The Comprehensive Annual Financial Report of the San Mateo County Employees' Retirement Association

for the fiscal year ending June 30, 2000

A Component Unit of the County of San Mateo

Redwood City, California

SamCERA

Your San Mateo County Employees' Retirement Association

San Mateo County
Employees' Retirement Association
A Component Unit of the County of San Mateo

Comprehensive
Annual
Financial Report
for the year ended June 30, 2000

Sidney C. McCausland
Chief Executive Officer
SamCERA
702 Marshall, Suite 280
Redwood City, California 94063-1823

San Mateo County Employees' Retirement Association

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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COUNTY OF SAN MATEO

FOUNDED 1856

THE INTRODUCTORY SECTION

SamCERA's Mission

SamCERA exists
to serve as Loyal Fiduciary for
our Members, Retirees and Beneficiaries;
&
to serve as Prudent Administrator of
our County's Retirement System.

SamCERA's Goals

To provide caring, fair, accurate, timely and knowledgeable professional service to our clients and our public.

To prudently manage the assets and actuarial liabilities of the Retirement System,
so as to minimize the costs to our County,
while assuring our ability to pay all earned benefits.

To constantly improve the effectiveness of our services and the efficiency of our operations.

SamCERA

San Mateo County Employees' Retirement Association
702 Marshall, Suite 280, Redwood City, CA 94063-1823
October 31, 2000

Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

It is my honor to present to you *The Comprehensive Annual Financial Report of the San Mateo County Employees' Retirement Association for the fiscal years ending June 30, 1999 and June 30, 2000* (The Report).

This Report is submitted for your review. *SamCERA*'s management is responsible for the accuracy of the data; the complete, full disclosure of all matters of material consequence and the fairness of the presentation. This Report was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board. Transactions are reported on the accrual basis of accounting.

SamCERA's management is responsible for establishing and maintaining an internal control structure designed to ensure that *SamCERA*'s assets are protected from loss, theft, or misuse. Sufficient internal controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules. As your Chief Executive Officer, I hereby certify that *SamCERA*'s system of internal controls is adequate and that this report accurately, completely, fully and fairly discloses all matters of material consequence.

AUTHORITY, RESPONSIBILITIES & DUTIES

SamCERA was created by the Board of Supervisors in 1944, pursuant to the provisions of California's County Employees' Retirement Law of 1937 and County Ordinance 564.

SamCERA provides retirement, disability and death benefits for its eligible members, in accordance with the provisions of the Constitution of the State of California and the 1937 Act.

SamCERA's members include all permanent employees of the County of San Mateo and the San Mateo County Mosquito Abatement District, vested former employees who elected deferred retirement and all current retirees and their eligible survivors and beneficiaries. More than 85% of *SamCERA*'s members are classified as General Members. General Members are covered by the applicable provisions of both the 1937 Act and Social Security. The remainder of *SamCERA*'s members are law enforcement employees classified as Safety or Probation Safety members. These members are covered by specific Safety Member provisions of the 1937 Act but are not covered by Social Security.

The Board of Retirement serves as fiduciary for all of SamCERA's members. The Board is responsible for administering the provisions of the 1937 Act that the Board of Supervisors has made applicable to San Mateo County. The Board of Retirement has adopted its *Mission & Goals; Statement of Strategic Services; Regulations of the Board of Retirement; SamCERA's Investment Plan; SamCERA's Service Plans, Reports & Administrative Budget; Conflict of Interest Code; Code of Fiduciary Conduct* and *Delegation of Authority, et al* to document the Board's policies. In addition, the Board has executed contracts for the professional services of an actuary, investment consultant, four investment managers, a global custodian, real estate counsel and fiduciary counsel to help the Board fulfill its duties. The Board's professional consultants are listed on page 9.

SamCERA's Chief Executive Officer is responsible for the day to day operations of the Association. The CEO serves at the pleasure of the Board of Retirement and manages *SamCERA*'s operations in accordance with the Board's *Delegation of Authority*. *SamCERA*'s staff of nine is responsible for assuring that members', employers' and the Board's needs are met in accordance with the high standards set forth in *SamCERA's Mission & Goals*. *SamCERA*'s staff is sworn to carry out its fiduciary duties in accordance with Staff's *Code Of Fiduciary Conduct* and staff's own high *Performance Standards*.

SamCERA's Membership as of June 30, 2000

Plan (Tier)	One	Two	Three	Four	Total
Retirees and beneficiaries currently receiving benefits:					
General	2,216	418	27	1	2,662
Safety	229	21	0	0	240
Probation	50	7	0	0	57
Subtotal	2,485	446	27	0	2,959
Terminated employees entitled to but not currently receiving benefits (Deferred):					
General	110	338	107	2	557
Safety	2	27	0	1	30
Probation	3	22	0	1	26
Subtotal	115	387	107	4	613
Current employees:					
Vested:					
General	470	1,931	89	1	2,491
Safety	113	191	0	0	304
Probation	50	90	0	0	140
Non-Vested:					
General	0	554	202	661	1,417
Safety	0	45	0	76	121
Probation	0	37	0	68	105
Subtotal	633	2,848	291	806	4,578
Total *SamCERA* Membership	3,233	3,681	425	811	8,150

The Comprehensive Annual Financial Report

The Report consists of five sections, as follows.

•**The Introductory Section** includes *SamCERA*'s *Mission & Goals*, this Letter of Transmittal, a listing of the Members of the Board of Retirement and an organizational chart of *SamCERA*'s staff and the professional organizations which carry out *SamCERA*'s programs. This Letter of Transmittal also provides an overview of *SamCERA* and the significant activities and events that occurred during fiscal year 1999.

•**The Financial Section** presents information regarding *SamCERA*'s financial condition. This section contains the opinion of the independent County Auditor, *SamCERA*'s financial statements and supplemental financial information. The County Auditor concludes that its audit of *SamCERA*'s financial statements, as set forth in the Financial Section, provided a reasonable basis for the Auditor to determine that the financial statements present *SamCERA*'s financial position fairly. During the fiscal year, Retirement Fund assets grew from $1.261 billion to $1.381 billion.

The collection of employer and employee contributions and investment income provide the reserves needed to finance retirement benefits. Contributions and investment income for the fiscal year totaled $176.3 million.

Additions to SamCERA's Assets

Contributions	
Employer	$ 38,694,984
Member	14,383,348
Total Contributions	53,078,332
Investment Income	129,768,422
Less investment expense	(6,565,099)
Net Investment Income	123,203,343
TOTAL ADDITIONS	$176,281,675

The 1937 Act permits the use of Retirement Fund Assets to pay earned service retirement benefits, disability benefits, death benefits, and refunds of member contributions. In addition the 1937 Act permits the payment of administrative and professional expenses from the Retirement Fund. Benefits and expenses for the fiscal year totaled $56.2 million.

Deductions from SamCERA's Assets

SamCERA Benefits:	
Service retirement allowance	$46,339,311
Disability retirement allowance	5,298,397
Medical benefits	765,447
Death and other benefits	687,095
Total Association benefits	53,090,250
Refunds of members' contributions	1,895,952
Administrative expense	1,221,286
TOTAL DEDUCTIONS	$56,207,488

•**The Investment Section** presents information regarding *SamCERA*'s investment program. All investments are made in accordance with the guidelines set forth in *SamCERA's Investment Plan* by fully discretionary institutional investment advisors retained by the Board. The section contains the investment consultant's statement produced by the Board's independent investment consultant, Gray & Company Investment Consulting, along with a summary of *SamCERA*'s asset allocation, investment activity and performance. Gray & Company reports that over the past year the Retirement Fund returned 9.95%, approximately .5% greater than the performance of its policy benchmark.

During the fiscal year the Board revised its Investment Philosophy and Strategy and retained a new Investment Consultant. The revisions placed increased emphasis on the use of passive and domestic strategies, which led to a restructuring of *SamCERA*'s Asset Allocation and the termination of Boston Partners Asset Management, Dresdner RCM Global Investors, Sprucegrove Investment Management and Westport Asset Management. At the close of the fiscal year, the Retirement Fund assets were being managed by Barclays Global Investors, Deutsche Asset Management, Bank of Ireland Asset Management and INVESCO Realty Advisors.

SamCERA's Asset Allocation

	5/31/2000	Prior to 5/31/2000
Equity	65%	60%
Fixed Income	29%	30%
Real Estate	6%	10%

•**The Actuarial Section** presents information regarding the actuarial condition of *SamCERA*. The section contains the certification letter produced by the Board's consulting actuary, William M. Mercer, Inc., the funding status and a summary of other key actuarial information.

During the fiscal year the Board, with the assistance of Milliman & Robertson, completed its first actuarial audit of both the actuarial valuation and triennial experience study practices of its actuary. Milliman & Robertson recommended several improvements to assure the accuracy of the data which *SamCERA* provides to the actuary, noting that many of their recommendations were implemented during the course of the audit. The actuarial audit also found a computation error in a subset of the actuarial valuation, but determined that the error did not impact the calculation of the Unfunded Actuarial Liability or required contribution rates. During the course of the audit, William M. Mercer corrected the computational error and modified its calculation of the withdrawal assumption, based on Milliman & Robertson's recommendations. Milliman & Robertson noted that *SamCERA*'s economic assumptions are aggressive by Milliman & Robertson's criteria, but that *SamCERA*'s actuarial smoothing period is conservative by Milliman & Robertson's criteria. The actuarial audit recommended more detailed disclosure of the actuarial status of each of *SamCERA*'s ten plans in future actuarial valuations.

Milliman & Robertson concluded that "based on a thorough review of the most recent actuarial work of the Board's actuary, we are please to report that we found the work to be reasonable and performed according to generally accepted actuarial standards and principles. We found no significant actuarial issues that would impact the current funding of benefits."

Also during the fiscal year, the Board, in cooperation with the Board of Supervisors, established a Ventura Contingency Reserve to begin advance funding for the contingent liability described in Note 5 of the Financial Statement. The actuary allocated $32.1 million to the new reserve.

As of June 30, 2000 William M. Mercer reports that *SamCERA*'s Actuarial Assets of $1.272 billion are equal to 98.4% of *SamCERA*'s Accrued Actuarial Liabilities of $1.292 billion., with full funding targeted for the year 2011. *SamCERA*'s Unfunded Accrued Actuarial Liability totaled $20.1 million on June 30, 2000.

•**The Statistical Section** presents general information regarding *SamCERA*'s membership and operations over the past decade as required by the CAFR standards.

SamCERA's Comprehensive Annual Report for 1999 earned *SamCERA* its third Government Finance Officers Association of the United States and Canada *Certificate of Achievement for Excellence in Financial Reporting*. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principals and applicable legal requirements. The Certificate is valid for a period of one year only. Staff intends to submit this year's Report to the GFOA as well.

LOOKING FORWARD

The next fiscal year holds the promise of bringing the Board and staff even closer to the attainment of *SamCERA*'s Goals. Staff continues its efforts to simplify and streamline *SamCERA*'s services so that we can meet our members' needs in a caring, fair, accurate, timely and knowledgeable manner. Consequently, member education, board and staff training and task redesign continue to rank high on our list of priorities.

SamCERA has never been better able to serve our members and their employers.

I would like to thank

- All of *SamCERA*'s members for their support and recommendations.
- The members of the Board of Retirement for taking your fiduciary duty so seriously,
- My fellow staff members for always being there for our members,
- Our actuary, our investment consultant, our County Counsel and our investment managers for their dedicated efforts on behalf of our members.
- Gary Clifton for his efforts to produce the best report that we can.

I am honored to be on *SamCERA's* team.

Respectfully submitted,

Sid M'Causland

Sid McCausland, Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Mateo County Employees' Retirement Association, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1999

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Anne Spray Kinney

President

Jeffrey L. Esser

Executive Director

Members of the Board of Retirement

ARON H. HOFFMAN, Chair *appointed by the Board of Supervisors*

Aron Hoffman is a Certified Public Accountant in San Mateo. Mr. Hoffman has served as a City Council member and Mayor of the City of San Mateo. Aron joined the Board in July of 1997. Aron serves as Chair of the Board's Audit Committee.

WILLIAM R. COTTLE, Vice Chair *appointed by the Board of Supervisors*

William Cottle is a Principal with the pension consulting firm of Dorn, Helliesen & Cottle, Inc. Bill joined the Board in January of 1997. Bill serves as Chair of the Board's Investment Committee.

MICHAEL E. MCMAHON, Secretary *elected by SamCERA's General Members*

Michael McMahon is a Senior Auditor-Appraiser with the County. Michael joined the Board in October of 1993.

TOM E. BRYAN *elected by SamCERA's General Members*

Tom Bryan is a Supervising Assessor with San Mateo County and a Steward with SEIU Local 715. Tom joined the Board in July of 1986. He served as Chairman from 1989 until 1990.

LEE BUFFINGTON *Ex Officio per the '37 Act*

Lee Buffington serves as Tax Collector/Treasurer for San Mateo County. The law which created *SamCERA* designates the County Treasurer as a member of the Board of Retirement. Lee joined the Board in October of 1985. **SANDRA ARNOTT** serves as the Constitutional Alternate in Lee's absence.

JOHN J. CARBERRY *appointed by the Board of Supervisors*

John Carberry is a retired pension consultant with Paine Webber. John was appointed to the Board in January of 1993. He served as Chair from 1994 until 1996.

DONNA WILLS COLSON *appointed by the Board of Supervisors*

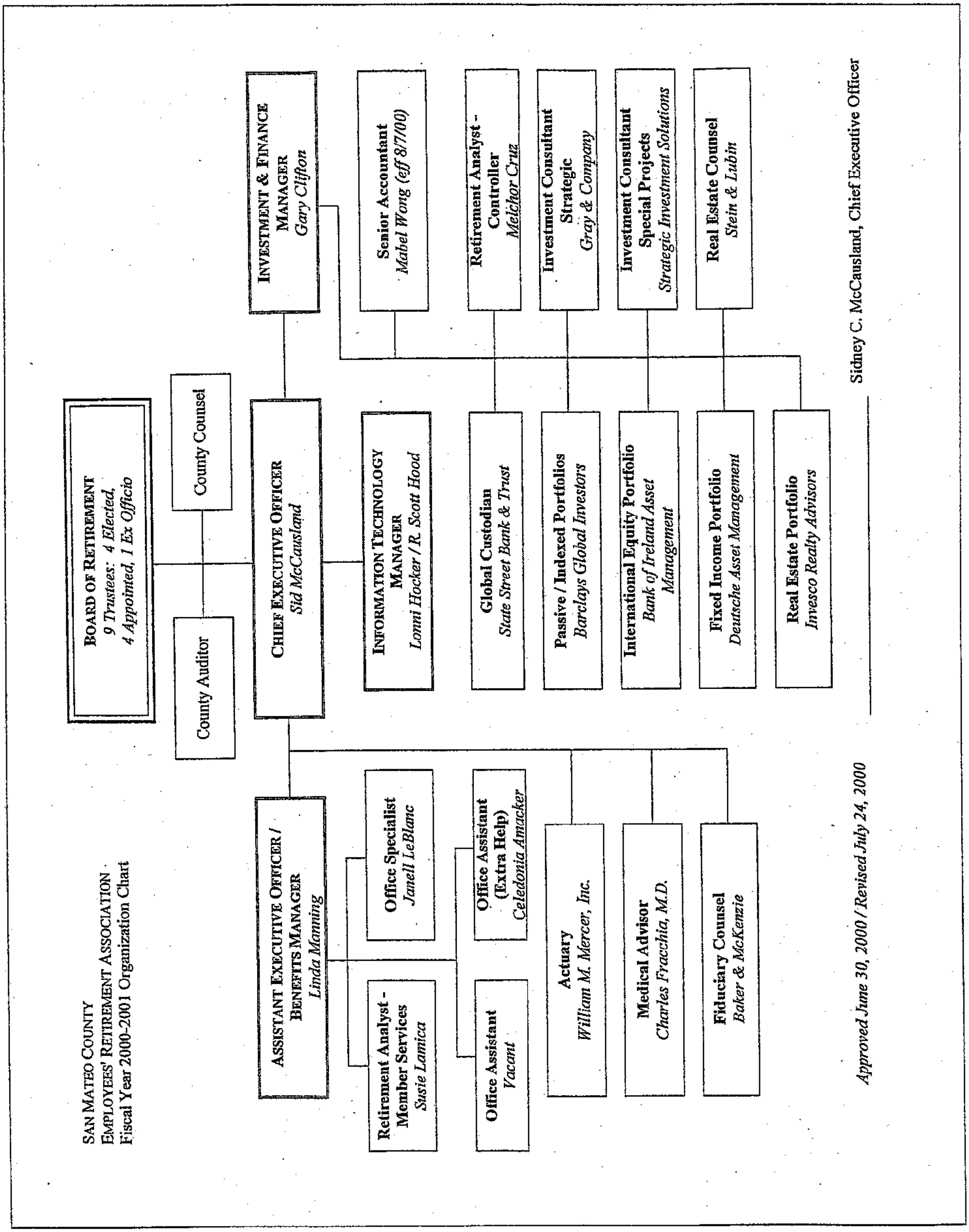
Donna Wills Colson is Client Services Officer with Tukman Capital Management. Donna joined the Board in August of 1998.

KEITH W. HOFFMAN *elected by SamCERA's Safety Members*

Keith Hoffman is a Detective Sergeant serving as Special Agent Supervisor for the County's Vehicle Theft Task Force. Keith is a Past President of the Organization of Deputy Sheriffs, and Past President and current Board Member of the San Mateo County Sheriff's office Association. Keith joined the Board in June of 2000.

BETTE PERROTON STUART *elected by SamCERA's Retired Members*

Bette Perroton Stuart retired as your Retirement Officer in 1988 after nearly 20 years with the County. Bette joined the Board in December of 1990. She served as Chair from 1996-1998.


SAN MATEO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
Fiscal Year 2000-2001 Organization Chart
BOARD OF RETIREMENT
9 Trustees: 4 Elected,
4 Appointed, 1 Ex Officio
County Counsel
County Auditor
CHIEF EXECUTIVE OFFICER
Sid McCausland
INVESTMENT & FINANCE MANAGER
Gary Clifton
Senior Accountant
Mabel Wong (eff 8/7/00)
Retirement Analyst - Controller
Melchor Cruz
Investment Consultant Strategic
Gray & Company
Investment Consultant Special Projects
Strategic Investment Solutions
Real Estate Counsel
Stein & Lubin
INFORMATION TECHNOLOGY MANAGER
Lonni Hocker / R. Scott Hood
Global Custodian
State Street Bank & Trust
Passive / Indexed Portfolios
Barclays Global Investors
International Equity Portfolio
Bank of Ireland Asset Management
Fixed Income Portfolio
Deutsche Asset Management
Real Estate Portfolio
Invesco Realty Advisors
ASSISTANT EXECUTIVE OFFICER / BENEFITS MANAGER
Linda Manning
Office Specialist
Janell LeBlanc
Retirement Analyst - Member Services
Susie Lamica
Office Assistant (Extra Help)
Celedonia Amacker
Office Assistant
Vacant
Actuary
William M. Mercer, Inc.
Medical Advisor
Charles Fracchia, M.D.
Fiduciary Counsel
Baker & McKenzie
Sidney C. McCausland, Chief Executive Officer
Approved June 30, 2000 / Revised July 24, 2000

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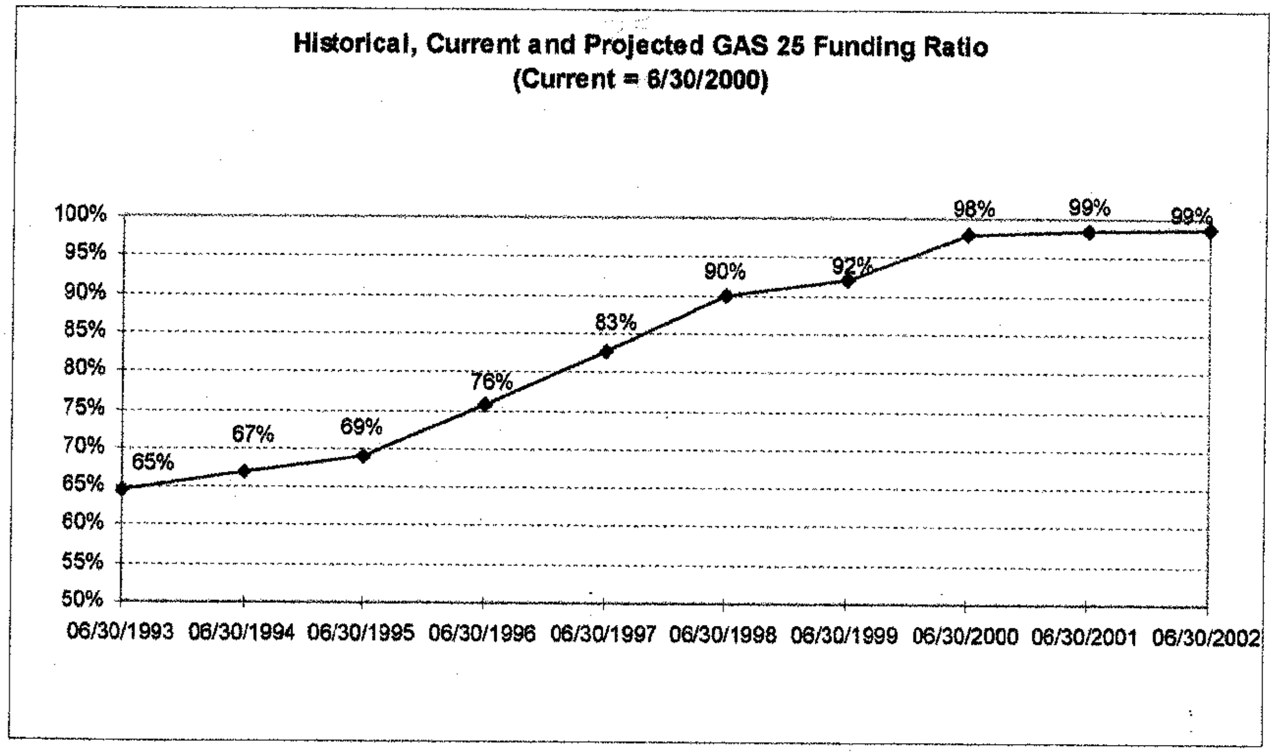
THE FINANCIAL SECTION

Funding Ratio (GAS 25 Basis)



Office of Controller

TOM HUENING
CONTROLLER

ROBERT G. ADLER
DEPUTY CONTROLLER

COUNTY OF SAN MATEO

555 COUNTY CENTER, 4TH FLOOR • REDWOOD CITY • CALIFORNIA 94063

TELEPHONE: (650) 363-4777
FAX: (650) 363-7888
www.co.sanmateo.ca.us/controller/

Independent Auditor's Report

Retirement Board
San Mateo County Employees' Retirement Association

We have audited the accompanying statement of plan net assets of the San Mateo County Employees' Retirement Association (the Association) as of June 30, 2000 and 1999, and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 financial position of the San Mateo County Employees' Retirement Association as of June 30, 2000 and 1999, and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Required Supplementary Information presented on pages 17 and 18 is required by the Government Accounting Standards Board. Such required supplementary information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

County of San Mateo Controller

September 8, 2000

Office of Controller

TOM HUENING
CONTROLLER

ROBERT G. ADLER
DEPUTY CONTROLLER

COUNTY OF SAN MATEO

555 COUNTY CENTER, 4TH FLOOR • REDWOOD CITY • CALIFORNIA 94063

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Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Retirement Board
San Mateo County Employees' Retirement Association

We have audited the statement of plan net assets of the San Mateo County Employees' Retirement Association (the Association) as of June 30, 2000 and 1999, and the related statement of changes in plan net assets for the years then ended, and have issued our report thereon dated September 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the Board of Retirement and to Management in a separate letter dated September 8, 2000.

This report is intended solely for the information and use of the audit committee, management, others within the Association, retirement board, and is not intended to be and should not be used by anyone other than these specified parties.

County of San Mateo Controller

September 8, 2000

San Mateo County Employees' Retirement Association
Statement of Plan Net Assets
June 30, 2000

	2000	1999
Assets:		
Cash and cash equivalents (Notes 2 and 4)	$14,471,045	$39,676,465
Receivables:		
Contributions	1,019,263	1,708,408
Due from broker for investments sold	557,745	382,242
Investment income	3,260,815	5,413,366
Total Receivables	4,837,823	7,504,016
Prepaid Expense	89,371	123,359
Investments, at fair value (Notes 2 and 4)		
Domestic fixed income securities	379,638,815	251,698,922
International fixed income securities	0	96,652,912
Domestic equities	687,491,703	523,177,495
International equities	204,598,757	235,305,756
Real Estate	99,566,000	118,531,220
State Local Agency Investment Fund	0	68,865
Total Investments	1,371,295,275	1,225,435,170
Fixed assets, at cost, net of accumulated Depreciation of $138,437 and $87,263 at 2000 and 1999, respectively. (Note 2)	33,671	71,522
Total Assets	1,390,727,185	1,272,810,532
Liabilities:		
Payables		
Investment management fees	822,921	814,839
Due to broker for investments purchased	0	458,437
Mortgage Note Payable (Note 6)	7,551,987	7,684,619
Other	1,255,849	2,830,396
Total Liabilities	9,630,757	11,788,291
Net Assets Held in Trust For Pension Benefits (Note 3)	$1,381,096,428	$1,261,022,241

(A Schedule of Funding Progress is presented on page 11)

The accompanying Notes are an integral part of these financial statements.

San Mateo County Employees' Retirement Association
Statement of Changes in Plan Net Assets
For The Year Ended June 30, 2000

	2000	1999
Additions:		
CONTRIBUTIONS (Note 3)		
Employer	$ 38,694,984	$ 41,289,267
Employee	14,383,348	12,586,387
Total Contributions	53,078,332	53,875,654
INVESTMENT INCOME	129,768,422	88,622,120
Less investment expense	(6,565,099)	(5,072,197)
Net Investment Income	123,203,343	83,549,923
Total Additions	176,281,675	137,425,577
Deductions:		
ASSOCIATION BENEFITS:		
Service retirement allowance	46,339,311	43,260,662
Disability retirement allowance	5,298,397	4,818,032
Medical benefits	765,447	720,003
Death and other benefits	687,095	692,934
Total Association benefits	53,090,250	49,491,631
REFUNDS OF MEMBERS' CONTRIBUTIONS	1,895,952	1,640,120
ADMINISTRATIVE EXPENSE (Note 3)	1,221,286	1,070,671
Total Deductions	56,207,488	52,202,422
Net Increase	120,074,187	85,223,155
Net Assets Held in Trust for Pension Benefits:		
Beginning of year	1,261,022,241	1,175,799,086
End of year	$1,381,096,428	$ 1,261,022,241

The accompanying Notes are an integral part of these financial statements

Note 1 - Plan Description

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

General

The Association is a cost-sharing multiple-employer, defined benefit pension plan established to provide pension benefits for substantially all employees of the County of San Mateo (the County) and the San Mateo County Mosquito Abatement District. Management of the Association is vested in the Board of Retirement consisting of nine members. The 1937 Act states one member shall be the County Treasurer; the second and third members shall be general members of the Association elected by their peers; the fourth, fifth, sixth and ninth members shall be qualified electors of the County and shall be appointed by the Board of Supervisors; the seventh member shall be elected by and be a member of the Association's safety membership; the eighth member shall be a retired member elected from the retired membership. The Association has four plans, which cover members classified as general, safety or probation. Employees hired on or before July 6, 1980, became members of Plan One. Employees hired after July 6, 1980, became members of Plan Two. Employees hired on or after July 13, 1997 become members of Plan Four. New General Employees may also elect membership under Plan Three. New employees appointed to positions of active law enforcement become safety members under Plan Four. In 1990, probation officers were given the choice of remaining in the general plan or electing safety status for future service under a new probation plan. All new probation officers become members under Plan Four for probation officers. From January 1, 1993, general members in Plan Three with 5 years of continuous service have the option to change to the Plan they were eligible for at entry date.

The Association's plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). As of June 30, 2000, the Association membership consisted of the following:

	Plan One	Plan Two	Plan Three	Plan Four	Total
Retirees and beneficiaries currently receiving benefits:					
General	2,298	474	41	2	2,815
Safety	229	24	0	0	253
Probation	31	3	0	0	34
Subtotal	2,558	501	41	2	3,102
Terminated employees entitled to but not currently receiving benefits (deferred):					
General	108	356	109	10	583
Safety	3	26	0	2	31
Probation	2	28	0	2	32
Subtotal	113	410	109	14	646
Totals Forwarded	2,671	911	150	16	3,748

Note 1 - Plan Description – General (Continued)

	Plan One	Plan Two	Plan Three	Plan Four	Total
Totals Forwarded	2,671	911	150	16	3,748
Current employees:					
Vested:					
General	452	1,883	89	5	2,429
Safety	106	208	0	1	315
Probation	44	86	0	1	131
Non-Vested:					
General	0	364	159	1066	1,589
Safety	0	21	0	87	108
Probation	0	30	0	88	118
Subtotal	602	2,592	248	1,248	4,690
Total	3,273	3,503	398	1,264	8,438

As of June 30, 1999, the Association membership consisted of the following:

	Plan One	Plan Two	Plan Three	Plan Four	Total
Retirees and beneficiaries currently receiving benefits:					
General	2,216	418	27	1	2,662
Safety	229	21	0	0	240
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General	0	554	202	661	1,417
Safety	0	45	0	76	121
Probation	0	37	0	68	105
Subtotal	633	2,848	291	806	4,578
Total	3,233	3,681	425	811	8,150

Benefit Provisions

The Association provides basic retirement, disability and death benefits based on a defined benefit formula which uses final average salary, years of service, and age to calculate benefit payable and, in addition, provides annual cost-of-living adjustments upon retirement for members of Plans One, Two and Four. The benefits of Plan Three are reduced by Social Security benefits received by the member. The 1937 Act vests the Board of Supervisors with the authority to initiate benefits, however, Government Code Section 31592.2 empowers the Board of Retirement to provide health benefits when the Section 31592 reserve exceeds 1% of assets.

Members with 10 years of continuous service (permanent part-time employees need equivalent of 5 years of full-time service) are eligible to retire at the following minimum ages:

Plan One	Age 50
Plan Two	Age 50
Plan Four	Age 50
Plan Three	Age 55

General members of Plans One, Two and Four may retire at any age after 30 years of service. Safety members, who participate only in Plans One, Two and Four, may retire at any age after 20 years of service.

A member who leaves County service may withdraw the contributions made by the member to the Association, plus accumulated interest.

Members with five years of service or permanent part-time employees who have the equivalent of five years of full-time service or non-contributory members with 10 years of service who terminate their employment with the County may elect to leave their accumulated contributions with the Association and take a deferred retirement.

Note 2 - Significant Accounting Policies

Basis of Accounting

The Association uses the accrual basis of accounting. Investment income is recognized when it is earned, and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the plan.

The financial activities of the Association (a component unit of the County) are blended with the general-purpose financial statements of the County because the Association is an integral part of the County.

Effective July 1, 1995, the Association implemented the provisions of the Governmental Accounting Standards Board's Statement No. 25 (GASB 25), "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The financial statements and the required supplementary information are presented in compliance with GASB 25, which mandates stating assets at fair value.

Effective July 1, 1996, the Association implemented the provisions of the Governmental Accounting Standards Board's Statement No. 28 (GASB 28), "Accounting and Financial Reporting for Securities Lending Transactions". The financial statements and the required footnote disclosures are presented in compliance with GASB 28. GASB 28 requires that governmental entities report securities lent, in addition to securities lending transactions, as assets on their balance sheet. Liabilities resulting from securities lending transactions are also required to be reported on the balance sheet. Related income and costs are included in the Statement of Changes in Plan Net Assets.

Cash and Investments

The Board of Retirement has exclusive control of the investments of the Association. Government Code Section 31595 of the 1937 Act authorizes the Board to invest, or delegate the authority to invest, the assets of the Association in any investment allowed by statute and deemed prudent in the informed opinion of the Board.

Cash is pooled with other funds of the County, State Local Agency Investment Fund (LAIF) or custodians, when appropriate, so as to earn a higher rate of return than could be earned by investing the funds individually. All highly liquid investments with a maturity of three months or less when purchased, in addition to the pooled cash with the County, State LAIF and custodians, are considered cash equivalents.

The Association records investment transactions on the trade date. Investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real Estate assets are reported at fair value utilizing an income approach to valuation. By contract, once every three years an independent appraisal to determine the fair market value of the real estate assets is obtained. In the interim years, real estate assets are reported at fair value utilizing an income approach to valuation.

Fixed Assets

Fixed assets are valued at historical cost and are comprised of computer equipment and software. Depreciation has been computed using the straight line method over the estimated useful life of 3 years.

Foreign Currency Transactions

Gains earned and losses incurred resulting from foreign currency transactions during the year are recorded as a component of investment income. Gains and losses from translation of international investments at fiscal year-end rates of exchange are included in investment income.

Forward currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. These contracts are agreements to exchange different currencies at specified rates and settlement dates. Differences between the contract and market exchange rates at settlement result in gains or losses, which are included in net investment income. Risks may arise from the possible inability of counter parties to meet the terms of their contracts and from movements in exchange and interest rates.

Note 3 - Contributions, Administrative Expenses and Reserves

Contributions

Both the County and the employees make contributions to the Association. Employee contributions are mandatory except for those employees under Plan Three. The employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. The rates are determined by age at entry into the Association and are based on a percentage of covered compensation. The average employee contribution rate for the fiscal year was 5.64%.

The County contribution rates for each plan are determined pursuant to Section 31453 of the 1937 Act and provide for the balance of the contributions which, when combined with projected investment earnings, will be needed to fund the benefits promised under the plan. Contribution rates are actuarially determined using the entry age normal method and consist of an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current year) and an amount required to amortize of the unfunded actuarial accrued liability over the period ending December 31, 2011. Details of funding progress, annual required contribution and contribution made by the County, and the latest actuarial valuation are presented in the Required Supplementary Information Schedules.

The County pays 100% of management employees' and unrepresented attorneys' contributions and 50% of confidential employees' contributions on a refundable basis. The County also pays 15% of Deputy Sheriff and Correctional Officers' contributions on a non-refundable basis.

Administrative Expenses

Administrative costs of the Association are financed through investment earnings. Administrative expenses reported in the statement of changes in plan net assets include:

	2000	1999
Salaries and employee Benefits	$635,779	$565,598
Services and supplies	534,333	457,823
Depreciation	51,174	47,250
Salaries and employee Benefits	$1,221,286	$1,070,671

Reserves

Reserves required for reporting purposes by the 1937 Act:

	2000	1999
Member Deposit Reserve – Accumulated contributions and Interest	$190,684,405	$175,508,664
County Advance Reserve – Current Service	175,345,917	151,441.784
Retiree Reserves	398,239,836	362,096,176
Cost of Living Adjustment Reserve	507,591,995	452,765,235
Subtotal (Valuation Reserves)	1,271,862,153	1,141811,859
Reserves required by Section 31592 of the 1937 Act:		
Reserve for Deficiencies in Interest Earnings and Other Continencies	13,907,273	12,728,004
Total Allocated Reserves	1,285,769,426	1,154,539,863
Market Stabilization Reserve	60,558,970	106,482,378
Ventura Contingency Reserve (Note 5)	34,768,032	0
Net Assets Held in Trust for Pension Benefits	$1,381,096,428	$1,261,022,241

Reserves are restricted to specific purposes. Member contributions are credited to members deposit reserve. County contributions are credited to County advance reserves and the cost of living adjustment reserve. At retirement, a member's accumulated contributions plus interest and the related County contributions are transferred to the retiree's reserves. The retiree reserves and the cost of living adjustment reserve represent amounts set aside for retirement benefits promised under the plan less benefits paid.

The reserves required by Section 31592 of the 1937 Act represent earnings in excess of the total interest credited to contributions and reserves. The 1937 Act requires that the excess earnings remain in the retirement fund as a reserve against any deficiencies in interest earnings in other years, losses on investments and other contingencies, except that, excess earnings exceeding one percent of the total assets of the Association may be transferred into the County advance reserves for payment of benefits described under the Act. Excess earnings from unrealized gains, being the difference between the market value and the book value of assets, were transferred to a market stabilization reserve as approved by the Board.

The reserves are fully funded as of the reporting date. The Schedule of Funding Progress, as reported in the Required Supplementary Information, provides an analysis of plan funding on an actuarial basis.

Note 4 - Cash and Investments

Association's Investments

The Association's investments are managed by independent investment management firms subject to the guidelines and controls in the investment plan and contracts executed with the Board. The Board utilizes third party institutions as custodians over the Plan assets.

Investments in the Local Agency Investment Fund (LAIF) are administered by the State of California for the benefit of various local agencies. LAIF holds a pool of investments including commercial paper, corporate bonds, Treasury notes and other securities.

The Board approved its first comprehensive investment plan on September 29, 1994. The plan specified an asset allocation target of 50% equities, 40% fixed income securities, and 10% real estate. The current asset allocation, which was adopted on April 21, 2000, is 65% equities, 29% fixed income securities and 6% real estate. At June 30, 2000, actual asset allocation was 65% equities, 28% fixed income securities and 7% real estate.

For financial reporting purposes, the Association's investments are categorized to give an indication of the risk assumed by the Association as of June 30, 2000. Category 1 includes investments that are insured or registered or for which the securities are held by the Association or its agent in the Association's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer'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 broker or dealer or by its trust department or agent but not in the Association's name. Investments in external investment pools and mutual funds cannot be categorized because the Association is not issued securities. As of June 30, 2000, the Association's investments were categorized as shown below.

The Association's cash and investments as of June 30, 2000 follow. Investments that represent 5% or more of the Association net assets are separately identified.

	2000	1999
Cash and Deposits		
County Treasurer	$ 1,655,002	$ 3,259,953
Custodians	12,816,043	36,416,512
Total Cash and Deposits	$14,471,045	$39,676,465
Investments – Categorized		
Category 1		
Domestic Fixed Income		
Obligations of the U.S. Treasury	$ 65,040,306	$ 0
Corporate Bonds	89,811,141	0
International Fixed Income		
Government Bonds	0	41,689,587
Corporate Bonds	0	5,373,308
Domestic Equities		
Large Capitalization	0	62,038,438
Small Capitalization	0	157,726,479
Real Estate Investment Trust	0	23,160,037
Total Category 1:	154,851,447	289,987,847
Category 3		
Repurchase Agreements	10,013,485	0
Total Categorized	$ 164,864,932	$ 289,987,847
Investments- Not Categorized		
Commingled Funds:		
Domestic Fixed Income		
BGI US Debt Index Fund	$ 214,773,882	$ 142.373,732
Deutsche Asset Management, Inc.	0	109,325,190
International Fixed Income		
BGI Non-US World Govt. Bond Fund	0	49,590,017
Domestic Equities		
BGI Russell 1000 Index Fund	545,815,272	303,412,578
BGI Russell 2000 Index Fund	141,676,433	0
International Equities		
BGI EAFE Equity Fund – Malaysia	0	662,299
Bank of Ireland Asset Management	203,932,871	141,806,571
Sprucegrove Investment Services	665,885	92,836,886
Real Estate	99,566,000	95,371,183
State Local Agency Investment Fund	0	68,865
Total Not Categorized	1,206,430,343	935,447,321
Total Investments	$1,371,295,275	$1,225,435,170

Security Lending

The current policy of the Association is that it will not engage in security lending through its custodian. However in the fiscal year ending June 30, 1999 the Association, through its custodian, did lend its securities to brokers-dealers and other entities (borrowers) with a simultaneous agreement to return the collateral for the same securities in the future. The Association's custodian lends these loaned securities in return for collateral in the form of cash, securities and letters of credit equal to 102 percent of the fair market value of the securities lent (105 percent if the loaned securities and collateral delivered are denominated in different currencies). Additional collateral must be provided if the market value of the collateral received falls to less than 100 percent of the market value of the securities lent. The collateral securities cannot be pledged or sold by the Association unless the borrower defaults. The contract with the Association's custodian requires the custodian to indemnify the Association if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Association for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand by either the Association or the borrower. In order to facilitate the July 1st transition of assets to its new custodian, State Street Bank and Trust Company, from its current custodian, the Bank of New York, the Association had no securities on loan at fiscal year end. During fiscal year ending June 30, 2000, there was no activity. During fiscal year ending June 30,1999, expenditures of $964,505 generated income of $1,016,198 for net earnings of $51,693.

Note 5 - Contingent Liability

On August 14, 1997 the Supreme Court of the State of California issued a decision in the matter of *Ventura County Deputy Sheriff's Association vs. Board of Retirement of the Ventura County Employees' Retirement Association* which held that compensation paid in cash, even if not earned by all employees in the same grade or class, must be included in compensation earnable and final compensation on which an employee's retirement benefit is based. This California Supreme Court decision became final on October 1, 1997.

However, the *Ventura* decision provided ambiguous guidance on two critical issues: terminal pay and retroactivity. These issues will be decided as a result of the current lawsuit, *Teamsters Local 856 vs. Board of Retirement, San Mateo County.* Similar litigation is pending in other counties. During the current year, there was a decision at the trial court level to dismiss terminal pay subject to appeal.
The Association retained an actuary to estimate the financial impact of a range of possible decisions in the *Teamsters Local 856* litigation. In the event the *Teamsters Local 856* prevail, the Association estimates that as of the June 30, 1998 Actuarial Valuation the possible increase in the unfunded actuarial accrued liability ranges between $180.3 million and $264.9 million. A $32,768,032 reserve has been established to set aside funds for this possible liability.

Note 6 – Mortgage Note Payable:

The Mortgage Note Payable at June 30, 2000 consists of a note payable on a real estate investment with terms, which include monthly payments of principal and interest, an interest rate of 7.87%, and a maturity date of September 1, 2006. Monthly payments until maturity are $61,058, with a principal payment due at maturity of $6,458,350. The note is secured by SamCERA's rental property. Principal payments under the notes payable for the next five years are as follows:

Year Ending June 30	
2001	$ 143,455
2002	155,161
2003	167,823
2004	181,518
2005	196,330
Thereafter	$6,707,700
	$7,551,987

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Required Supplementary Information
(Amounts in thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-A)	Funded Ratio (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/95	663,629	957,828	294,199	69.28%	188,822	155.81%
6/30/96	752,110	986,902	234,792	76.21%	187,926	124.94%
6/30/97	856,679	1,037,431	180,752	82.58%	196,291	92.04%
6/30/98	992,314	1,104,070	111,756	89.88%	211,529	52.83%
6/30/99	1,109,417	1,205,554	96,137	92.03%	238,864	40.25%
6/30/00	1,271,565	1,291,694	20,129	98.44%	259,075	7.77%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1995	38,502	100%
1996	40,114	100%
1997	42,877	100%
1998	42,670	100%
1999	41,289	100%
2000	38,695	100%

Actuarial valuations of the Association are normally carried out as of June 30, each year and contribution requirements resulting from such valuations become effective from July 1, of the next fiscal year.

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

Latest Actuarial valuation

Valuation Date	June 30, 2000
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent – closed
Remaining Amortization Period	11.5 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Projected Salary Increases*	6.25%
*Attributed to Inflation	4.25%
*Attributed to Adjustments for Merit and longevity	2.00%

Cost of Living Adjustments: The maximum increase in retirement allowance i 5% for Plan One, 3% for Plan Two and 2% for Plan Four. The maximums are based on the change in the Consumer Price Index for the Bay Area.

**THE INFORMATION WHICH FOLLOWS
IS SEPARATE FROM
THE NOTES TO THE FINANCIAL STATEMENT**

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Additional Supplementary Information
(Amounts in thousands)

Schedule of Administrative Expenses as of June 30, 2000 and 1999

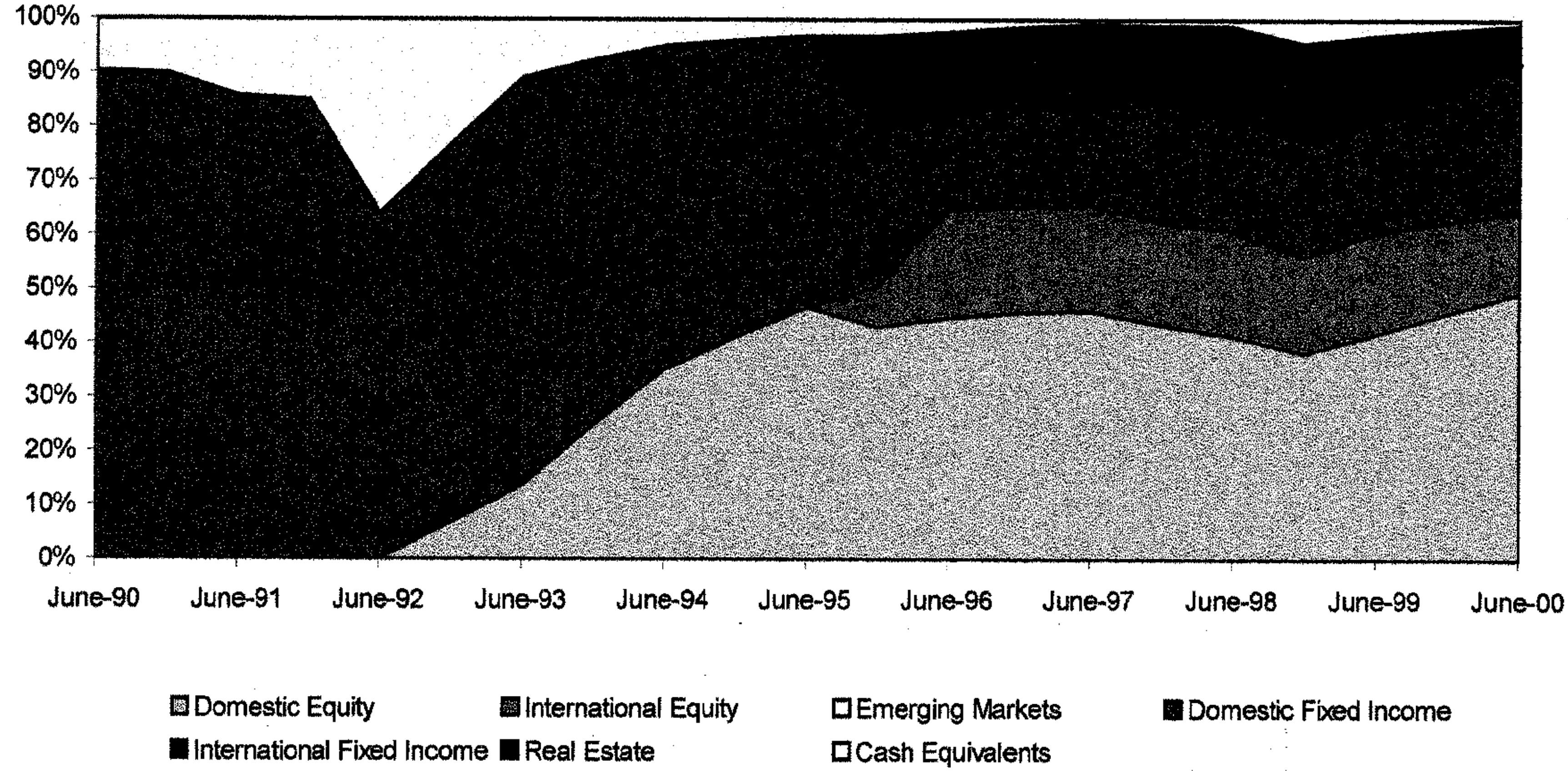
	2000	1999
Salaries and Employee Benefits	$ 635,779	$ 565,598
Services and Supplies	534,333	457,823
Depreciation	51.174	47,250
Total Administration Expense	$1,221,286	$1,034,228

Schedule of Professional Services and Fees as of June 30, 2000 and 1999

	2000	1999
Investment Management	$4,889,790	$3,783,571
Investment Consultant	40,166	135,668
Master Global Custodian	98,885	130,305
Actuarial Consultant	124,776	47,966
Investment Legal Counsel	1,462	10,182
Total Professional Expense	$5,155,079	$4,107,692

THE INVESTMENT SECTION

Historic Asset Allocation



Gray & Company

November 1, 2000

Board of Retirement
San Mateo County Employees'
Retirement Association
702 Marshall Street, Suite 280
Redwood City, CA 94063

Dear Board Members:

During the fiscal year that ended 6-30-00 SamCERA's investment portfolio achieved another year of investment performance that exceeded policy benchmarks and actuarial objectives. In addition, the portfolio experienced above average returns for all major asset classes.

Volatility continued to increase in the equity markets as stocks of smaller companies finally experienced a period where they outperformed the shares of the larger companies. The Russell 2000 Small Company index generated a 14.3% return versus a 9.3% return for the Russell 1000 Large Company index. Growth oriented companies continued to dominate the investment landscape, however, this dominance began to wane during the calendar quarter ended 6-30-00. The equity markets began to encounter challenges with respect to corporate earnings, the rapid rise of energy prices, and the continued tight monetary policy from the US Federal Reserve.

For the year ended June 30, 2000, the total fund experienced a 9.95% investment return, which exceeded the actuarial assumption and outpaced SamCERA's policy benchmark. In addition, this return placed SamCERA within the top half of our public fund universe.

The overall asset allocation of the plan was revised during the last quarter of the fiscal year. In essence, the Trustees eliminated the allocation to international fixed income, reduced its target for international equity from 20% to 15%, and eliminated a value style bias that existed with the previous active manager structure. As stated earlier, the Trustees also increased the amount of assets that were to be passively managed from approximately 38% to 65%. This amount of passive management will minimize the chances that the total portfolio will underperform its investment objectives. In addition, this manager structure will inherently result in significant cost savings in terms of asset management fees and transaction costs. The following table sets forth the new policy:

Asset Class	*Old Policy*	*New Policy*
Large Cap Equities	*27%*	*40%*
Small Cap Equities	*15%*	*10%*
International Equities	*20%*	*15%*
Domestic Fixed Income	*25%*	*29%*
International Fixed Income	*5%*	*0%*
Real Estate	*8%*	*6%*

The total equity portfolio returned 12% for the fiscal year easily outpacing the return of 9.3% for the Large Cap oriented Russell 1000 broad market index. A key source of this equity outperformance was the outstanding returns emanating from the system's international equity portfolio.

The total fixed income portfolio generated a 4.6% return for the fiscal year, which matched the return of the Lehman Aggregate bond index. The aforementioned re-structuring implemented by the Board contributed to improvement of overall fixed income returns as the international bond portfolio was discontinued. The aggregated bond portfolio is now structured with a combination of passive and active management.

Given the Fed's propensity to increase interest rates over the past year, achieving equal to the benchmark performance by the total fixed income portfolio is a testament to the Board's timely execution of the new policy. Bonds then experienced rallies during the latter half of the fiscal year, prompted by the perception of continued federal budget surpluses and muted expectations with respect to inflation. Rising energy prices notwithstanding, the longer- term segment of the bond market has posted sizeable gains.

The new European currency has been extremely weak, thereby challenging the investment objectives of US investors in Euro markets. The dollar has risen against most of the major currencies over the past year, which has the effect of offsetting positive returns in the non-US markets.

For the trailing year ended 6-30-00, the active international portfolio generated a 22.3% return and handsomely outperformed the Morgan Stanley Capital International All Country ex-US benchmark's return of 18.4%. This manager ranks within the top 50% of our consultant's universe for the past year and within the top third over the past three years.

The Real Estate portfolio returned 8.7% for the past year, although below the benchmark, this return is in line with the Trustees' overall expectations for this particular asset class. The portfolio is well diversified in terms of property types and geography. The portfolio is generating current income and is well positioned to continue to take advantage of the general strength present in the current real estate markets as well as producing stable and predictable income returns.

Although fiscal 2000 was a year of transition for the overall investment portfolio, total plan returns exceeded investment objectives and continued SamCERA's progress towards full funding. At the start of the new fiscal year the Trustees have completed the codification of the revisions to the investment plan and have begun discussions as to what enhancements can be made to the existing portfolio to increase the overall risk and return ratio.

Sincerely,
Gray & Company

Adrian P. Anderson
Senior Managing Consultant

SamCERA's Investment Plan sets forth the Board's investment policy, from which the following extracts have been drawn. The full plan may be viewed on SamCERA's web site at www.samcera.org.

INVESTMENT PHILOSOPHY

The Board acknowledges the historical data demonstrating that the most successful strategy for minimizing risk, while capturing market returns, is a prudently diversified portfolio. Therefore, the Retirement Fund should be invested across the spectrum of institutional grade Asset Classes. The Board acknowledges that the Asset Allocation targets reflect a long-term view of the market and that professional management of the Retirement Fund will add value to the portfolio, by capitalizing on inefficiencies in the markets.

The Board takes responsibility for allocating across asset classes and across styles within asset classes, but should not substitute its judgment for the professional judgment of those it retains.

The Board believes that interest, dividends and capital appreciation must be pursued and captured, if the Actuarial Funding Objectives of the Retirement Fund are to be achieved.

The Board will not be market-timers (shifting asset class allocations dramatically over short time spans), because it realizes this strategy is seldom successful and has the potential for dramatic losses.

The Board views Short-term Cash Equivalents as insignificant contributors to Real Returns in the long run.

INVESTMENT OBJECTIVES

It is the Investment Objective of the Board of Retirement to:

Generate Portfolio returns which, over the long-term, exceed the rate of inflation by not less Than 3.25%, by generating market returns within each asset class.

Generate Portfolio returns not less than the returns of a commitment-weighted aggregate of the performance benchmarks specified for the individual investment managers.

Provide for the full funding of the Pension Benefit Obligation by the year 2012.
Stabilize the employer contribution rate, as a percentage of payroll, for the present configuration of benefits, to the extent that the Board of Retirement has control.

Structure an investment program such that the short-term volatility of returns does not induce the Board to alter its long-term asset allocation strategies, by striving for an annualized tracking error around the aggregate benchmark of ±3%.

Calculations for compliance with these objectives will be prepared using a time-weighted rate of return based on the market rate of return in accordance with Association of Investment Management and Research (AIMR) Performance Presentation Standards

INVESTMENT POLICY

It is the Investment Policy of the Board of Retirement to pursue an investment strategy, which reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Board adopted an Asset Allocation to guide the structure of the Investment Portfolio.

INVESTMENT POLICY – (CONTINUED)

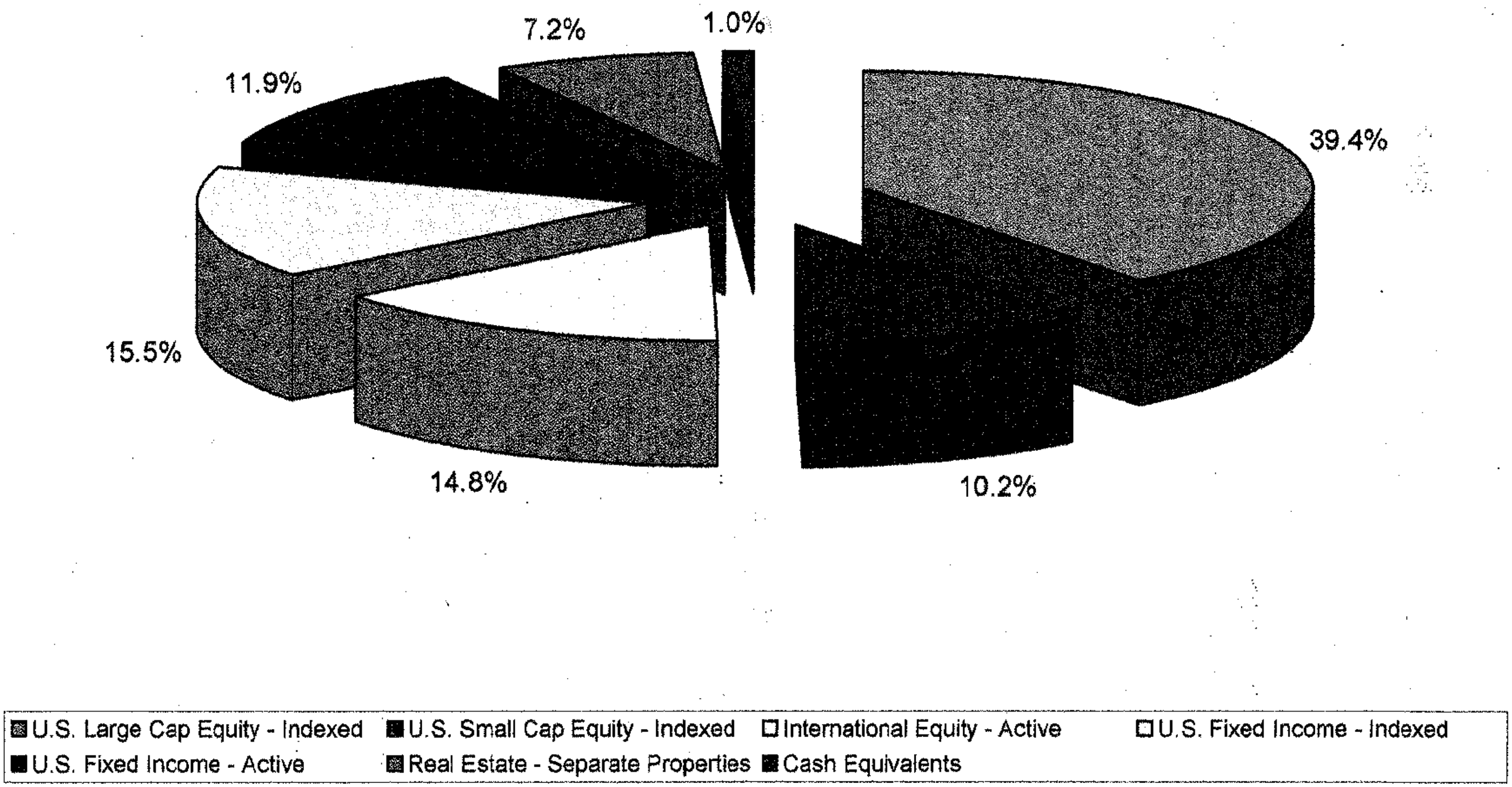
The Board retains the most qualified Investment Managers with demonstrated expertise in the management of institutional pension funds. Objectives have been adopted which encourage the Investment Managers to maximize their performance relative to their individual investment style benchmark. They are delegated full discretion in management of their portfolio. The Board monitors the performance of the Investment Managers, relative to their assigned custom benchmarks to assure their conformance with the provisions of the Board's Investment Policy.

The Board discourages the use of Cash Equivalents, except for liquidity purposes and. Refrains from dramatically shifting asset class allocations over short time spans.

ASSET ALLOCATION

Asset Class	Allocation		June 30 Actual	
Equity	65%		64.4%	
Fixed Income	29%		27.4%	
Real Estate	6%		7.2%	
Cash	0%		1.0%	
Equity Management Style	Allocation		June 30 Actual	
Domestic Large Capitalization	40%		39.4%	
Indexed		35%		39.4%
Domestic Small Capitalization	10%		10.2%	
Indexed		15%		10.2%
International	15%		14.8%	
Active		15%		14.8%
Total Equity	65%		64.4%	
Fixed Income Management Style	Allocation		June 30 Actual	
Domestic Fixed Income	29%		27.4%	
Indexed		16%		15.5%
Active		13%		11.9%
Total Fixed Income	29%		27.4%	
Real Estate Management Style	Allocation		June 30 Actual	
Core Separate Property Portfolio		6%		7.2%
Total Real Estate	6%		7.2%	
Total Cash & Cash Equivalents	0%		1.0%	

Asset Allocation as of June 30, 2000



SCHEDULE OF PORTFOLIO RETURNS

Performance as of June 30, 2000	Total time Weighted Rate of Return		
Asset Category	One Year	Two Years	Three Years
Domestic Equity			
Barclays Global Investors Russell 1000 Index Fund	9.13%	15.44%	20.12%
Bench Russell 1000	9.25%	15.41%	20.13%
Barclays Global Investors Russell 2000 Index Fund	N/A	N/A	N/A
Bench Russell 2000	14.32%	7.72%	10.57%
International Equity			
Bank of Ireland Asset Management	22.28%	14.69%	14.24%
Benchmark MSCI ACWI ex US	11.02%	13.09%	12.46%
Total Equity	12.35%	9.97%	13.64%
Domestic Fixed Income			
Barclays Global Investors US Debt Index Fund	4.65%	3.90%	6.08%
Benchmark Lehman Aggregate Bond Index	4.56%	3.84%	6.03%
Deutsche Asset Management, Inc.	N/A	N/A	N/A
Benchmark Lehman Aggregate Bond Index	4.56%	3.84%	6.03%
Total Fixed Income	4.05%	4.21	5.33%
Real Estate			
INVESCO Realty Advisors – Separate Properties	8.78%	N/A	N/A
NCREIF	11.36%	13.46%	14.48%
Total Plan	9.95%	7.78%	10.70%
Policy Benchmark	9.48%	9.82%	11.39%

Return calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with the Association for Investment Management and Research's Performance Presentation Standards.

Schedule of Investment Portfolio by Asset Class and Manager

As of June 30, 2000

Domestic Equity			
Barclays Global Investors	Russell 1000 Index Fund	$545,815,272	
	Russell 2000 Index Fund	$141,767,433	
Total Domestic Equity			$687,582,705
International Equity			
Bank of Ireland Asset Management	International Equity	$203,932,871	
Sprucegrove Investment Services	International Equity	$ 665,885	
Total International Equity			$204,598,756
Total Equity			$892,181,461
Domestic Fixed Income			
Barclays Global Investors	Us Debt Index Fund	$214,773,882	
Deutsche Asset Management, Inc.	Core Domestic Fixed Income	$164,653,602	
Total Domestic Fixed Income			$379,427,484
Total Fixed Income			$379,427,484
Real Estate			
INVESCO Realty Advisors	Separate Property Portfolio		$99,566,000
Unequitized Cash			$14,471,045
Fixed Assets, at cost, net of accumulated depreciation			33,671
Receivables			4,837,823
<less> Current Liabilities			($9,630,757)
Net Portfolio as of June 30, 2000			$1,381,096,428

Schedule of Top Ten Equity and Fixed Income Securities

As of June 30, 2000

TOP TEN EQUITY SECURITIES

Shares	Exchange	Ticker	Security Name	Market Value
443,133	NYSE	GE	GENERAL ELCECTRIC CO COM	$23,486,064
152,273	NASD	ANTC	INTEL CORP COM	$20,357,005
316,947	NASD	CSCO	CISCO SYS INC COM	$20,145,970
178,149	NASD	MSFT	MICROSOFT CORP COM	$14,251,952
286,794	NYSE	PFE	PFIZER INC COM	$13,766,112
129,949	NYSE	XOM	EXXON MOBILE CORP COM	$10,200,958
2,386,799	LN	VOD	VODAFONE AIRTOUCH	$ 9,647,710
147,090	NYSE	LU	LUCENT TECHNOLOGIES COM	$ 8,715,076
76,958	NYSE	IBM	INTL BUSINESS MACHINES COPR COM	$ 8,431,708
98,285	NASD	ORCL	ORACLE CORP COM	$ 8.262.046

TOP TEN FIXED INCOME SECURITIES*

Par/Book Value	Security Name			Issue ID	Market Value
$18,935,586.43	US Treasury Notes	8.1250%	08/15/19	912810ED6	$19,085,879.76
$ 9,338,408.11	US Treasury Notes	6.0000%	08/15/09	9128275N8	$ 9,491,743.04
$ 8,795,300.41	US Treasury Notes	6.6250%	03/31/02	9128272P6	$ 8,742,192.54
$ 3,665,321.46	Air 2 Us - Enhanced Equip NT	8.0270%	10/01/20	00922KAA8	$ 3,637,296.71
$ 3,472,284.40	International Paper Company	8.1250%	07/08/05	460146BG7	$ 3,468,460.45
$ 3,313,148.44	Federal Home LN MTG PC GTD	5.0000%	12/15/20	312911Z45	$ 3,351,413.00
$ 3,256,291.53	PEMEX FIN LTD	6.5500%	02/15/08	706448AQ0	$ 3,304,987.35
$ 3,273,845.16	Summit PPTYS Partnership LP	6.7500%	07/30/01	86623XAA1	$ 3,282,953.59
$ 3,065,786.12	PP+CAP FDG INC	6.7900%	11/22/04	693496AA9	$ 3,012,687.82
$ 2,906,155.35	First Union Lehman Brothers	7.3800%	04/18/07	33736LAC9	$ 2,947,178.40

*Some Domestic Fixed Income Securities are owned in the US Debt Index Fund managed by Barclays Global Investors.

A complete list of the portfolio holdings is available through the San Mateo County Employees' Retirement Association.

Schedule of Professional Services and Fees
as of June 30, 2000 and 1999

Investment Managers	2000	1999
Barclays Global Investors	$321,832	$ 399,713
Bank of Ireland Asset Management	695,475	581,974
Boston Partners Asset Management	258,197	260,792
Deutsche Asset Management	500,498	513,633
Dresdner RCM Global Investors	842,781	655,044
Independent Investment Associates	0	27,496
INVESCO Realty Advisors (Management)	656,736	704,264
INVESCO Realty Advisors (Acquisition)	68,918	0
Westport Asset Management	1,055,957	289,815
Sprucegrove Investment Management	489,396	350,840
Investment Managers	4,889,790	3,783,571
Investment Consultant		
Watson Wyatt Investment Consulting	40,166	135,688
Actuarial Consulting		
William M. Mercer	73,776	47,967
Milliman and Robertson Associates	51,000	0
Actuaries	124,776	47,967
Master Custodian		
State Street Bank and Trust Company	93,000	0
The Bank of New York	5,885	130,305
Master Custodians	98,885	130,305
Investment Legal Counsel		
Stein & Lubin LLP	1,462	10,182
Investment Legal Counsel	1,462	10,182
Total Professional Services	5,155,079	$4,107,692

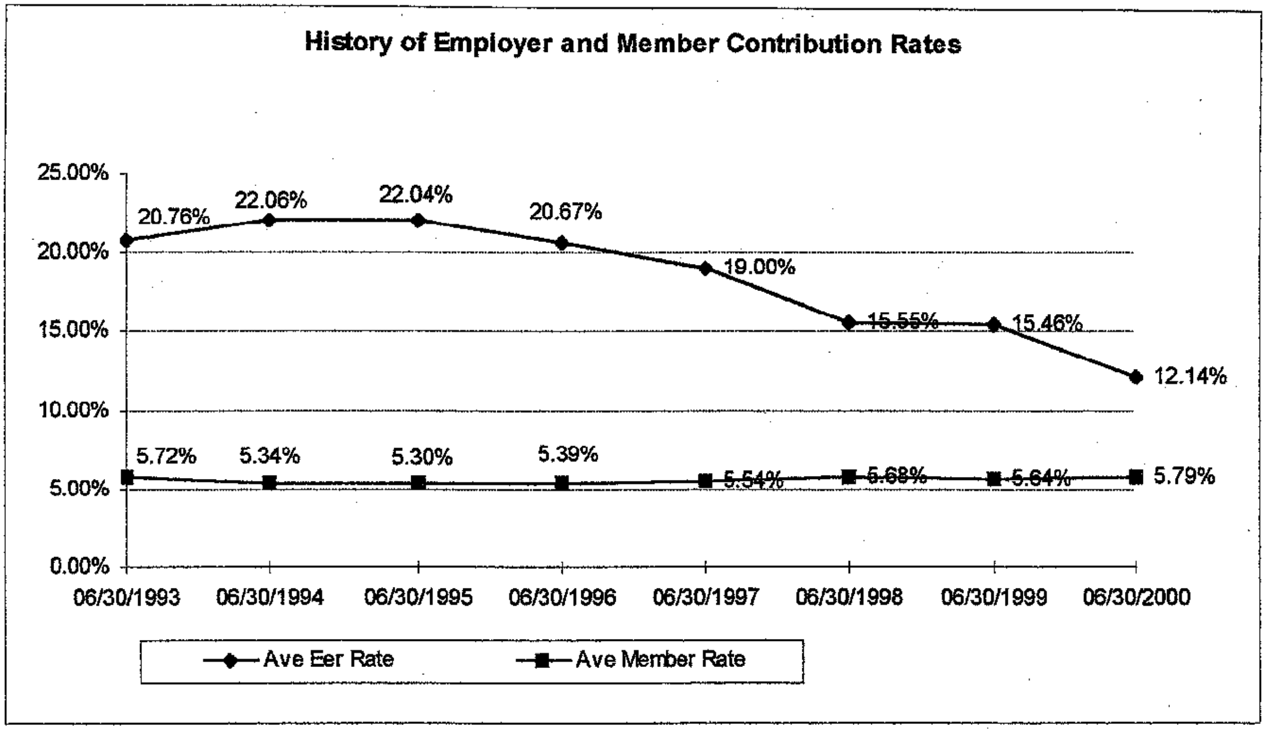
Schedule of Commissions

Broker Name	Shares	Commission	Commission /Shares
ABN AMRO SECURITIES (USA) INC	311,632	5,387	0.01729
AUTRANET, INC.	38,987	1,949	0.05000
BEAR STEARNS SECURITIES CORP.	317,300	15,739	0.04960
BERNSTEIN SANFORD	131,600	6,580	0.05000
BLACKFORD SECURITIES CORP	56,300	2,435	0.04324
BOSTON INSTITUTIONAL SERVICES	96,959	4,848	0.05000
BRIDGE TRADING	189,700	9,485	0.05000
BROCKHOUSE & COOPER, INC	109,300	3,815	0.03490
BT ALEX BROWN INC	141,000	7,050	0.05000
B-TRADE SERVICES LLC	435,095	13,053	0.03000
CAZENOVE INCORPORATED	161,200	1,166	0.00723
CHARLES SCHWAB & CO.	36,700	1,839	0.05011
CIBC CORP.	128,100	5,297	0.04135
COMMERZ BANK	73,200	1,144	0.01563
CREDIT LYONNAIS SECURITIES	170,900	1,874	0.01097
CS FIRST BOSTON CORPORATION	359,100	18,108	0.05043
DAIWA SECURITIES	20,300	2,166	0.10668
DAVY STOCKBROKERS	147,780	1,994	0.01349
DB CLEARING SERVICES	157,300	7,177	0.04563
DEAN WITTER REYNOLDS INC	28,220	1,645	0.05827
DEUTSCHE BANK SECURITIES INC	438,810	7,334	0.01671
DONALDSON LUFKIN & JENERETTE CORP	205,800	10,387	0.05047
ENSKILDA SECURITIES	2,140	1,232	0.57548
FACTSET DATA SYSTEMS	79,300	3,965	0.05000
FIRST ANALYSIS SECURITIES CORP	42,400	2,433	0.05738
FIRST UNION CAPITAL MARKETS	33,400	1,670	0.05000
FOX, PITT, KELTON INC	29,700	1,596	0.05374
FP MAGLIO & CO.	131,200	3,836	0.02924
GEORGE K BAUM & CO	124,650	5,288	0.04242
GOLDMAN SACHS & COMPANY	5,122,253	30,892	0.00603
GREEN STREET ADVISORS INC	113,370	6,802	0.06000
GS2 SECURITIES INC	46,300	1,669	0.03605
HOWARD, WEIL, LABOUISSE, FRIEDRICHS	27,900	1,395	0.05000
INSTINET CORP	782,700	30,908	0.03949
INTERSTATE SECURITIES CORP	21,000	1,050	0.05000
INVESTMENT TECHNOLOGY GROUP	462,155	9,243	0.02000
J.P. MORGAN SECURITIES	274,700	13,293	0.04839
JARDINE FLEMING SECURITIES	20,500	2,675	0.13049
JB WERE & SON	485,600	4,530	0.00933
JC BRADFORD & CO	81,200	3,999	0.04925
JEFFERIES & CO	2,041,400	30,527	0.01495
JOHN G. KINNARD & CO	20,300	1,015	0.05000
LAWRENCE HELFANT, INC.	50,100	1,503	0.03000
LAZARD FRERES & COMPANY	122,500	6,016	0.04911
LEGG, MASON, WOOD, WALKER INC	22,500	1,316	0.05849
LEHMAN BROTHERS INC.	540,690	28,276	0.05230
LOMBARD, ODIER & CIE	1,720	2,733	1.58887
LYNCH JONES & RYAN INC.	38,800	1,940	0.05000
MEES PIERSON	15,820	1,104	0.06979

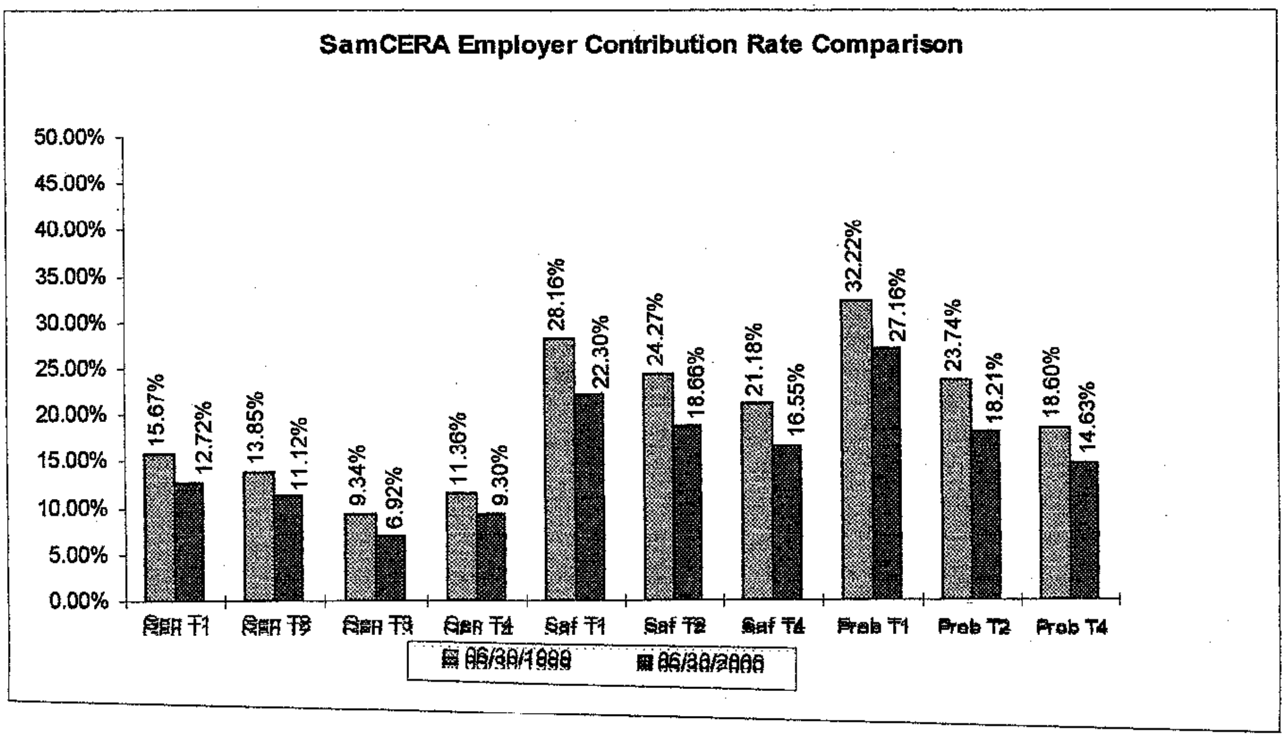
Broker Name	Shares	Commission	Commission /Shares
MERRILL LYNCH PIERCE FENNER & SMITH	5,898,528	83,453	0.01415
MORGAN STANLEY & COMPANY	1,737,755	37,698	0.02169
NATIONSBANC MONTGOMERY SEC.	40,100	2,045	0.05100
NEUBERGER & BERMAN	68,900	2,756	0.04000
O'NEIL, WILLIAM & CO	36,500	1,825	0.05000
PAINE WEBBER INC.	316,686	15,888	0.05017
PARAGON FINANCIAL CORP	145,610	8,452	0.05805
PAULSON DOWLING SECURITIES	20,800	1,040	0.05000
PICTET CO	590	1,568	2.65773
PRUDENTIAL SECURITES	122,200	6,207	0.05079
RAYMOND JAMES & ASSOCIATES	101,500	5,085	0.05010
ROBERT W BAIRD & CO, INC	46,900	2,047	0.04365
ROBERTSON STEPHENS & COMPANY	31,000	1,280	0.04129
ROBINSON HUMPHREY	25,500	1,355	0.05314
ROCHDALE SEC CORP	161,600	7,580	0.04691
SAL OPPENHEIM ET CIE	1,150	2,922	2.54098
SALOMON SMITH BARNEY INC	535,838	16,748	0.03126
SANDERS, MORRIS, MUNDY	62,500	3,125	0.05000
SCHRODER SECURITIES LIMITED	108,230	2,579	0.02383
SG COWENS SECURITIES	48,100	2,520	0.05239
SOUNDVIEW TECHNOLOGY GROUP	21,100	1,055	0.05000
SOUTHWEST SECURITIES INC	154,800	3,180	0.02054
SPEAR, LEEDS & KELLOGG	47,300	1,419	0.03000
THOMSON INSTITUTIONAL SVCS	150,900	8,808	0.05837
UBS AG LONDON	68,105	9,760	0.14331
VICKER BALLAS LTD	67,600	4,842	0.07163
W.I. CARR	118,000	2,071	0.01755
WACHOVIA SECURITIES INS	35,100	1,755	0.05000
WARBURG DILLION READ LLC.	2,498,000	13,873	0.00555
WEISS PECK & GREER	40,800	1,224	0.03000
WILLIAM BLAIR & CO	294,875	11,960	0.04056
OTHER BROKERS (COMMISSION < $1,000)	504,611	16,159	0.03202
TOTALS:	28,000,759	613,654	0.02192

THE ACTUARIAL SECTION

Employer and Member Contribution Rates



Employer Contribution Rates



Actuarial Certification

The annual actuarial valuation required for the San Mateo County Employees' Retirement Association has been prepared as of June 30, 2000 by William M. Mercer, Incorporated. In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to determine a sound value for the Association's assets, liability and future contribution requirements. Our calculations are based upon member data and unaudited financial information provided to us by the Association's staff. This data has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior year's data.

The contribution requirements are determined as a percentage of payroll. Employer rates provide for both normal cost and a contribution to amortize the unfunded actuarial accrued liability. The amortization period for the unfunded actuarial accrued liability is 11½ years as of June 30, 2000. The contribution to the unfunded actuarial accrued liability is calculated to remain as a level percentage of future payroll (including projected payroll for future members). Payments to the unfunded actuarial accrued liability are calculated to increase at 4.25% per year. The period for amortizing the unfunded actuarial accrued liability is set by the Board of Retirement.

Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of Actuarial Value of Assets to Actuarial Accrued Liabilities increased from 92.0% to 98.4% during the year due primarily to favorable return on the Association's investments. Significant progress has been made toward achieving the funding objectives of the Association.

There are no changes to the economic and non-economic assumptions used in the current valuation.

The liabilities and costs in this valuation incorporate the Board's expansion of the pay items includable in Earnable Compensation in response to the 1997 California Supreme Court's decision in Ventura County Deputy Sheriff's Association vs. Board of Retirement, Ventura County Employee's Retirement Association. Terminal pay is excluded under the Board's policy and the expansion of Earnable Compensation only applies to retirees since October 1997 (i.e., no retroactive application).

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

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

1. differences between actual experience and anticipated experience;
2. changes in actuarial assumptions or methods;

3. changes in statutory provisions; and
4. differences between the contribution rates determined by the valuation and those adopted by the Board.

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

William M. Mercer, Incorporated

Andy Yeung
Andy Yeung, ASA, EA, MAAA

10/16/2000
Date

Drew James
Drew James, FSA, EA, MAAA

10/16/2000
Date

The following actuarial assumptions are based on the Actuarial Experience Study for the period of July 1, 1996 through June 30, 1999, which was adopted by the Retirement Board on January 25, 2000

Actuarial Assumptions and Cost Method

Valuation Date	June 30, 2000
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent – closed
Remaining Amortization Period	11.5 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Projected Salary Increases*	6.25%
*Attributed to Inflation	4.25%
*Attributed to Adjustments for Merit and longevity	2.00%

Cost of Living Adjustments: The maximum increase in retirement allowance is 5% for General and Safety Plan 1, 3% for Probation Plan 1 and Plan 2 and 2% for Plan 4 Members. The maximums are based on the change in the Consumer Price Index for the Bay Area.

The pre-retirement demographic experiences adopted by the board include pre-retirement mortality, withdrawal rates, disability rates, service retirement rates and salary scales.

Actuarial Assumption		6/30/00	6/30/99	Change
Annual Inflation Rate		4.25%	4.25%	0.00%
Annual Investment Return		8.25%	8.25%	0.00%
Average Annual Salary Increases		6.25%	6.25%	0.00%

Plan Provisions - The Association provides basic retirement, disability and death benefits based on a defined benefit formula which uses final average salary, years of service, and age to calculate benefit payable and, in addition, provides annual cost-of-living adjustments upon retirement for members of Plans One, Two and Four. The benefits of Plan Three are reduced by Social Security benefits received by the member. The 1937 Act vests the Board of Supervisors with the authority to initiate benefits, however, Government Code Section 31592.2 empowers the Board of Retirement to provide health benefits when the Section 31592 reserve exceeds 1% of assets.

Members with 10 years of continuous service (permanent part-time employees need equivalent of 5 years of full-time service) are eligible to retire at the following minimum ages:

Plan One	Age 50
Plan Two	Age 50
Plan Four	Age 50
Plan Three	Age 55

General members of Plans One, Two and Four may retire at any age after 30 years of service. Safety members, who participate only in Plans One, Two and Four, may retire at any age after 20 years of service.

A member who leaves County service may withdraw the contributions made by the member to the Association, plus accumulated interest.

Members with five years of service or permanent part-time employees who have the equivalent of five years of full-time service or non-contributory members with 10 years of service who terminate their employment with the County may elect to leave their accumulated contributions with the Association and take a deferred retirement.

Summary of Recommendations

Employer Contribution Rates

	6/30/00	6/30/99	Change
Normal Cost Rate	11.31%	11.25%	-0.06%
Rate of Contribution to Unfunded Actuarial Accrued Liability	0.83%	3.95%	-3.12%
Total Employer Rate	12.14%	15.20%	-3.06%
Estimated Annual Amount in Thousands	$31,449	$36,927	-$7,927

Member Contribution Rates

	6/30/00	6/30/99	Change
General Members (Plans 1& 2)			
Age 25	5.46%	5.46%	0.00%
35	5.82%	5.82%	0.00%
45	6.54%	6.54%	0.00%
General Members (Plans 4)			
Age 25	5.21%	5.21%	0.00%
35	5.55%	5.55%	0.00%
45	6.24%	6.24%	0.00%
Safety Members (Plans 1& 2)			
Age 25	6.77%	6.77%	0.00%
35	6.84%	6.84%	0.00%
45	7.03%	7.03%	0.00%
Safety Members (Plans 4)			
Age 25	6.44%	6.44%	0.00%
35	6.51%	6.51%	0.00%
45	6.69%	6.69%	0.00%
Probation Members(Plans 1, 2 & 4)			
Age 25	7.58%	7.58%	0.00%
35	7.66%	7.66%	0.00%
45	7.87%	7.87%	0.00%
Estimated Annual Amount In Thousands	$15,002	$13,483	$1,519

* Annual Contributions for June 30, 2000 and June 30, 1999 were estimated using payroll as of June 30, 2000 and June 30, 1999, respectively.

Summary of Significant Actuarial Statistics and Measures

Asssociation Membership	6/30/00	6/30/99	Change
Active Members			
Number of Members	4,690	4,578	2.4%
Total Active Payroll in Thousands	$259,075	$238,864	8.5%
Average Monthly Salary	$4,603	$4,438	5.9%
Retired Members			
Number of Members			
Service Retirement	2,383	2,295	3.8%
Disability Retirement	280	263	6.5%
Beneficiaries	439	401	9.5%
Total Retiree Payroll in Thousands	$55,192	$50,491	9.3%
Average Monthly Pension	$1,483	$1,422	4.3%
Inactive Vested Members	646	613	5.4%
Asset Values			
Market Value in Thousands	$1,381,096	$1,261,022	9.5%
Return on Market Value	9.57%	7.01%	
Actuarial Value in Thousands	$1,320,537	$1,154,290	14.4%
Return on Actuarial Value	14.40%	14.55%	
Valuation Assets in Thousands	$1,271,565	$1,109,417	14.6%
Return on valuation Assets	14.61%	11.51%	
Liability Values			
Actuarial Accrued Liability in Thousands	$1,291,694	$1,205,554	7.1%
Unfunded Actuarial Accrued Liability	$20,129	$96,137	-79.1%
Funded Ratio			
GASB Number 25*	98.4%	92.0%	6.4%

*Based on Actuarial value of Assets for June 30, 2000 and June 30, 1999, respectively

Short-Term Solvency Test

Valuation Date	Active Member Contributions	Liability For Inactive Participations	Liability for Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabiity Covered by Valuation Assets		
6/30/91	$87,979,000	$374,165,000	$278,899,000	$485,299,000	100%	100%	8%
6/30/92	96,601,000	405,091,000	321,958,000	538,027,000	100%	100%	11%
6/30/93	91,173,000	473,297,000	330,690,000	585,980,000	100%	100%	7%
6/30/94	101,953,000	488,308,000	327,056,000	617,531,000	100%	100%	8%
6/30/95	107,385,000	507,002,000	343,441,000	663,629,000	100%	100%	14%
6/30/96	115,910,000	537,129,000	333,863,000	752,110,000	100%	100%	30%
6/30/97	130,736,000	565,593,000	351,246,000	1,047,575,000	100%	100%	49%
6/30/98	148,753,000	601,473,000	353,844,000	992,314,000	100%	100%	68%
6/30/99	157,826,000	629,653,000	416,489,000	1,104,833,000	100%	100%	76%
6/30/00	$158,314,000	$689,356,000	$444,024,000	$1,271,565,000	100%	100%	95%

Schedule of Funding Progress (in Thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Ratio of Assets to Actuarial Accrued Liability	Annual Active Member Compensation	UALL as a Percentage of Covered Payroll
6/30/91	$485,299	$741,043	$255,744	65.49%	$169,355	151.01%
6/30/92	538,027	823,650	285,623	65.32%	176,432	161.89%
6/30/93	585,980	895,160	309,180	65.46%	174,992	176.68%
6/30/94	617,531	917,317	299,786	67.32%	183,786	163.12%
6/30/95	651,217	945,417	294,200	68.90%	188,822	155.81%
6/30/96	728,369	963,162	234,792	75.60%	187,926	124.94%
6/30/97	856,679	1,037,431	180,752	82.60%	196,391	92.00%
6/30/98	992,314	1,104,070	111,756	89.90%	211,259	52.90%
6/30/99	1,109,417	1,205,554	96,137	92.00%	238,864	40.20%
6/30/00	$1,271,565	$1,291,694	$20,129	98.40%	$259,075	7.8%

History of Employer Contribution Rates

	General Member			Safety Member			Probation Member		
Year	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
1995	7.43%	11.84%	19.27%	13.68%	16.72%	30.40%	12.02%	14.71%	26.73%
1996	8.09%	11.26%	19.35%	15.69%	17.17%	32.86%	15.76%	13.81%	29.57%
1997	8.20%	11.18%	19.38%	18.77%	17.95%	36.72%	20.32%	13.59%	33.91%
1998	9.52%	7.30%	16.82%	18.54%	12.04%	30.58%	21.01%	10.81%	31.82%
1999	9.28%	4.36%	13.64%	17.51%	7.85%	25.36%	19.48%	6.06%	25.54%
2000	9.85%	3.60%	13.45%	17.70%	7.24%	24.94%	19.26%	5.53%	24.79%
2001	9.95%	.71%	10.66%	17.81%	1.51%	19.32%	17.94%	1.16%	19.10%

Active Member Valuation Data

Valuation Date		Members	Annual Salary	Average Annual Salary	% Change Average Salary
1991	General	3,733	$143,174,373	$38,354	9.09%
	Safety	399	$17,464,864	$43,772	9.46%
	Probation	208	$8,715,303	$41,900	N/A
	Total	4,340	$169,354,540	$39,022	9.56%
1992	General	3,771	$149,134,462	$39,548	3.11%
	Safety	388	$18,020,347	$46,444	6.11%
	Probation	217	$9,276,742	$42,750	2.03%
	Total	4,376	$176,431,551	$40,318	3.32%
1993	General	3,635	$148,119,833	$40,748	3.04%
	Safety	368	$17,536,495	$47,654	2.60%
	Probation	210	$9,335,793	$44,456	3.99%
	Total	4,213	$174,992,121	$41,536	3.02%
1994	General	3,729	$154,815,811	$41,517	1.89%
	Safety	397	$19,291,365	$48,593	1.97%
	Probation	220	$9,678,735	$43,994	-1.04%
	Total	4,346	$183,785,911	$42,289	1.81%
1995	General	3,765	$159,553,533	$42,378	2.07%
	Safety	407	$19,724,536	$48,463	-0.27%
	Probation	213	$9,546,040	$44,817	1.87%
	Total	4,385	$188,824,109	$43,061	1.83%
1996	General	3,665	$158,373,022	$43,212	1.97%
	Safety	400	$20,016,006	$50,040	3.25%
	Probation	206	$9,537,308	$46,298	3.30%
	Total	4,271	$187,926,336	$44,001	2.18%
1997	General	3,808	$166,043,510	$43,604	0.91%
	Safety	402	$20,860,840	$51,893	3.71%
	Probation	208	$9,487,864	$45,615	-1.48%
	Total	4,418	$196,392,214	$44,453	1.03%
1998	General	3,803	$177,079,000	$46,563	6.80%
	Safety	406	$24,404,000	$60,109	15.80%
	Probation	211	$10,046,000	$47,607	4.40%
	Total	4,420	$211,529,000	$47,857	7.70%
1999	General	3.908	$196,936,000	$50,393	8.20%
	Safety	425	$29,862,000	$70,264	16.90%
	Probation	245	$12,067,000	$49,253	3.4%
	Total	4,578	$238,865,000	$52,176	9.0%
2000	General	4,018	$214,625,000	$53,412	6.0%
	Safety	423	$31,180,000	$73,716	4.9%
	Probation	249	$13,270,000	$53,292	8.2%
	Total	4,690	$259,075,000	$55,236	5.9%

Demographic Activity of Retirees and Beneficiaries

	Retiree Membership						
Year	At Beginning Of Year	Additions	Withdrawals	At End of Year	Total Retiree Payroll	Percent Increase In Payroll	Average Monthly Allowance
6/30/88	2,096	N/A	N/A	2,186	$19,278,000	10.44%	$784
6/30/89	2,186	N/A	N/A	2,268	$21,742,000	12.78%	$859
6/30/90	2,268	N/A	N/A	2,353	$24,472,000	12.56%	$908
6/30/91	2,353	N/A	N/A	2,439	$26,508,000	8.31%	$962
6/30/92	2,439	N/A	N/A	2,477	$29,231,000	10.27%	$1,016
6/30/93	2,477	N/A	N/A	2,664	$32,014,000	9.52%	$1,091
6/30/94	2,664	N/A	N/A	2,674	$36,158,000	12.94%	$1,135
6/30/95	2,674	N/A	N/A	2,723	$38,011,000	5.12%	$1,176
6/30/96	2,723	N/A	N/A	2,844	$40,498,000	6.54%	$1,209
6/30/97	2,844	163	107	2,900	$42,338,000	4.54%	$1,255
6/30/98	2,900	149	118	2,931	$46,845,000	10.65%	$1,332
6/30/99	2,931	238	210	2,959	$50,491,000	7.80%	$1,422
6/30/00	2,959	219	76	3,102	$55,192,000	9.31%	$1,483

Actuarial Analysis of Financial Experience

Summary of (Gains) / Losses		Change In Liability			
	2000	1999	1998	1997	1996
Unfunded Liability as of July 1	96,137,000	111,756,000	180,752,000	234,793,000	294,200,000
Expected Change in UAAL	(3,535,000)				
Salary (Gain) / Loss	7,766,000	41,805,000	(1,791,000)		
Fewer Withdrawal than expected		6,103,000			
Liability corrections for part timers		(2,704,000)			
Retiree COLA less than expected	(1,356,000)	(2,999,000)	(8,000,000)		
Assets (Gain) / Loss	(71,409,000)	(67,009,000)	(59,136,000)		
Higher than expected contributions		(20,185,000)	(4,147,000)		
Inclusion of Ventura Non-terminal pay			9,140,000		
Assumption Change		(5,084,000)			
Reserve to offset Contingent Ventura Liability		32,145,000			
Miscellaneous Experience	(7,474,000)	2,309,000	(5,062,000)		
Consolidated Changes (detail is not available)				(54,041,000)	(59,407,000)
Unfunded Liability as of June 30	20,129,000	96,137,000	111,756,000	180,752,000	234,793,000

Probability of Separation Prior to Retirement

Age	Withdrawal Ordinary	Withdrawal Vested	Death Ordinary	Death Duty	Disability Ordinary	Disability Duty	Service Retirement
General Tier 1 Male Members							
20	0.1460	0.0000	0.0002	0.0001	0.0000	0.0000	0.0000
30	0.1170	0.0098	0.0003	0.0001	0.0003	0.0002	0.0000
40	0.0176	0.0166	0.0006	0.0001	0.0010	0.0008	0.0000
50	0.0000	0.0000	0.0022	0.0002	0.0026	0.0013	0.0107
60	0.0000	0.0000	0.0042	0.0004	0.0043	0.0025	0.0835
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
General Tier 1 Female Members							
20	0.1540	0.0000	0.0002	0.0000	0.0000	0.0000	0.0000
30	0.0847	0.0080	0.0003	0.0000	0.0002	0.0002	0.0000
40	0.0096	0.0188	0.0005	0.0000	0.0006	0.0008	0.0000
50	0.0000	0.0079	0.0009	0.0000	0.0030	0.0013	0.0327
60	0.0000	0.0032	0.0024	0.0000	0.0019	0.0025	0.0804
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
General Tiers 2 and 4 Male Members							
20	0.0400	0.0000	0.0002	0.0001	0.0000	0.0000	0.0000
30	0.0400	0.0100	0.0003	0.0001	0.0003	0.0002	0.0000
40	0.0200	0.0210	0.0006	0.0001	0.0010	0.0008	0.0000
50	0.0000	0.0245	0.0022	0.0002	0.0022	0.0018	0.0200
60	0.0000	0.0070	0.0042	0.0004	0.0045	0.0039	0.0750
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
General Tiers 2 and 4 Female Members							
20	0.0493	0.0000	0.0002	0.0000	0.0000	0.0000	0.0000
30	0.0476	0.0125	0.0003	0.0000	0.0003	0.0001	0.0000
40	0.0240	0.0125	0.0005	0.0000	0.0030	0.0020	0.0000
50	0.0000	0.0125	0.0009	0.0000	0.0042	0.0020	0.0160
60	0.0000	0.0000	0.0024	0.0000	0.0073	0.0056	0.0568
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
General Tier 3 Male Members							
20	0.0400	0.0000	0.0002	0.0001	0.0000	0.0000	0.0000
30	0.0400	0.0100	0.0003	0.0001	0.0002	0.0000	0.0000
40	0.0200	0.0210	0.0006	0.0001	0.0006	0.0001	0.0000
50	0.0000	0.0245	0.0022	0.0002	0.0016	0.0002	0.0000
60	0.0000	0.0070	0.0042	0.0004	0.0038	0.0009	0.1200
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
General Tier 3 Female Members							
20	0.1687	0.0000	0.0002	0.0000	0.0000	0.0000	0.0000
30	0.1080	0.0085	0.0003	0.0000	0.0001	0.0000	0.0000
40	0.0518	0.0240	0.0006	0.0000	0.0002	0.0001	0.0000
50	0.0157	0.0130	0.0022	0.0000	0.0010	0.0003	0.0000
60	0.0200	0.0060	0.0042	0.0000	0.0027	0.0008	0.0317
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Members							
20	0.0130	0.0500	0.0002	0.0005	0.0000	0.0008	0.0000
30	0.0130	0.0400	0.0003	0.0005	0.0003	0.0011	0.0000
40	0.0127	0.0150	0.0004	0.0006	0.0009	0.0047	0.0000
50	0.0000	0.0075	0.0009	0.0007	0.0012	0.0125	0.0362
60	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000

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THE STATISTICAL SECTION

Schedule of Employer Contributions
(In Thousands Of Dollars)

Year End	Actuarially Required Contributions (ARC)	Contributions Made As A % of ARC
6/30/1995	$38,502	100%
6/30/1996	$40,151	100%
6/30/1997	$42,887	100%
6/30/1998	$42,676	100%
6/30/1999	$41,289	100%
6/30/2000	$38,695	100%

Schedule of Revenue by Source
(In thousands of Dollars)

Year End	Employee Contribution	Employer Contribution	Investment Income	Total Contributions
6/30/1995	$10,305	$38,502	$24,679	$73,486
6/30/1996	$10,561	$40,151	$107,061	$157,773
6/30/1997	$11,198	$42,887	$152,473	$206,558
6/30/1998	$12,033	$42,676	$168,115	$222,824
6/30/1999	$12,586	$41,289	$83,550	$137,425
6/30/2000	$14,383	$38,695	$123,203	$176,282

The 1995 Investment Income Excludes Appreciation in Fair Value of Investments

Schedule of Expenses by Type
(In thousands of Dollars)

Year End	Expenses	Retirement Benefits Paid	Refunds	Total
6/30/1995	$739	$38,011	$1,433	$40,183
6/30/1996	$717	$40,498	$1,108	$42,323
6/30/1997	$909	$42,338	$1,462	$44,759
6/30/1998	$1,034	$45,398	$1,653	$48,085
6/30/1999	$1,070	$49,492	$1,640	$52,202
6/30/2000	$1,221	$53,090	$1,896	$56,207

Summary of Retired and Inactive Member Benefits

Retired Members	2000	1999	1998	1997	1996	1995
Service Retirement						
Number	2,383	2,295	2,300	2,293	2,269	2,183
Annual Allowance						
Basic Only	$30,059,000	$27,966,000	$26,159,000	$24,897,000	$23,652,000	$21,845,000
Cola	$13,692,000	$12,343,000	$11,910,000	$10,924,000	$10,480,000	$10,096,000
Total	$43,751,00	$40,309,000	$38,069,000	$35,821,000	$34,132,000	$31,941,000
Average Monthly Payment	$1,530	$1,464	$1,379	$1,302	$1,254	$1,219
Disability Retirement						
Number	280	263	250	231	222	219
Annual Allowance						
Basic Only	$4,014,000	$3,517,000	$3,115,000	$2,540,000	$2,347,000	$2,202,000
Cola	$1,591,000	$1,402,000	$1,303,000	$1,172,000	$1,074,000	$1,035,000
Total	$5,605,000	$4,919,000	$4,418,000	$3,712,000	$3,421,000	$3,237,000
Average Monthly Payment	$1,668	$1,559	$1,473	$1,339	$1,284	$1,232
Beneficiaries						
Number	439	401	381	353	353	321
Annual Allowance						
Basic Only	$2,950,000	$2,819,000	$2,154,000	$5,151,000	$1,921,000	$1,694,000
Cola	$2,886,000	$2,444,000	$2,204,000	$1,989,000	$1,784,000	$1,558,000
Total	$5,836,000	$5,263,000	$4,358,000	$4,140,000	$3,705,000	$3,252,000
Average Monthly Payment	$1,108	$1,094	$953	$918	$874	$844
Total Retired Members						
Number	3,102	2,979	2,931	N/A	N/A	N/A
Annual Allowance						
Basic Only	$37,023,000	$34,302,000	$31,428,000	N/A	N/A	N/A
Cola	$18,169,000	$16,189,000	$15,417,000	N/A	N/A	N/A
Total	$55,192,000	$50,491,000	$46,845,000	N/A	N/A	N/A
Average Monthly Payment	$1,483	$1,422	$1,332	N/A	N/A	N/A
Inactive Members	646	613	522	518	470	468

Schedule of Average Monthly Salary of Active Members
(By Plan and Membership Type)

	2000	1999	1998	1997	1996	1995
General Plan 1	$5,143	$4,910	$4,451	$4,200	$4,045	$3,964
General Plan 2	$4,636	$4,301	$3,894	$3,573	$3,553	$3,456
General Plan 3	$4,197	$3,820	$3,522	$3,255	$3,285	$3,359
General Plan 4	$3,831	$3,483	$3,151	$0	$0	$0
General Plan Total	$4,451	$4,199	$3,880	$3,634	$3,601	$3,531
Safety Plan 1	$6,955	$6,400	$5,562	$4,670	$4,490	$4,360
Safety Plan 2	$6,102	$5,883	$4,906	$4,135	$3,967	$3,823
Safety Plan 4	$5,271	$4,957	$3,900	$0	$0	$0
Safety Plan Total	$6,143	$5,855	$5,009	$4,324	$4,170	$4,038
Probation Plan 1	$5,460	$5,100	$4,634	$4,358	$4,296	$4,196
Probation Plan 2	$4,654	$4,240	$3,941	$3,548	$3,608	$3,461
Probation Plan 4	$3,660	$3,119	$3,010	$0	$0	$0
Probation Plan Total	$4,441	$4,104	$3,968	$3,801	$3,858	$3,734
Total	$4,603	$4,348	$3,988	$3,704	$3,667	$3,588

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