

**FRESNO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2006 AND 2005
(amounts in thousands)**

	2006	2005
ASSETS:		
Cash and cash equivalents	\$ 80,220	\$ 110,761
Securities lending investment pool	356,419	335,185
Receivables:		
Investment receivable	45,223	179,637
Receivables other	3,454	8,028
Investments, at fair value:		
U.S. Government & fixed income	696,351	744,823
Equities	1,505,575	1,321,417
Mortgages	147,105	15,095
REIT	969	-
Private markets	165,136	181,076
Total investments	2,515,136	2,262,411
Prepaid expenses	133	127
Capital assets	2,573	2,673
Total assets	3,003,158	2,898,822
LIABILITIES:		
Investment payable	468,418	556,224
Payables other	5,076	4,892
Total liabilities	473,494	561,116
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 2,529,664	\$ 2,337,706

**MEMBERSHIP
June 30, 2006 and 2005**

	2006	2005
Retirees and beneficiaries receiving benefits	4,610	4,401
Inactive members entitled to benefits but not yet receiving them	1,514	1,464
Active members:		
Vested:		
General	4,535	4,203
Safety	710	664
Nonvested:		
General	2,144	2,537
Safety	287	303
Total active members	7,676	7,707
Total membership	13,800	13,572

**FRESNO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN PLAN NET ASSETS
JUNE 30, 2006 AND 2005
(amounts in thousands)**

	2006	2005
ADDITIONS:		
Contributions:		
Employers	\$ 56,664	\$ 56,343
Employees	30,570	24,261
Total contributions	87,234	80,604
Investment income:		
Appreciation	164,987	168,581
Interest & dividends	57,570	50,473
Private markets	15,575	23,763
Net income from investment	238,132	242,817
Securities lending income	12,551	5,879
Securities lending expenses	(11,470)	(4,977)
Net income from securities lending	1,081	902
Miscellaneous income	782	570
Investment expense	(10,228)	(8,883)
Net investment income	317,001	316,010
DEDUCTIONS:		
Benefits paid to participants	122,178	116,532
Administrative expenses	2,865	2,484
Total deductions	125,043	119,016
NET INCREASE:	191,958	196,994
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF THE YEAR	2,337,706	2,140,712
END OF YEAR	\$ 2,529,664	\$ 2,337,706

ANNUAL REPORT of the FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

For the Year Ending June 30, 2006



**FRESNO COUNTY
EMPLOYEES' RETIREMENT
ASSOCIATION**

BOARD OF RETIREMENT

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ROBERTO L. PEÑA
Retirement Administrator

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BARBARA BOOTH GRUNWALD
Deputy County Counsel

**TO THE MEMBERS OF THE FRESNO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**

I have submitted the financial report of the Fresno County Employees' Retirement Association for the year ending June 30, 2006. In addition to this summary report, The Comprehensive Annual Financial Report (CAFR) which reports additional financial information on FCERA's activities, is available on FCERA's website, or from the Administrative Office for a small copy fee.

Meetings of the Board of Retirement are normally held on the first and third Wednesday of each month at 8:30 a.m. Members of the Retirement Association are invited to attend these meetings.

As a member of the Retirement Association, you are encouraged to contact the Retirement Office at 1111 H Street, (559) 457-0681, regarding these summary financial statements or other information concerning the Retirement System. Members are also encouraged to visit our website at www.fcera.org, or on the County's Intranet by selecting Retirement Association under the Department Sites link.

Please become familiar with the following benefits and other important information which are provided by the Retirement System:

BENEFICIARY - When you enter the Retirement Association, you designate your beneficiary on the Enrollment Card. You may change your beneficiary by notifying the Retirement Office in writing. It is very important that your beneficiary designation be kept up to date.

CONTRIBUTIONS AFTER TERMINATION - You may leave your contributions on deposit in an interest bearing account. If you have less than five years of service credit and do not qualify for reciprocity, you may withdraw your contributions and interest from the fund at any time once separation from County or Special Districts employment is verified.

CREDIT FOR PREVIOUS SERVICE - You may redeposit contributions previously withdrawn plus interest any time prior to receiving retirement benefits, and receive service credit for such time. You may also buy service credit for time worked prior to becoming a member of the Retirement Association (Extra Help with the County or a Special District member) by depositing the contributions that you would have made had you been a member during such time plus interest if you return to work for the same employer. Special redeposit rules are available for current or former Safety members as a result of Government Code Section 31629.5.

DEATH BENEFIT - A death benefit is payable to your beneficiary upon your death before retirement. The Basic Death Benefit consists of: (a) your accumulated contributions plus interest and (b) your final compensation multiplied by your completed years of service, not to exceed six (6) months of final compensation. If you have completed at least five (5) years of service, your surviving spouse or minor child may elect to receive, in lieu of the Basic Death Benefit, a continuing benefit equal to 60% of the retirement allowance to which you would have been entitled had you retired on the day of your death. If your death is as a result of an on-the-job injury, your spouse or minor child would be eligible for a continuing benefit equal to 100% of the retirement allowance to which you would have been entitled had you retired on the day of your death.

DEFERRED RETIREMENT - To be eligible to defer your retirement benefits to a later date, you must have at least five (5) years of service credit, or establish reciprocity with another system.

FINAL COMPENSATION LITIGATION AND BENEFIT RECALCULATION - The case is currently in the appeal stage. FCERA has completed approximately 71% of the benefit recalculations. Please refer to the Notes to the Financial Statements for (County of Fresno vs. Board of Retirement of the County of Fresno [sic], Fresno County Employees' Retirement Association, et al., Case No. 03-CE-CG-01569).

RETIREMENT TIER - The sponsoring employers (County of Fresno and Special District members) are responsible for adopting the retirement benefit levels available to FCERA's membership. FCERA is responsible for implementing those benefit levels that have been negotiated. The County of Fresno has established multiple retirement benefit tiers with different levels of benefits and employee contribution rates. Eligibility for the various tiers is negotiated between the employer and employee representation groups. Currently, the Special District members are only eligible for Tier I benefits. Tier I benefits offer 2.5% of final compensation at age 55 for general members and 3.275% of final compensation at age 55 for safety members. Tier II benefits offer 2.0% of final compensation at age 55 to general members and 3.0% of final compensation at age 55 to safety members. Additional retirement tiers have been negotiated between the County of Fresno and its employee representation groups that have not been implemented. Please review your Memorandum of Understanding for descriptions of the retirement tiers and to determine your eligibility for tier enrollment.

DISABILITY RETIREMENT - If you have at least five (5) years of service and become permanently disabled and unable to perform your specific job duties, you are eligible for a non-service connected disability retirement. If you become permanently disabled and unable to perform your specific job duties as a result of injury or disease arising out of or in the course of your employment, you are eligible for a service connected disability retirement regardless of your years of service.

INTEREST ON CONTRIBUTIONS - The contributions of active and deferred members of the Retirement Association are credited interest at a rate determined by the Board. The current rate is based on the cost of living granted to the most recent retirees.

SERVICE RETIREMENT - As a general member, you may retire with ten (10) years of service if you are at least fifty (50) years old, or with thirty (30) years of service regardless of age. As a safety member, you may retire with ten (10) years of service if you are at least fifty (50) years old, or with twenty (20) years of service regardless of age.

TEMPORARY ANNUITY OPTION - If you are covered by Social Security and retire from County or Special District service before age 62, you may receive additional income from the Retirement Association until you reach age 62 and become eligible for Social Security. This temporary annuity is an advance on the amount Social Security estimates you will be entitled to receive from them at age 62. The purpose of the temporary annuity is to provide you with a uniform retirement income for life.

TRANSFER TO ANOTHER SYSTEM - You will have reciprocal rights and obligations if you terminate your employment, leave your contributions on deposit with our Retirement System, and within six months of termination, become a member of a retirement system covered by the County Employees Retirement Law of 1937, the Public Employees' Retirement System (PERS), the State Teachers' Retirement System (STRS), the Judges Retirement System I or II, or any other reciprocal system.

HIGHLIGHTS FOR 2005-2006

Total membership in the Association increased by 1.7% to 13,800. The total number of active members decreased by 0.41% to 7,676, while the retired membership increased by 4.75% to 4,610. Deferred membership increased by 3.42% to 1,514.

FINANCIAL HIGHLIGHTS FOR 2005-2006

Benefit payments during the fiscal year totaled \$116,532,000. includes monthly benefit payments of \$115,129,000 and refunds at termination of \$1,403,000. Administrative expenses for the year totaled \$2,484,000 which amounts to 0.10% of net assets.

During the period from July 1, 2005 through June 30, 2006, Pension Trust assets increased to \$2,529,664 which represents an 8.2% increase in assets. The average rate of return on the market value basis of the investment portfolio over the past year was 11.4%, gross of fees. The investment portfolio is comprised of fixed income securities, equities, real estate, alternative investments and cash.

For the fiscal year ended June 30, 2006, Brown Armstrong audited the financial statements of the Retirement Association and issued an unqualified opinion.



Steven Jolly, Chairperson
Board of Retirement



Roberto L. Peña
Retirement Administrator