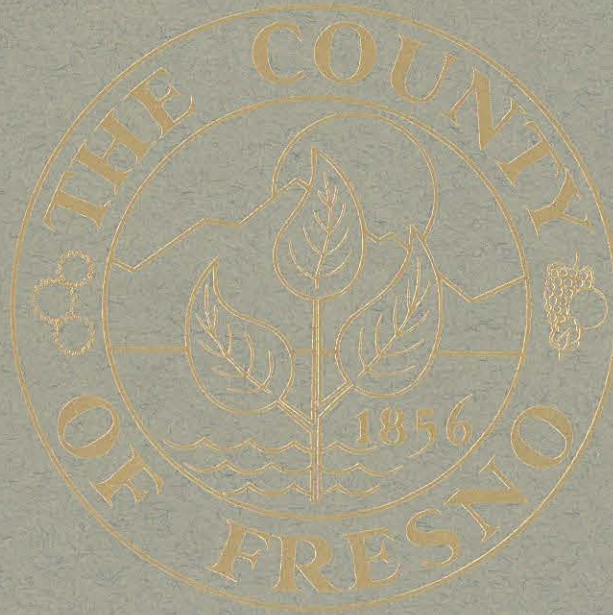


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FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Fresno County
Employees' Retirement Association

Fresno County, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2002

ISSUED BY

GARY W. PETERSON

AUDITOR - CONTROLLER / TREASURER - TAX COLLECTOR

FCERA

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
2281 TULARE STREET, ROOM 102
FRESNO, CALIFORNIA 93721

A COMPONENT UNIT OF THE COUNTY OF FRESNO

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INTRODUCTORY SECTION



Fresno County Employees' Retirement Association

November 8, 2002

Board of Retirement
Fresno County Employees' Retirement Association
2281 Tulare Street, Room 102
Fresno, CA 93721

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, 2002. 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 accounting principles generally accepted in the United States of America, the reporting guidelines for government entities, and the County Employees Retirement Law of 1937. M. Green & 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.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The Association's MD&A can be found immediately following the Report of the Independent Auditor.

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, M. Green & Company LLP, the Management's Discussion and Analysis, the financial statements and notes and other required supplementary information of the Association.
- The Investment Section contains the investment consultant's statement produced by Wurts and Associates, 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, 2002. For the year, the portfolio earned a total return of (4.1%): Over long-term periods, the portfolio has earned total annualized returns of .8% over the past three years and 5.7% over the past five years. The five-year earnings have underperformed the actuarial assumption rate of 8.25%. On a fair value basis, the total net assets available for benefits declined from \$1,690,811,000 to \$1,565,542,000.

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 98.7%. 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.

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, 2001. This was the fifth consecutive year that the system has achieved this prestigious award.

In order 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 that our current CAFR continues to meet to the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

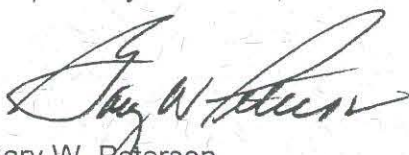
Acknowledgments

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.

Effective August 19, 2002, Roberto L. Peña began his tenure as the Administrator of the Association. This appointment was the result of a decision by the Association's Board of Retirement to hire a fulltime administrator.

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
Auditor-Controller/Treasurer-Tax Collector

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, 2001

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



William Patrick Pate
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

A. 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, 2004.

MEMBER

MICHAEL THOBE

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, 2004.

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

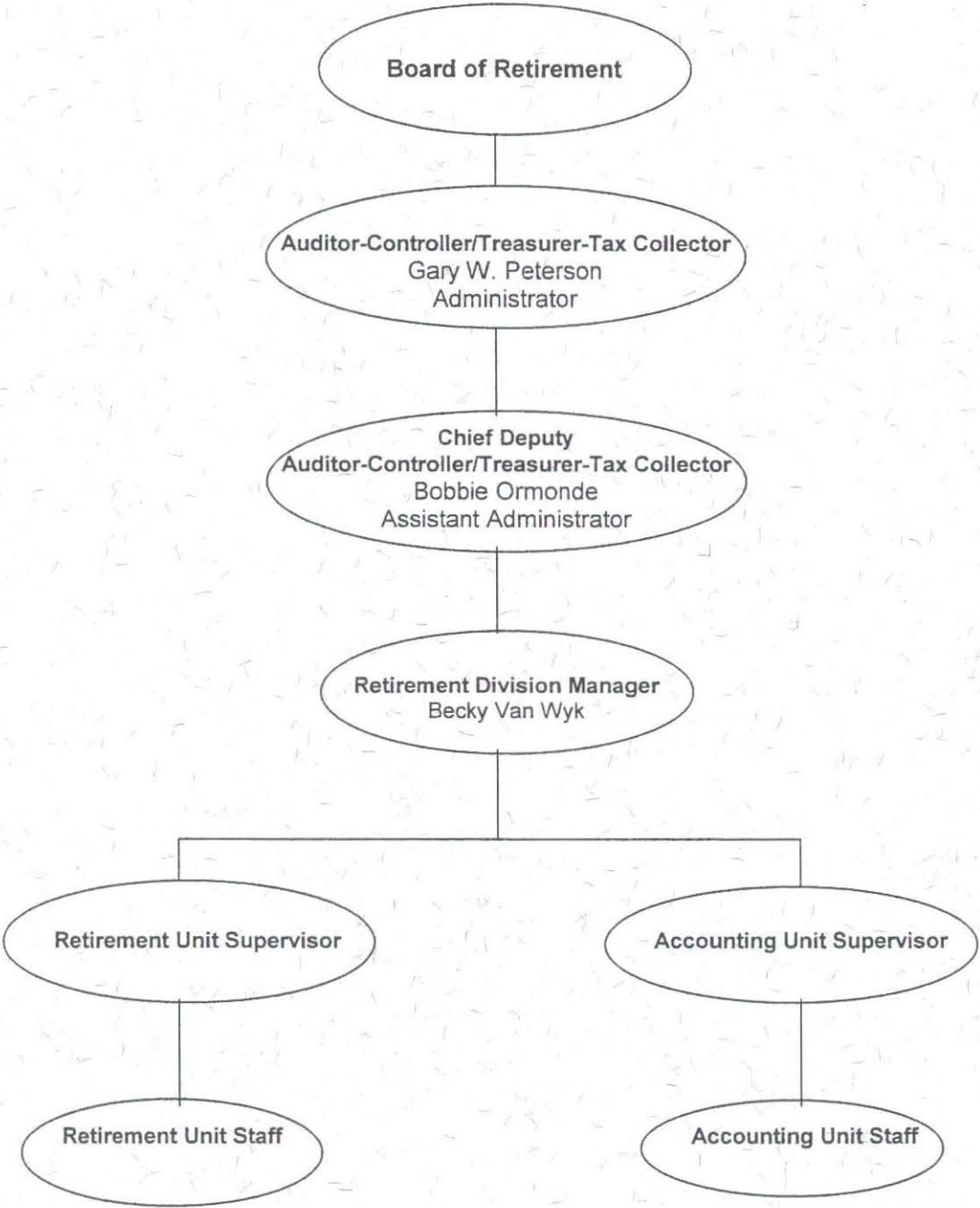
Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2002.

MEMBER

JUAN ARAMBULA

Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2004.

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



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

CONSULTING SERVICES

ACTUARY

Buck Consultants

AUDITOR

M. Green & Company, LLP

COMMISSION RECAPTURE SERVICES

Pension Fund Evaluations, Inc.

CUSTODIAN BANK

Fifth Third Bank

INVESTMENT CONSULTANT

Pension Consulting Alliance, Inc.
Wurts and Associates

LEGAL COUNSEL

Mary Beth de Goede and Associates
Richard Chasen

SHAREHOLDER VOTING SERVICES

Institutional Shareholder Services, Inc.

SECURITIES LENDING

Marshall & Ilsley Trust Company

INVESTMENT MANAGERS

DOMESTIC BONDS

Boston Partners Assets Management, LP
Bradford & Marzec, Inc.
Loomis Sayles

GLOBAL BONDS

Grantham, Mayo, Van Otterloo & Co.

DOMESTIC STOCKS

Aronson & Partners
Brandywine Asset Management, Inc.
John A. Levin & Co., Inc.
Provident Investment Counsel
State Street Global Advisors
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.
Landmark Partners, Inc.
New Mountain Capital, LLC
Sentinel Real Estate Corporation
TA Associates Realty
TCW III
The Blackstone Group
Warburg, Pincus and Co.

SPECIAL INVESTMENTS

Credit Suisse

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FINANCIAL SECTION



M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

LARRY W. AYERS, C.P.A.

MARLA D. BORGES, C.P.A.

KEVIN M. GREEN, C.P.A.

WM. KENT JENSEN, C.P.A.

KATHLEEN M. LAMPE, C.P.A.

LYNN M. LAMPE, C.P.A.

ALAN S. MOORE, C.P.A.

KENNETH B. NUNES, C.P.A.

KENNETH W. WHITE, JR., C.P.A.

LYNDA S. ANDERSON, C.P.A.

TIFFANY R. COUCH, C.P.A.

PHILLIP J. EDWARDS, C.P.A.

LYNETTE A. GARCIA, C.P.A.

C. RENÉ MILLER, C.P.A.

JUSTIN MORALES, JR., C.P.A.

GIUSEPPE SCALIA, C.P.A.

ROBERT L. BANDY, C.P.A.
Consultant

JAMES G. DWYER, C.P.A.
Consultant

DONALD G. GORDON, C.P.A.
Consultant

MAURICE M. GREEN, C.P.A.
Consultant

CHARLES L. SOUTHARD, C.P.A.
Consultant

**Tulare
Visalia
Hanford**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of plan net assets of Fresno County Employees' Retirement Association (Association), a component unit of the County of Fresno, California, as of June 30, 2002, and the related statement of changes in plan net assets for the year 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 audit. The financial statements of the Association as of June 30, 2001, were audited by other auditors whose report dated September 28, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2002, 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.

As described in Note 2, the Association adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus*, and GASB Statement No. 38 *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

Management's Discussion and Analysis and the schedules designated as required supplementary information in the table of contents are not required parts of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules designated as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the 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 financial statements and, accordingly, we do not express an opinion on such data.

November 8, 2002
Visalia, California

M. Green and Company LLP

November 8, 2002

Management's Discussion and Analysis

Fresno County Employees' Retirement Association (Association) is the public employee retirement system established by the County of Fresno (County) on January 1, 1945, and is administered by the Board of Retirement (Board) to provide retirement, disability, death, and survivor benefits for its employees under the County Employees Retirement Act of 1937. The Association is a cost-sharing, multi-employer contributory defined benefit plan that provides benefits to the employees of the County of Fresno, including Superior Court of California - County of Fresno, Fresno - Madera Area Agency on Aging, North Central Fire Protection, Fresno Mosquito and Vector Control, and Clovis Memorial Districts and certain employees of the Fresno County Office of Education. Our discussion and analysis of the financial performance of the Association provides an overview of the financial activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the Letter of Transmittal in the Introductory Section of the Association's Comprehensive Annual Financial Report, and the Financial Statements, which follow this discussion.

Financial Highlights

- Net assets held in trust by the Association, as reported on the *Statement of Plan Assets*, totaled \$1,565,542,000 as of June 30, 2002. Net assets decreased by \$125,269,112, or 7.4%, consistent with economic and market conditions through out the year. Financial and economic factors are also discussed in the Letter of Transmittal from the Retirement Administrator and in the Investment Section of this report.
- The *Statement of Changes in Plan Net Assets* reflects a decrease of \$41,070,849 in additions to plan net assets. Of this amount, \$112,690,729 represents depreciation in the fair value of investments. This was partially offset by interest and other investment income of \$49,405,746. Employer and employee contributions totaled \$22,214,134.
- The *Statement of Changes in Plan Net Assets* reflects total deductions from plan net assets of \$84,198,263, an increase of 25.2% over prior year deductions of \$67,262,072. The majority of this increase represents increased benefits paid.
- The Association's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2000, the date of the last actuarial valuation, the funded ratio for the Association was approximately 98.7%. In general, this indicates that for every dollar of benefits due to the Association's members, assets of \$0.98 are available to cover the obligation.
- The Association invests the retirement funds on a pooled basis. Investment profits and/or losses are allocated semi-annually based upon the fund balance at the end of the prior six-month period.

Using this Comprehensive Annual Financial Report and Financial Statements

This Comprehensive Annual Financial Report includes two financial statements. The *Statement of Plan Net Assets* provides a snapshot of account balances at the end of the year. This statement reports the assets available for future payments to County retirees and any current liabilities that are owed at this time. These assets, less liabilities, give the reader a clear picture of the amount of funds that are available for future payments. The *Statement of Changes in Plan Net Assets*, on the other hand, gives the reader a view of current year additions and deductions to the Plan.

Both statements are in compliance with Governmental Accounting Standard Board (GASB) Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*; GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*; and GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. These statements provide standards regarding certain disclosures and the use of accounting by State and Local Governments. The Association complies with all material requirements of these pronouncements.

The Statement of Plan Net Assets and Statement of Changes in Plan Net Assets

The most important question asked about the Association's financial condition is, "Do we have sufficient assets to pay the benefits that have been promised to the membership?" The financial statements report information about the Association's activities in a way that helps answer this question. Our current funding ratio is 98.7%, which means we are under-funded in that we have \$0.98 for each \$1.00 of liability. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid and all investment gains and losses are shown at transaction date, not settlement date. Further, both realized and unrealized gains and losses on investments are presented and all Property and Equipment (fixed assets) are depreciated over their estimated useful lives.

These two financial statements report the Association's net assets – the difference between assets and liabilities – as one way to measure the Plan's financial position. Over time, increases and decreases in the Association's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other factors, such as market conditions, to assess the Association's overall health.

Additions to Plan Net Assets

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments.

During the year ended June 30, 2002, total additions to plan net assets decreased by 71.4% from the prior year due primarily to decreased investment values. Overall, additions decreased by \$17 million compared to the prior year. Net investment income decreased by 86.5%, while total contributions increased by 122.7%. The increase was due to an increase in both employer and employees contribution rates. The investment section of this report reviews the results of investment activity for the fiscal year 2002.

Employer contributions reported in the table below include retirement funds received from the County of Fresno and its member employers.

Additions to Plan Net Assets	2002	2001	Increase/ (Decrease) Amount	Increase/ (Decrease) Percentage
Member Employers	\$ 7,779,802	\$ 0	\$ 7,779,802	100.0%
Members	14,434,332	9,972,985	4,461,347	44.7%
Net Investment Income	(63,284,984)	(33,930,452)	(29,354,532)	(86.5%)
Total	\$ (41,070,850)	\$ (23,957,467)	\$ 17,113,383)	(71.4%)

Deductions From Plan Net Assets

The primary deductions of the Plan include the payment of benefits to participants and beneficiaries, the refund of contributions to former members, and the cost of administering the retirement plan. Deductions for fiscal year 2002 totaled \$84,198,263, an increase of 25.2% over 2001. The increase in benefits paid resulted primarily from an increase in the number of benefits paid, and an increase in the average benefit amount.

Administrative expenses are approved in an annual budget by the Association's Board and represented 0.10% and 0.13% of total assets in 2002 and 2001, respectively. Under the California State Government Code, Section 31580.2, administration expenses incurred in any given year shall not exceed 0.18% of the total assets of the retirement system. The Association has consistently met its budgets and continues to expect to do so.

Deductions in Plan Net Assets	2002	2001	Increase / (Decrease) Amount	Increase / (Decrease) Percentage
Service Retirement and Disability Benefits Paid	\$71,637,844	\$55,874,931	\$15,762,913	28.2%
Members Death Benefits	762,660	639,183	123,477	19.3%
Health Benefit Allowance	6,950,596	5,402,524	1,548,072	28.7%
Supplemental Cost of Living Allowance	2,433,296	1,964,160	469,136	23.9%
Refunds Paid	869,504	1,145,852	(276,348)	(24.1%)
Administrative	1,544,363	2,235,423	(691,060)	(30.9%)
Total	\$84,198,263	\$67,262,073	\$16,936,190	25.2%

The deductions in plan net assets of \$84 million during 2002, combined with the negative contribution to plan net assets of \$41 million, which is depicted on the previous page, accounts for the net decrease in plan assets of \$125 million in 2002.

Reporting the Association's Fiduciary Responsibilities

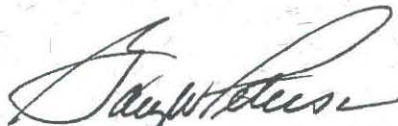
The Association is a fiduciary for the County of Fresno public employee retirement system. Accordingly, the Association is responsible for these assets under our trust arrangement, and they can only be used for trust beneficiaries and payment of plan expenses. The Association is responsible for ensuring that the assets reported in our financial statements are used for their intended purposes of paying retirement and disability benefits to the employees of the County of Fresno and its member employers.

The Retirement Fund As A Whole

Although the fund's combined net assets decreased during the past year, management believes, and actuarial studies concur, that the Association is in a financial position to meet its obligations to the retired and current employees of Fresno County and the other member employers. The current financial position results from a very strong and successful investment program in prior years, cost control, and strategic planning. Management believes there will continue to be sufficient assets to meet all benefit obligations.

Contacting the Association's Financial Management

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investment managers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. In December 2001, the Board of Retirement voted to appoint a separate Administrator. Roberto L. Peña was selected by the Board to be the first appointed Administrator of the Association. Mr. Peña began his tenure on August 19, 2002. Therefore, if you have questions about this report or need additional financial information, contact Roberto L. Peña, at 2281 Tulare Street, Room 102, Fresno, California 93721.



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

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FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2002 AND 2001
(amounts expressed in thousands)

	<u>2002</u>	<u>2001</u>
ASSETS:		
Cash and cash equivalents	\$ 48,074	\$ 41,216
Securities lending short-term investment pool	184,235	228,483
Total cash and cash equivalents (Note 3)	<u>232,309</u>	<u>269,699</u>
Receivables:		
Investment trades receivable (Note 4)	30,946	51,330
Interest and dividends receivable	6,136	5,964
Note receivable (Note 5)	769	535
Contributions and other receivables	2,166	1,179
Securities lending receivable	325	871
Total receivables	<u>40,342</u>	<u>59,879</u>
Investments, at fair value (Note 3):		
Domestic stocks	533,279	615,129
Domestic bonds	233,787	230,575
International stocks	272,718	302,406
Mortgages	177,018	209,759
Private markets	177,382	166,305
Global bond index fund	116,945	116,405
Total investments	<u>1,511,129</u>	<u>1,640,579</u>
Fixed assets	563	644
Prepaid expenses	-	23
Total assets	<u>1,784,343</u>	<u>1,970,824</u>
LIABILITIES:		
Investment trades payable (Note 4)	30,627	46,442
Cash collateral payable for securities lending (Note 3)	184,235	228,483
Accounts payable	3,643	4,372
Securities lending bank and broker fees	296	716
Total liabilities	<u>218,801</u>	<u>280,013</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (Note 6)		
(A schedule of funding progress is presented on page 29)	\$ <u>1,565,542</u>	\$ <u>1,690,811</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, 2002 AND 2001
(amounts expressed in thousands)

	<u>2002</u>	<u>2001</u>
ADDITIONS:		
Contributions:		
Employers	\$ 7,780	\$ -
Employees	14,434	9,973
Total contributions	<u>22,214</u>	<u>9,973</u>
Investment income/(loss):		
From investment activities		
Net appreciation/(depreciation) in fair value of investments	(112,691)	(89,641)
Interest	29,299	31,761
Dividends	13,982	14,290
Private markets	10,635	14,361
Net income/(loss) from investment activities	<u>(58,775)</u>	<u>(29,229)</u>
From securities lending activities		
Securities lending income	5,187	19,546
Securities lending expenses		
Borrower rebate expenses	(4,637)	(18,338)
Security lending management fees	(193)	(319)
Net income from securities lending activities	<u>357</u>	<u>889</u>
Miscellaneous income	862	641
Investment expense	(5,729)	(6,231)
Net investment income/(loss)	<u>(63,285)</u>	<u>(33,930)</u>
Total additions/(subtractions)	<u>(41,071)</u>	<u>(23,957)</u>
DEDUCTIONS:		
Benefits paid to participants	81,784	63,881
Refunds of prior contributions	870	1,146
Administrative expenses	1,544	2,235
Total deductions	<u>84,198</u>	<u>67,262</u>
NET INCREASE/(DECREASE)	<u>(125,269)</u>	<u>(91,219)</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,		
BEGINNING OF YEAR	<u>1,690,811</u>	<u>1,782,030</u>
END OF YEAR	<u>\$ 1,565,542</u>	<u>\$ 1,690,811</u>

See accompanying notes to financial statements.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

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, Fresno Mosquito and Vector Control, and North Central Fire Protection Districts, 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, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Retirees and beneficiaries receiving benefits	3,749	3,553
Terminated employees entitled to benefits but not yet receiving them	1,467	1,353
Current employees:		
Vested:		
General	3,566	3,466
Safety	630	641
Nonvested:		
General	3,299	3,083
Safety	293	301
Total current employees	<u>7,788</u>	<u>7,491</u>
Total membership	<u>13,004</u>	<u>12,397</u>

Benefit Provisions

The Board under the provisions of the 1937 Act establishes benefit provisions. 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.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

NOTE 1 - DESCRIPTION OF THE PLAN (CONTINUED)

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.

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.

Reclassification

Certain financial statement items from the prior year's financial statements have been reclassified for comparative purposes. Such reclassifications had no effect on previously reported plan assets.

Cash and Investments

Cash and cash equivalents with Fiscal Agent 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.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (continued)

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, ten years for furniture, twelve years for office remodeling, and fifteen years for Wyatt Software (pensions system).

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.

New Accounting Standards Adopted

In fiscal year 2002, the Association adopted three new statements of financial accounting standards issued by the GASB:

- Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments
- Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus
- Statement No. 38, Certain Financial Statement Disclosures

Statement No. 34 (as amended by the Statement No. 37) represents a very significant change in the financial reporting model used by the state and local governments. It requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. In addition, it also requires, as required by the supplementary information, Management's Discussion and Analysis that includes an analytical overview of the Association's financial activities.

Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement did not affect amounts reported in the financial statements of the Association, certain note disclosures have been made and/or amended.

The primary impact of the new accounting Statements on the Association is Management's Discussion and Analysis.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

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 that 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.

Deposit and Investment Custodial Credit Risk

Custodial credit risk categories have been established by Governmental Accounting Standards Board (GASB) Statement No. 3. Basic classifications for cash and cash equivalents are categorized in the following manner. Category 1 includes cash and cash equivalents insured or collateralized with securities by the fiscal agent in the Association's name. Category 2 includes cash and cash equivalents collateralized with securities held by the pledging fiscal agent and trust department in the Association's name. Category 3 includes collateralized with securities held by the fiscal agent but not in the Association's name. The entire balance of \$42,028 and \$39,093 is classified as Category 1 at June 30, 2002 and 2001, respectively.

Custodial Credit Risk are categorized in the following manner. 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, index funds, and mortgages are not categorized.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

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

Deposit and Investment Custodial Credit Risk (Continued)

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, 2002 and 2001 (in thousands).

June 30, 2002			
	Category 1	Uncategorized	Fair Value
Cash and cash equivalents with fiscal agent	\$ 42,028	\$ --	\$ 42,028
Investments:			
Domestic stocks	444,936	--	444,936
Domestic bonds	159,548	--	159,548
International stocks	259,403	--	259,403
Total investments	\$ 863,887	\$ --	863,887
Investments not considered securities for the purposes of custodial risk classification:			
Cash held in county investment pool		\$ 6,046	6,046
Securities lending short-term investment pool		184,235	184,235
Mortgages		177,018	177,018
Global bond index fund		116,945	116,945
Private markets (investments in limited partnerships, hedge fund, real estate)		177,382	177,382
Securities on loan, collateralized with cash		175,897	175,897
Total Deposits and Investments		\$ 837,523	\$ 1,743,438

June 30, 2001			
	Category 1	Uncategorized	Fair Value
Cash and cash equivalents with fiscal agent	\$ 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	2,123
Securities lending short-term investment pool		228,483	228,483
Mortgages		209,759	209,759
Global bond index fund		116,405	116,405
Private markets (investments in limited partnerships, hedge fund, real estate)		166,305	166,305
Securities on loan, collateralized with cash		227,141	227,141
Total Deposits and Investments		\$ 950,215	\$ 1,910,278

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

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

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, 2002, the Association has approximately \$4 million of its \$273 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 mortgages. At June 30, 2002 and 2001, the Association had approximately \$9,266,863 and \$13,388,000 in these investments, respectively.

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.

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.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

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

Securities Lending (Continued)

There were no losses associated with securities lending transactions during the years ended June 30, 2002 and June 30, 2001. 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, 2002</u>	<u>June 30, 2001</u>
Domestic stocks	\$ 88,343	\$ 115,992
International stocks	13,315	22,170
Total stocks on loan	<u>101,658</u>	<u>138,162</u>
Domestic bonds	74,239	88,979
Total bonds on loan	<u>74,239</u>	<u>88,979</u>
Total stocks and bonds on loan	<u>\$ 175,897</u>	<u>\$ 227,141</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, 2002, forward foreign currency contracts receivable and payable totaled \$4,162,000 and \$4,203,000, respectively. At June 30, 2001, forward foreign currency contracts receivable and payable totaled \$31,173,000 and \$31,154,000 respectively. The remaining investment trades receivable and payable balances represent investment sales and investment purchases outstanding, respectively.

NOTE 5 - NOTE RECEIVABLE

During the year ended June 30, 1997, the fund manager redeemed the Association's investment in TCW Realty Fund VIA. Accordingly, the Association was issued an interest bearing promissory note. At June 30, 2002, the note had a balance of \$769,000, including interest due of \$264,000, which is scheduled to be repaid when all assets owned by the partnership are sold.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

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 29 and 30.

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 for safety members or age 55 for general members 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, 2002 AND 2001

NOTE 6 - CONTRIBUTIONS AND RESERVES (CONTINUED)

The amounts and changes in reserves and designations for the year ended June 30, 2002 consist of the following (in thousands):

	<u>Balance July 1, 2001</u>	<u>Increase (Decrease) In Plan Net Assets</u>	<u>Net Transfers</u>	<u>Balance June 30, 2002</u>
Reserves:				
Members' accumulated contributions	\$ 254,996	\$ 13,565	\$ (1,952)	\$ 266,609
Current service reserve	391,541	7,485	(60,328)	338,698
Annuity pension reserve	72,824	(9,685)	13,728	76,867
Current service pension reserve	388,441	(35,430)	54,382	407,393
Survivors' death benefit reserve	4,078	(608)	756	4,226
Cost of living adjustment reserve	329,406	(14,217)	8,548	323,737
Supplemental cost of living reserve	8,876	(2,433)	--	6,443
Supplemental benefit reserve	87,603	(9,807)	10,508	88,304
Supplemental annuity reserve	133,903	(2,360)	29,026	160,569
Contingency reserve	16,908	--	(1,253)	15,655
Retiree health insurance reserve	92,569	(6,950)	2,958	88,577
Designated for market stabilization	(133,110)	--	(149,214)	(282,324)
Undistributed earnings	42,776	(64,829)	92,841	70,788
Net assets held in trust for pension benefits	<u>\$ 1,690,811</u>	<u>\$ (125,269)</u>	<u>\$ --</u>	<u>\$ 1,565,542</u>

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

	<u>Balance July 1, 2000</u>	<u>Increase (Decrease) In Plan Net Assets</u>	<u>Net Transfers</u>	<u>Balance June 30, 2001</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>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

NOTE 6 - CONTRIBUTIONS AND RESERVES (CONTINUED)

Members' accumulated contributions include all contributions net of refunds and benefits paid to members. At retirement, member 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. Historically, the Board has authorized that an annual rate of 8.25% (the actuarial rate of return) on the reserve balance as the interest be apportioned. However, during the current year, the Board determined that a total of \$31,850,616 be apportioned to the various reserves, one half to the employer reserves and one half to the employee reserves. Approximately one-half of this amount was apportioned at each of the interest crediting periods and was equal to 1% of the plan net assets at the end of the period. This resulted in a compounded annual interest rate of 6.25% to the employee reserves and 1.13% to the employer reserves. 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 benefit and the supplemental cost of living reserves are approved annually by the Board. The retiree health benefit 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, 1982. The supplemental cost of living reserve balance reflects Board approved transfers from undistributed earnings. The retiree health benefit reserve balance reflects Board approved transfers through June 30, 2002. 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 benefit 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 the shortfall between net investment earnings and actuarial expectations.

NOTE 7 - COMMITMENTS

The Association committed to invest in, and has partially funded, various private market investment funds. At June 30, 2002, the remaining commitments totaled \$95,696,318.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

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.

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 in fiscal year 2001. During fiscal year 2002, an additional \$25,766,324 was transferred from the undistributed reserves to the various reserves as part of the settlement agreement.

NOTE 9 – SUBSEQUENT EVENTS

On August 15, 2002, escrow closed on a \$1,797,000 purchase of a building that will house the staff of the Retirement Association. The building, which will require remodeling before the move can take place, is currently an executive rental office suite, providing office support, phone answering, and secretarial services to tenants of the building. The Association is reviewing various options for managing the building operations.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2002**

SCHEDULE OF FUNDING PROGRESS
(amounts expressed in thousands)

<u>Actuarial Valuation Date</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>(3) Unfunded (Overfunded) AAL (2) - (1)</u>	<u>(4) Funded Ratio (1)/(2)</u>	<u>(5) Covered Payroll</u>	<u>(6) Unfunded (Overfunded) AAL Percentage of Covered Payroll (3)/(5)</u>
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 expressed in thousands)

<u>Year Ended June 30,</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1997	\$ 31,666	100.00%
1998	18,918	100.00%
1999	6,005	100.00%
2000	--*	100.00%
2001	--*	100.00%
2002	7,780	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 were required to begin contributions during fiscal year 2002. General employers will begin contributions during fiscal year 2003.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2002**

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, 2002 AND 2001

	2002	2001
Personnel Services		
Salaries and Benefits	\$ 848,108	\$ 591,591
Total Personnel Services	<u>848,108</u>	<u>591,591</u>
Office Expenses	<u>31,362</u>	<u>19,246</u>
Other Services and Charges		
Attorney Fees - New Benefits (See Note 8)	-	1,250,000
Telephone Charges	3,832	3,638
Insurance Other	1,608	2,632
Maintenance	659	46,494
Memberships	3,565	4,195
Postage	9,849	17,126
Off Site Storage	413	263
Professional and Specialized Services	319,553	142,761
Disability Expenses	75,355	35,497
Data Processing Services	132,765	43,607
Transportation, Travel, and Education	2,449	70
Transportation, Travel - Commissions & Advisory Board	28,916	21,415
Total Other Services and Charges	<u>578,964</u>	<u>1,567,698</u>
Depreciation	85,928	56,888
Total Administrative Expenses	<u><u>\$ 1,544,362</u></u>	<u><u>\$ 2,235,423</u></u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
Investment Counselor Fees	\$ 5,097,524	\$ 5,572,354
Fiduciary Insurance Premium	28,244	27,316
Custodial Service Fees	375,201	400,071
Actuarial Service Fees	51,200	62,673
Consulting Fees	177,643	168,569
Total Investment Expenses	\$ <u>5,729,812</u>	\$ <u>6,230,983</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	2002	2001
Disability Attorney Fees	\$ 28,414	\$ 5,326
Retirement Board Attorney Fees	105,937	28,033
Disability Medical and Copying Fees	46,941	- *
External Audit Fees	21,981	17,750
Actuarial Consulting Fees (non-actuary study costs)	68,760	- *
Actuarial Consulting Fees	51,200	62,673
Proxy Voting Service	46,359	- *
Securities Legal Fees	25,970	- *
Custodial Fees	375,201	400,071
Data Processing Fees	132,765	43,607
TOTAL PAYMENTS TO CONSULTANTS	\$ 903,528	\$ 557,460

Refer to page 32 for information on fees paid to investment counselors.

* These categories were not separately reported as of June 30, 2001.

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INVESTMENT SECTION

As of June 30, 2002 the Fresno County Employee Retirement Association's investment portfolio had a market value of \$1.55 billion, this represents a \$141 million decrease over the trailing twelve months. The FCERA portfolio is broadly diversified, consisting of investments ranging from publicly traded bonds to privately held partnerships.

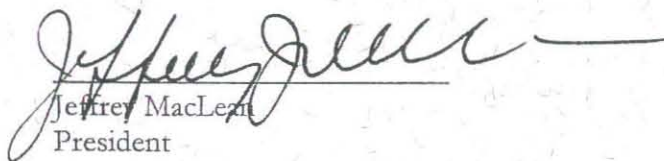
INVESTMENT ALLOCATION

The most critical factor influencing overall investment performance is the allocation of the FCERA portfolio across major asset classes. The target allocation reflects the asset allocation as defined in FCERA's current Investment Policy Statement. The portfolio's actual allocation as of June 30, 2002 was slightly different from the policy. Domestic equities are under-weighted while global fixed income assets were over-weighted. The domestic equity under-weighting was driven primarily due to the equity market's decline.

INVESTMENT RESULTS

Over the trailing twelve months, the FCERA portfolio produced an overall return of -4.1%. This result beat the FCERA policy benchmark by 90 basis points. During the period, active management decisions by FCERA's managers added value primarily within FCERA's global fixed income portfolio.

Over the trailing three years, FCERA's portfolio produced an annualized rate of return of 80 basis points, outpacing its policy benchmark by 0.3%. Over the last five years the FCERA investment portfolio produced an average annual return of 5.7%, exceeding the policy benchmark by 0.2% per year.


Jeffrey MacLean
President

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>
Core Bonds*	28%	26.81%
Global Bonds	3%	7.54%
Domestic Stocks	38%	34.38%
International Stocks	18%	17.60%
Private Markets**	11%	10.59%
Cash and Cash Equivalents	2%	3.08%

* Includes mortgages

** 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, 2002

Total Funds	Current Year	Annualized Rate of Return for the Preceding	
		3-Year	5-year
Bonds			
Domestic	3.2%	5.5%	5.8%
Benchmark : LB Universal Index	7.7%	7.7%	7.2%
Global	17.2%	5.3%	4.7%
Benchmark : Salomon World Government	14.0%	4.4%	4.4%
Stocks			
Domestic Large Capital Value	-11.8%	N/A	N/A
Benchmark: Russell 1000 Value	-9.0%	-2.9%	6.5%
Domestic Growth	-18.5%	N/A	N/A
Benchmark: S&P Growth	-18.5%	-13.2%	2.5%
Domestic Large Capital Growth	-28.0%	-19.0%	-2.5%
Benchmark: Russell 1000 Growth	-26.5%	-16.1%	-0.3%
Domestic Small Capital Value	15.4%	13.1%	11.3%
Benchmark : Russell 2000 Value	8.5%	12.0%	9.7%
Domestic Value	-14.4%	6.3%	12.4%
Benchmark : 60 Russ Mc Val/40 Russ Top 200 Val	-4.4%	0.6%	7.7%
Emerging Markets Equity	2.9%	2.0%	N/A
Benchmark: MSCI Emerging Markets Free	1.3%	-6.3%	-8.4%
International	-23.9%	-4.2%	6.8%
Benchmark : MSCI EAFE	-9.2%	-6.5%	-1.3%
Private Markets			
Real Estate	10.9%	11.8%	12.5%
Benchmark : NCREIF	5.6%	9.5%	11.7%
Alternative Investments	-4.4%	5.4%	N/A
Benchmark : S&P 500 + 4.47%	-14.1%	-5.0%	8.3%
Cash, Custodial and Investment Pool			
Cash	2.1%	3.5%	4.6%
Benchmark: 90-Day Treasury Bill	2.6%	4.7%	4.8%
TOTAL	-4.1%	0.8%	5.7%

Notes:

Realty is net of fees and lagged one quarter.

Securities Lending is lagged one quarter.

Alternative Investment is lagged one quarter.

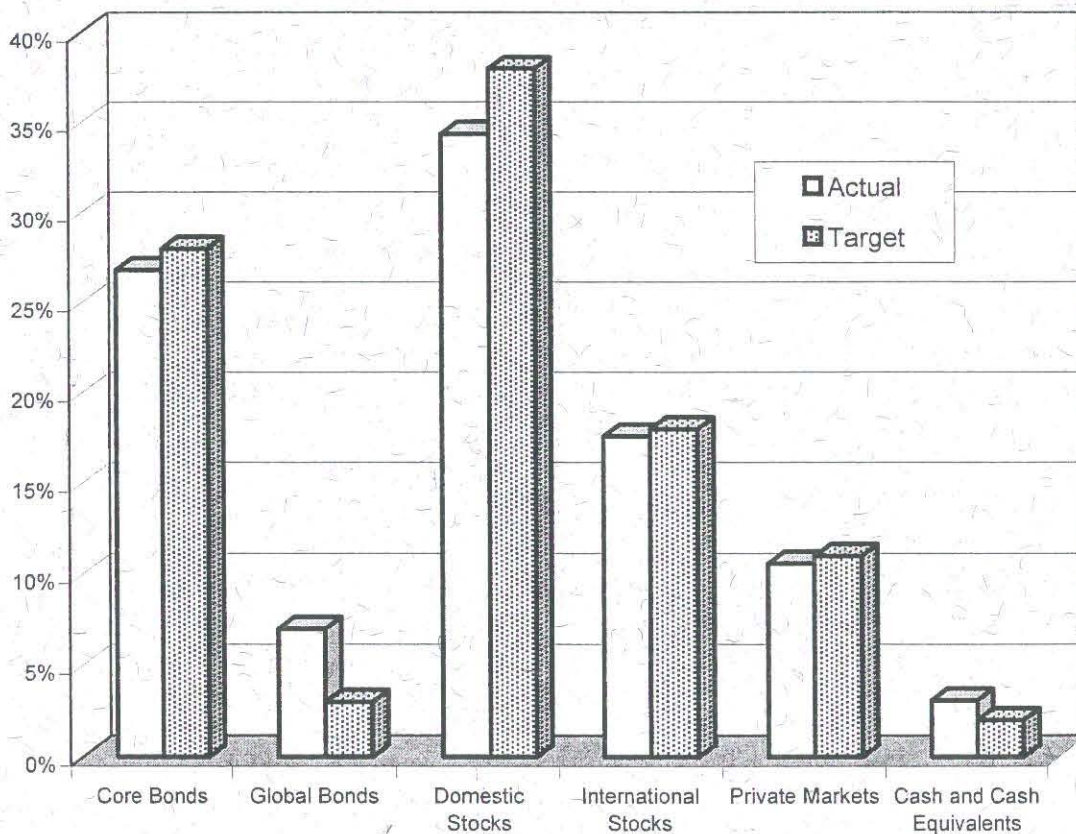
Investment results were prepared using a time-weighted rate of returned based on the market rate of return in accordance with AIMR's performance presentation standards.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TARGET AND ACTUAL ASSET ALLOCATIONS
AS OF JUNE 30, 2002**

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.

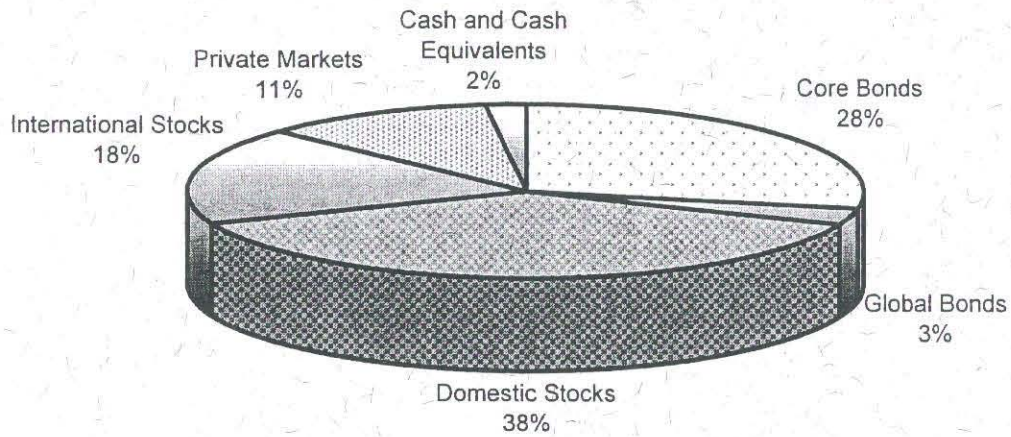
One keystone of asset allocation is diversification among asset classes. Diversification helps to maintain risk at a tolerable level. Therefore, the Board reviews the investment performance and volatility of each asset class on a regular basis over various time periods (quarterly, annually, multi-years) 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 2001/02 target and actual asset allocations are presented in the following graphs:

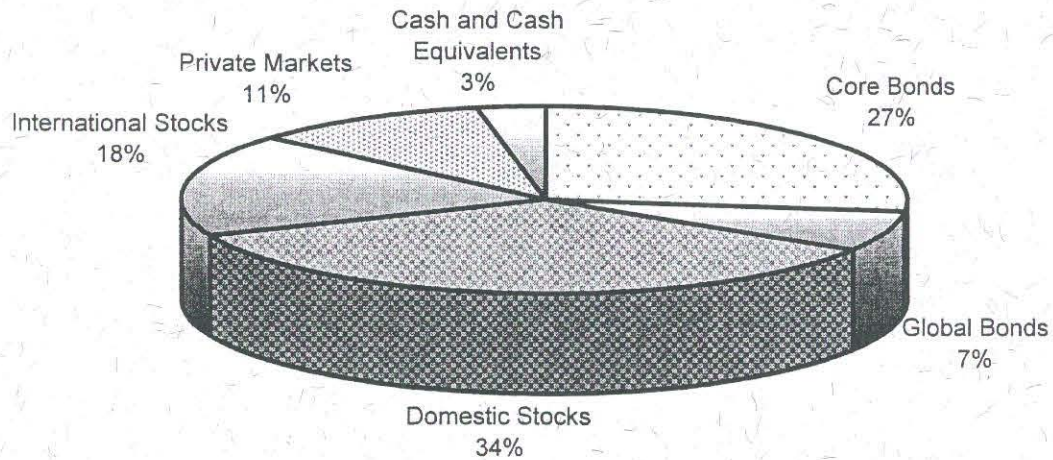


**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TARGET AND ACTUAL ASSET ALLOCATIONS (CONTINUED)
AS OF JUNE 30, 2002**

Target Percentages



Actual Percentages



FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
LARGEST BOND HOLDINGS
AS OF JUNE 30, 2002

PAR	NAME	FAIR VALUE
\$ 17,500,000	TREASURY NOTE 3/13/04 3.625%	\$ 17,776,028
9,820,000	TREASURY NOTE 11/30/03 3%	9,898,020
7,064,897	GNMA 5/15/32 7%	7,350,253
7,324,241	FNMA 8/1/31 6%	7,315,603
6,500,000	TREASURY NOTE 8/15/07 6.125%	7,084,630
5,986,991	FNMA 10/1/16 6.5%	6,212,022
5,483,366	FNMA 12/1/31 6.5%	5,599,008
4,145,000	TREASURY NOTE 2/1/10 8.75%	5,530,533
5,250,000	CONT CABLE 5/15/06 8.3%	5,370,278
4,906,801	GNMA 8/15/31 7%	5,105,313
<u>\$ 73,981,296</u>	TOTAL	<u>\$ 77,241,688</u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
LARGEST STOCK HOLDINGS
AS OF JUNE 30, 2002

SHARES	NAME	FAIR VALUE
202,300	EXXON CORPORATION	\$ 8,278,116
234,600	GENERAL ELECTRIC CO.	6,815,130
24,580	SAMSUNG ELECTRONICS	6,722,211
85,200	BANK OF AMERICA	5,994,672
145,666	CITIGROUP, INC.	5,644,558
160,875	PFIZER, INC.	5,630,625
100,700	MICROSOFT CORP.	5,449,884
33,362	TOTAL FINA ELF	5,416,702
109,972	KOOKMIN BANK	5,338,624
128,300	VERIZON	5,151,245
	TOTAL	<u>\$ 60,441,767</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, 2002 AND 2001**

	2002	2001
Investment Manager Fees		
Domestic Stocks	\$ 2,185,902	\$ 2,130,127
International Stocks	1,704,658	2,101,346
Domestic Bonds	1,057,323	1,089,380
Global Bonds	-	107,511
Private Markets	149,640	143,990
Total Investment Manager Fees	<u>\$ 5,097,523</u>	<u>\$ 5,572,354</u>
Other Investment Expenses		
Securities Lending Expense	\$ 4,829,676	\$ 18,657,301
Fiduciary Insurance Premium	28,244	27,316
Custodial Service Fees	375,201	400,071
Actuarial Service Fees	51,200	62,673
Consulting Fees	177,643	168,569
Total Other Investment Expenses	<u>\$ 5,461,964</u>	<u>\$ 19,315,930</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FEES AND COMMISSIONS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002**

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
Investment Trade Commissions				
AUTRAN	18,550,400	\$ 600	\$ 0.0000	0.02%
BANCAM	10,488,415	6,175	0.0006	0.24%
BANKAM	23,380,000	-	0.0000	0.00%
BARCLAY	8,958,000	-	0.0000	0.00%
BEARST	41,300,483	69,782	0.0017	2.72%
BOS	37,802,058	6,062	0.0002	0.24%
CAPINST	163,054,655	129,581	0.0008	5.05%
CIS	28,893,064	139,105	0.0048	5.42%
CITBANK	8,684,007	46,022	0.0053	1.79%
CREDIT	7,811,510	80,639	0.0103	3.14%
DEUT	49,171,129	70,297	0.0014	2.74%
DIRECT	20,778,232	-	0.0000	0.00%
FIFTH	7,006,329	3,102	0.0004	0.12%
FIRSTB	6,067,563	54,188	0.0089	2.11%
GCM	44,018,000	-	0.0000	0.00%
GOLDMA	80,230,642	103,283	0.0013	4.02%
HSBC	17,686,320	25,818	0.0015	1.01%
JPM	107,407,462	47,321	0.0004	1.84%
LEHMAN	112,663,308	73,979	0.0007	2.88%
MERRIL	248,641,682	283,538	0.0011	11.04%
MORGAN	80,735,593	85,271	0.0011	3.32%
SALOMO	94,033,928	23,071	0.0002	0.90%
SMITH	103,458,285	30,665	0.0003	1.19%
STANCHA	6,679,500	18,746	0.0028	0.73%
SUISSE	53,517,057	6,679	0.0001	0.26%
UBS	8,103,640	74,294	0.0092	2.89%
WARBURG	59,964,255	30,896	0.0005	1.20%
OTHER	78,493,288	1,159,071	0.0148	45.13%
Total Investment Trade Commissions	1,527,578,805	\$ 2,568,186	\$ 0.0017	100.00%

The Association has established a Directed Commission Recapture Program generated by equity and fixed transactions. The Association provides each manager with a target amount of commissions that they will annually, based on investment and trading styles. However, the Association communicates to its managers 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, 2002

(amounts expressed in thousands)

	Fair Value	Actual Percentages	Target Percentages
Investments			
Domestic Bonds*	\$ 410,805	23.56%	28.00%
Global Bonds	116,945	6.71%	3.00%
Total Bonds	<u>527,750</u>	<u>30.27%</u>	<u>31.00%</u>
Domestic Stocks	533,279	30.59%	38.00%
International Stocks	272,718	15.64%	18.00%
Total Stocks	<u>805,997</u>	<u>46.23%</u>	<u>56.00%</u>
Private Markets**	177,382	10.17%	11.00%
Total Investments	<u>1,511,129</u>	<u>86.67%</u>	<u>98.00%</u>
Cash and Cash Equivalents			
Cash held in County Investment Pool	6,046	0.35%	***
Short term investment with fiscal agent	226,263	12.98%	***
Total Cash and Cash Equivalents	<u>232,309</u>	<u>13.33%</u>	<u>2.00%</u>
TOTAL INVESTMENT, CASH AND CASH EQUIVALENTS	<u>\$ 1,743,438</u>	<u>100.00%</u>	<u>100.00%</u>

* Includes mortgages.

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

*** The overall target allocation for Cash and Cash equivalents is 2% 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 26, 2002

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.

Actuarial valuations and experience analyses are performed biennially. 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-

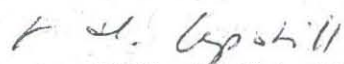
economic assumptions. Recommendations were presented to, and adopted by, the Board. The next biennial study will be performed as of June 30, 2002.

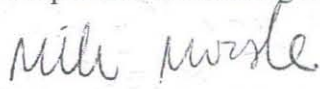
For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year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


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


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

Note: Adoption of new rates per Ventura Settlement.

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

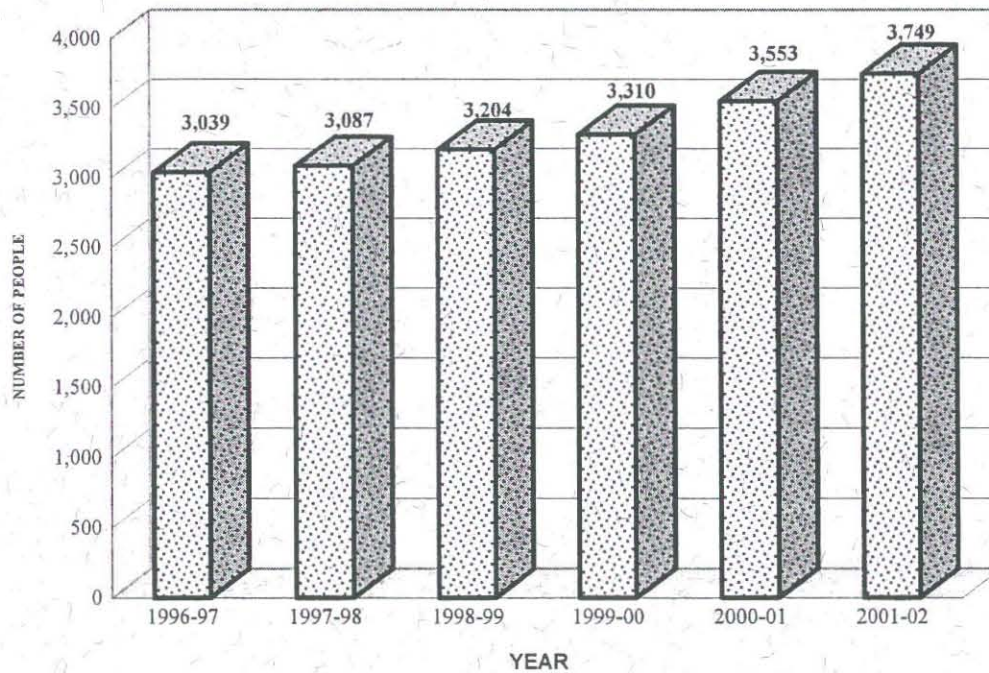
* The actuary study performed at June 30, 1996 included a prospective adjustment for members who terminated membership in the Association due to the merger of Valley Medical Center with Community Hospitals of Central California in October 1996.

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	Number at Beginning of Year	Number Added to Rolls	Number Removed From Rolls	Number at end of Year	Annual Allowance	% Increase in annual Allowances	Average Annual Allowance	% Increase in Average Annual Allowance
1996-97	2,758	367	86	3,039	41,320,000	12.20%	13,597	0.81%
1997-98	3,039	130	82	3,087	44,524,000	7.75%	14,423	6.08%
1998-99	3,087	215	98	3,204	46,583,000	4.62%	14,539	0.80%
1999-00	3,204	203	97	3,310	51,601,000	10.77%	15,589	7.22%
2000-01	3,310	339	96	3,553	63,242,000	22.56%	17,800	14.18%
2001-02	3,553	284	88	3,749	81,022,000	28.11%	21,612	21.42%

RETIRANTS AND BENEFICIARIES AT THE END OF THE YEAR



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

(amounts expressed in thousands)

The funding ratios are 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	98.7%	273,426	7.9%

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	N/A

* 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 expressed 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 expressed in thousands)

Valuation Date	Actuarial Accrued Liabilities for			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	Active Member Contributions (1)	Retirants and Beneficiaries (2)	Active Members Employer Financed (3)		(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
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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
TABLE OF REVENUE BY SOURCE AND EXPENSES BY TYPE
Fiscal Years Ended 1997 through 2002
(amounts expressed in thousands)

REVENUES BY SOURCE

Fiscal Year Ended June 30	Member Contributions	Employer Contributions	Net Investment Income	Total	Employer Contributions as a Percentage of Annual Covered Payroll
1997	7,087	31,666	204,115	242,868	11.0
1998	7,168	202,550 *	250,001	459,719	93.4
1999	7,775	6,005	105,166	118,946	2.6
2000	9,198	-	133,170	142,368	0.0
2001	9,973	-	(33,930)	(23,957)	0.0
2002	14,434	7,780	(63,285)	(41,071)	21.9

* Includes proceeds from Pension Obligation Bonds

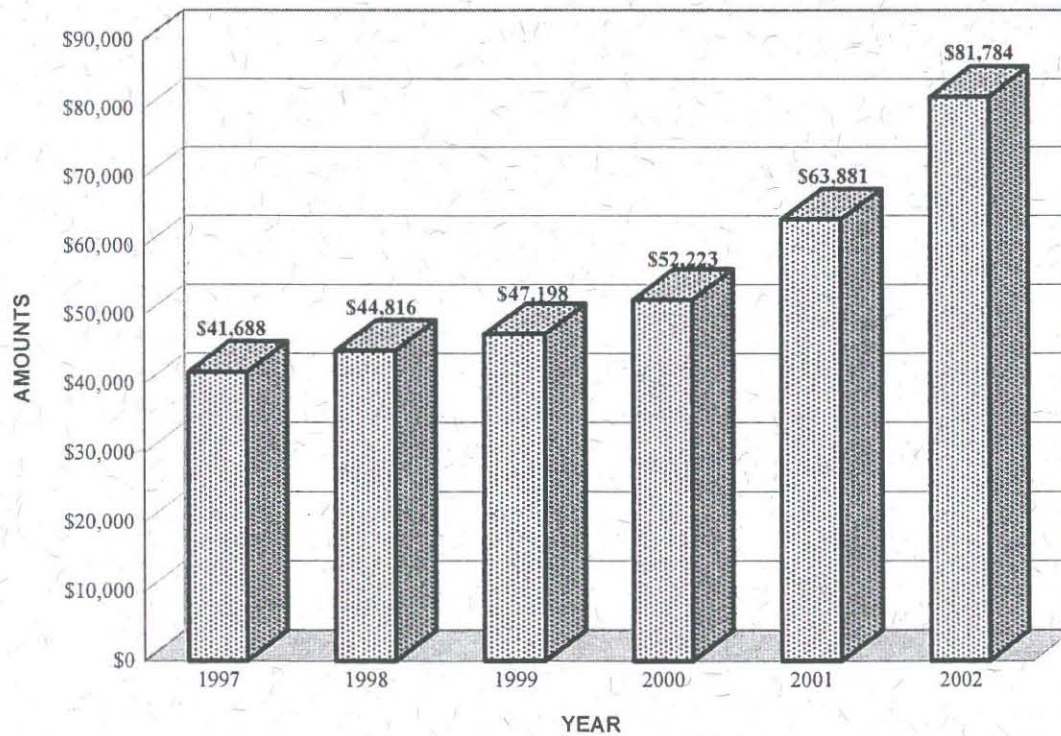
EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefits	Administrative Expenses	Refunds	Total
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
2002	81,784	1,544	870	84,198

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

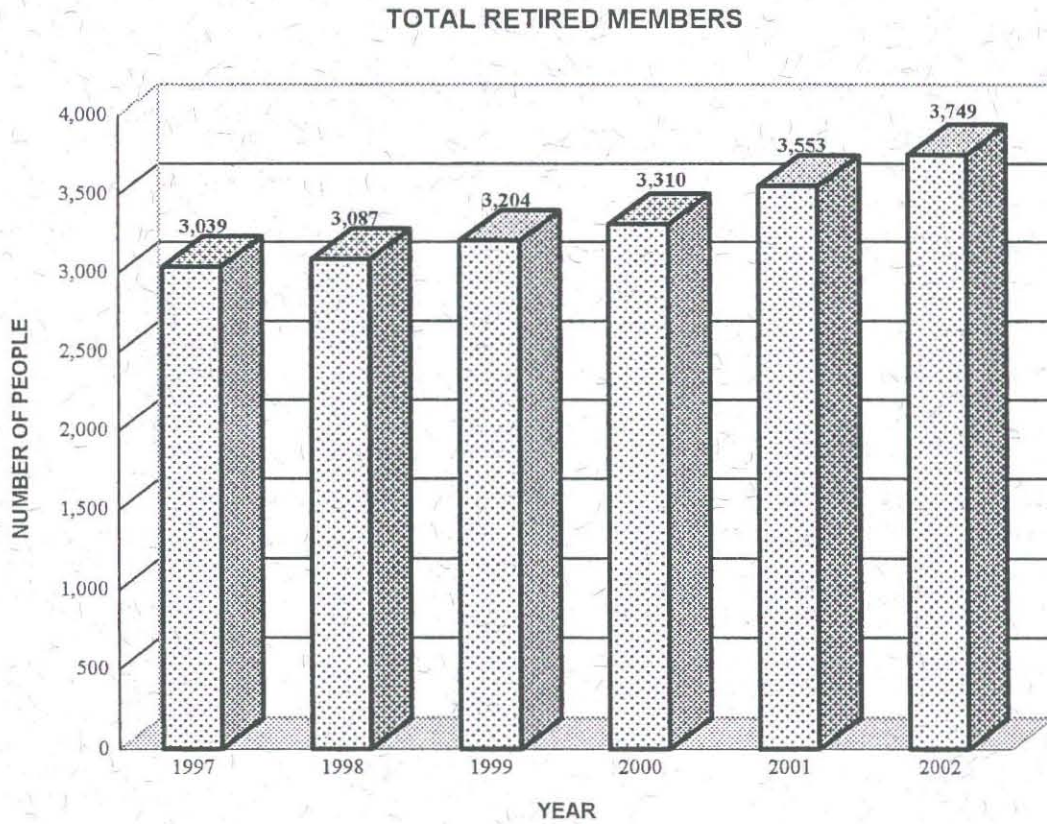
MEMBERS	1997	1998	1999	2000	2001	2002
GENERAL	\$ 35,082	\$ 37,715	\$ 39,263	\$ 42,909	\$ 52,480	\$ 65,113
SAFETY	6,074	6,587	7,239	8,530	10,529	15,378
SURVIVOR	532	514	696	784	872	1,293
TOTAL	\$ 41,688	\$ 44,816	\$ 47,198	\$ 52,223	\$ 63,881	\$ 81,784

BENEFIT EXPENSES
(amounts expressed in thousands)



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

MEMBERS	1997	1998	1999	2000	2001	2002
GENERAL	2,697	2,732	2,816	2,897	3,089	3,235
SAFETY	284	292	318	338	390	435
SURVIVOR	58	63	70	75	74	79
TOTAL	3,039	3,087	3,204	3,310	3,553	3,749



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AVERAGE ANNUAL BENEFIT AND MEMBERSHIP DISTRIBUTION
OF RETIRED GENERAL MEMBERS
AS OF JUNE 30, 2002**

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, 2002**

FEMALES

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	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, 2002**

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	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**

	1997	1998	1999	2000	2001	2002
Active Vested						
General	3,368	3,588	3,412	3,674	3,466	3,566
Safety	513	488	590	614	641	630
Total	3,881	4,076	4,002	4,288	4,107	4,196
Active Nonvested						
General	1,580	1,551	2,241	2,691	3,083	3,299
Safety	329	385	273	304	301	293
Total	1,909	1,936	2,514	2,995	3,384	3,592
Total Active Members						
General	4,948	5,139	5,653	6,365	6,549	6,865
Safety	842	873	863	918	942	923
TOTAL	5,790	6,012	6,516	7,283	7,491	7,788
Deferred Members	1,182	1,289	1,310	1,326	1,353	1,467
TOTAL	1,182	1,289	1,310	1,326	1,353	1,467

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

	1997	1998	1999	2000	2001	2002
County of Fresno						
General Members	4,926	5,098	5,605	6,312	6,494	6,807
Safety Members	803	833	825	877	902	884
Total	5,729	5,931	6,430	7,189	7,396	7,691
Participating Agencies (General Members)						
Clovis Memorial	3	3	4	4	4	3
Fresno County Office of Education	3	2	3	3	1	1
Fresno Mosquito and Vector Control	9	9	10	10	10	10
Fresno-Madera Area Agency on Aging	0	20	25	29	34	37
North Central Fire Protection	7	7	6	7	6	7
Total	22	41	48	53	55	58
Participating Agencies (Safety Members)						
North Central Fire Protection	39	40	38	41	40	39
Total	39	40	38	41	40	39
Total Active Members						
General Members	4,948	5,139	5,653	6,365	6,549	6,865
Safety Members	842	873	863	918	942	923
TOTAL	5,790	6,012	6,516	7,283	7,491	7,788

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

EFFECTIVE DATES			GENERAL	SAFETY
October 1, 2001	to	June 30, 2002	0.00%	21.87%
July 1, 2000	to	September 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%

The employer contribution rates above reflect the aggregate rates.

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