Private Equity Services to Institutional Investors Worldwide

PATHWAY
capital management, llc

Alternative Investment Portfolio Update
Fourth Quarter 2002

prepared for the

Los Angeles City Employees' Retirement System

Private Equity Services to Institutional Investors Worldwide

PATHWAY
capital management, llc

Alternative Investment Portfolio Update

Los Angeles City Employees' Retirement System

Fourth Quarter 2002

In This Report:

Introduction

Pathway Capital Management, LLC, ("Pathway") has assisted the Los Angeles City Employees' Retirement System ("LACERS") in committing $609.8 million to 45 alternative investment partnerships as of December 31, 2002.[1] LACERS' market value target allocation for its alternative investment portfolio is 5.0% of the total pension fund size.[2] As of September 30, 2002, the alternative investment portfolio had a market value of $236.8 million, or 3.9% of LACERS' total pension fund's market value.

This report contains an overview of the alternative investment environment and information regarding the investment activity of LACERS' portfolio during the third and fourth quarters of 2002.[3]

Portfolio Overview

Table 1 illustrates the third quarter activity for LACERS' alternative investment portfolio. For a breakdown by partnership, please refer to the Portfolio Summary included in this report.

Table 1 **LACERS' Alternative Investment Portfolio Third Quarter 2002 Activity[1,2] ($ in millions)**

	No. of Psps.[a]	Commit.[a,b]	Cum. Cont.[c]	Mkt. Value	Cum. Dist	Total Value[d]	Gain/ (Loss)	Incep. IRR	Qtr. Return[e]
Sept. 30, 2002	43	$576.6	$341.9	$236.8	$128.4	$365.2	$23.3	3.5%	-4.5%
June 30, 2002	42	555.2	322.5	231.0	125.3	356.3	33.8	5.3%	-3.1%
Quarter Change	*1*	*$21.4*	*$19.4*	*$5.8*	*$3.1*	*$8.9*	*($10.5)*	*-1.8%*	

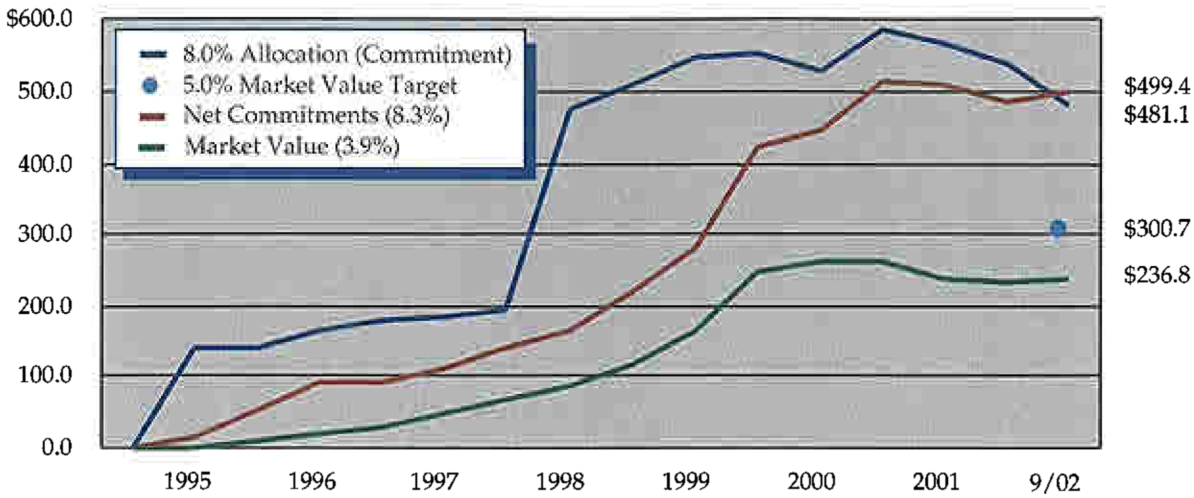
[a] As of December 31, 2002, LACERS had committed $609.8 million to 45 alternative investment partnerships. During the fourth quarter, LACERS committed $11.5 million to Nordic V and $20.0 million to GTCR VIII.
[b] Commitments to non-U.S. partnerships are accounted for by multiplying the unfunded commitment amount by the quarter-ending exchange rate, added to cumulative capital contributions, causing LACERS' commitment to each partnership to fluctuate on a quarterly basis.
[c] Includes management fees called outside of LACERS' capital commitment.
[d] The total value is equal to the market value plus cumulative distributions.
[e] Quarterly return is not annualized.

1. While the date of this report is December 31, 2002, the most recent partnership financial data available is as of September 30, 2002.
2. During the fourth quarter of 2002, LACERS' Investment Board approved an increase in its market value target from 5% to 7%.
3. In the course of preparing our report, we have relied, without independent verification other than as specifically described herein, upon the accuracy and completeness of financial and other information publicly available or provided to us by the general partners, their professional staffs, and others contacted by us. Our conclusions do not reflect an audit of any portfolio investment by us, and are based on conditions prevailing at the date of this report and known to us.

Target Allocation

Figure 1

LACERS' Alternative Investment Portfolio
Target Allocation as of September 30, 2002
($ in millions)



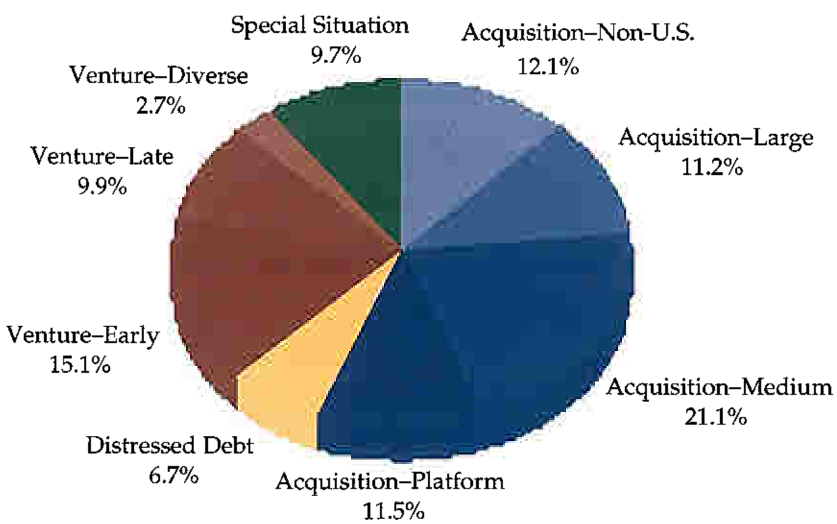
NOTE : LACERS' allocation and market value targets increased from 8% to 11% and from 5% to 7%, respectively, during the fourth quarter of 2002. These changes will be reflected in LACERS' first quarter 2003 report.

Diversification

One of Pathway's objectives is to create an alternative investment portfolio for LACERS that is diversified by investment strategy. Figure 2 illustrates the diversification of the investment strategies utilized by LACERS partnerships. As shown in the graph, LACERS portfolio is well-diversified among acquisition, venture capital, distressed debt, and special situation strategies, all of which are within their long-term target allocations ranges.

Figure 2

Investment Strategy Diversification
(% of Market Value plus Unfunded Capital Commitments)
As of December 31, 2002



NOTE: Includes commitments made through December 31, 2002.

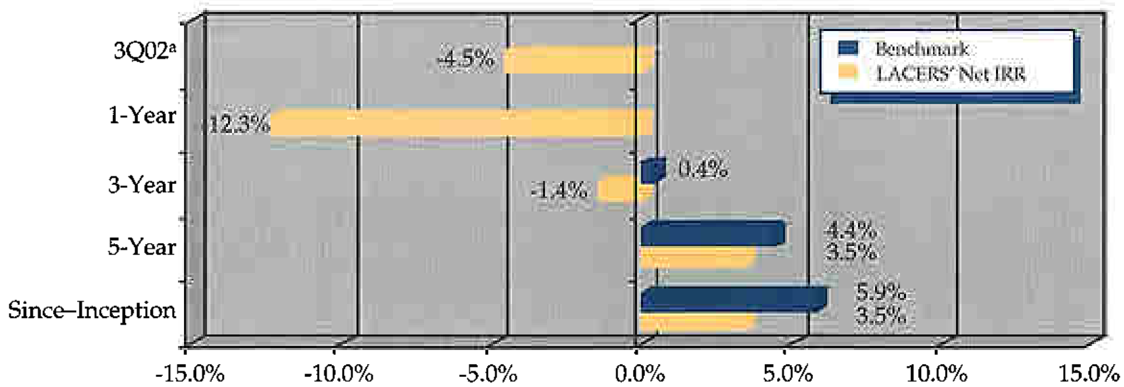
Performance

Due to the long-term nature of the alternative investment asset class, Pathway measures performance using a variety of methods, as illustrated in the following charts.

Returns and Benchmark

Figure 3 illustrates LACERS' quarterly, 1-, 3-, 5-year, and since-inception returns for its alternative investment portfolio as of September 30, 2002, along with the 3-, 5-year, and since-inception benchmark returns. As of September 30, 2002, LACERS' alternative investment portfolio had generated a net IRR of 3.5% since inception, compared with the benchmark of 5.9%. The alternative investment portfolio as a whole had generated a net IRR of –4.5% for the third quarter of 2002. WCAS VII and WCAS VIII were the partnerships that had the largest negative impact on the portfolio during the quarter, returning –22.6% and –15.7%, respectively, while TPG III helped to offset those losses by generating a return of 49.8%.

Figure 3 Quarterly, 1-, 3-, 5-Year, Since-Inception Net IRRs vs. LACERS' Benchmark As of September 30, 2002



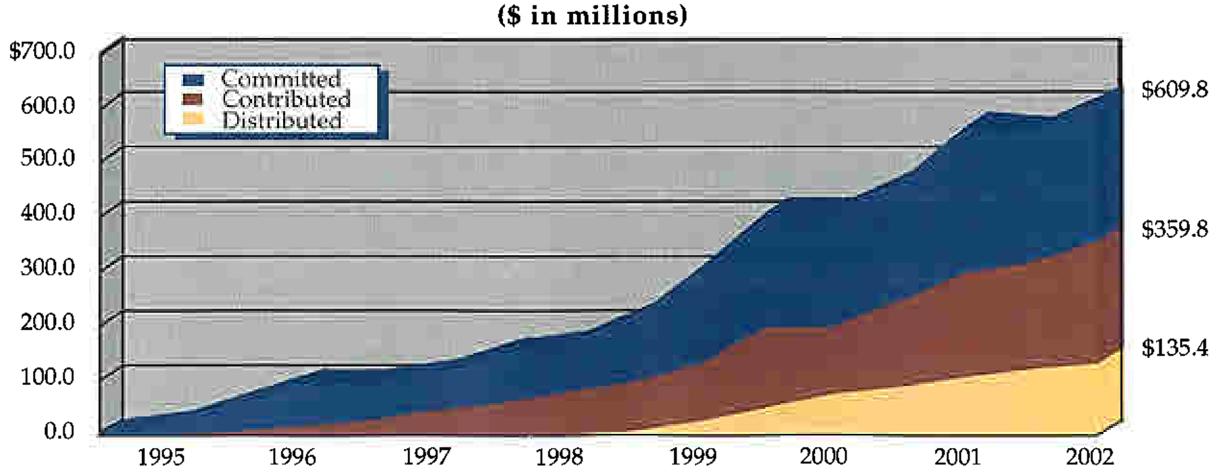
NOTE: LACERS' custom benchmark is dollar-weighted by quarter based on the Russell 3000 (for capital contributions more than three years old). A 400-basis-point premium is added to the Russell 3000 benchmark component to account for the additional illiquidity and risk involved with alternative investments.

[a] Quarterly return is not annualized.

LACERS' Commitments, Contributions, and Distributions

Figure 4 illustrates the amount of capital that LACERS has committed and contributed to its 45 alternative investment partnerships, since the inception of the program in 1995 through December 31, 2002, as well as cumulative distributions received. As of December 31, 2002, LACERS received cumulative distributions totaling $135.4 million, representing 37.6% of the $359.8 million LACERS has contributed to date.

Figure 4 Total Capital Committed, Contributed, and Distributed As of December 31, 2002 ($ in millions)



Third Quarter 2002 Significant Events

- **WCAS VII**
  LACERS' investment in WCAS VII decreased in value by $2.6 million during the third quarter of 2002, resulting in the largest decrease in LACERS' portfolio. WCAS VII's investments declined in value by $305.0 million in the third quarter due primarily to the decrease in the public stock price of several portfolio companies. Most significantly, the public stock valuation of a company that provides financial transaction services decreased by $186.4 million. The drop in value resulted from a 40.7% decline in the company's stock price during the quarter, from $25.55 per share at June 30, 2002, to $15.15 per share at September 30, 2002. Further, a healthcare portfolio company experienced a decline in its public stock price by 28.7% for the quarter, from $30.98 per share at June 30, 2002, to $22.10 per share at September 30, 2002, resulting in a $39.4 million unrealized loss for the quarter. In addition, the fund reduced its valuation of an information technology education provider by $28.8 million due to the continued decline in the technology sector.

- **WCAS VIII**
  During the third quarter of 2002, WCAS VIII decreased in value by $330.0 million, decreasing the value of LACERS' investment in the fund by $1.7 million. Specifically, a portfolio company that provides financial transaction services experienced a decline in its public stock price declined by 40.7% during the quarter, from $25.55 per share at June 30, 2002, to $15.15 per share at September 30, 2002, resulting in a $185.0 million unrealized loss for the quarter. In addition, due to the continued economic downturn in the technology and communications markets, the fund's investments in three portfolio companies have been written down by $59.3 million, $31.0 million, and $20.8 million, respectively, resulting in a $111.1 million reduction in value.

- **TPG III**
  LACERS' investment in TPG III increased in value by $3.8 million during the third quarter, representing the largest increase in the portfolio. During the third quarter of 2002, TPG III experienced a large increase in value due primarily to the performance of two portfolio companies: one that manufactures computer products and another that manufactures semiconductor materials. Specifically, the fund's investment in the computer products company increased in value by $516.9 million, or 4.9 times cost, in anticipation of an IPO in the fourth quarter of 2002. Additionally, due to the semiconductor material company's better-than-expected performance in the TPG-led turnaround, the company's value increased by $116.4 million. As a result, TPG III's net IRR increased from –11.8% at June 30, 2002, to 10.1% at September 30, 2002.

Fourth Quarter 2002 Amendments and Consents

- **Kelso VI**

Date of Approval:	October 9, 2002
Subject:	The General Partner ("GP") requested that the Limited Partners ("LP") consent to (1) waiving Section 2.4(a) of the LP Agreement which would allow the GP to sponsor the formation of a new fund, the Kelso Mezzanine Fund, L.P. ("KMF"), to invest in mezzanine securities, and (2) approve an Amendment to the LP Agreement of KIA VI in connection with the formation of KMF.
Reason for Approval:	Pathway recommended approval of the amendment due to the fact that KMF will focus on investment opportunities outside of Kelso VI's investment strategy and have a separate and distinct team of investment professionals.

Fourth Quarter 2002 Significant Distributions

- **CVC I**

On December 23, 2002, CVC I distributed $2.2 million to LACERS, resulting from the sale of various portfolio companies. Of the amount distributed, $870,833 was considered cost, $486,177 was income, resulting in a gain of $809,613. This brings cumulative distributions received by LACERS from CVC I to $13.5 million as of December 31, 2002, representing 134.9% of its $10.0 million commitment to the fund.

- **Madison III**

During the fourth quarter, Madison III made two distributions to LACERS, totaling $1.7 million. The first distribution occurred on November 7, 2002, consisting of proceeds from the acquisition of Paypal by eBay. Of the $227,503 distributed, $107,760 was considered cost, resulting in a gain of $119,742. The second distribution occured on December 9, 2002, consisting of the partnership settlement between Council Tree and AT&T, and the sale of Stericycle and Capital One shares. LACERS received $1.5 million as its portion, of which $801,592 was considered cost, resulting in a gain of $680,821. This brings cumulative distributions received by LACERS from Madison III to $2.9 million as of December 31, 2002, representing 17.8% of its $16.0 million commitment to the fund.

- **TPG III**

On December 20, 2002, TPG III distributed $1.1 million to LACERS, consisting of proceeds received from the IPO of Seagate Technologies. Of the amount distributed, $957,595 was considered cost, resulting in a gain of $106,399. As of December 31, 2002, LACERS had received $2.2 million in distributions from TPG III, representing 8.8% of its $25.0 million commitment to the fund.

Recent Commitments

Nordic Capital V, L.P.

LACERS' Commitment:	€11.0 million
Fund Size:	€1.2 billion[a]
LACERS' Ownership:	0.9%
Partnership's First Closing Date:	December 23, 2002
Investment Strategy:	Acquisition–Medium Non–U.S.
Industry Focus:	Diversified
Geographic Focus:	Scandinavian region

[a]Nordic V is expected to close on commitments of €1.5 billion, which would make LACERS' ownership in the fund 0.7%. Nordic V's first close totaled €1.2 billion in commitments.

Nordic Capital V will continue the investment strategy employed by the general partner since 1989, focusing on mid-market transactions in the Scandinavian region. The general partner will seek to add value through active ownership, making between 15 and 20 investments in the range of €50–150 million. The general partner will continue to focus on healthcare while maintaining a diversified industry approach.

GTCR VIII, L.P.

LACERS' Commitment:	$20.0 million
Fund Size:	$2.0 billion[a]
LACERS' Ownership:	1.0%
Partnership's First Closing Date:	December 27, 2002
Investment Strategy:	Acquisition–Platform/Add-on
Industry Focus:	Diversified
Geographic Focus:	Diversified

[a] GTCR VIII is expected to close on commitments of $2.0 billion. GTCR VIII's first close totaled $375.0 million in commitments.

Consistent with the investment strategy utilized since the firm's inception in 1980, the general partner intends to invest GTCR VIII by partnering with management teams in an effort to build companies through acquisition and internal growth. Similar to the firm's prior funds, GTCR VIII is expected to include approximately 20 companies in the transaction processing, healthcare services, information technology services, and outsourced business services sectors.

Alternative Investment Environment

Economy and Markets

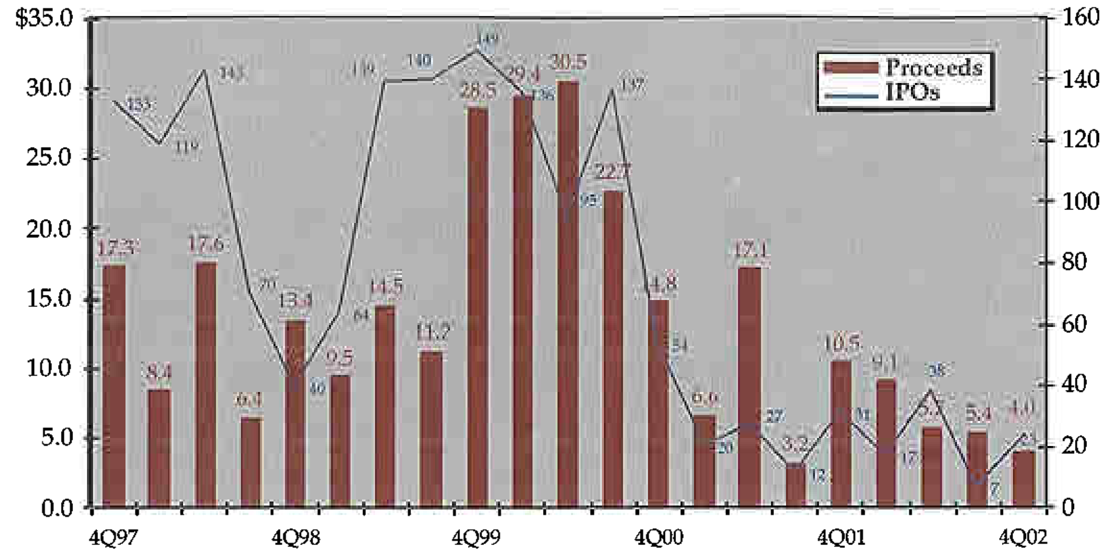
The U.S. Economy grew at an annual rate of 4.0% in the third quarter of 2002 according to final figures released by the Commerce Department in late December. This marks the fourth straight quarter of positive economic growth and an improvement over the 1.3% growth rate logged in the second quarter of 2002. This growth is largely expected to continue through 2003, though most likely at a slower pace, notwithstanding the continued risk of escalating geopolitical tensions. In November 2002, the Federal Reserve cut its target for the federal funds rate by 50 basis points to 1.25%, highlighting the susceptibility of the U.S. economy to further weakness. The European Central Bank followed suit by cutting its main interest rate by 50 basis points to 2.75%. The U.S. public equity markets had their third straight year of losses in 2002, the first three-year losing streak in 60 years. This may bode well for the upcoming year, as public company valuations are arguably closer to underlying fundamentals than they have been in the past five years.

IPO Review

The confluence of economic uncertainty and volatility in the capital markets continues to hinder the ability of companies to raise capital through the public markets. In the fourth quarter of 2002, 23 companies completed initial public offerings, raising a total of $4.0 billion. This represents one of the lowest quarterly totals in dollar volume in the past five years. Encouragingly, the number of companies that went public during the quarter is more than three times that of the previous quarter. Ten of the companies were alternatve–backed, most notably Seagate Technology, which raised $870.0 million in its public offering. The largest venture capital–backed IPO was Dick's Clothing and Sporting Goods, which raised $87.5 million in its public offering. For the full year, 85 companies completed initial public offerings, raising a total of $24.2 billion—a decrease of 35.0% in the total amount raised over the prior year.

Figure 5 illustrates quarterly U.S. IPO issuance over the past five years.

Figure 5 **Quarterly U.S. IPO Issues**



SOURCE: Bloomberg, SDC, Thomson Financial.

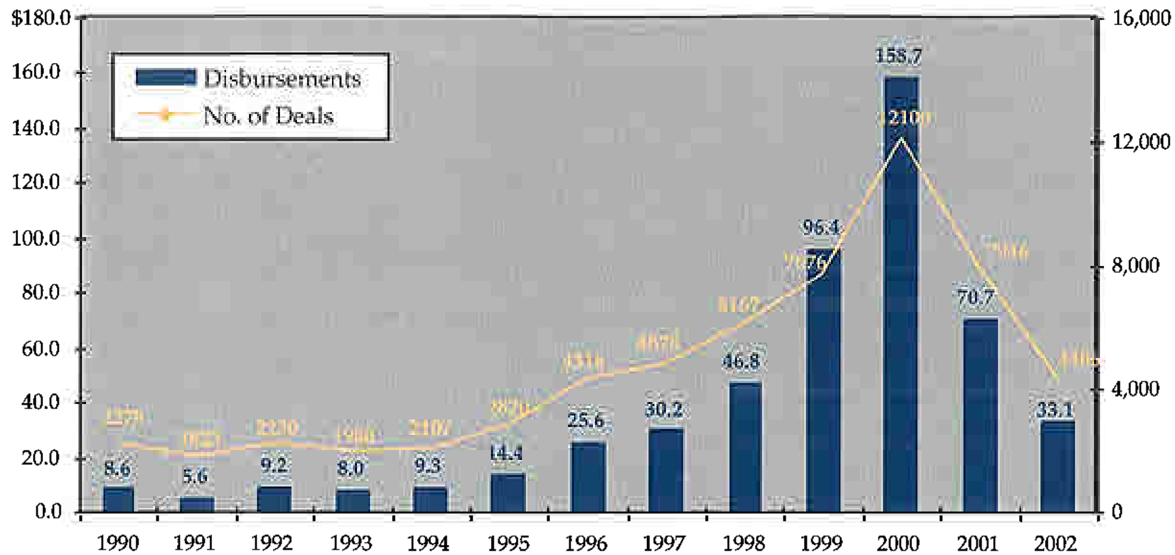
FOIA

The backlash from the wave of public corporate scandals in the past two years has touched the alternative investment industry in a meaningful way. Calls for greater disclosure from public pension plans on their alternative investment portfolios have, in more than one instance, culminated in the public release of a pension plan's alternative investment fund performance data. Other similar requests, usually made under state Freedom of Information Acts, are currently being considered. A recent tentative ruling by a San Francisco Superior Court Judge may be a reasonable indication of the eventual outcome of this issue. In this case, the judge found that fund performance data can be made available to the public but that underlying company data such as valuations are protected as trade secrets. Pathway will be monitoring this and other cases for future developments.

Alternative Investment Activity

Despite a lending environment characterized by low leverage ratios and fleeting windows of opportunity to secure debt financing, several multibillion dollar buyout deals were announced or closed during the fourth quarter of 2002. The largest of these deals was the $7.0 billion buyout of QwestDex from Qwest Corporation. These multibillion dollar deals were typically completed in syndication, oftentimes with a portion of the overall transaction debt financed by the seller. In 2002, total U.S. alternative investment disbursements totaled $33.1 billion, a 53.2% decrease from 2001 levels and only slightly higher than the amount invested in 1997. Venture capital investments accounted for 73.0% of this total, down slightly from 77.0% of the total the prior year. Information technology startups received the most venture capital dollars in 2002, with 65.0% of the total. Medical and life sciences startups received 22.0% of the total. Pathway believes that U.S. alternative investment levels will increase in 2003 if corporate profitability and business spending improves as widely anticipated. According to a recent *Wall Street Journal* survey, many economists believe that such a scenario is likely for the upcoming year despite the threat of war and terrorism. Figure 6 shows annual U.S. disbursements in alternative investments from 1990 to 2002.

Figure 6 **U.S. Alternative Investment Disbursement and Deal Volume**
($ in billions)

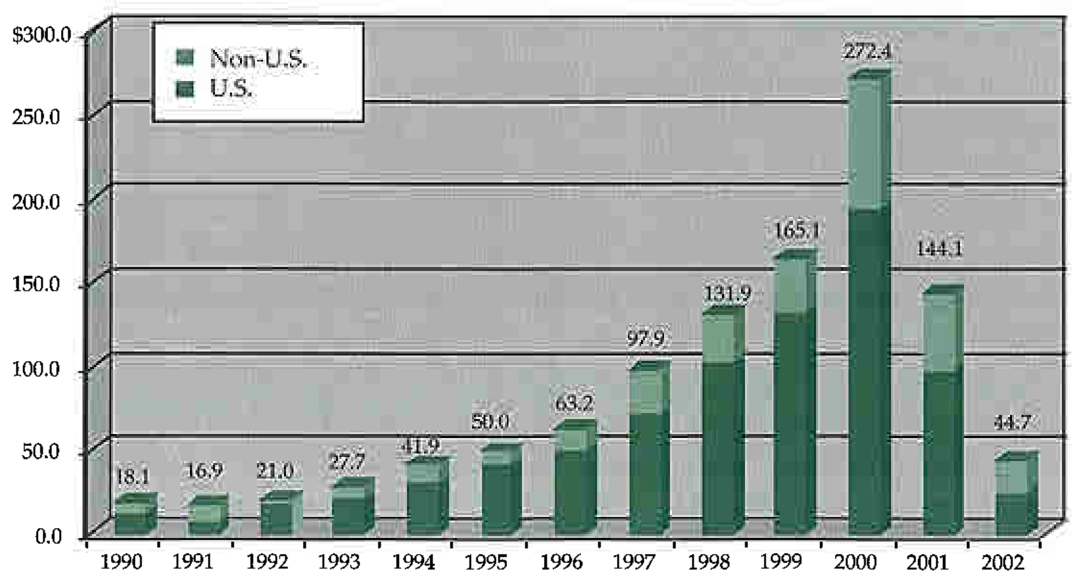


SOURCE: Venture Economics.

Alternative Investment Fundraising

In the fourth quarter of 2002, alternative investment firms worldwide raised $7.8 billion, down 24.0% from a revised $10.2 billion raised in the prior quarter. For the full year, alternative investment firms worldwide raised $44.7 billion, down 69.0% from the prior year. This decrease was largely expected as alternative investment firms continued to work their way through the record amounts of capital raised in 1999 and 2000. Figure 7 illustrates annual worldwide fundraising totals since 1990.

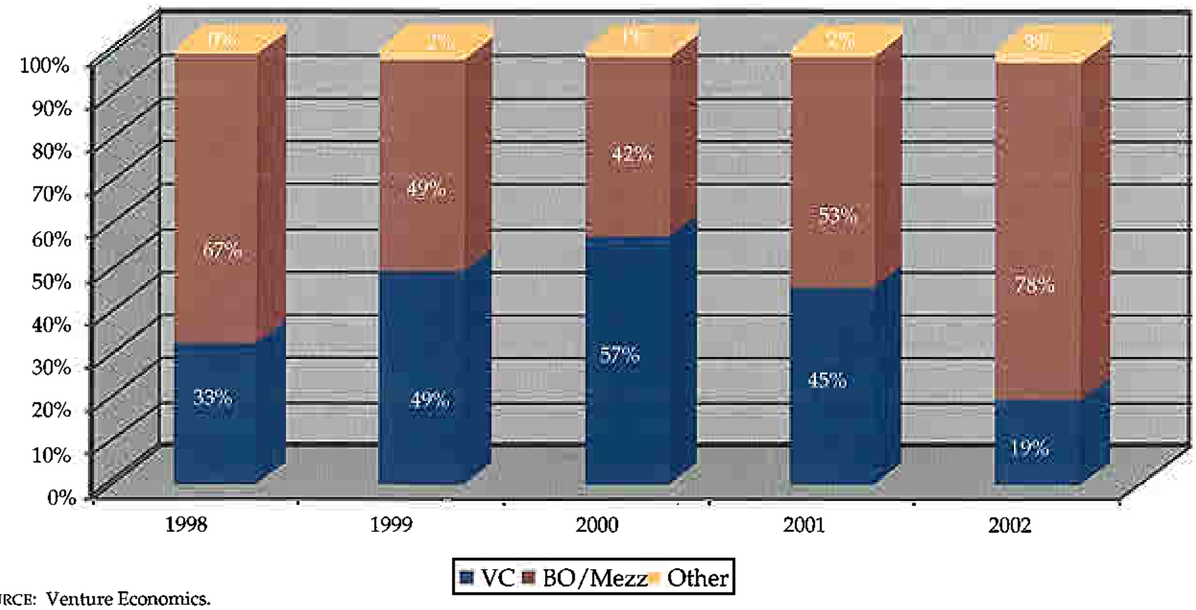
Figure 7 **Worldwide Alternative Investment Fundraising**
($ in billions)



SOURCE: Venture Economics.
Note: Fundraising amounts are based on net amounts raised, which adjusts for fund downsizing.

Buyout and mezzanine firms worldwide raised $34.8 billion in 2002, outpacing the amount raised by venture capital firms by a 4-to-1 margin. Several factors contributed to the large relative decrease in venture capital fundraising, including a slower venture capital investment pace and a dearth of exit opportunities for venture-funded technology sector companies. Additionally, in 1999 and 2000, venture capital funds constituted a historically high proportion of total alternative investment capital raised. Figure 8 shows the breakdown between venture capital and buyout/mezzanine fundraising over the past five years.

Figure 8 Worldwide Alternative Investment Fundraising by Strategy



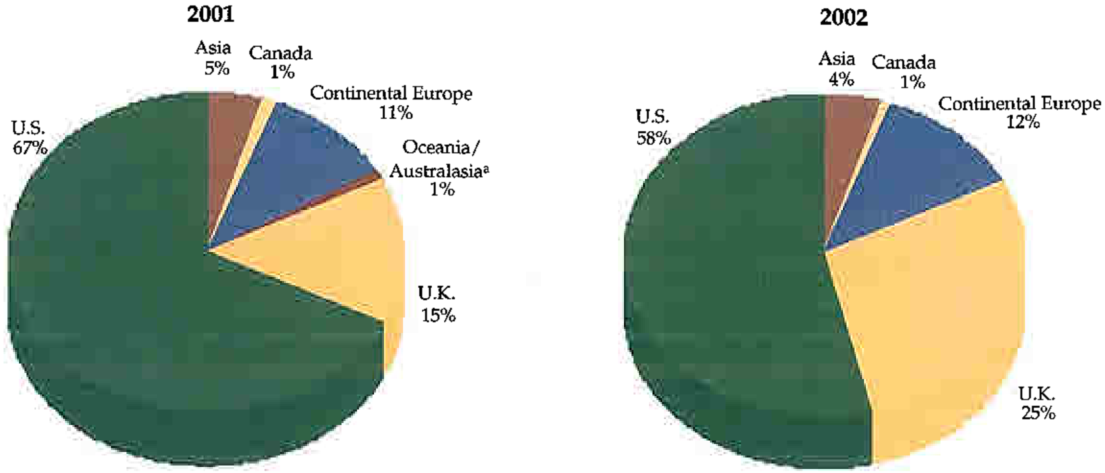
SOURCE: Venture Economics.

NOTE: Fundraising amounts are based on net amounts raised, which adjusts for fund downsizing.

Non-U.S. Alternative Investment

Non-U.S. alternative investment firms raised $18.9 billion in 2002, roughly 42.0% of the total capital raised during the year. This is only the second time since 1990 that non-U.S. alternative investment firms raised more than 40.0% of total worldwide capital. In 1991, non-U.S. alternative investment firms raised 56.0% of total worldwide capital. The United Kingdom and continental Europe led the way in non-U.S. fundraising with $16.6 billion, or 37.0% of the worldwide total. Alternative investment firms in the United Kingdom had the highest year over year increase in relative share as they raised 25.0% of 2002's total, compared with 15.0% in 2001. Continental Europe raised 12.0% of the year's total. Figure 9 compares fundraising by geographic region for 2001 and 2002.

Figure 9 **Breakdown of Alternative Investment Fundraising by Region**

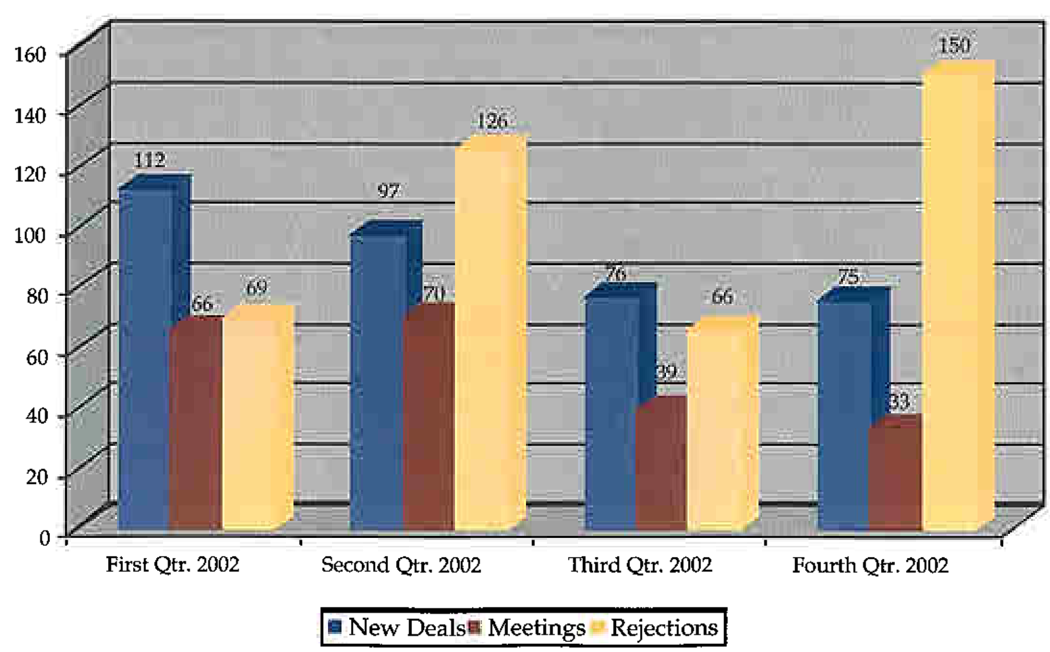


SOURCE: Venture Economics.
NOTE: Fundraising amounts are based on net amounts raised, which adjusts for fund downsizing.
[a]Includes Cook Islands, Fiji, French Polynesia, Micronesia, Marshall Islands, Nauru, New Zealand, Tuvalu, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Vanuatu, and Kiribati.

Pathway New Deal Activity

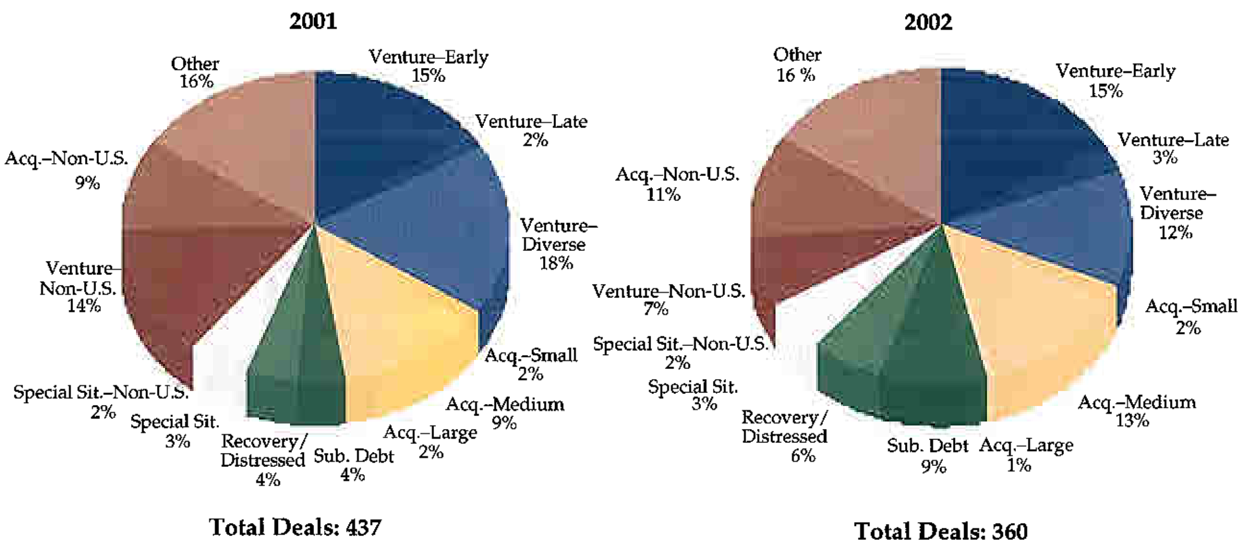
In the fourth quarter of 2002, Pathway reviewed 75 new investment opportunities bringing the total for 2002 to 360, an 18.0% decrease over 2001 levels. In 2002, Pathway met with 208 partnerships, compared with 157 in 2001. Because of the significant number of investment opportunities Pathway reviews each quarter, and in order to make the most efficient use of time and resources, Pathway only meets with the partnerships that satisfy its basic investment criteria. Figure 10 shows the number of new investment opportunities Pathway received, met with, and rejected during each quarter of 2002.

Figure 10 **Pathway Quarterly New Deal Activity**



Pathway's deal flow in 2002 has been diverse, representing a variety of investment strategies. Venture capital partnerships accounted for 37.0% of all opportunities reviewed. Acquisition funds represented the next largest category accounting for 27.0% of all opportunities reviewed. The biggest year over year relative decline was in non-U.S. venture capital, which fell from 14.0% of all opportunities reviewed in 2001, to 7.0% in 2002. Subordinated debt strategies increased from 4.0% of the total in 2001, to 9.0% of the total in 2002. Figure 11 illustrates the breakdown by investment strategy of Pathway's deal flow for 2001 and 2002.

Figure 11 **New Deal Opportunities (by Investment Strategy)**



LACERS' Alternative Investment Portfolio Summary

From Inception to September 30, 2002

($000s)

	Partnership	Commit.	Contrib.[a]	Market Value	Distrib.	Total Value	Gain/ (Loss)	Inception IRR[b]	V. E. Median Q'tile[c]	V. E. Upper Q'tile[c]
	1995 Generation									
1	WCAS VII	$15,000	$15,000	$8,811	$17,306	$26,118	$11,118	16.1%	5.2%	15.5%
2	OCM	11,000	11,000	4,864	12,101	16,965	5,965	10.6%	5.2%	15.2%
		$26,000	**$26,000**	**$13,676**	**$29,407**	**$43,083**	**$17,083**	**13.6%**	**5.2%**	**15.4%** [d]
	1996 Generation									
3	CVC European	$10,000	$9,427	$6,669	$11,296	$17,965	$8,538	21.2%	13.8%	19.7%
4	CGW Southeast III	9,000	8,611	2,288	3,829	6,116	(2,494)	-11.6%	0.3%	9.0%
		$19,000	**$18,038**	**$8,957**	**$15,125**	**$24,081**	**$6,044**	**9.6%**	**7.4%**	**14.6%** [d]
	1997 Generation									
5	InterWest VI	$5,000	$5,000	$4,187	$8,932	$13,119	$8,119	53.5%	21.8%	66.9%
6	GTCR Fund V	10,000	10,000	7,328	6,486	13,815	3,815	9.0%	-0.2%	12.4%
7	KKR 1996 Fund	25,000	24,213	22,484	10,805	33,288	9,076	12.1%	-0.2%	12.4%
8	Menlo VII	5,000	4,750	1,203	22,729	23,932	19,182	145.2%	21.8%	66.9%
9	OCM II	11,000	11,000	7,820	6,371	14,191	3,191	7.4%	2.2%	12.7%
		$56,000	**$54,963**	**$43,022**	**$55,323**	**$98,345**	**$43,382**	**24.5%**	**4.2%**	**22.1%** [d]
	1998 Generation									
10	Thomas Lee IV[e]	$7,000	$6,010	$4,855	$278	$5,133	($877)	-5.3%	-4.9%	4.2%
11	Kelso VI	5,000	2,534	2,267	441	2,708	174	3.0%	-4.9%	4.2%
12	Apollo IV	5,000	4,589	4,310	590	4,899	311	2.3%	0.8%	14.4%
13	GTCR Fund VI	10,000	9,904	4,595	5,474	10,069	165	1.1%	-4.9%	4.2%
14	Thoma Cressey VI	5,000	4,845	3,240	421	3,661	(1,184)	-11.9%	-4.9%	4.2%
15	CVC European II	10,000	8,754	7,151	3,717	10,867	2,113	9.2%	3.0%	7.8%
16	Essex Woodlands IV[e]	4,000	3,434	2,225	1,862	4,087	653	10.8%	4.6%	31.9%
17	WCAS VIII	15,000	14,550	8,846	0	8,846	(5,704)	-16.8%	-4.9%	4.2%
		$61,000	**$54,620**	**$37,488**	**$12,783**	**$50,271**	**($4,349)**	**-3.5%**	**-2.0%**	**7.4%** [d]

LACERS' Alternative Investment Portfolio Summary

From Inception to September 30, 2002
($000s)

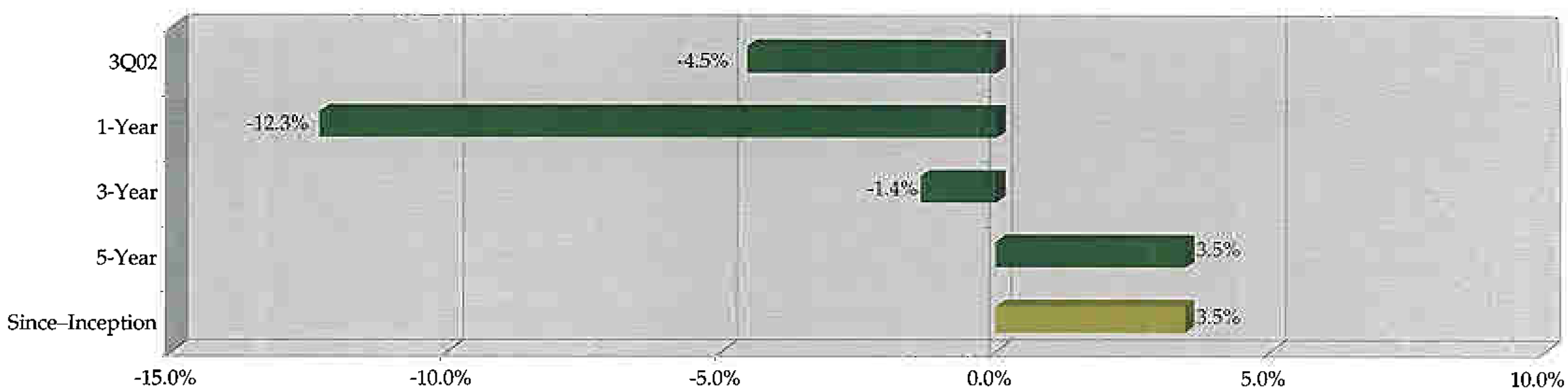
	Partnership	Commit.	Contrib.[a]	Market Value	Distrib.	Total Value	Gain/ (Loss)	Inception IRR[b]	V. E. Median Q'tile[c]	V. E. Upper Q'tile[c]
	1999 Generation									
18	Madison Dearborn III	$16,000	$14,869	$12,262	$1,142	$13,404	($1,465)	-5.2%	N.M.	N.M.
19	CGW Southeast IV	10,000	4,831	3,113	27	3,139	(1,692)	-21.4%	N.M.	N.M.
20	Chisholm IV	9,000	7,159	4,340	174	4,513	(2,646)	-20.9%	N.M.	N.M.
21	Menlo VIII	18,000	13,500	5,524	1,039	6,563	(6,937)	-32.9%	N.M.	N.M.
22	OCM III	10,000	10,000	9,406	2,029	11,435	1,435	7.0%	N.M.	N.M.
23	Richland III	18,000	14,724	9,792	0	9,792	(4,932)	-17.9%	N.M.	N.M.
24	Vestar IV	17,000	6,144	5,478	5	5,483	(661)	-9.8%	N.M.	N.M.
25	Austin VII	17,000	9,273	5,089	255	5,344	(3,928)	-28.8%	N.M.	N.M.
26	J.H. Whitney IV	25,000	21,375	8,134	842	8,977	(12,398)	-34.0%	N.M.	N.M.
27	Alchemy Investment Plan[f]	20,720	14,175	12,068	2,952	15,020	845	5.1%	N.M.	N.M.
		$160,720	**$116,050**	**$75,206**	**$8,465**	**$83,671**	**($32,378)**	**-16.8%**	**N.M.**	**N.M.**[d]
	2000 Generation									
28	TPG III	$25,000	$10,715	$11,633	$1,091	$12,725	$2,009	10.1%	N.M.	N.M.
29a	GTCR Fund VII	18,750	13,219	10,456	3,227	13,683	464	2.9%	N.M.	N.M.
30	VantagePoint IV	15,000	3,000	1,417	0	1,417	(1,583)	-53.2%	N.M.	N.M.
31	Weston Presidio IV	15,000	3,750	3,056	0	3,056	(694)	-18.2%	N.M.	N.M.
32	Thomas Lee V	15,000	2,146	1,739	0	1,739	(407)	-21.4%	N.M.	N.M.
33	WCAS IX	15,000	4,650	3,354	0	3,354	(1,296)	-21.8%	N.M.	N.M.
34	Nautic V	15,000	2,019	1,253	13	1,265	(754)	-45.0%	N.M.	N.M.
35	Essex Woodlands V	10,000	3,300	2,693	0	2,693	(607)	-18.0%	N.M.	N.M.
36	Trident V[g]	10,588	2,101	1,123	0	1,123	(978)	-48.0%	N.M.	N.M.
37	Madison Dearborn IV	25,000	4,677	2,690	1,104	3,794	(882)	-54.4%	N.M.	N.M.
		$164,338	**$49,577**	**$39,413**	**$5,436**	**$44,848**	**($4,728)**	**-8.2%**	**N.M.**	**N.M.**

LACERS' Alternative Investment Portfolio Summary

From Inception to September 30, 2002
($000s)

	Partnership	Commit.	Contrib.[a]	Market Value	Distrib.	Total Value	Gain/ (Loss)	Inception IRR[b]	V. E. Median Q'tile[c]	V. E. Upper Q'tile[c]
	2001 Generation									
29b	GTCR VII-A	$6,250	$1,922	$1,663	$1,673	$3,336	$1,414	N.M.	N.M.	N.M.
38	Menlo IX	20,000	4,000	3,029	0	3,029	(971)	N.M.	N.M.	N.M.
39	Austin VIII[h]	8,300	1,450	681	230	911	(539)	N.M.	N.M.	N.M.
40	Whitney V	10,000	3,523	3,293	3	3,296	(227)	N.M.	N.M.	N.M.
41	CVC III	15,000	1,784	1,515	1	1,516	(268)	N.M.	N.M.	N.M.
42	OCM IV	10,000	10,000	8,849	0	8,849	(1,151)	N.M.	N.M.	N.M.
		$69,550	**$22,679**	**$19,031**	**$1,906**	**$20,937**	**($1,742)**	**N.M.**	**N.M.**	**N.M.**
	2002 Generation									
43	Resolute Fund	$20,000	$0	$0	$0	$0	$0	N.M.	N.M.	N.M.
		$20,000	**$0**	**$0**	**$0**	**$0**	**$0**	**N.M.**	**N.M.**	**N.M.**
	Total	**$576,608**	**$341,925**	**$236,793**	**$128,444**	**$365,236**	**$23,311**	**3.5%**		

LACERS' Alternative Investment Portfolio Performance
From Inception to September 30, 2002



LACERS' Alternative Investment Portfolio Summary
Fourth Quarter Activity
as of December 31, 2002
($000s)

Partnership	Commit.	Actual 9/30/2002 Market Value	4th Qtr Contrib.	4th Qtr Distrib.	Estimated 12/31/2002 Market Value	Cum. Contrib.[a,b]	Cum. Distrib.
1995 Generation							
1 WCAS VII	$15,000	$8,811	$0	$0	$8,811	$15,000	$17,306
2 OCM	11,000	4,864	0	990	3,874	11,000	$13,091
	$26,000	**$13,676**	**$0**	**$990**	**$12,686**	**$26,000**	**$30,397**
1996 Generation							
3 CVC European	$10,000	$6,669	$0	$2,190	$4,935	$9,427	$13,486
4 CGW Southeast III	9,000	2,288	0	0	2,288	8,611	$3,829
	$19,000	**$8,957**	**$0**	**$2,190**	**$7,223**	**$18,038**	**$17,315**
1997 Generation							
5 InterWest VI	$5,000	$4,187	$0	$0	$4,187	$5,000	$8,932
6 GTCR Fund V	10,000	7,328	0	0	7,328	10,000	6,486
7 KKR 1996 Fund	25,000	22,484	2,135	0	24,618	26,347	10,805
8 Menlo VII	5,000	1,203	0	0	1,203	4,750	22,729
9 OCM II	11,000	7,820	0	0	7,820	11,000	6,371
	$56,000	**$43,022**	**$2,135**	**$0**	**$45,157**	**$57,097**	**$55,323**
1998 Generation							
10 Thomas Lee IV	$7,000	$4,855	$10	$18	$4,847	$6,020	$296
11 Kelso VI	5,000	2,267	943	0	3,210	3,476	441
12 Apollo IV	5,000	4,310	0	0	4,310	4,589	590
13 GTCR Fund VI	10,000	4,595	0	0	4,595	9,904	5,474
14 Thoma Cressey VI	5,000	3,240	0	0	3,240	4,845	421
15 CVC European II	10,000	7,151	256	512	7,383	9,010	4,229
16 Essex Woodlands IV	4,000	2,225	0	0	2,225	3,434	1,862
17 WCAS VIII	15,000	8,846	0	0	8,846	14,550	0
	$61,000	**$37,488**	**$1,209**	**$530**	**$38,656**	**$55,828**	**$13,313**
1999 Generation							
18 Madison Dearborn III	$16,000	$12,262	$36	$1,710	$10,588	$14,905	$2,852
19 CGW Southeast IV	10,000	3,113	646	0	3,759	5,477	27
20 Chisholm IV	9,000	4,340	175	0	4,515	7,334	174
21 Menlo VIII	18,000	5,524	0	0	5,524	13,500	1,039
22 OCM III	10,000	9,406	0	0	9,406	10,000	2,029
23 Richland III	18,000	9,792	0	0	9,792	14,724	0
24 Vestar IV	17,000	5,478	0	0	5,478	6,144	5
25 Austin VII	17,000	5,089	515	446	5,158	9,788	701
26 J.H. Whitney IV	25,000	8,134	0	0	8,134	21,375	842
27 Alchemy Investment Plan	22,370	12,068	1,470	0	13,870	15,645	2,952
	$162,370	**$75,206**	**$2,842**	**$2,156**	**$76,225**	**$118,892**	**$10,621**
2000 Generation							
28 TPG III	$25,000	$11,633	$3,829	$1,129	$14,334	$14,544	$2,220
29a GTCR Fund VII	18,750	10,456	1,031	0	11,487	14,250	3,227
30 VantagePoint Ventures IV	15,000	1,417	0	0	1,417	3,000	0
31 Weston Presidio IV	15,000	3,056	0	0	3,056	3,750	0
32 Thomas Lee V	15,000	1,739	1,072	0	2,811	3,317	0
33 WCAS IX	15,000	3,354	1,200	0	4,554	5,850	0
34 Nautic V	15,000	1,253	480	0	1,733	2,499	13
35 Essex Woodlands V	10,000	2,693	600	0	3,293	3,900	0
36 Trident V[c]	10,588	1,123	529	0	1,652	2,630	0
37 Madison Dearborn IV	25,000	2,690	0	0	2,690	4,677	1,104
	$164,338	**$39,413**	**$8,742**	**$1,129**	**$47,026**	**$58,418**	**$6,564**

LACERS' Alternative Investment Portfolio Summary
Fourth Quarter Activity
as of December 31, 2002
($000s)

Partnership	Commit.	Actual 9/30/2002 Market Value	4th Qtr Contrib.	4th Qtr Distrib.	Estimated 12/31/2002 Market Value	Cum. Contrib.[a,b]	Cum. Distrib.
2001 Generation							
29b GTCR VII-A	$6,250	$1,663	$0	$0	$1,663	$1,922	$1,673
38 Menlo IX	20,000	3,029	1,000	0	4,029	5,000	0
39 Austin VIII[d]	8,300	681	0	0	681	1,450	230
40 Whitney V	10,000	3,293	182	0	3,475	3,705	3
41 CVC III	15,000	1,515	1,024	0	2,643	2,808	1
42 OCM IV	10,000	8,849	0	0	8,849	10,000	0
	$69,550	**$19,031**	**$2,206**	**$0**	**$21,340**	**$24,885**	**$1,906**
2002 Generation							
43 Resolute Fund	$20,000	$0	$652	$0	$652	$652	$0
	$20,000	**$0**	**$652**	**$0**	**$652**	**$652**	**$0**
2003 Generation							
44 Nordic V	$11,531	$0	$0	$0	$0	$0	$0
45 GTCR VIII	20,000	0	0	0	0	0	0
	$31,531	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
12/31/02 Total	**$609,789**	**$236,793**	**$17,785**	**$6,995**	**$248,964**	**$359,810**	**$135,439**

[a] Capital contributions may exceed capital commitments due to the inclusion of outside management fees.

[b] Includes outside contributions except outside management fees.

[c] Trident V's fund size was reduced from $729.0 million to $518.7 million. As a result, LACERS' commitment was reduced from $15.0 million to $10.6 million.

[d] Austin VIII's fund size was reduced from $1.5 billion to $830.0 million. As a result, LACERS' commitment was reduced from $15.0 million to $8.3 million.