1998	10.81%	14.95%
June 20, 1993	to	June 18, 1995	9.73%	13.59%
June 10, 1991	to	June 19, 1993	9.47%	13.59%
June 25, 1989	to	June 9, 1991	10.97%	17.28%
June 29, 1987	to	June 24, 1989	12.11%	17.32%
July 1, 1985	to	June 28, 1987	12.58%	16.72%
July 1, 1983	to	June 30, 1985	13.17%	17.00%

The employer contribution rates above reflect the aggregate rates.