

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
COMPLIANCE EVALUATION REPORT
4th QUARTER 2006**

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Executive Summary

4th Quarter 2006

This report covers Wurts & Associates' evaluation of the investments within the portfolios relative to the Fresno County Employees' Retirement Association's (Association) Investment Policy and Guidelines (Guidelines). It contains a compliance worksheet summary of the investments evaluated, the private and public managers' representations regarding compliance, and a detailed compliance worksheet specifying the scope of each evaluation.

The Association's portfolio is comprised of both commingled vehicles and separate accounts. All of the separate account managers employed by the Association have specific language within the Guidelines for Wurts & Associates to evaluate. Please refer to Exhibit A which is a table summarizing the managers employed by the Association, the type of investment vehicle used by each, the general asset class of the investment, and whether or not the Guidelines contain specific language.

Investments made by managers using a commingled vehicle are typically governed by a partnership agreement or prospectus. The reason for this is that since commingled investment vehicles are designed to accommodate many different investors, only one common document may govern the investment strategy.

Public Market Managers

All managers employed by the Association that manage publicly traded securities have specific language in the Guidelines. Wurts & Associates has evaluated each manager's compliance relative to these guidelines and they are contained in this report. Grantham, Mayo, Van Otterloo & Company (GMO), Mondrian Investment Partners Limited, and State Street Global Advisors are employed through the usage of a commingled fund. The investment policies of these managers shall be governed by their prospectuses.

Private Market Managers

Private Market Investment Managers are given full discretion within the scope of their assigned segment, governed by their Limited Partnership Agreements. All private equity managers employed by the Association are made through commingled vehicles and none of them has specific language in the Guidelines to evaluate. All have warranted that they have complied with the appropriate governing authority over their investment strategy. Wurts & Associates is unable to verify this compliance.

Real Estate Managers

The Real Estate Investment Managers employed are given full discretion within the scope of the relevant language that governs the investment strategy. None of them has specific language in the Guidelines to evaluate. All have warranted that they have complied with the appropriate governing authority over their investment strategy. Wurts & Associates is unable to verify this compliance.

Summary of Findings

Of the managers employed by the Association that have specific guidelines, Wurts & Associates has determined the following:

Manager	In Compliance	Out of Compliance
Aronson + Johnson + Ortiz	✓	
Artisan Partners Limited Partnership	✓	
Brandywine Asset Management	✓	
Kalmar Investments Inc.	✓	
Wellington Capital Management	✓	
Enhanced Investment Technologies (INTECH)	✓	
TCW Asset Management Company	✓	
State Street Global Advisors	✓	
Mondrian Investment Partners Limited	✓	
Oechsle International	✓	
Franklin Templeton (International)	✓	
BlackRock, Inc.	✓	
Weiss, Peck & Greer	✓	
Bradford & Marzec	✓	
Loomis Sayles	✓	
Grantham, Mayo & van Otterloo	✓	

We are pleased to report this quarter that there were no material breaches of any consequence by any of the managers we audit.



Jeffrey MacLean
President & Chief Operating Officer

Disclaimer

Wurts & Associates, Inc. has exercised all reasonable professional care in the evaluation of the each investment manager's compliance to the Investment Policy and Guidelines of the Fresno County Employees' Retirement Association as of December 31, 2003. This report is provided to the Board of Trustees in conjunction with our responsibilities under the investment consulting agreement. Our professionals necessarily relied on data provided by third parties (e.g., Bloomberg, Advent, custodian banks) to perform our evaluation. Wurts & Associates makes no claims as to the accuracy of the data used in this evaluation and shall not be held liable for damages caused by errors or omissions in content, except to the extent arising from our sole gross negligence.

Exhibit A

Investment Manager	Investment Vehicle	General Asset Class	Enforcable Guidelines
Aronson + Johnston + Ortiz	Separate Account	Public Market (Equity)	Yes
Artisan Partners Limited Partnership	Separate Account	Public Market (Equity)	Yes
Brandywine Asset Management	Separate Account	Public Market (Equity)	Yes
Kalmar Investments Inc.	Separate Account	Public Market (Equity)	Yes
Wellington Capital Management	Separate Account	Public Market (Equity)	Yes
Enhanced Investment Technologies (INTECH)	Separate Account	Public Market (Equity)	Yes
TCW Asset Management Company	Separate Account	Public Market (Equity)	Yes
State Street Global Advisors	Commingled Fund	Public Market (Equity)	No
Mondrian Investment Partners Limited	Commingled Fund	Public Market (Equity)	No
Oechsle International	Separate Account	Public Market (Equity)	Yes
Franklin Templeton (International)	Separate Account	Public Market (Equity)	Yes
BlackRock, Inc.	Separate Account	Public Market (Fixed Income)	Yes
Weiss, Peck & Greer	Separate Account	Public Market (Fixed Income)	Yes
Bradford & Marzec	Separate Account	Public Market (Fixed Income)	Yes
Loomis Sayles	Separate Account	Public Market (Fixed Income)	Yes
Grantham, Mayo, Van Otterloo & Co	Commingled Fund	Public Market (Fixed Income)	No
Heitman / JMB Real Estate III, IV & V	Commingled Fund	Real Estate	No
Heitman / JMB Group Trust V	Commingled Fund	Real Estate	No
Sentinel Real Estate Corp.	Commingled Fund	Real Estate	No
TA Associates II, IV, & V	Commingled Fund	Real Estate	No
BCI Fund V	Commingled Fund	Private Market	No
The Blackstone Group (Private Equity)	Commingled Fund	Private Market	No
Blackstone Alternative Asset Management (Hedge Fund of Funds)	Commingled Fund	Private Market	No
DT Capital Partners	Commingled Fund	Private Market	No
Landmark	Commingled Fund	Private Market	No
Lonestar	Commingled Fund	Private Market	No
New Mountain	Commingled Fund	Private Market	No
TCW Fund III & IV	Commingled Fund	Private Market	No
Warburg Fund & Warburg Fund VIII	Commingled Fund	Private Market	No
JER Fund I & II	Commingled Fund	Real Estate	No

Client: **Fresno County Employees Retirement Association**

Analysis Date: **December 31, 2006**

Asset Class: Domestic Equity

Manager	Style	Market Cap Weighting	Diversification: at Market	Commercial Paper Rating	Weighted Avg Market Cap	Allowable Securities
Aronson + Johnson + Ortiz	M/LV					
Artisan Partners Ltd.	SG					
Brandywine Asset Mgmt.	SV					
Kalmar Investments Inc.	SG					
Wellington Management Co.	LV					
TCW Asset Management Company	LG					
Enhanced Investment Technologies (INTECH)	LG					
State Street Global Advisors	LG(p)					

Asset Class: International Equity

Manager		Market Cap Weighting	Diversification: at Market	Commercial Paper Rating	Weighted Avg Market Cap	Allowable Securities
Oechsle International	INT					
Franklin Templeton Cos.	INT					
Mondrian Investment Partners Limited	INT					

Asset Class: Domestic Fixed Income

Manager		Bond Quality	Diversification: at Market	Duration	Commercial Paper Rating	Derivatives Restricted	Prohibited Securities
BlackRock, Inc.	CP						
Bradford & Marzec, Inc.	CP						
Loomis, Sayles & Co.	CP						
Western Asset Management Company	CP						
Grantham, Mayo, Van Otterloo & Co.	GB						

Legend

	No Violation - In Compliance with Policy Guidelines
	Potential Violation - Currently Being Researched
	Confirmed Violation - Out of Compliance with Policy Guidelines
	Not Applicable

Domestic Equity 1

Domestic Equity Accounts 12/31/2006

Aronson + Johnson + Ortiz	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 7% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$5B	Yes
No derivatives, non-AD foreign stocks without consent of Association	Yes

Artisan Partners Limited Partnership	
Guideline	In Compliance
No single equity position > 5% of that company's total market cap	Yes
≤ 7% per issue at market	Yes
Initial position mkt caps shall be between \$100M and \$2B	Yes ¹
No derivatives, non-ADR foreign stocks, non-U.S. jurisdictional	Yes

Brandywine Asset Management	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 5% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should be +/-30% of Russell 2000 Value Index w/o notification	Yes
No derivatives, non-ADR foreign stocks without consent of Association	Yes

Kalmar Investments Inc.	
Guideline	In Compliance
No single equity position > 5% of that company's total market cap	Yes
≤ 8% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Initial position caps shall be between \$100M and \$2B	Yes ²
No derivatives, non-ADR foreign stocks, non-U.S. jurisdictional	Yes

¹Artisan Partners deviated from its market capitalization range stated in the guidelines. The guidelines state that: "The Manager uses a blend of smaller companies ranging in market capitalization for the portfolio from **approximately** \$100 million to \$2 billion at the initiation of the position." Artisan purchased one security (out of seventy-four holdings), which at the time of initial purchase had a market capitalization of \$2.13 billion.

²Kalmar Investments deviated from its market capitalization range stated in the guidelines. The guidelines state that: "The Manager uses a blend of smaller companies ranging in market capitalization for the portfolio from **approximately** \$100 million to \$2 billion at the initiation of the position." Kalmar purchased one security (out of ninety-five holdings), which at the time of initial purchase had a market capitalization of \$2.40 billion.

Domestic Equity 2

Domestic Equity Accounts 12/31/2006

Enhanced Investment Technologies (INTECH)	
Guideline	In Compliance
No single equity position > 5% of that company's total market cap	Yes
Weight of any holding shall not exceed benchmark holding by more than 2.5%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$10B	Yes
No derivatives, non-ADR foreign stocks without consent of Association	Yes

TCW Asset Management Company	
Guideline	In Compliance
No single equity position > 5% of that company's total market cap	Yes
≤ 10% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Minimum cap of each security must be \$3B at time of purchase. Free receives excluded.	Yes
No derivatives, non-ADR foreign stocks without consent of Association	Yes

Wellington Capital Management	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 7% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$5B	Yes
No derivatives, non-ADR foreign stocks without consent of Association	Yes

State Street Global Advisors	
Guideline	In Compliance
The investment policies of State Street shall be governed by the State Street's Fund Declaration.	Yes*

*The Association's investment in State Street is made through a commingled vehicle. Therefore, the Association's investment guidelines do not govern the investment processes of the fund.

International Equity

International Equity Accounts 12/31/2006

Oechsle International	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 5% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$1B	Yes
No derivatives without consent of Association	Yes

Franklin Templeton	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 5% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$1B	Yes
No derivatives without consent of Association	Yes

Mondrian Investment Partners Limited	
Guideline	In Compliance
The investment policies of Mondrian shall be governed by the Mondrian Emerging Markets Equity Fund, L.P.'s Offering Memorandum.	Yes*

*The Association's investment in Mondrian is made through a commingled vehicle. Therefore, the Association's investment guidelines do not govern the investment processes of the fund.

Domestic Fixed Income

Domestic Fixed Income Accounts

12/31/2006

BlackRock, Inc.	
Guideline	In Compliance
80% of portfolio to be comprised of investment grade (BBB or higher)	Yes
≤ 5% per issue at market except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by +/- 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Use of derivatives to be disclosed quarterly to Association. No derivatives outside of benchmark duration	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes

Loomis Sayles	
Guideline	In Compliance
80% of portfolio to be comprised of investment grade (BBB or higher) (inform Board)	Yes
≤ 5% per issue at market except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by more than 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Use of derivatives to be disclosed quarterly to Association. No derivatives outside of benchmark duration	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes

Bradford Marzec	
Guideline	In Compliance
80% of portfolio to be comprised of investment grade (BBB or higher)	Yes
≤ 5% per issue at market except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by more than 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Use of derivatives to be disclosed quarterly to Association. No derivatives outside of benchmark duration	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes

Domestic Fixed Income 2

Domestic Fixed Income Accounts

12/31/2006

Western Asset Management Company	
Guideline	In Compliance
80% of portfolio to be comprised of securities rated BBB- or higher	Yes
≤ 5% per issue at market except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by more than 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes