Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007


Fresno County Employees' Retirement Association


A Component Unit of the County of Fresno
Fresno, CA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ISSUED BY

ROBERTO L. PEÑA
RETIREMENT ADMINISTRATOR

BECKY VAN WYK, CPA
ASSISTANT RETIREMENT ADMINISTRATOR

FCERA

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
1111 H STREET
FRESNO, CALIFORNIA 93721
www.FCERA.org

A COMPONENT UNIT OF THE COUNTY OF FRESNO

TABLE OF CONTENTS

TABLE OF CONTENTS

ACTUARIAL SECTION

STATISTICAL SECTION

INTRODUCTORY SECTION

Shinzen Garden Bridge

Roberto L. Peña
Retirement Administrator

December 11, 2007

Board of Retirement
Fresno County Employees' Retirement Association
1111 H Street
Fresno, CA 93721

Dear Board Members:

As the Retirement Administrator of the Fresno County Employees' Retirement Association, I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2007 and 2006.

The CAFR is intended to provide users and/or stakeholders with a comprehensive and accurate review of the year's operations as well as reliable information for making responsible management decisions, determining compliance with legal requirements and demonstrating the stewardship of FCERA. The management of FCERA is responsible for both, the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures.

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

FCERA AND ITS SERVICES

The Fresno County Employees' Retirement Association is a public employee retirement system established by the Board of Supervisors of the County of Fresno on January 1, 1945 to provide retirement, disability, death and survivor benefits for its members under the California State Government Code, Section 31450 etc. seq. (County Employees Retirement Law of 1937). Currently, Fresno County (including Superior Court of California – County of Fresno) and 5 other participating agencies are members of FCERA. The participating agencies include:

Clovis Memorial District
Fresno-Madera Area Agency on Aging
Fresno County Office of Education (no active members at year end)
Fresno Mosquito and Vector Control
North Central Fire Protection District (moved its employees to the City of Fresno on July 1, 2007)

FCERA is governed by the California Constitution, the County Employees Retirement Law of 1937, and the regulations, procedures and policies adopted by FCERA's Board. The Fresno County Board of Supervisors may also adopt resolutions, as permitted by the County Employees Retirement Law of 1937, which may affect benefits of FCERA members.

The Plan is administered by the Board of Retirement of the Fresno County Employees' Retirement Association (Board), which consists of nine members and a retiree alternate. The Board is responsible for establishing policies governing the administration of the retirement plan, determining benefit allowances, and managing the investments of the system's assets. The Board oversees the Retirement Administrator and the FCERA staff in the performance of their duties in accordance with the County Employees Retirement Law of 1937 and the bylaws, procedures, and policies adopted by the FCERA Board.

FINANCIAL INFORMATION

Responsibility for the accuracy, completeness, fair presentation of information and all disclosures in the report rests with FCERA's management. In addition, management is also responsible for establishing and maintaining an internal control structure designed to ensure that FCERA's financial reporting is accurate and reliable.

Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter Acccountancy Corporation (Brown Armstrong) provides financial statement independent audit services to FCERA. The independent financial audit states that FCERA's financial statements are presented in accordance with generally accepted accounting principles and are free of material misstatements. There are sufficient internal accounting controls to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

The accompanying financial statements and transactions are prepared on the accrual basis of accounting. Revenues are taken into account when earned, regardless of the date of collection and expenses are recorded when the corresponding liabilities are incurred, regardless of when the payment is made.

ACTUARIAL FUNDING STATUS

FCERA's funding objective is to meet long-term benefit promises by implementing an actuarially prudent funding plan as well as to obtain excellent investment returns consistent with our assumptions and parameters of what constitute prudent risk. The greater the overall plan funding status, the larger the ratio of assets available to pay for the liabilities created by the benefits accrued to date.

Pursuant to provisions in the County Employees Retirement Law of 1937, FCERA engages an independent actuarial firm to perform an actuarial valuation of the system annually. Additionally, every three years, the actuary performs a detailed study of the system's economic and non-economic assumptions and makes recommendations to the FCERA Board on the basis of factors such as the experience of the Plan members, the Plan's asset allocation and the economic environment.

Each triennial experience review serves as the basis for changes in member and employer contribution rates necessary to properly fund the retirement system. While the economic and non-economic assumptions may be updated at the time of each triennial experience study is performed, economic assumptions may be reviewed annually. The actuarial valuation as of June 30, 2007 and experience study (on data as of June 30, 2006) will be conducted by The Segal Company and will be presented to the Board in January 2008.

The actuarial valuation as of June 30, 2006 completed by The Segal Company, determined the funding status, the ratio of plan assets to plan liabilities, to be 85.5% using approved assumptions. The 2006 fiscal year is the fifth consecutive year where the plan underperformed on an actuarial basis. The funding ratio decreased from 89.2% (restated down from 91.5% by excluding certain assets and liabilities by the plan's prior actuary by the member for one-half of the Cost of Living Adjustment (COLA) UAAL) on June 30, 2005 to 85.5% on June 30, 2006. The Board's funding policy uses a five-year smoothing technique to help level the potential wide swings year to year in investments. A more detailed discussion of funding is provided in the Actuarial Section of this report.

INVESTMENTS

The Board of Retirement adopted an investment policy that provides a framework for the management of FCERA's investments, including FCERA's investment objectives and the duties of the investment managers, custodian and investment consultant.

A pension fund's strategic asset allocation policy, implemented in a consistent and disciplined manner is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long -term asset class mix (target allocation) which is expected to achieve a specific set of investment objectives. FCERA employs a long-term investment strategy based on the target allocation. This long term view is reflected through the choice of investments including asset classes such as Domestic Fixed Income, Foreign Fixed Income, Domestic Equity, International Equities, Real Estate and Alternative Investments.

Under this policy the Board operates under a standard of care in California commonly knows as the "prudent person rule" which requires that the Board discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

The rule requires the Board to diversify the investments of the fund, unless it is clearly prudent not to do so under the circumstances. The Board therefore makes basic policy decisions with respect to the fund, including, but not limited to, the allocation of assets to various investment classes. The Board delegates much discretion to professional investment advisors to execute investment policy subject only to policy and guidelines provided by the Board.

During the 2007 fiscal year the Board selected and committed $80 million Private Market-Real Estate investment with INVESCO in October 2006 and in March 2007 the Board established a $60 million Cash Equitization Program with State Street Global Advisors through a futures portfolio to minimize the impact of the administrative/operational cash balance in the plan investment performance.

The Board also selected and committed $110 million to Private Markets-Alternative Investments in September 2007 as follows: $70 million to Hamilton Lane, $25 million to Warburg Pincus and $15 million to New Mountain Capital. Finally, in September 2007, the Board selected State Street Bank for custodian bank and disbursement agent services starting on January 1, 2008.

For the fiscal year ended June 30, 2007, the FCERA investment portfolio experienced a return, net of fees of 18.7% compared to a return of 11.1% for the year ended June 30, 2006. The FCERA plan annualized investment rates of return over the last three and five years, net of fees, were 13.8% and 12.0%, respectively. Please review the Investment Section of this report for more information on the Association's investments.

SERVICE EFFORTS AND ACCOMPLISHMENTS

A lawsuit was filed by the County of Fresno against the FCERA Board of Retirement seeking a change in the method of calculating final compensation. As a result of the court's decision on this matter, the Board agreed to change the method of calculating final compensation from the highest 26 non-consecutive pay periods to 365 consecutive days.

By judgment dated October 25, 2005, the court: (a) granted judgment in favor of the County on its claim for declaratory relief, consistent with the court's previous Tentative Rulings; (b) dismissed, without prejudice, all remaining claims of the County and defenses asserted by Fresno Deputy Sheriffs' Association (FDSA); and (c) held in abeyance FDSA's cross-complaint against the FCERA and its Board, until the judgment on the County's claim for declaratory relief becomes final and all appeals from the judgment are exhausted.

FDSA appealed the Judgment. Briefing of the appeal and oral argument were completed in April 2007 and the Fifth District Court of Appeals issued a decision on May 4, 2007 affirming in full the trial court ruling that a year is 365 consecutive days and which found that the now-abandoned “Fresno Method” of aggregating 26 pay periods to create one year‘s worth of final compensation was impermissible under the County Employees Retirement Law of 1937.

As of this writing, the project is into its third phase and is more than 90% completed with about 3,700 final compensation and retirement benefit recalculations prepared with overpayments collected from members of $1,606,482 and total underpayments paid to members of $935,953 including interest. The project is scheduled for completion during the winter of 2007. Additional information on the lawsuit can be found in the Notes to the Financial Statements.

The Board determined in December 2006 that members had been improperly charged for a portion of the unfunded actuarial accrued liability (UAAL) associated with the Cost of Living Adjustment (COLA) benefit beginning in July 2003. This practice, which was stopped in March of 2007 and resulted in a decrease of employee retirement contributions also called for a review of employee retirement contributions from July 2003 through February 2007.

The review included individual calculations of 9,208 FCERA members’ retirement contributions resulting in a net underpayment of prior contributions by 5,924 or 64.33% of members and a net overpayment of contributions by 3,284 or 33.67% of members. The net overpayment by members resulted in $4,587,348 in refunds issued to FCERA members between September 2007 and October 2007.

The Board also engaged in a Board Governance/Operations process with the help of a consultant to develop an effective governance framework and a strong organizational infrastructure to aid the Board in meeting its fiduciary duties and provide direction to current and future Boards. Among the policies and processes developed during this exercise were Board Operations, Policy Development, Strategic Planning, Code of Conduct, Education and Due Diligence. The charters include one for the full Board, the Chair, the Retirement Administrator and the various Committees of the Board.

In addition to expanding the information contained on its Website, FCERA issued its first newsletter for the quarter ended June 30, 2007. The newsletter provides a quick status of FCERA’s various projects as well as educational information about the benefits available.

The Board also held a full-day strategic planning session in October 2007 in which a strategic analysis exercise was completed and identified key strategic issues were identified for FCERA, among them, stakeholder relations, customer service, investment and plan funding, risk management to name a few. During the next year, we will work with the Board in carrying out the strategic planning process needed to formulate and pursue the Board's strategic vision and direction over the next 2-3 years.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Association for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This was the tenth consecutive year that the System has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, of which the contents conform to the program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The compilation of this report reflects the combined effort of the Retirement Association office staff. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the Association's investment portfolio.

I would like to take this opportunity to thank each member for their confidence in the Association during the past year. I also want to express my thanks to the Board of Retirement for their dedicated effort in supporting the Association through the past year. Likewise, I also want to thank our consultants and staff for their commitment to the Association and for their diligent work to assure the Association's continued successful operation.

Respectfully submitted,

Roberto L. Peña
Retirement Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fresno County

Employees' Retirement Association

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

President

Executive Director

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
THE BOARD OF RETIREMENT

<u>ADMINISTRATOR</u>
ROBERTO L. PEÑA
Retirement Administrator

<u>CHAIRMAN</u>
STEVEN JOLLY
Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2009

<u>VICE CHAIRPERSON</u>
MICHAEL CARDENAS, CPA
Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2008

<u>MEMBER</u>
ALAN CADE, Jr.
General Member - Elected by General Members
Present term expires December 31, 2009

<u>MEMBER</u>
NICK CORNACCHIA
Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2008

<u>MEMBER</u>
VICKI CROW, CPA
Auditor-Controller/Treasurer-Tax Collector
Ex-Officio Trustee

<u>MEMBER</u>
PHIL LARSON
Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2007

<u>MEMBER</u>
STEPHANIE SAVRNOCH
General Member - Elected by General Members
Present term expires December 31, 2007

<u>MEMBER</u>
JOHN SOUZA
Retired Member – Elected by Retirees
Present term expires December 31, 2007

<u>MEMBER</u>
WILLIAM STOREY
Safety Member - Elected by Safety Members
Present term expires December 31, 2008

<u>ALTERNATE RETIRED MEMBER</u>
RONALD S. FRYE
Alternate Retired Member - Elected by Retirees
Present term expires December 31, 2007

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ORGANIZATION CHART

Board of Retirement
Steven J. Jolly, Chair
Michael Cardenas, Vice Chair
Alan Cade, Jr.
Nick Cornacchia
Vicki Crow
Phil Larson
Stephanie Savrnoch
John P. Souza
William Storey
Ronald S. Frye, Alternate

Retirement Administrator
Roberto L. Peña

Administrative Secretary
Elizabeth Avalos

Assistant Retirement Administrator
Becky Van Wyk

Benefits Unit

Accounting Unit

Retirement Benefits Manager
Carol Sheela

Systems and Procedures Analyst
Thanaphat "Pat" Srisukwatana

Supervising Accountant
Conor Hinds

Retirement Coordinators (6)
Maria Benningfield
Diane Didulo
Frankie Dorsey
Debbie Heiner
Kristi Jacobie
Kim Jantz

Office Assistants (2)
Janice Wells
Leticia Morales

Account Clerks (3)
Angelic Lopez
Loretta Morales
Vacant

Retirement Coordinator (1)
(Extra Help)

Final Comp (10)
(Extra Help)

Accountants (3)
Pam Fine
Kay Vang
Vacant

Account Clerks (2)
Tonia Lynch
Reo Saldivar

Total number of permanent positions authorized - 19
Total number of extra-help positions authorized - 14
Total Number of positions authorized - 33

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
LIST OF PROFESSIONAL CONSULTANTS

CONSULTING SERVICES

ACTUARY

Segal Company

AUDITOR

Brown Armstrong

COMMISSION RECAPTURE SERVICES

Lynch, Jones & Ryan

CUSTODIAN BANK

Fifth Third Bank

INVESTMENT CONSULTANT

Wurts & Associates

LEGAL COUNSEL

Richard H. Chasen
Harvey Leiderman, Reed Smith LLP
Ashley K. Dunning, Steefel, Levitt & Weiss
Joseph J. Tabacco, Jr., Berman,
Devalerio, Pease, Tabacco,
Burt & Pucillo
Mitch Whitehead, Seyfarth Shaw LLP
County Counsel

SECURITIES LENDING

Credit Suisse First Boston

INVESTMENT MANAGERS

DOMESTIC BONDS

BlackRock Financial Management Inc.
Bradford & Marzec, Inc.
Loomis Sayles
Western Asset Management Company

GLOBAL BONDS

Grantham, Mayo, Van Otterloo & Co.

DOMESTIC STOCKS

Artisan Management
Aronson, Johnson & Ortiz, LP
Brandywine Asset Management, Inc.
Enhanced Investment Technologies, LLP.
aka (INTECH)
Kalmar Management
State Street Global Advisors
TCW Concentrated Core
Wellington Management Company, LLP.

INTERNATIONAL STOCKS

Mondrian Emerging
Oechsle International
Templeton Investment Counsel, Inc.

PRIVATE MARKETS INVESTMENT

BCI Growth V, LP
Heitman/JMB Advisory Corporation
Invesco
JE Robert Company, Inc.
Landmark Partners , Inc
Lone Star Management Co. IV, Ltd.
New Mountain Capital, LLC
Sentinel Real Estate Corporation
TA Associates Realty
TCW Asset Management Company
The Blackstone Group
Warburg, Pincus and Co.

CASH EQUITIZATION STRATEGY (OVERLAY)

State Street Global Advisors/JP Morgan

FINANCIAL SECTION

Huntington Lake

BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK THORNBURGH & KEETER
Certified Public Accountants

Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

Shafter Office
560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement and Audit Committee
Fresno County Employees' Retirement Association

We have audited the accompanying statement of plan net assets of the Fresno County Employees' Retirement Association (FCERA) as of June 30, 2007 and 2006 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the FCERA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Fresno County Employees' Retirement Association as of June 30, 2007 and 2006 and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Required Supplementary Information as listed in the table of contents is presented for purposes of additional analysis, as required by GASB, and is not a required part of the financial statements. This information is the responsibility of FCERA's management. Such information has been subjected to the auditing procedures applied by us in the audit of the 2007 and 2006 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2007 and 2006 financial statements taken as a whole. The Other Supplementary information as listed in the table of contents, and the Investment, Actuarial and Statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements of FCERA. The Other Supplemental information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. We did not audit the information contained in the investment, actuarial and statistical sections and express no opinion on it.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
December 11, 2007

Fresno County Employees' Retirement Association
Management's Discussion and Analysis

Our discussion and analysis of the financial performance of the Association provides an overview of the financial activities for the fiscal years ended June 30, 2007 and 2006. Please read it in conjunction with the Letter of Transmittal in the Introductory Section of the Association's Comprehensive Annual Financial Report, and the Financial Statements, which follow this discussion.

Financial Highlights

- Net assets held in trust by the Association, as reported on the *Statement of Plan Net Assets*, totaled $2,938,652,000 as of June 30, 2007. Net assets increased by $408,988,000 or 16.2%, consistent with economic and market conditions through out the year. Net assets totaled $2,529,664,000 as of June 30, 2006. Financial and economic factors are also discussed in the Letter of Transmittal from the Retirement Administrator and in the Investment Section of this report.
- The *Statement of Changes in Plan Net Assets* reflects $545,880,000 in additions to plan net assets for June 30, 2007. Of this amount, $363,823,000 represents appreciation in the fair value of investments (66.6% of the total additions), interest and other investment income and expenses of $78,532,000 (14.4% of the total additions) and employer and employee contributions of $103,525,000 (19.0% of the total additions). At June 30, 2006, $317,001,000 in additions to plan net assets is reported. The net increase was comprised of $164,987,000 appreciation in the fair value of investments, (52.1% of the total additions), interest and other investment income of $64,780,000 (20.4% of the total additions) and employer and employee contributions of $87,234,000 (27.5% of the total additions).
- The *Statement of Changes in Plan Net Assets* for June 30, 2007 reflects total deductions from plan net assets of $136,892,000, an increase of 9.5% over prior year deductions of $125,043,000. Total deductions from plan net assets for June 30, 2006 totaled $125,043,000, an increase of 5.1% over the prior year deductions of $119,016,000. The majority of the increases represent increased benefits paid.
- The Association invests the retirement funds through a variety of investment managers and private markets. Investment profits and/or losses are allocated semi-annually based upon the fund reserve balances at the end of the prior six-month period.

Using this Comprehensive Annual Financial Report and Financial Statements

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

Both statements are in compliance with Governmental Accounting Standard Board (GASB) Statement 25, Financial *Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*; GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and* GASB Statement 40, *Deposit and Investment Risk Disclosures.*

These statements provide standards regarding certain disclosures and the use of accounting principles by State and Local Governments. The Association complies with all material requirements of these pronouncements.

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

The most important question asked about the Association's financial condition is, "Do we have sufficient assets to pay the benefits that have been promised to the membership?" The financial statements report information about the Association's activities in a way that helps answer this question. The actuarial valuation prepared for the one year period ended June 30, 2006 reported the funding ratio as 85.5%, a decrease of 6.0% from the funding ratio of 91.5% included in the valuation report as of June 30, 2005. The funding ratio indicates that at June 30, 2006 we have about $0.86 for each $1.00 of liability. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid and all investment gains and losses are shown at transaction date, not settlement date. Further, both realized and unrealized gains and losses on investments are presented and all capital assets (property and equipment) are depreciated over their estimated useful lives.

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

FCERA's Net Assets

FCERA's net assets increased 16.2% in 2007, from a beginning value of $2,529,664,000 to $2,938,652,000. The increase was primarily due to increases in the net appreciation in fair value of investments held by FCERA. The net assets for June 30, 2006 increased $191,958,000 (8.2%) from the June 30, 2005 balance of $2,337,706,000, primarily due to increases in the net appreciation in fair value of investments held by FCERA during that period. Investment trades receivable and payable at June 30, 2007 increased $72,763,000 (195.0%) and $68,593,000 (62.04%), respectively, over the June 30, 2006 balances of $37,303,000 and $110,706,000 due to more outstanding trades at year end 2007. The cash collateral payable for securities lending increased $89,029,000 (25.0%) to $445,448,000 from the June 30, 2006 balance of $356,419,000. The June 30, 2006 balance of cash collateral payable for securities lending had increased 6.3%, or $21,234,000 from the June 30, 2005 balance of $335,185,000.

FCERA's Net Assets (Continued)

(The following table presents the net assets amounts at end of fiscal years 2007, 2006 and 2005, in thousands).

	2007	2006	2005	Increase (Decrease) 2007 - 2006	Increase (Decrease) 2006 - 2005
Current and other assets	$ 3,578,592	$ 3,000,585	$ 2,896,149	$ 578,007	$ 104,436
Capital assets	2,454	2,573	2,673	(119)	(100)
Total assets	3,581,046	3,003,158	2,898,822	577,888	104,336
Other liabilites					
Total liabilities	642,394	473,494	561,116	168,900	(87,622)
Net assets	$ 2,938,652	$ 2,529,664	2,337,706	$ 408,988	$ 191,958

Additions to Plan Net Assets

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

During the year ended June 30, 2007, total additions to plan net assets increased by $228,879, 72.2% from the prior year primarily due to the increase in net investment income. During the year ended June 30, 2006, total additions to plan net assets increased by approximately 0.3% from the prior year, with the majority of the increase resulting from the higher contributions made by employers and plan members. Net investment income increased 92.5% and total contributions increased 18.68% for the year ended June 30, 2007. For the year ended June 30, 2006 net investment income decreased by 2.4%, while total contributions increased by 8.2%. The increases in total contributions were the result of the higher contribution rates and salary increases during the year ended June 30, 2006. Employer contributions reported in the table (presented in thousands) below include retirement funds received from the County of Fresno and its member employers.

	2007	2006	2005	Increase (Decrease) Amount 2007 - 2006	Increase (Decrease) Amount 2006 - 2005
Additions:					
Contributions	$ 103,525	$ 87,234	$ 80,604	$ 16,291	$ 6,630
Net investment income	442,355	229,767	235,406	212,588	(5,639)
Total Additions	545,880	317,001	316,010	228,879	991
Deductions:					
Benefits paid	133,593	122,178	116,532	11,415	5,646
Administrative costs	3,299	2,865	2,484	434	381
Total Deductions	136,892	125,043	119,016	11,849	6,027
Increase/decrease in net assets	408,988	191,958	196,994	217,030	(5,036)
Net assets, beginning of year	2,529,664	2,337,706	2,140,712	191,958	196,994
Net assets, end of year	$ 2,938,652	$ 2,529,664	$ 2,337,706	$ 408,988	$ 191,958

Deductions From Plan Net Assets

The primary deductions of the Plan include the payment of benefits to members and member beneficiaries, the refund of contributions to former members, and the cost of administering the retirement plan. Deductions for fiscal year 2007 totaled $136,892,000, an increase of 9.5% over 2006. Deductions for fiscal year 2006 totaled $125,043,000, an increase of 5.1% over the 2005 amount of $119,016,000.

Administrative expenses are approved in an annual budget by the Association's Board and represented 0.11% and 0.10% of total assets in 2007 and 2006, respectively. Under the California State Government Code, Section 31580.2, administration expenses incurred in any given year shall not exceed 0.18% of the total assets of the retirement system. The Association has consistently met its budgets and continues to expect to do so.

The deductions in plan net assets of $136,892,000 during 2007 combined with the contributions to plan net assets of $103,525,000 and net investment income of $442,355,000, which are depicted above, accounts for the net increase in plan assets of $408,988,000 in 2007.

Reporting the Association's Fiduciary Responsibilities

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

The Retirement Fund As A Whole

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

Contacting the Association's Financial Management

This financial report is designed to provide the Retirement Board, our membership, employers, taxpayers, investment managers and creditors with a general overview of the Association's finances and to show the Association's accountability for the funds under its stewardship.

Contacting the Association's Financial Management (Continued)

Questions about any of the information provided in this report or requests for additional financial information should be addressed to:

FCERA
1111 H Street
Fresno, CA 93721

Respectfully submitted,

Becky Van Wyk

Becky Van Wyk, CPA, CGFM
Assistant Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2007 AND 2006

(Amounts expressed in thousands)

	2007	2006
ASSETS:		
Cash and cash equivalents with fiscal agents (Note 3)	$ 154,071	$ 80,220
Securities lending investment pool:		
Short term investments	219,411	98,861
Long term investments	226,037	257,558
Total securities lending investments	445,448	356,419
Receivables:		
Investment trades receivable (Note 4)	110,066	37,303
Interest and dividends receivable	7,550	6,512
Contributions and other receivables	15,250	3,454
Securities lending receivable	1,933	1,408
Total receivables	134,799	48,677
Investments, at fair value (Note 3):		
U.S. Government and agencies fixed income	302,331	303,089
Domestic equity index fund	191,646	158,896
Domestic fixed income	326,249	306,185
Domestic equity	996,548	846,784
International equity	665,523	499,895
Foreign fixed income	100,119	87,077
Mortgages	103,898	147,105
REIT	-	969
Private markets and alternative investments	157,802	165,136
Total investments	2,844,116	2,515,136
Prepaid expenses	158	133
Capital assets (Note 5)		
Depreciable, net	2,454	2,573
Total capital assets, net	2,454	2,573
Total assets	3,581,046	3,003,158
LIABILITIES:		
Investment trades payable (Note 4)	179,299	110,706
Cash collateral payable for securities lending (Note 3)	445,448	356,419
Accounts payable	15,846	5,076
Securities lending bank and broker fees	1,801	1,293
Total liabilities	642,394	473,494
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (Note 6)	$ 2,938,652	$ 2,529,664

(A schedule of funding progress appears on page 40).

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

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(Amounts expressed in thousands)

	2007	2006
ADDITIONS:		
Contributions:		
Employers	$ 69,997	$ 56,664
Plan members	33,528	30,570
Total contributions	103,525	87,234
Investment income:		
From investment activities		
Net appreciation in fair value of investments	363,823	164,987
Interest	38,012	33,866
Dividends	31,038	23,704
Private markets	18,590	15,575
Net income from investment activities	451,463	238,132
From securities lending activities		
Securities lending income	17,838	12,551
Securities lending expenses		
Borrower rebate expenses	(16,403)	(11,110)
Security lending management fees	(324)	(360)
Net income from securities lending activities	1,111	1,081
Miscellaneous income	1,520	782
Investment expenses	(11,739)	(10,228)
Net investment income	442,355	229,767
Total additions	545,880	317,001
DEDUCTIONS:		
Benefits and refunds paid to plan members and beneficiaries	133,593	122,178
Administrative expenses	3,299	2,865
Total deductions	136,892	125,043
NET INCREASE	408,988	191,958
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
BEGINNING OF YEAR	2,529,664	2,337,706
END OF YEAR	$ 2,938,652	$ 2,529,664

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

NOTE 1 - DESCRIPTION OF THE PLAN

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

General

The Association is a contributory defined benefit plan initially organized under the provisions of the 1937 Act on January 1, 1945. It provides benefits upon retirement, death or disability of members. The Association is a cost-sharing, multiple-employer plan that includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County of Fresno, including Superior Court of California-County of Fresno, (County), Clovis Memorial, Fresno Mosquito and Vector Control, North Central Fire Protection Districts, and Fresno-Madera Area Agency on Aging. An employee becomes eligible for membership commencing with the pay period following the date of employment in a permanent position.

The Association membership at June 30, 2007 and 2006 is as follows:

	2007	2006
Retirees and beneficiaries receiving benefits	4,779	4,610
Terminated employees entitled to benefits but not yet receiving them (Deferred Members)	1,598	1,514
Current employees:		
Vested:		
General Tier 1	4,663	4,494
General Tier 2	44	41
Safety Tier 1	723	710
Nonvested:		
General Tier 1	1,853	2,046
General Tier 2	255	98
Safety Tier 1	253	273
Safety Tier 2	31	14
Total current employees	7,822	7,676
Total membership	14,199	13,800

Note: Effective with fiscal year ended June 30, 2007 the composition for current employees has been expanded to display membership by benefit tier. June 30, 2006 balances have been restated for presentation purposes.

NOTE 1 - **DESCRIPTION OF THE PLAN (Continued)**

Benefit Provisions

The Board under the provisions of the 1937 Act administers benefit provisions. Benefits are based upon a combination of age, years of service, average monthly salary for the highest paid year of employment, the option selected by the participant, and whether the participant was employed as a safety member or as a general member. Disability and death benefits are additionally based upon whether the disability was service connected or not and whether the death occurred before or after retirement. Retirement benefit payments consist of regular retirement benefits, cost of living benefits, supplemental cost of living benefits, supplemental benefits or supplemental annuity benefits and health benefits. The supplemental cost of living and health benefits (non vested) are subject to annual approval by the Board.

On June 18, 2007, the current Safety Tier II offered under Government Code section 32664.2 will become mandatory for any new employee in a Safety job classification covered by a collective bargaining agreement negotiated by SEIU.

Administration

The management of the Association is vested in the Board, which is composed of the following nine members and two alternate members:

1. County Treasurer,

2. Two members of the Association elected by the general members,

3. One member of the Association elected by the safety members,

4. One retired member of the Association elected by the retired members, and

5. Four members appointed by the County Board of Supervisors. These members shall be qualified electors of the County who are not connected with County government in any capacity, except one may be a County Supervisor.

NOTE 1 - **DESCRIPTION OF THE PLAN (Continued)**

Administration (Continued)

6. One alternate member of the Association from the safety members who represents one of the other safety classifications not represented by the Board member who received the highest number of votes during the election, and

7. One alternate member of the Association elected by the retired members.

Administrative expenses are financed through the investment earnings of plan assets.

NOTE 2 **- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Fresno County Employees' Retirement Association (Association) is the public employee retirement system established by the County on January 1, 1945, and administered by the Board of Retirement to provide retirement, disability, death and survivor benefits for its employees under the 1937 Act. The Association is a component unit of the County of Fresno and is included in the County's Basic Financial Statements as a pension trust fund.

Basis of Accounting

The Association's financial statements are prepared using the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized in the period in which they are incurred. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds of prior contributions are recognized when due and payable under the provisions of the Plan.

Deposits and Investments

Cash and cash equivalents with fiscal agent include deposits in the County Treasurer's commingled cash and investment pool and investments held by the custodian bank. Investments with the custodian bank are comprised of foreign currencies, cash held in a short-term investment fund and other short-term, highly liquid investments. Short-term investments considered cash equivalents are recorded at cost, which approximates fair value. The County Treasurer's commingled cash and investment pool operates in accordance with appropriate state laws and regulations and is governed by an

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments (Continued)

investment policy formally adopted by the County. (Please refer to the Comprehensive Annual Financial Report prepared by the County of Fresno for additional information on the County Treasurer's commingled cash and investment pool.)

Plan investments are reported at fair value. The fair values of equity and fixed income securities are derived from quoted market prices. The fair values of private market investments are estimated from fair values provided by the real estate investment funds, futures investment managers, and alternative investment managers (see Note 3). All investment purchases and sales are recorded on the trade date.

Capital Assets

Capital assets are valued at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of three years for computer equipment, five years for office equipment, ten years for furniture, fifteen years for Wyatt Software (pensions system) and thirty years for buildings. Depreciation expense is reported as part of administrative expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 3 – DEPOSITS AND INVESTMENTS

Except as otherwise expressly restricted by the California Constitution and by law, the Board may, at its discretion, invest, or delegate the Association to invest the assets of the Association through the purchase, holding, or sale of any form or type of instrument, or financial transaction when prudent in the informed opinion of the Board. In addition, the Board has established an investment policy that places limits on the compositional mix of cash, fixed income and equity securities, alternative investments, and real estate investments. The Association currently employs external investment managers to manage its assets subject to the guidelines of the investment policy.

GASB Statement No. 40 establishes and modifies disclosure requirements associated with investment risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - deposits. This type of risk associated with deposits is the risk that in the event of a failure in a depository financial institution, a government will not be able to recover its deposits or recover collateral securities that are in the possession of an outside party. The Association does not have a policy for managing custodial credit risk. As of June 30, 2007, all domestic deposits were insured, registered and held by the custodian bank in the Association's name.

The Association held foreign currencies deposits at June 30, 2007 with a United States Dollar value of $3,673, of which $3,673 is subject to custodial credit risk since the deposits were uncollateralized and not registered or held in the Association's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. FCERA's investments are not subject to custodial credit risk because investments are insured and registered in the Association's name. The Association's investment policy does not limit the amount of securities that can be held by counterparties.

Credit risk. Credit risk is the risk that an issuer or other counter party to a debt instrument will not fulfill its obligations. This risk is measured by the assignment of ratings by nationally recognized statistical rating organizations. The Association has adopted policies specific to each investment manager to manage credit risk. In general fixed income securities should be well diversified to avoid undue exposure to any single economic sector, industry or individual security. The County of Fresno's external investment pool is unrated for credit risk purposes.

The credit ratings disclosed on page 25 were obtained from Moody's rating agencies as of June 30, 2007 and June 30, 2006.

(Amounts expressed in thousands)

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investment Type		Minimum Policy Rating	Exempt from Disclosure	Rating at Year End June 30, 2007 Aaa/ P1	Baa	Caa	Not Rated
Securities lending - investments							
Asset backed security	$ 147,437	Aaa/ P1	$ -	$ 147,437	$ -	$ -	$ -
Corporate fixed income	177,804	Aaa/ P1	-	177,804	-	-	-
Repurchase agreements	120,207	Aaa/ P1	-	-	-	-	120,207
Subtotal	445,448		-	325,241	-	-	120,207
US Government and agencies							
US treasury notes	54,262	N/A	54,262	-	-	-	-
Federal agency securities	248,069	B3	-	248,069	-	-	-
Subtotal	302,331		54,262	248,069	-	-	-
Domestic fixed income	326,249	B3	-	224,388	98,153	2,614	1,094
Mortgages	103,898	B3	-	73,732	107	-	30,059
Foreign fixed income [1]	24,929	B3	-	14,362	381	-	10,186
	$ 1,202,855		$ 54,262	$ 885,792	$ 98,641	$ 2,614	$ 161,546

[1] Foreign fixed income of $24,929 does not include Global Bond Fund of $75,190. Global Bond Fund does not require disclosure of credit risk.

Investment Type		Minimum Policy Rating	Exempt from Disclosure	Rating at Year End June 30, 2006 Aaa/ P1	Baa	Caa	Not Rated
Securities lending - investments							
Asset backed security	$ 34,056	Aaa/ P1	$ -	$ 34,056	$ -	$ -	$ -
Corporate fixed income	243,629	Aaa/ P1	-	243,629	-	-	-
Repurchase agreements	78,734	Aaa/ P1	-	78,734	-	-	-
Subtotal	356,419		-	356,419	-	-	-
US Government and agencies							
US treasury notes	86,473	N/A	86,473	-	-	-	-
Federal agency securities	216,616	B3	-	216,616	-	-	-
Subtotal	303,089		86,473	216,616	-	-	-
Domestic fixed income	306,185	B3	-	188,783	105,650	260	11,492
Mortgages	147,105	B3	-	124,966	479	-	21,660
Foreign fixed income [1]	16,768	B3	-	15,320	45	-	1,403
	$ 1,129,566		$ 86,473	$ 902,104	$ 106,174	$ 260	$ 34,555

[1] Foreign fixed income of $16,768 does not include Global Bond Fund of $70,309. Global Bond Fund does not require disclosure of credit risk.

(Amounts expressed in thousands)

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk. Interest rate risk is the risk that changes in the interest rate will adversely affect the fair value of an investment. The Association has not adopted a policy to manage interest rate risk. The Association selected the segmented time distribution method for the following investments subject to interest rate risk at June 30, 2007 and June 30, 2006.

		Remaining Maturity in Months at June 30, 2007			
Investment Type		Less than 12 months	13 to 60 months	61 to 120 months	More than 120 months
Securities lending - investments					
Asset backed securities	$ 147,437	$ 128,908	$ -	$ -	$ 18,529
Corporate fixed income	177,804	87,979	89,825	-	-
Repurchase agreements	120,207	120,207	-	-	-
Subtotal	445,448	337,094	89,825	-	18,529
US Government and agencies					
US Treasury notes	54,262	1,432	8,422	15,487	28,923
Federal agency securities	248,069	-	3,312	4,761	239,996
Subtotal	302,331	1,432	11,734	20,248	268,919
Domestic fixed income	326,249	20,136	162,412	54,410	89,291
Mortgages	103,898	569	18,681	5,368	79,280
Foreign fixed income [1]	24,929	-	24,548	-	381
Total Investments	$ 1,202,855	$ 359,231	$ 307,200	$ 80,026	$ 456,400

[1] Foreign fixed income of $24,929 does not include Global Bond Fund of $75,190. Global Bond Fund does not require disclosure of interest rate risk.

		Remaining Maturity in Months at June 30, 2006			
Investment Type		Less than 12 months	13 to 60 months	61 to 120 months	More than 120 months
Securities lending - investments					
Asset backed securities	$ 34,056	$ 34,056	$ -	$ -	$ -
Corporate fixed income	243,629	171,633	71,996	-	-
Repurchase agreements	78,734	78,734	-	-	-
Subtotal	356,419	284,423	71,996	-	-
US Government and agencies					
US Treasury notes	86,473	823	6,341	526	78,783
Federal agency securities	216,616	6,024	10,969	2,588	197,035
Subtotal	303,089	6,847	17,310	3,114	275,818
Domestic fixed income	306,185	16,126	160,561	64,065	65,433
Mortgages	147,105	-	30,728	6,130	110,247
Foreign fixed income [1]	16,768	1,404	2,007	13,357	-
Total Investments	$ 1,129,566	$ 308,800	$ 282,602	$ 86,666	$ 451,498

[1] Foreign fixed income of $16,768 does not include Global Bond Fund of $70,309. Global Bond Fund does not require disclosure of interest rate risk.

(Amounts expressed in thousands)

NOTE 3 – **DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2007, the Association has $59,713 invested in the County of Fresno external investment pool, which has a dollar weighted average maturity of 501 days, compared to $34,999, and a dollar weighted average maturity of 519 days at June 30, 2006.

At June 30, 2007, the Association has $74,003 invested in a global bond fund, which has a weighted average maturity of 6.5 years, compared to $70,309 with a weighted average maturity of 6.9 years at June 30, 2006.

Concentration of credit risk. This is the risk of loss attributed to the concentration of the government's investment in a single issuer. FCERA's investment policy does not permit any one manager to invest more than five percent of the market value of its portion of the portfolio in any one issue, with the exception of investments issued by the US Government and its agencies. As of June 30, 2007 no investments in any one issuer is greater than five percent of total investments. Investment managers authorized to invest in below investment grade securities are limited to holding no more than 20% of their portfolio market value in such securities.

Foreign currency risk. This is the risk that FCERA will not be able to recover the value of its investment in local currency when the exchange value of the currency lowers. The Association has not adopted a policy to manage the foreign currency risk. As of June 30, 2007, FCERA's investment in foreign currency was as follows:

Currency	Fair Market Value (US Dollars)
British Pound Sterling	$ 1,193
Euro	249
Japanese Yen	2,230
Other foreign currency	1
Total foreign currency	$3,673

Derivatives. The Association, through its external investment managers, enters into forward foreign currency contracts to hedge against changes in the fair values of foreign bonds and equity securities, primarily denominated in European and Asian currencies. It is possible that, due to foreign exchange fluctuations, the Association may be exposed to a potential loss. At June 30, 2007, the Association has approximately $21 million of its $665 million international equity portfolio hedged through the use of such forward foreign currency contracts. At June 30, 2006, approximately $20 million of the Association's $500 million international equity portfolio was hedged through the use of such forward foreign currency contracts.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The Association could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Association anticipates that counterparties will be able to satisfy their obligations under the contracts. The Association's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures, including requirements for collateral at certain defined levels.

Securities Lending. The Board authorized the Association, through its custodian bank, to enter into securities lending transactions, whereby securities owned by the Association are loaned on a short-term basis to various banks and brokers. Securities on loan include domestic and international stocks, US government agency and domestic bonds. Securities on loan must be collateralized at 102% of the market value of the loaned securities. Collateral may take the form of cash, commercial paper, certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements, obligations issued or guaranteed as to interest and principal by the United States Government (or agencies or instrumentalities thereof), bank time deposits, variable rate demand notes, Credit Suisse First Boston's money market mutual fund and any common trust fund maintained by a bank or other financial institution or any commingled or pooled trust.

The lending agreement places no restriction on the amount of loans that can be made. The Association's lending agent is authorized to invest and reinvest cash collateral, but it is not expressly permitted to pledge or sell securities collateral without borrower default. The Association's agent invests cash collateral in individual securities and the securities are held by the trustee in the Association's name. The maturities of the investments made with the cash collateral generally match the maturities of their securities on loan.

Securities on Loan - At year end, the Association had no credit risk exposure to borrowers because the collateral received exceeded the amount owed to borrowers. As of June 30, 2007 there were no violations of the securities lending provisions and no losses resulted within the securities lending program due to borrower default.

Reinvestment of Collateral - The Association is subject to credit risk through the reinvestment of collateral cash which the Association received at the time securities were placed on loan. The risk can include the devaluation of the underlying securities where the collateral has been reinvested. As of June 30, 2007 there were no devaluations in securities that would have placed the Association at risk of not being able to repay the collateral if called by the borrower. Income from these transactions is reported on the statement of changes in plan net assets. Securities on loan are reported at fair value on the statement of plan net assets. The carrying values of the

(Amounts expressed in thousands)

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

securities lending investment pool for 2007 and 2006 were $445,448 and $356,419 respectively. The fair values of loaned securities were as follows:

	June 30, 2007	June 30, 2006
Domestic equity	$ 345,622	$ 269,765
International equity	47,096	34,660
Total equity on loan	392,718	304,425
U S government and agencies	32,420	36,466
Domestic bonds	7,516	4,721
Total bonds on loan	39,936	41,187
Total stocks and bonds on loan	$ 432,654	$ 345,612

Highly Sensitive Investments. The Association utilizes investments that are highly sensitive to interest rate changes in its actively managed fixed income portfolio. Highly sensitive investments include mortgage-backed securities, asset-backed securities and collateralized mortgage obligations. The Association's investment portfolio contains certain variable rate notes and collateralized mortgage obligations. At June 30, 2007 and 2006, the Association had approximately $135,414 and $179,952 in these investments, respectively. A detail of these investments are listed below.

Investment Type	June 30, 2007	June 30, 2006
Variable Rate Notes	$ 31,516	32,847
Collateralized Mortgage Obligations	103,898	147,105
Forward Foreign Currency	21,000	20,000
Total	$ 156,414	199,952

NOTE 4 - **INVESTMENT TRADES RECEIVABLE AND PAYABLE**

Investment trades receivable and payable include forward currency contracts, and sales and purchases of investments. Forward currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2007, forward foreign currency contracts receivable and payable totaled $20,892 and $20,976 respectively. At June 30, 2006, forward foreign currency contracts receivable and payable totaled $20,491 and $20,381 respectively.

(Amounts expressed in thousands)

NOTE 5 – **CAPITAL ASSETS**

The following is a summary of changes in capital assets for the fiscal years ended June 30, 2007 and 2006:

	Balance July 1, 2006	Additions	Dispositions	Balance June 30, 2007
Capital assets, depreciated:				
Computer hardware/software	$ 766	$ 39	(11)	$ 794
Furniture and fixtures	183	4	-	187
Equipment	68	-	-	68
Building	2,103	-	-	2,103
Total capital assets, depreciable	3,120	43	(11)	3,152
Less accumulated depreciation for:				
Computer hardware/software	(323)	(58)	11	(370)
Furniture and fixtures	(37)	(20)	-	(57)
Equipment	(41)	(14)	-	(55)
Building	(146)	(70)	-	(216)
Total accumulated depreciation	(547)	(162)	11	(698)
Total capital assets, depreciated, net	2,573	(119)	-	2,454
Total capital assets, net	$ 2,573	$ (119)	$ -	$ 2,454
Depreciation charged for the current year totaled:		$ 162		

	Balance July 1, 2005	Additions	Dispositions	Balance June 30, 2006
Capital assets, depreciated:				
Computer hardware/software	$ 716	$ 50	-	$ 766
Furniture and fixtures	176	7	-	183
Equipment	68	-	-	68
Building	2,103	-	-	2,103
Total capital assets, depreciable	3,063	57	-	3,120
Less accumulated depreciation for:				
Computer hardware/software	(270)	(53)	-	(323)
Furniture and fixtures	(21)	(16)	-	(37)
Equipment	(23)	(18)	-	(41)
Building	(76)	(70)	-	(146)
Total accumulated depreciation	(390)	(157)	-	(547)
Total capital assets, depreciated, net	2,673	(100)	-	2,573
Total capital assets, net	$ 2,673	$ (100)	-	$ 2,573
Depreciation charged for the current year totaled:		$ 157		

NOTE 6 - **CONTRIBUTIONS AND RESERVES**

<u>Contributions</u>

Contributions are made by the members and the employers at rates recommended by the Association's independent actuary and approved by the Board and the County Board of Supervisors. Employee contribution rates vary according to age and classification (safety or general), and are designed to provide funding for approximately one-fourth of the regular retirement benefits and one-half of all cost of living benefits. Members are required to contribute between 3.63% and 11.96% of their annual covered salary. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act.

Interest is credited to member contributions every six months based on the prior six months ending balance. No member may borrow or withdraw their contributions until retiring or terminating employment with the Employers, at which time they may request a refund of accumulated contributions and interest. Effective January 1, 2003, member contributions are no longer forfeited to the Association if the member does not request a refund within five years of terminating membership. New state laws allow nonvested members to leave their contributions on deposit with the Association without establishing reciprocity. These members receive interest on their contributions and may withdraw their contributions and interest at any time.

Employer contribution rates are determined pursuant to Section 31453 of the 1937 Act and are designed to provide funding for the remaining regular retirement and cost of living benefits, as well as all regular disability and survivor's benefits.

Contribution rates are actuarially determined using the entry age normal method and consist of normal cost (the estimated amount necessary to finance benefits earned by employees during the current year) and, beginning in 1980, the unfunded actuarial accrued liability was amortized over a 30 year period. Effective with the valuation completed for June 30, 2002, the amortization period was modified to allow a 30 year amortization period for changes in the unfunded actuarial accrued liability that result from plan amendments and a fifteen year amortization period for all other changes in the unfunded actuarial accrued liability. Details of funding progress, annual required contributions and percentage of contributions made by the employers are presented in the required supplementary information schedules on page 40.

Members' contributions, including interest, are 100% vested at all times. Effective with the valuation completed for June 30, 2003, the amortization period for the employees' portion of the unfunded accrued actuarial liability for the cost of living portion of the

NOTE 6 – **CONTRIBUTIONS AND RESERVES (Continued)**

Contributions (Continued)

benefit was extended to 30 years. This amortization period is consistent with the amortization period used for the employers' portion of the unfunded accrued actuarial liability. In addition, the Board of Retirement adopted a policy to limit any increase in employees' retirement contribution to 50% of the current rate. The purpose was to alleviate the impact of a rate increase that occurred as a result of changes to the economic and demographic assumptions included in the Analysis of Plan Experience for three years ended June 30, 2003 and implementation of the Settlement Agreement entered into by the County of Fresno and certified employee organizations in December 2000. Benefits attributable to employers' contributions do not become vested until completion of five years of credited service. A member may receive a regular retirement allowance after attaining age 50 for safety members or age 50 for general members provided that such member has attained at least 10 years of credited service; or at any age after 30 years of service for a general member and 20 years of service for a safety member.

Reserves and Designations

Net assets held in trust for pension benefits are segregated into members and employers' accumulated contributions (both employees and employers reserves as authorized by the 1937 Act) reserves established by the Board and undistributed earnings. The Board has established reserves for various benefit payments pursuant to the 1937 Act, and it has designated an account for market stabilization.

(Amounts expressed in thousands)

NOTE 6 – **CONTRIBUTIONS AND RESERVES (Continued)**

Reserves and Designations (Continued)

The amounts and changes in reserves and designations for the year ended June 30, 2007 consist of the following:

	Balance July 1 2006	Increase (Decrease) In Plan Net Assets	Net Transfers	Balance June 30, 2007
Reserves:				
Members' accumulated contributions	$ 301,758	$ 31,416	$ (10,064)	$ 323,110
Current service reserve	629,596	58,315	(19,650)	668,261
Annuity pension reserve	100,022	(14,539)	21,237	106,720
Current service pension reserve	584,949	(60,296)	110,176	634,829
Supplemental annuity reserve	254,176 [1]	(11,647)	41,009	283,538
Supplemental benefit reserve	102,207	(8,586)	8,167	101,788
Cost of living adjustment reserve	430,357 [1]	(13,370)	44,912	461,899
Supplemental cost of living reserve	9,448	(1,597)	738	8,589
Survivors' death benefit reserve	2,540	(912)	189	1,817
Retiree health benefit reserve	55,987	(5,841)	4,453	54,599
Retiree health benefit reserve (VS)	31,940	(3,011)	2,547	31,476
Contingency reserve	(40,140)	-	56,104	15,964
Designated for market stabilization	66,824	-	179,238	246,062
Undistributed earnings	-	439,056	(439,056)	-
Net assets held in trust for Pension benefits	$ 2,529,664	$ 408,988	$ -	$ 2,938,652

[1] At July 31, 2006, $650,504 was reclassed from Cost of Living Reserve to Supplemental Annuity Reserve.

NOTE 6 - **CONTRIBUTIONS AND RESERVES (Continued)**

Reserves and Designations (Continued)

The amounts and changes in reserves and designations for the year ended June 30, 2006 consist of the following (in thousands):

	Balance July 1 2005	Increase (Decrease) In Plan Net Assets	Net Transfers	Balance June 30, 2006
Reserves:				
Members' accumulated contributions	$ 285,575	$ 29,385	$ (13,202) [1]	$ 301,758
Current service reserve	615,638	49,855	(35,897)	629,596
Annuity pension reserve	94,941	(14,665)	19,746	100,022
Current service pension reserve	540,016	(54,117)	99,050	584,949
Supplemental annuity reserve	230,891	(9,966)	32,600	253,525
Supplemental benefit reserve	104,540	(8,836)	6,503	102,207
Cost of living adjustment reserve	406,423	(15,556)	40,140 [2]	431,007
Supplemental cost of living reserve	5,272	(1,749)	5,925 [1]	9,448
Survivors' death benefit reserve	3,117	(762)	185	2,540
Retiree health benefit reserve	67,269	(5,642)	(5,639) [1,2]	55,988
Retiree health benefit reserve (VS)	32,792	(2,891)	2,039	31,940
Contingency reserve	(49,164)	-	9,024	(40,140)
Designated for market stabilization	396	-	66,428	66,824
Undistributed earnings	-	226,902	(226,902)	-
Net assets held in trust for pension benefits	$ 2,337,706	$ 191,958	$ -	$ 2,529,664

[1] On October 26, 2005, the Board of Retirement approved a transfer of $5,374 from the Supplemental (Non-vested) Health Benefits reserve fund to make the Supplemental Cost of Living (Non-vested) reserve fund 100% funded in fixed dollar terms.

[2] On May 19, 2006, the Board of Retirement approved a transfer of $4,115 from the Supplemental (Non-vested) Health Benefits reserve fund to pay the employee portion of unfunded liabilities related to the Temporary Annuity Options Cost of Living Adjustments for current retirees.

Members' accumulated contributions include all member contributions net of refunds and benefits paid to members. At retirement, member balances are transferred to the *annuity pension reserve* and the *cost of living adjustment reserve*. Employers' contributions are paid into the *current service reserve* (includes the contributions for the supplemental annuity) and *cost of living adjustment reserve*. When an employee retires, applicable balances are transferred from the *current service reserve* to the *current service pension reserve (and supplemental annuity reserve)*. *Undistributed earnings* are credited with all investment income and charged with investment and other fees. Transfers from undistributed earnings to other reserves are made twice a year. Historically, the Board has authorized that an annual rate equal to the actuarial rate of return be apportioned as the interest. However, during the fiscal year ended June 30,

NOTE 6 - **CONTRIBUTIONS AND RESERVES (Continued**)

Reserves and Designations (Continued)

2003, the Board adopted a new interest crediting policy that limits the amount available to apportion in lean years to the amount required to keep the non-valuation reserve accounts within an established floor of 1% of net plan assets and ceiling of 3% of net plan assets. This policy resulted in interest apportionments of $100,119 for the December 31, 2006 interest-crediting period and $103,595 for the June 30, 2007 interest-crediting period. The semi-annual rates of interest for the two periods were 4% and 4%, respectively. Any additional transfers out of undistributed earnings are made in accordance with the authorization of the Board.

The *survivor's death benefit reserve* is credited with balances transferred from members' accumulated contributions and the current service reserve in those instances where the survivor is entitled to continuation benefits. Lump sum survivor benefits are paid directly from members' accumulated contributions and the current service reserve. Pension and disability benefits are paid from *the annuity pension reserve, current service pension reserve* and *cost of living adjustment reserve*.

Both the *retiree health benefit* and the *supplemental cost of living reserves* are non-valuation reserves approved annually by the Board. Non-valuation reserves are under the control of the Board of Retirement and are not available to fund vested benefits of the plan. The *retiree health benefit reserve* was initiated in 1987 to establish funds for payment of supplemental benefits which would provide retirees additional money to offset the cost of health insurance premiums. Effective with the actuarial valuation completed for the year ended June 30, 2003, the retiree health benefit reserve was apportioned into two reserves, the retiree health benefit reserve and the retiree health benefit reserve (VS) to more clearly account for the liability associated with additional health benefits granted as part of the Settlement Agreement negotiated between the County of Fresno and certified employee organizations in December 2000. The retiree health benefit reserve balances reflect Board approved transfers through June 30, 2006. These transfers result from the actuarial report completed for the period ended June 30, 2003 and the subsequent transfers to the supplemental cost of living reserve of $5,374 authorized by the Board on October 26, 2005 and $5,000 authorized by the Board on May 18, 2005.

The supplemental cost of living reserve was established in 1990 to provide additional benefits for eligible members. The benefit is adopted annually under Government Code Section 31874.3 to provide purchasing power protection to those retirees whose accumulated excess cost of living credits exceeds 25%, therefore the affected members changes each year. The *supplemental cost of living reserve* balance reflects Board approved transfers from *undistributed earnings*. Analysis of the expenditures of this

NOTE 6 - **CONTRIBUTIONS AND RESERVES (Continued**)

Reserves and Designations (Continued)

reserve indicated that insufficient funding was available to continue the benefit past August 2005. Therefore, as noted in the preceding paragraph, transfers were authorized in order to provide sufficient funds to continue the benefit. In addition, the Board agreed to freeze Supplemental Cost of Living benefits at existing levels.

The supplemental benefit reserve was established for the benefit increase given to retirees or the beneficiaries of retirees who retired prior to January 1, 2001.

The supplemental annuity benefit reserve was established for the benefit increase given to all members who retired on or after January 1, 2001.

The designation for market stabilization serves to spread unanticipated market gains and losses over a five-year period and represents a portion of the variance between net investment earnings and actuarial expectations based on the assumed rate of returns.

NOTE 7 **– COMMITMENTS AND CONTINGENCIES**

The Association participates in a Securities Lending program directed by Credit Suisse. This program is described in more detail on page 28.

In mid-August 2007, the Association became aware of a credit risk related to a re-invested collateral in a Mortgage Backed Commercial Note issued by Kolberg, Kravis Roberts & Co. (KKR) Atlantic Funding Trust in the amount of $10 million.

KKR notified Credit Suisse that it could not meet its obligation to pay the outstanding Notes when due at the end of August 2007. As a result, KKR has asked investors to sign a "standstill agreement" allowing KKR a period of time to restructure the outstanding Notes and meet the obligations to its investors. On October 15, 2007, the holders of the Notes agreed to a restructuring. Under the terms of the restructure the Amended Notes should be paid in full by March 13, 2008.

FCERA's risk is generally quantified as the amount that the Amended Notes are trading at less than 100% of the par value of $10 million. The mortgage backed commercial note market, such as the Amended Notes, remains illiquid and the amount of the loss cannot be reasonably estimated. Accordingly, no provision has been made for future losses that may result under the restructuring of the outstanding Notes. It is at least reasonably possible that the Association's estimate will change within the near future when the outstanding Notes are restructured.

NOTE 8 - **FINAL COMPENSATION LITIGATION**

On May 7, 2003, the County of Fresno (County) brought suit against the FCERA and its Board of Retirement (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). The complaint alleged that the method by which the FCERA calculated its members' final compensation for purposes of establishing their retirement allowances (sometimes referred to as the "Fresno Method") violated the law. The County sought a declaration that the Fresno Method was unlawful and a writ of mandate requiring the Board to change to another method of calculating retirement allowances.

Two public employee unions filed complaints seeking to intervene in the case to contest the County's allegations; however, one of the unions subsequently withdrew its complaint in intervention. The remaining union, the Fresno Deputy Sheriffs' Association (FDSA) contended through its complaint in intervention and an additional cross-complaint against the FCERA and its Board, inter alia, that the Board of FCERA had the statutory authority to adopt the Fresno Method; that the County was estopped from challenging the Board's use of that method; and that the Board of FCERA was legally estopped from changing its practice as to all current active, deferred and retired members of the retirement system.

By order of the Fresno County Superior Court, trial of the issues in this action was bifurcated with Phase 1 addressing the legal issue of whether the Fresno Method was authorized by the statute governing the retirement system and Phase 2 addressing the issues raised by FDSA's complaint in intervention and cross-complaint.

On March 2, 2004, the Superior Court issued a Tentative Decision declaring that the Fresno Method did not comply with the statute. Thereafter, the Board of FCERA resolved to (a) immediately change its method of calculating retirement allowances for all future members of the retirement system, (b) recalculate all retirement allowances for all current retirees, effective September 1, 2004 and (c) recalculate all retirement allowances for current employees retiring after March 1, 2004 as of the date of their retirement. FDSA then filed a cross complaint against FCERA and its Board seeking to enjoin these changes to retirement allowances and/or to recover damages for such changes.

Following a trial in the action (Phase 2A) on September 3, 2004, the Superior Court denied FDSA's request for a preliminary injunction preventing the FCERA Board from implementing its planned changes to its method of calculating retirement allowances during the pendency of the litigation. On October 18, 2004, the Court issued its second Tentative Decision, ruling against the FDSA on all three issues presented during Phase 2A of the trial. The Court ruled: (a) that the members of the retirement system do not have vested, contractual rights to continuance of the Fresno Method of calculating their

NOTE 8 - **FINAL COMPENSATION LITIGATION (Continued)**

benefits; (b) that a previous settlement agreement in earlier litigation did not preclude the County from challenging the "Fresno Method"; and (c) that the Board of Retirement did not have discretionary authority to adopt a calculation method not permitted by statute.

Following the testing of software modifications, the FCERA began recalculating retirement benefits in November 2004.

By judgment dated October 25, 2005, the court: (a) granted judgment in favor of the County on its claim for declaratory relief, consistent with the court's previous Tentative

Rulings; (b) dismissed, without prejudice, all remaining claims of the County and defenses asserted by FDSA; and (c) held in abeyance FDSA's cross-complaint against the FCERA and its Board, until the judgment on the County's claim for declaratory relief becomes final and all appeals from the judgment are exhausted. FDSA appealed the judgment.

In a May 4, 2007 opinion, the Court of Appeal affirmed the judgment of the trial court. By remittitur, dated July 5, 2007, the Court of Appeal declared that opinion final. Although the FDSA's cross complaint is technically still active in the trial court, to date the FCERA knows of no further effort by FDSA to pursue its cross-complaint.

NOTE 9 – **SUBSEQUENT EVENTS**

NEW RETIREMENT TIER ESTABLISHED

The County of Fresno adopted a new, mandatory retirement tier for general members under Government Code section 31676.15 that will be effective December 17, 2007. The new tier will be mandatory for any new General member in a job classification covered by collective bargaining agreements negotiated by Service Employees International Union (SEIU) and the Deputy District Attorneys.

Also on December 17, 2007, any General member in a job classification represented by SEIU who was previously enrolled in Tier II will be automatically transferred to the new tier for all future service.

The negotiated agreements also provide for a final compensation calculation based on a three year period for all General service in this tier.

NOTE 9 - **SUBSEQUENT EVENTS (Continued)**

WITHDRAWAL OF SPECIAL DISTRICT

The North Central Fire Protection District (NCFPD) withdrew its membership in the Plan as of August 31, 2007. In furthering efforts to consolidate government agencies NCFPD contracted with the City of Fresno to transfer its employees to the City of Fresno, thus NCFPD is now participating in the retirement plan of the City of Fresno. All contributions made by the employer and employees of NCFPD prior to transferring to the City of Fresno will remain on account with FCERA.

CUSTODIAL AND BENEFIT DISBURSEMENT BANK CHANGE

Effective January 1, 2008, custodial and disbursement banking will be provided by State Street Bank based in Boston, Massachusetts. This change will move the current custodial duties from Fifth Third Bank and disbursement duties from The Bank of New York/Mellon. State Street Bank was selected as a result of a Request For Proposal issued in May 2007.

NOTE 10 - **LITIGATION BY FCERA AGAINST ITS FORMER ACTUARY**

In April, 2003, FCERA's Board entered into a written contract with Public Pension Professionals, Inc. for actuarial services. Public Pension Professionals, Inc. and its primary actuary, Ira M. Summer (collectively, PPP), continued to provide actuarial services to FCERA until early 2007, at which time the Board terminated the engagement. During the period of their engagement, among other tasks, PPP prepared the Fiscal Year 2002, 2003, 2004 and 2005 actuarial valuations necessary for the conduct of FCERA's business. As part of the valuation process, PPP each year recommended employer and employee contribution rates to go into effect at the commencement of the following fiscal year, as necessary to properly fund the retirement system.

In 2006, the Board retained an independent actuarial firm to perform an audit of PPP's June 30, 2005 actuarial valuation. This audit was conducted in the ordinary course of the Board's administration of FCERA, not in response to any specific concern about PPP's actuarial services.

On August 11, 2006, the independent actuarial firm identified several questionable practices and errors by PPP, the most significant of which was PPP's inclusion of a portion of the system's unfunded actuarial accrued liability in member contribution rates.

Upon discovering the facts and completing its legal and actuarial review, the Board terminated PPP and implemented a process to make corrections. This correction process has included adjusting rates prospectively as well as making retroactive

NOTE 10 - **LITIGATION BY FCERA AGAINST ITS FORMER ACTUARY (Continued)**

adjustments, which, among other things, will require refunds totaling $4,537 to FCERA members.

On May 1, 2007, FCERA filed suit against Public Pension Professionals, Inc. for professional negligence and breach of contract, and against Ira M. Summer for professional negligence (Fresno County Superior Court Case No. 07CECG01382). FCERA's complaint seeks an unspecified amount of damages, according to proof at trial.

In response to the complaint, PPP filed a demurrer and asked the court to dismiss the complaint. By order dated October 17, 2007, the court overruled PPP's demurrer. PPP's answer to the complaint is due shortly. Trial is currently set for October 6, 2008.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

SCHEDULE OF FUNDING PROGRESS

(Amounts expressed in thousands)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3)/(5)
6/30/00 [1]	$ 1,698,282	$ 1,719,905	$ 21,623	98.7%	$ 273,426	7.9%
6/30/02 [1]	1,674,900 [2]	1,932,300	257,400	86.7%	326,975	78.7%
6/30/03 [1]	1,922,149 [2]	1,953,490	31,341	98.9%	341,981	9.2%
6/30/04 [1]	1,977,097 [2]	2,017,971	40,874	98.0%	337,614	12.1%
6/30/05 [3]	2,044,389	2,233,594	189,205	91.5%	351,049	59.9%
6/30/06	2,398,454	2,803,990	405,536	85.5%	376,270	107.8%

1 Results were prepared by the Association's prior actuary and disclosed in the June 30, 2006 CAFR.

2 Actuarial Value of Assets in the Solvency Test includes the total plan assets for all years. The Summary of Funding Progress shown here reports only the employer's assets for the years 2002, 2003 and 2004, amounts will therefore not be consistent between the Solvency Test and the Summary of Funding Progress schedules.

3 Before the Board amended its funding policy to eliminate the requirement that one-half of the COLA UAAL be paid by members. After the amendment, the AAL was $2,545,620, the Vauluation Value of Assets (V V A) was $2,270,141, the funded percentage was 89.2% and UAAL was $275,479.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Amounts expressed in thousands)

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2002	$ 7,780 [1]	100.00%
2003	33,583	100.00%
2004	44,939	85.67% [2]
2005	56,296	100.00%
2006	56,664	100.00%
2007	69,997	100.00%

Actuarial reviews are performed annually effective with the year ended June 30, 2003.
Source: Schedule prepared by The Segal Group, Inc.

1 On March 19, 1998, the County of Fresno issued Pension Obligation Bonds, which paid off the estimated Unfunded Actuarial Accrued Liability. As a result of the June 30, 1998 Actuary Valuation, the Board of Retirement elected to use a distribution of excess earnings to pay the employer contributions for approximately six years and six months beginning July 1, 1999. With the establishment of the enhanced benefits, Safety employers were required to begin making contributions during fiscal year 2002. General employers began making contributions during fiscal year 2003.

2 On March 23, 2004, the County of Fresno issued Pension Obligation Bonds, which paid off a portion of the estimated Unfunded Actuarial Accrued Liability. The proceeds of the Pension Obligation Bonds ($398,010) are included in the Actuarial Value of Assets as of June 30, 2003.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

LATEST ACTUARIAL VALUATION METHODS

Valuation date	June 30, 2006
Actuarial cost method	Entry age normal funding method
Amortization method	Level percent of payroll for total unfunded liability - closed
Remaining amortization period	27 years for plan amendments 15 years for all other adjustments to the unfunded actuarial accrued liability
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.16% (compounded semi-annually, 4.0% real return, 4.0% inflation)
Projected salary increases	Rates vary by service type:
- General Members:	Salary increases range from 4.75% to 9.0% (merit of 5.0% per year for the first five years of service and 0.75% thereafter; 4.0% inflation).
- Safety Members:	Salary increases range from 5.0% to 6.0% (merit of 2.0% per year for the first eight years of service and 1.0% thereafter; 4.0% inflation).
Cost of living adjustments	0 – 3% (tied to the change in Consumer Price Index)

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Personnel Services		
Salaries and Benefits	$ 1,601,643	$ 1,378,483
Total Personnel Services	1,601,643	1,378,483
Office Expenses		
Election Expenses	9,296	-
Office Supplies	49,765	42,239
Postage	18,555	223,761
Telephone	4,038	3,725
Utilities	19,794	23,218
Total Office Expenses	101,448	92,943
Other Services and Charges		
Bad Debt	5,083	5,482
Interest Refunded - Overpayment Policy [1]	67,307	69,597
Insurance Other	162,236	152,428
Maintenance	23,061	30,233
Professional and Specialized Services	857,376	597,023
Disability Expenses	137,965	157,206
Data Processing Services	140,124	173,958
Transportation, Travel, and Education - Staff	14,700	12,463
Transportation, Travel, and Education - Board	25,815	38,599
Total Other Services and Charges	1,433,667	1,236,989
Depreciation	162,484	156,854
Total Administrative Expenses	$ 3,299,242	$ 2,865,269

1 Interest paid as a result of the Overpayment Policy adopted by the Board of Retirement effective with Fiscal Year Ended June 30, 2005.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ADMINISTRATIVE BUDGET ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Approved Budget	Final Budget	Fiscal Year Expenditures	Percentage Expended
Personnel Services				
Salaries	$ 1,299,948	$ 1,299,948	$ 1,157,052	89.01%
Benefits	496,838	496,838	444,591	89.48%
Total Personnel Services	1,796,786	1,796,786	1,601,643	89.14%
Professional Services				
Actuarial [1]	50,000	50,000	79,458	158.92%
Legal Counsel	244,000	244,000	426,020	174.60%
Professional Services - Disability	149,126	149,126	137,965	92.52%
Other Professional Services	362,317	362,317	225,673	62.29%
Pensions System Maintenance	230,727	230,727	126,225	54.71%
Total Professional Services	1,036,170	1,036,170	995,341	96.06%
Travel, Transportation, and Education				
Transportation, Travel, and Education - Board	44,200	44,200	25,815	58.40%
Transportation, Travel, and Education - Staff	16,300	16,300	14,700	90.18%
Total Travel, Transportation, and Education	60,500	60,500	40,515	66.97%
Other				
Bad Debt Expenditures	-	-	5,083	N/A
Data Processing	163,627	163,627	140,124	85.64%
Depreciation	-	-	162,484	N/A
Insurance	177,842	177,842	162,236	91.22%
Interest Paid - Overpayment Policy	-	-	67,307	N/A
Maintenance	29,665	29,665	23,061	77.74%
Office Supplies	153,619	153,619	101,448	66.04%
Total Other	524,753	524,753	661,743	126.11%
Capital Assets [2]	13,120	13,120	-	0.00%
Total Administrative Expenditures	$ 3,431,329	$ 3,431,329	$ 3,299,242	96.15%

[1] Excludes annual valuation costs which are included as part of investment expenses.

[2] Capital Assets are included in the adopted Administrative Budget when purchased. However, the costs are recognized as a result of the depreciation process.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Investment Manager Fees	$ 10,913,720	$ 9,332,278
Custodial Service Fees	200,664	244,173
Actuarial Valuation Fees [1]	55,000	53,400
Executive Office Operation	219,818	234,170
Due Diligence Travel	2,731	-
Futures Commission Expense	46,954	43,113
Foreign Tax Representation Fee	2,250 [2]	3,250 [2]
Investment Legal Fees	37,050 [2]	56,417 [2]
Investment Consultant	260,742 [2]	261,252 [2]
Subtotal Investment Expenses	11,738,929	10,228,053
Securities Lending Expenses	16,727,150	11,470,411
Total Investment Expenses	$ 28,466,079	$ 21,698,464

[1] Actuarial Valuation Fees are the fees for producing the Actuarial Valuation Report.

[2] Foreign Tax Representation, Investment Legal and Investment Consultant Fees can also be found on page 45 as Payments to Consultants.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Disability Attorney Fees	$ 27,660	$ 29,769
Retirement Board Attorney Fees	426,020	188,418
Disability Medical, Investigation, and Copying Fees	110,305	127,437
Other Professional Expenses	63,489	8,451
Audit Fees	55,417	37,844
Foreign Tax Representation Fees	2,250 [1]	3,250 [1]
Actuarial Consulting Fees (non-actuary study costs)	79,458	137,250
Actuarial Report Fees	55,000	53,400
Investment Legal Fees	37,050 [1]	56,417 [1]
Custodial Fees	200,664	244,173
Investment Consultant	260,742 [1]	261,252 [1]
Data Processing Fees	140,124	173,958
Total Payments to Consultants	$ 1,458,179	$ 1,321,619

Refer to page 56 for information on fees paid to investment managers.

[1] Foreign Tax Representation, Investment Legal and Investment Consultant Fees can also be found on page 44 as Investment Expenses.

INVESTMENT SECTION

Coalinga Antique Richfield Gas Station

2321 Rosecrans Avenue, Suite 2250
El Segundo, California 90245

WURTS ASSOCIATES

Telephone: 310.297.1777
Facsimile: 310.297.0878

October 10, 2007

The Board of Retirement
Fresno County Employees' Retirement Association
1111 H Street
Fresno, CA 93721

After a 11.1% gain for the fiscal year ending June 30, 2006, Fresno County Employees' Retirement Association ("FCERA") investment portfolio continued to post double-digit gains. FCERA's investment portfolio gained 18.7% (fiscal year ending June 30, 2007) and outperformed a majority of its peers. Both domestic and international equity indices experienced gains for the fiscal year, with international equities continuing to outperform domestic equities on a fiscal year-to-year basis. The fixed income indices posted a return more in-line with expectations over the past year and the yield curve has returned to a more normal slope.

The FCERA portfolio outperformed the Fund's Policy and the Median Public Fund in the Independent Consultants Cooperative Universe benchmark by 1.9%. This one-year return ranked the Fund in the 16th percentile amongst its peers. The outperformance was largely due to FCERA's relatively high allocation to international equity, specifically emerging markets, over the past fiscal year. Over the fiscal year, FCERA's international equity allocation returned 32.2% with the emerging market allocation returning 44.1%. As a result, FCERA's actual international equity allocation was 4.7% above its target allocation of 18.0%.

For the last three years ending June 30, 2007, the FCERA investment portfolio has earned 13.8% and outperformed the Policy benchmark by 2.1% and the Median Public Fund by 2.0%. These results ranked FCERA's investment portfolio in the 15th percentile amongst its peers. Over the five-year period ending June 30, 2007, the portfolio returned 12.0%. This return earned FCERA a ranking in the 23rd percentile. Return calculations were prepared using a dollar-weighted rate of return based on market values (fair values) in accordance with the CFA's institute of Performance Presentation Standards.

For the fiscal year, FCERA's actual asset allocation fell within the minimum and maximum constraints and did not deviate enough from the target allocation to constitute any rebalancing. The largest discrepancy between the target allocation and the actual allocation is the underweight allocation to Private Markets. This underweight allocation has been addressed by with the hiring of INVESCO real estate in November of 2006 and increasing the allocation to real estate. FCERA also implemented a cash equitization strategy with State Street Global Advisors in March of this year. This strategy was implemented to help earn a greater return on FCERA's cash assets while at the same time provide the necessary liquidity required by the ongoing operations of the pension fund. During the year all managers were in compliance with their respective guidelines.

Institutional Investment Consultants
Seattle and Los Angeles

Asset Class	Target Allocation	Actual Allocation
Cash	0%	2.6%
Core Fixed Income	30%	25.2%
Domestic Equity	38%	40.9%
Global Fixed Income	3%	2.5%
International Equity	18%	23.3%
Private Markets	11%	5.5%

All of us here at Wurts and Associates appreciate the opportunity to assist the FCERA Board in meeting the Plan's investment objectives. We are pleased the investment results remain strong and look forward to providing continued service.

Sincerely,

Jeffrey MacLean
Chief Executive Officer

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GENERAL INFORMATION

The goal of the Fresno County Employees' Retirement Association ("Association") is to provide retirement compensation, death benefits, and disability benefits to its members. The Association should meet this goal through prudent investment of employee and employer contributions.

The County Employees' Retirement Law of 1937 governs the Association. California Public Law (including Sections 31594 and 31595) also regulates Association action. Section 31594 and 31595 are especially important because they provide for prudent person governance of the plan. These laws do not specify the type, amount, and quality of plan investments. Rather, these laws guide the Association to make investments assumed to be in the best interest of the plan's beneficiaries. Such decisions should be consistent with the decisions of other investors possessing similar information.

The Retirement Board ("Board") has exclusive control of the investment of the employees' retirement fund. The assets of the Association are trust funds and shall be held for the exclusive purposes of providing benefits to its members in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the Association. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest the assets of the fund through the purchase, holding, or sale of any form or type of investment financial instrument, or financial transaction when prudent in the informed opinion of the Board.

The officers and employees of the Board shall discharge their duties to the Association as follows:

- The Board will act solely in the interest of and for exclusive purposes of providing benefits to participants and their beneficiaries. The Board will keep employer contributions to the Association at a minimum level. The Board will also pay reasonable expenses required to administer the plan.

- The Board will act like a prudent person under equivalent circumstances and having similar goals. Attention to care, skill, prudence, and diligence is of utmost importance when acting on behalf of the Association.

- The Board shall diversify the Association's investments to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so. The diversification of the Association's portfolio is displayed in the tables and graphs included in the following pages.

The Association's assets are exclusively managed by external, professional investment management firms. The Board closely monitors the performance of the managers with the assistance of an external investment consultant.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUMMARY OF INVESTMENT OBJECTIVES

The Association's primary objective is to efficiently allocate and manage the assets dedicated to the payment of retirement and disability benefits. While recognizing the importance of "preservation of capital", the Association also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long run.

To accomplish its investment objectives, the Association has established a series of procedures and guidelines. The procedures, grouped together as the Investment Policy, serve to guide the Association's investment program. The procedures also help to define the responsibilities of the Board members as they relate to the investment process.

The policy drives the investment actions of the Association. This policy considers various mixes of different investment asset class risk and return expectations for each mixed-class portfolio current and projected plan liabilities. The policy places responsibility for proxy voting with its equity investment managers.

The Investment Summary on page 53 reflects investment results based on time-weighted rate of return using fair value. All other information is reported at fair value.

TARGET AND ACTUAL ASSET ALLOCATIONS
AS OF JUNE 30, 2007

The Board reviews the Association's investment results each quarter. Periodically, the Board reviews the asset allocation, taking into consideration the latest actuarial study. Based on this review, the Board adopts an asset allocation mix with the goal of helping the Association achieve a fully funded status. Each asset class has a target allocation. The Association treats these targets as long-term funding objectives. Adhering to these targets allows the Association to keep investment risk at a manageable level and minimizes investment costs.

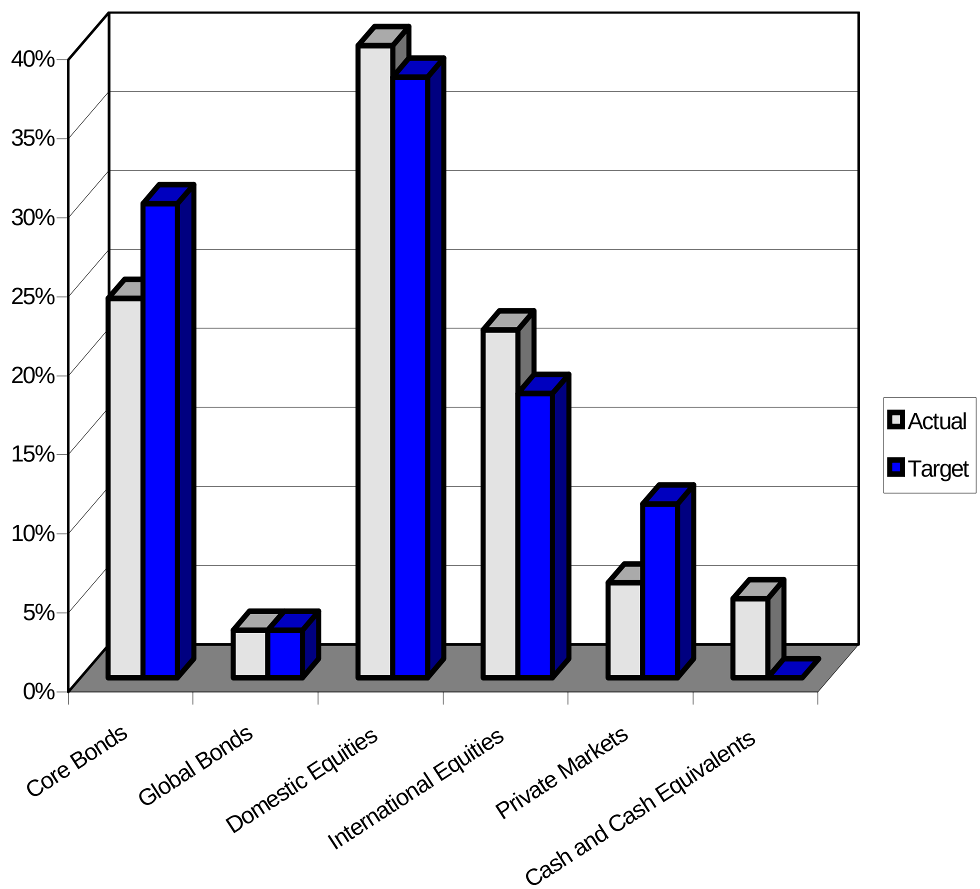
One keystone of asset allocation is diversification among asset classes. Diversification helps to maintain risk at a tolerable level. Therefore, the Board reviews the investment performance and volatility of each asset class on a regular basis over various time periods (quarterly, annually, multi-years) to ensure that the current allocation continues to meet the Association's needs.

Over time, the Board implements the asset allocation plan by hiring investment managers to invest assets on behalf of the Association, subject to investment guidelines incorporated into each firm's investment management contract.

The information provided below and on subsequent pages is a representation of FCERA's financial statements. Individually, they may not tie to the investment consultant's report on pages 47 and 48 of this CAFR due to the different reporting methodologies used by the investment consultant and FCERA.

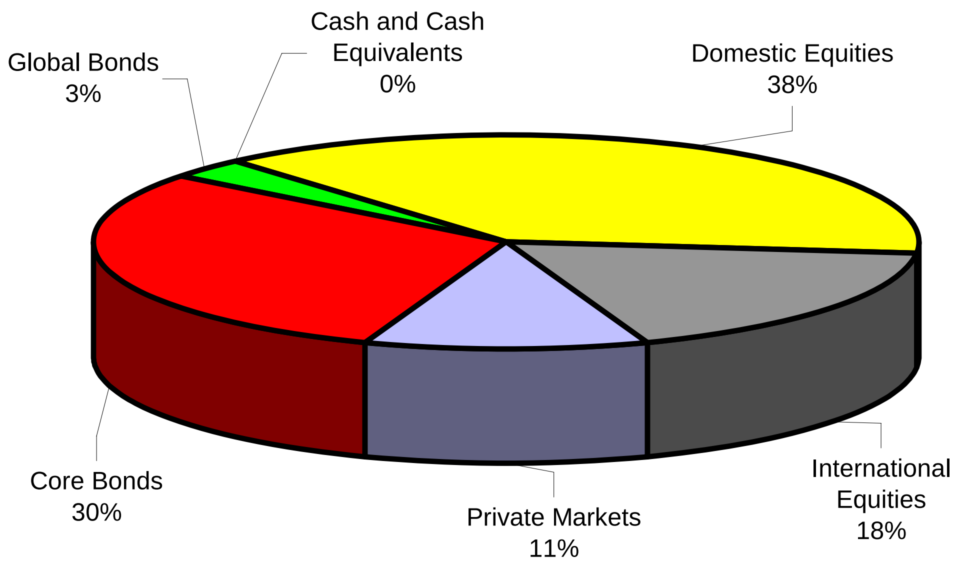
For example, the investment consultant reports cash held with investment managers as part of the investment manager's investment portfolio not as cash and cash equivalents as reported on the Investment Summary.

The 2006 - 2007 target and actual asset allocations are presented in the following graphs and charts:

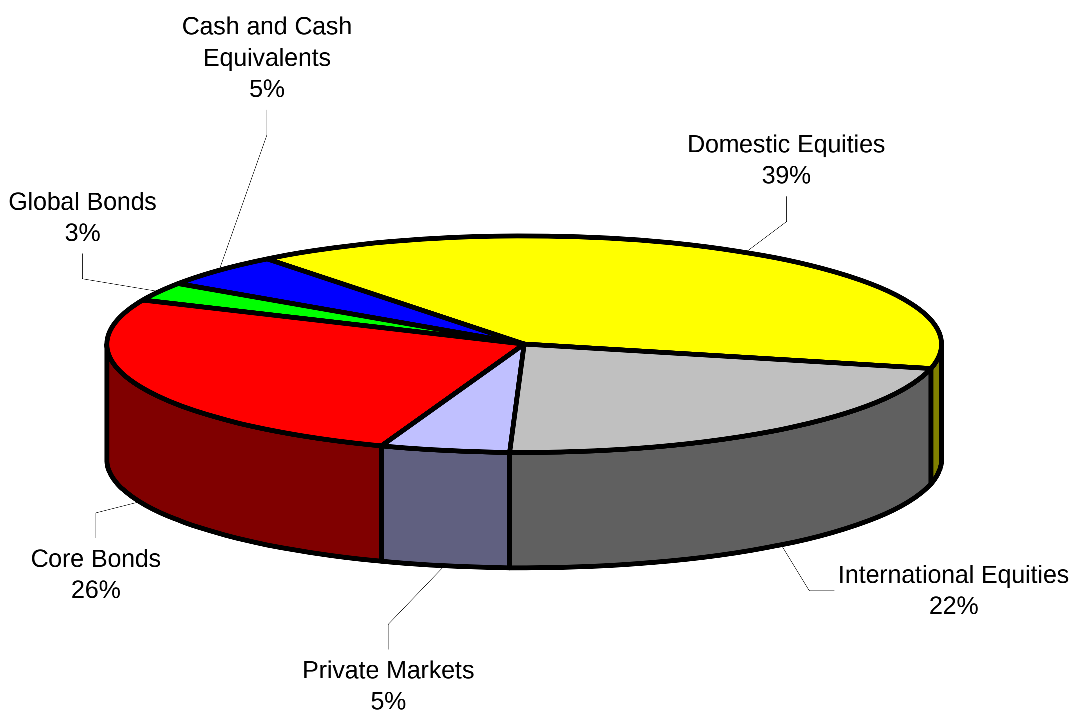


FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TARGET AND ACTUAL ASSET ALLOCATIONS (Continued)
AS OF JUNE 30, 2007

Target Percentages



Actual Percentages



FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT SUMMARY
AS OF JUNE 30, 2007

Total Funds	Current Year	3-Year Return	5-year Return
Fixed Income			
Domestic	6.1%	4.4%	5.1%
Benchmark : LB Aggregate Index	6.1%	4.0%	4.5%
Global	5.5%	5.4%	7.6%
Benchmark : JPM Global GBI T/U	2.7%	3.9%	6.6%
Equities			
Domestic Large Capital Value	20.8%	16.6%	14.3%
Benchmark: Russell 1000 Value	21.9%	15.9%	13.3%
Domestic Large Capital	20.6%	11.8%	0.0% [1]
Benchmark: S & P 500 Index	20.6%	11.7%	0.0%
Domestic Large Capital Growth			
Intech S&P Barra	12.9%	8.4%	0.0% [2]
TCW Core	12.0%	5.3%	0.0% [2]
Benchmark: Russell 1000 Growth	19.1%	8.7%	0.0%
Equity Small Capital Growth	15.8%	0.0% [3]	0.0% [3]
Benchmark: Russell 2000 Growth	16.8%	0.0%	0.0%
Domestic Small Capital Value	18.4%	13.9%	14.3%
Benchmark : Russell 2000 Value	16.1%	15.0%	14.6%
Emerging Markets Equity	44.1%	0.0% [4]	0.0% [4]
Benchmark: MSCI Emerging Markets Free International	45.4%	0.0%	0.0%
Templeton	32.7%	23.1%	17.0%
Benchmark : MSCI EAFE	27.5%	22.7%	18.2%
Oechsle	22.8%	0.0% [4]	0.0% [4]
Benchmark : MSCI EAFE	27.5%	0.0%	0.0%
Private Markets			
Real Estate	21.8%	24.4%	18.5%
Benchmark : NCREIF Classic Property	17.2%	18.0%	14.4%
Alternative Investments	30.0%	23.7%	16.5%
Benchmark : S&P 500 + 4.47%	25.7%	16.5%	15.5%
Cash, Custodial and Investment Pool			
Cash	41.0%	14.5%	9.0%
Benchmark: 90-Day Treasury Bill	5.2%	3.8%	2.8%
Total	**19.0%**	**14.2%**	**12.3%**

Notes:

Realty is net of fees and lagged one quarter. Other investments are gross of fees.

Securities Lending and Alternative Investments are lagged one quarter.

Investment results were prepared using a time-weighted rate of returned based on the market rate of return.

[1] There were no 5-year results for Domestic Large Capital because it was funded on March 23, 2004.

[2] There were no 5-year results for Domestic Large Capital Growth because it was funded on June 30, 2004.

[3] There were no current 3-year or 5-year results for Equity Small Capital Growth, because they were funded in November 2004.

[4] There were no current 3-year or 5-year results for Emerging Market Equity and Oechsle International, because they were funded in November 2005.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT SUMMARY
AS OF JUNE 30, 2007

	Fair Value	Actual Percentages	Target Percentages
Investments			
Domestic Bonds[1]	$ 430,147	14.35%	30.00%
Global Bonds[2]	100,119	3.34%	3.00%
US Government and Agencies	302,331	10.08%	0.00%
Total Bonds	832,597	27.77%	33.00%
Domestic Stocks[3]	1,188,194	39.63%	38.00%
International Stocks	665,523	22.20%	18.00%
Total Stocks	1,853,717	61.83%	56.00%
Real Estate (Station Building)	1,793	0.06%	0.00%
Private Markets[4]	156,009	5.20%	11.00%
Total Investments	2,844,116	94.86%	100.00%
Cash and Cash Equivalents			
Cash Held in County Investment Pool	59,713	1.99%	0.00%
Cash Held in Checking Account	181	0.01%	0.00%
Short Term Investment with Fiscal Agent	94,177	3.14%	0.00%
Total Cash and Cash Equivalents	154,071	5.14%	0.00%
Total Investment, Cash and Cash Equivalents	$ 2,998,187	100.00%	100.00%

1 Includes mortgages.

2 Includes foreign bonds.

3 Includes commercial paper.

4 Includes real estate, futures, and alternative investments.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

LARGEST BOND HOLDINGS (By Fair Value)
as of June 30, 2007

Par	Name	Yield	Maturity Date	Fair Value
8,921,008	WA MTG Backed Sec Port			98,380,882
16,800,000	FNMA TBA	5.500%	07/12/37	16,201,500
13,500,000	FNMA TBA	6.000%	07/12/37	13,352,337
11,586,000	FN TBA	6.000%	08/14/37	11,452,043
10,465,581	FNMA	5.000%	07/01/35	9,832,880
477,843	WA OPP Int Inv Grade Port			9,559,249
9,208,652	FNCL 30 Year Pool			9,115,254
9,266,017	US Treasury Infl	2.375%	01/15/25	8,909,850
8,192,000	US Treasury Note		02/15/17	7,933,444
8,000,000	FGLMC 30 Year	5.500%	08/14/37	7,712,496
$ 96,417,101	Total			$ 192,449,935

LARGEST STOCK HOLDINGS (By Fair Value)
as of June 30, 2007

Shares	Name	Fair Value
347,400	Exxon Corporation	29,139,912
393,666	Citigroup, Inc.	20,191,129
418,281	AT&T Incorporated	17,358,661
409,800	General Electric Co.	15,687,144
317,700	Bank of America	15,532,353
155,970	Conoco Phillips	12,243,645
165,695	Amazon.Com	11,335,195
130,500	Schlumberger Limited	11,084,670
230,700	Qualcomm Incorporated	10,010,073
111,700	ChevronTexaco Corp.	9,409,608
2,681,412	Total	$ 151,992,390

A complete list of portfolio holdings is available upon request.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FEES
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Investment Managers' Fees		
Domestic Equity Managers:		
Aronson, Johnson and Ortiz	$ 641,262	$ 548,320
Artisan Partners	634,982	600,723
Brandywine Asset Management	600,734	528,994
Intech S&P Barra Growth	750,679	697,553
Kalmar Management	495,746	361,830
State Street Global Advisors	42,432	38,756
TCW Concentrated Core	462,190	729,093
Wellington Management Company	590,724	513,406
Total Domestic Equity Managers	4,218,749	4,018,675
International Equity Managers:		
Marvin and Palmer International	-	335,536
Marvin and Palmer Emerging	-	319,428
Mondrian Emerging	1,082,653	565,116
Oechsle International	1,052,112	577,633
Templeton Investments	1,133,396	926,445
Total International Equity Managers	3,268,161	2,724,158
Domestic Fixed Income Managers:		
BlackRock Financial Management, Inc.	484,673	473,512
Bradford and Marzec, Inc.	422,710	401,050
Grantham, Mayo & Van Otterloo	291,292	267,676
Loomis Sayles	349,182	329,318
Western Asset Management	463,724	451,291
Total Domestic Fixed Income Managers	2,011,581	1,922,847
Private Market Managers:		
Alternative Investments	1,061,586	514,641
Real Estate	339,661	151,957
Total Private Market Managers	1,401,247	666,598
Cash Overlay		
State Street Global Advisors	13,982	-
Total Cash Overlay Managers	13,982	-
Total Investment Managers' Fees	$ 10,913,720	$ 9,332,278
Other Investment Expenses		
Securities Lending Expense	$ 16,727,150	$ 11,470,411
Due Diligence Travel	2,731	-
Custodial Service Fees	200,664	244,173
Actuarial Valuation Fees	55,000	53,400
Executive Office Operation	219,818	234,170
Futures Commission Expense	46,954	43,113
Consulting Fees	300,042	320,919
Total Other Investment Expenses	$ 17,552,359	$ 12,366,186

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
ABN Amro	2,048,936	$ 7,236	$ 0.0035	0.65%
ADP Clearing	34,000	1,357	0.0399	0.12%
AG Edwards	82,200	3,564	0.0434	0.32%
Avian Securities	245,300	4,906	0.0200	0.44%
Avondale	27,655	1,136	0.0411	0.10%
Baird (Robert W.) & Co	174,460	8,072	0.0463	0.72%
Banc Of America Sec LLC	74,061,857	10,018	0.0001	0.89%
Bank Of New York	13,827,691	5,600	0.0004	0.50%
Bear, Stearns & Co, Inc	55,633,920	11,468	0.0002	1.02%
Bernstein	797,945	14,477	0.0181	1.29%
Bloomberg	901,496	10,892	0.0121	0.97%
BMO Capital Markets	48,480	1,990	0.0410	0.18%
BNP Paribas	5,356,486	2,320	0.0004	0.21%
Broadcourt	126,125	5,574	0.0442	0.50%
Cantor Fitzgerald Securities	116,382,250	12,130	0.0001	1.08%
Capital Institutional Ser	17,562,550	41,610	0.0024	3.71%
Cazenove	325,763	3,716	0.0114	0.33%
CIBC World Markets	218,445	9,835	0.0450	0.88%
Citicorp	914,464,934	19,533	0.0000	1.74%
Citigroup Global Markets	6,807,744	8,021	0.0012	0.72%
Cowen & Company	50,100	2,447	0.0488	0.22%
Credit Lyonnais Securities	3,962,345	6,083	0.0015	0.54%
Credit Suisse	551,920,905	43,454	0.0001	3.88%
D A Davidson	32,330	1,395	0.0431	0.12%
D Carnegie AB	21,972	1,132	0.0515	0.10%
Deutsche Bank	523,230,105	57,867	0.0001	5.16%
Dougherty & Company LLC	51,210	2,337	0.0456	0.21%
Dowling Securities	32,300	1,375	0.0426	0.12%
Enskilda Securities	106,010	3,286	0.0310	0.29%
Etrade Securities Limited	26,810	1,663	0.0620	0.15%
Execution Service	73,700	4,094	0.0555	0.37%
Fidelity Capital Markets	632,905	12,711	0.0201	1.13%
First Albany	101,890	4,733	0.0465	0.42%
First Analysis Securities	28,320	1,177	0.0416	0.11%
First Boston Corporation	105,000	4,475	0.0426	0.40%
Fox-Pitt, Kelton Inc	30,890	1,458	0.0472	0.13%
Friedman Billings Ramsey	57,465	2,440	0.0425	0.22%
Goldman Package	154,800	1,548	0.0100	0.14%
Goldman Sachs	691,582,355	39,835	0.0001	3.55%
Guzman & Company	1,174,293	27,592	0.0235	2.46%
Howard, Weil, Labouisse	28,530	1,185	0.0415	0.11%
HSBC Securities	65,094,503	1,029	0.0000	0.09%
ING Securities	380,600	2,504	0.0066	0.22%
Instinet	1,586,965	38,635	0.0243	3.45%
Institutional Securities	59,185	1,154	0.0195	0.10%
Investment Technology Group	441,936	5,348	0.0121	0.48%
ISI Group	1,097,750	1,462	0.0013	0.13%

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COMMISSIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

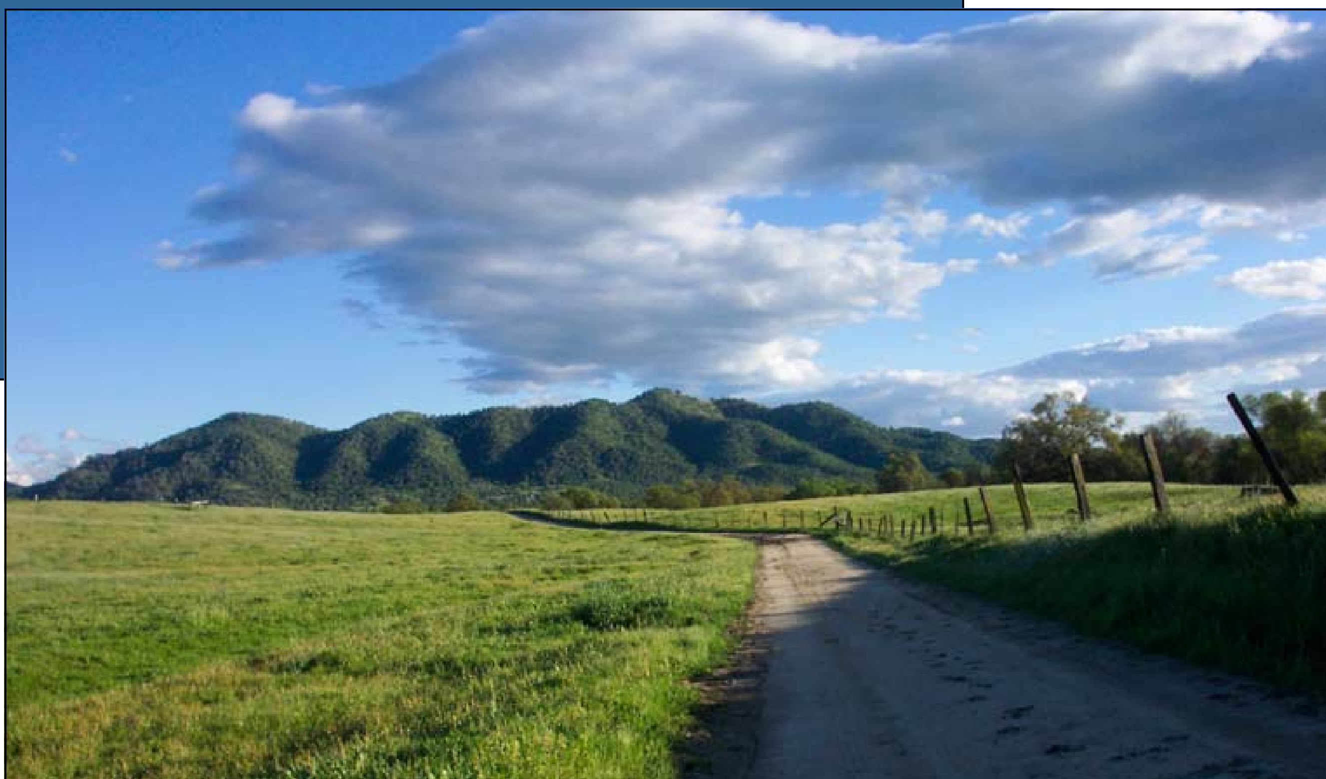
Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
ITG Posit	3,520,083	$ 56,868	$ 0.0162	5.07%
Jeffries	2,289,710	25,425	0.0111	2.27%
JMP Securities	49,485	2,082	0.0421	0.19%
Johnson Rice & Company	55,800	2,790	0.0500	0.25%
Jones & Associates	515,554	14,698	0.0285	1.31%
JP Morgan Securities	91,450,532	23,330	0.0003	2.08%
Keefe, Bruyette & Woods	1,494,165	12,604	0.0084	1.12%
Knight Securities	144,020	4,319	0.0300	0.39%
KY Execution Services	52,500	1,185	0.0226	0.11%
Labranche Financial Services	566,700	11,356	0.0200	1.01%
Lehman Brothers	1,249,143,488	31,655	0.0000	2.82%
Liquidnet	1,524,494	33,385	0.0219	2.98%
Lynch, Jones & Ryan, Inc.	3,870,957	51,623	0.0133	4.61%
Macquarie Equities	475	2,806	5.9074	0.25%
McDonald & Company Securities	44,070	1,765	0.0401	0.16%
Merrill Lynch, Pierce	57,043,357	47,871	0.0008	4.27%
Midwest Research	25,745	1,030	0.0400	0.09%
Miletus Trading	67,750	1,355	0.0200	0.12%
Miller Johnson Steichen K	28,070	1,123	0.0400	0.10%
Montgomery Securities	63,200	2,817	0.0446	0.25%
Morgan Keegan	468,859	6,855	0.0146	0.61%
Morgan Stanley & Co	172,837,285	45,826	0.0003	4.09%
Needham & Company	33,935	1,554	0.0458	0.14%
Neuer Zurich Bank	15,500	2,017	0.1301	0.18%
Nomura Securities	18,083,220	1,499	0.0001	0.13%
Oppenheimer & Co., Inc	53,740	2,244	0.0418	0.20%
Pacific Crest	32,390	1,358	0.0419	0.12%
Pershing	43,348	1,938	0.0447	0.17%
Pipeline	62,700	1,023	0.0163	0.09%
Piper, Jaffrey & Hopwood	102,255	4,773	0.0467	0.43%
Portware	2,272,922	39,268	0.0173	3.50%
Princeton Securities	51,680	1,034	0.0200	0.09%
Prudential Securities Inc	283,777	10,943	0.0386	0.98%
Pulse Trading	222,250	4,296	0.0193	0.38%
Raymond James	177,875	6,206	0.0349	0.55%
Robinson-Humphrey Co	49,100	2,425	0.0494	0.22%
Rosenblatt	1,475,320	31,095	0.0211	2.77%
Roth Capital Partners	68,625	2,815	0.0410	0.25%
Salomon Smith Barney	55,377,381	7,549	0.0001	0.67%
Sandler	50,290	2,137	0.0425	0.19%
Sanford Bernstein	32,283	1,975	0.0612	0.18%
SG Cowen	143,180	1,056	0.0074	0.09%
Sidoti	61,130	2,807	0.0459	0.25%
Signal Hill Capital	103,530	2,071	0.0200	0.18%
Southcoast Capital	29,830	1,193	0.0400	0.11%
State Street Bank & Trust	42,910	1,940	0.0452	0.17%

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COMMISSIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
Stephen M. Ferretti	68,400	$ 1,368	$ 0.0200	0.12%
Stephens & Co	56,260	2,511	0.0446	0.22%
Stifel, Nicolaus & Company	1,006,293	2,740	0.0027	0.24%
Susquehanna Brokerage	355,700	7,217	0.0203	0.64%
Tom Weissel	122,550	5,284	0.0431	0.47%
UBS Securities	181,139,887	28,377	0.0002	2.53%
UNX, Inc.	141,350	2,120	0.0150	0.19%
US Clearing	41,800	1,672	0.0400	0.15%
Veritas	211,000	5,746	0.0272	0.51%
Vontobel Securities	36,340	4,014	0.1105	0.36%
W.R. Hambrecht	75,810	2,417	0.0319	0.22%
Wachovia Corporation	8,395,075	7,811	0.0009	0.70%
Warburg Dillon Read	114,954	1,107	0.0096	0.10%
Warburg Securities	9,622,562	25,327	0.0026	2.26%
Weeden & Company	752,995	16,832	0.0224	1.50%
Weisel Partners	74,760	2,153	0.0288	0.19%
William Blair	73,505	3,338	0.0454	0.30%
Other	2,215,145,872	26,791	0.0000	2.39%
	7,132,753,994	$1,120,683	$ 0.0002	100.00%

THIS PAGE LEFT INTENTIONALLY BLANK

ACTUARIAL SECTION



Tollhouse Ranch Road

SEGAL

THE SEGAL COMPANY
120 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

DIRECT DIAL NUMBER
Paul Angelo (415) 263-8273
Andy Yeung (415) 263-8283

E-MAIL ADDRESS
Paul Angelo pangelo@segalco.com
Andy Yeung ayeung@segalco.com

October 12, 2007

Board of Retirement
Fresno County Employees' Retirement Association
1111 H Street
Fresno, CA 93721

Re: Actuarial Valuation for the Fresno County Employees' Retirement Association

Dear Members of the Board:

The Segal Company prepared the June 30, 2006 actuarial valuation of the Fresno County Employees' Retirement Association. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the June 30, 2006 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period.

The funding objective of the Plan is to establish rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). Actuarial gains and losses are incorporated into the UAAL and are amortized over the same period.

The UAAL is amortized as a level percentage of payroll over a 27-year period for UAAL established as of the June 30, 2003 valuation and a 15-year period for UAAL established on each subsequent valuation. The progress being made towards meeting the funding objective through June 30, 2006 is illustrated in the Schedule of Funding Progress.

A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the Association's CAFR is provided below:

1. Solvency test;

2. Actuarial Analysis of Financial Experience; and

3. Schedule of Funding Progress.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2003 Experience Analysis or in conjunction with the June 30, 2006 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2006 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2006.

In the June 30, 2006 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 91.5% to 85.5%. The employer's rate has increased from 18.76% of payroll to 24.63% of payroll, while the employee's rate has decreased from 7.54% of payroll to 7.48% of payroll.

Sincerely,

Paul Angelo

Paul Angelo, FSA, EA, MAAA, FCA
Senior Vice President & Actuary

Andy Yeung

Andy Yeung, ASA, EA, MAAA
Vice President & Associate Actuary

SUV/kek
Enclosures

4027607v1/08049.106

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The Entry Age Normal Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The UAAL is being funded over 15 years from the June 30, 2003 valuation date. The following interest rate assumptions along with the post retirement and pre-retirement demographic experiences are based on the plan's actuarial experience through June 30, 2003. The actuarial valuation report was approved and adopted by the Fresno County Board of Retirement on May 2, 2007.

1.	Investment Rate of Return:	8.16% per annum, compounded semiannually. (4.00% real, 4.00% inflation)
2.	Interest Credited to Employee Accounts:	8.16% per annum, compounded semiannually
3.	Inflation:	4.00% per annum
4.	Salary Scale:	
	- General Members:	Salary increases range from 4.75% to 9.0% based on years of service (merit of 5.0% per year for the first five years of service and 0.75% thereafter; 4.0% inflation)
	- Safety Members:	Salary increases range from 5.0% to 6.0% based on years of service (merit of 2.0% per year for the first eight years of service and 1.0% thereafter; 4.0% inflation)
5.	Asset Valuation:	Smoothed market value
6.	Spouses and Dependents:	90% of male active members and 50% of female active members assumed married at retirement, with wives assumed three years younger than husbands
7.	Rates of Termination of Employment:	0.00% to 16.50%, depending on age, gender and service classification
8.	Years of Life Expectancy After Retirement:	RP - 2000 Healthy Annuitant Mortality

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (Continued)

9.	Years of Life Expectancy After Disability:	RP - 2000 Disabled Annuitant Mortality
10.	Life Expectancy After Retirement for Employee Contribution Rate Purposes	
	- General Members:	RP - 2000 Healthy Mortality with adjustment for white collar
	- Safety Members:	RP - 2000 Healthy Mortality with adjustment for blue collar
11.	Reciprocity Assumption:	50% of members who terminate with a vested benefit are assumed to enter a reciprocal system
12.	Vested Terminations:	Varies by age and years of service
13.	Gender:	All Safety members are assumed to be male
14.	Gains & Losses	Gains and Losses are reflected in the UAAL and are funded over the period described above

Note: Information compiled from Actuarial Report prepared by The Segal Group, Inc. dated June 30, 2006. Please refer to page 41 for the latest actuarial valuation methods.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

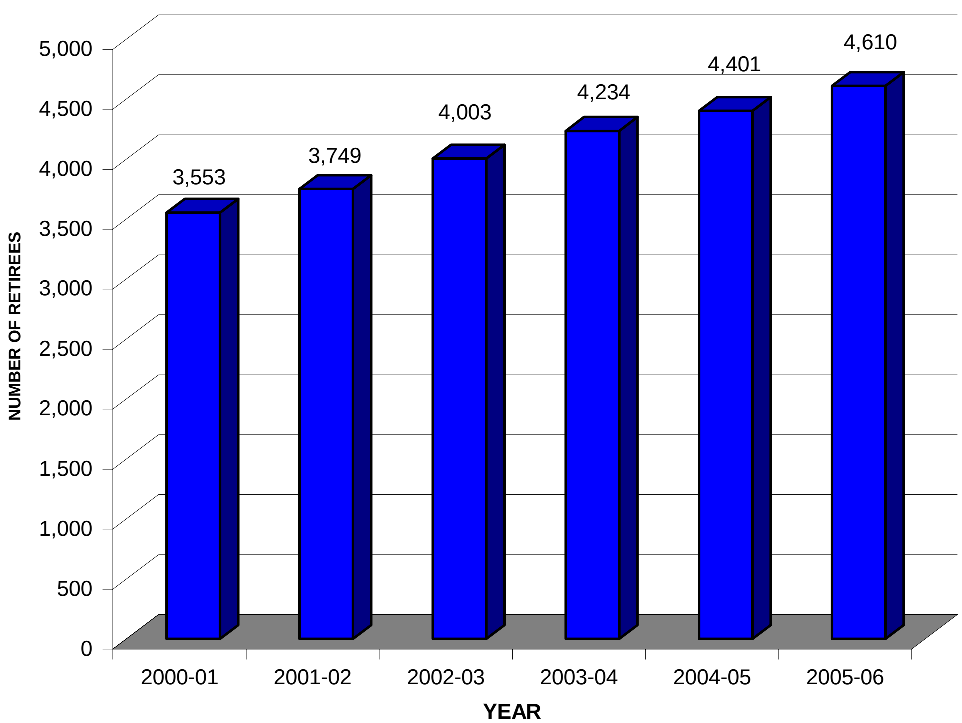
Valuation Date	Plan Type	Number		Annual Payroll (in thousands)		Average Monthly Salary	% Increase in Average Salary
6/30/2000 [1]	General	6,195	$	227,910	$	3,066	5.2%
	Safety	904		45,516		4,196	14.8%
	Total	7,099	$	273,426	$	3,210	6.3%
6/30/2002 [2]	General	6,811	$	275,646	$	3,373	10.0%
	Safety	923		51,329		4,634	10.4%
	Total	7,734	$	326,975	$	3,523	9.8%
6/30/2003 [3]	General	6,660	$	286,279	$	3,582	6.2%
	Safety	939		55,702		4,943	6.7%
	Total	7,599	$	341,981	$	3,750	6.4%
6/30/2004 [3]	General	6,534	$	283,136	$	3,611	1.0%
	Safety	911		54,478		4,983	1.0%
	Total	7,445	$	337,614	$	3,774	1.0%
6/30/2005 [3]	General	6,671	$	295,741	$	3,694	2.3%
	Safety	963		55,309		4,786	-4.0%
	Total	7,634	$	351,050	$	3,832	1.5%
6/30/2006 [4]	General Tier 1	6,559	$	310,007	$	3,938	6.6%
[5]	General Tier 2	140		5,024		2,990	100.0%
	Safety Tier 1	973		60,661		5,195	8.5%
[5]	Safety Tier 2	14		578		3,442	100.0%
		7,686	$	376,270	$	4,016	4.8%

1. Information compiled from biennial Actuarial Reports prepared by Buck Consultants dated June 30, 2000.
2. Information compiled from biennial Actuarial Reports prepared by Public Pensions Professionals dated June 30, 2002.
3. Information compiled from annual Actuarial Reports prepared by Public Pension Professionals dated June 30, 2003, 2004 and 2005.
4. Information compiled from annual Actuarial Report prepared by The Segal Group, Inc. dated June 30, 2006.
5. New benefit tier effective September 2005.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL

Year	Number at Beginning of Year	Number Added to Rolls	Number Removed From Rolls	Number at End of Year	Annual Allowance	Percent Increase in Annual Allowance	Average Annual Allowance	Percent Increase in Average Annual Allowance
2000-01	3,310	339	96	3,553	$ 63,242,000	22.56%	$ 17,800	14.18%
2001-02	3,553	284	88	3,749	81,022,000	28.11%	21,612	21.42%
2002-03	3,749	347	93	4,003	92,729,000	14.45%	23,165	7.19%
2003-04	4,003	335	104	4,234	106,247,000	14.58%	25,094	8.33%
2004-05	4,234	285	118	4,401	114,376,000	7.65%	25,989	3.57%
2005-06	4,401	316	107	4,610	120,230,000	5.12%	26,080	0.35%

RETIRANTS AND BENEFICIARIES AT END OF THE YEAR



Note: Annual allowances added to the rolls and annual allowances removed from the rolls as a dollar amount are not tracked and are currently not available.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FUNDING PROGRESS
(Amounts expressed in thousands)

The funding ratios are based on the Entry Age Normal cost funding method

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded UAAL Percentage of Covered Payroll
June 30, 2000	$ 1,698,282	$ 1,719,905	$ 21,623	98.7%	$ 273,426	7.9%
June 30, 2002	1,674,900 [2]	1,932,300	257,400	86.7%	326,975	78.7%
June 30, 2003	1,922,149 [2]	1,953,490	31,341 [1]	98.9%	341,981	9.2% [1]
June 30, 2004	1,977,097 [2]	2,017,971	40,874	98.0%	337,614	12.1%
June 30, 2005 [3]	2,044,389 [1]	2,233,594 [1]	189,205 [1]	91.5% [1]	351,049	53.9%
June 30, 2006	2,398,454	2,803,990	405,536	85.5%	376,270	107.8%

[1] Includes a correction to amount reported at June 30, 2006.

[2] Actuarial Value of Assets on the Solvency Test includes the total plan assets for all years. The Summary of Funding Progress shown here and on page 40 reports only the employer's assets for the years 2002, 2003 and 2004, amounts will therefore not be consistent between the Solvency Test and the Summary of Funding Progress schedules.

[3] Before the Board amended its funding policy to eliminate the requirement that one half of the COLA UAAL be paid by members. After the amendment, the AAL was $2,545,620, the V V A was $2,270,141, the funded percentage was 89.2% and the UAAL was $275,479.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ANALYSIS OF FINANCIAL EXPERIENCE
(Amounts expressed in thousands)

Changes to UAAL		2006
Unfunded actuarial accrued liability at beginning of year		
a. Calculated by the Association's prior actuary	$	189,200
b. Adjustments to UAAL identified in Segal's 2005 audit		72,435
c. COLA UAAL previously paid by members		86,275
d. Subtotal		347,910
Gross Normal Cost payable at middle of year		86,186
Actual employer and member contributions		(87,234)
Interest (full year on (1d) plus half year on (2)+(3))		28,346
Expected unfunded actuarial accrued liability at end of year		375,208
Actuarial (gain)/loss due to all changes:		
a. Loss from investment		28,252
b. Other experience (gain)/loss		2,076
c. Subtotal		30,328
Actual unfunded actuarial accrued liability at end of year (5)+(6c).	$	405,536

Note: Information prepared by the Segal Company.

Changes to UAAL		2005
Prior valuation unfunded actuarial accrued liability	$	40,874
Expected increase from prior valuation		4,516
Salary increase greater (less) than expected		(28,969)
Asset return less (greater) than expected		66,097
Other experience		70,405
Actuarial assumptions changes		55,386
Ending unfunded actuarial accrued liability (surplus)	$	208,309

Note: Information prepared by Public Pension Professionals.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SOLVENCY TEST
(Amounts expressed in thousands)

		Actuarial Accrued Liabilities for					Portion of Accrued Liabilities Covered by Reported Assets	
Valuation Date		Active Member Contributions (1)	Vested, Retirants and Beneficiaries (2)	Active Members Employer Financed (3)	Actuarial Value of Assets		Active Member Contributions (1)	Vested, Retirants and Beneficiaries (2)	Active Members Employer Financed (3)
June 30, 1996		$ 190,456	$ 439,643	$ 840,232	$ 1,296,256		100%	100%	79%
June 30, 1998		$ 211,171	$ 456,118	$ 881,877	$ 1,647,935		100%	100%	111%
June 30, 2000	(a)	$ 251,943	$ 622,130	$ 845,832	$ 1,698,282		100%	100%	97%
June 30, 2002	(a)	$ 263,170	$ 985,447	$ 683,692	$ 1,824,038	(b)	100%	100%	84%
June 30, 2003	(a)	$ 266,798	$ 1,217,965	$ 728,912	$ 1,806,494	(b)	100%	100%	44%
June 30, 2004	(a)	$ 275,678	$ 1,254,674	$ 750,455	$ 2,265,388	(b)	100%	100%	98%
June 30, 2005	(c)	$ 285,576	$ 1,415,822	$ 532,196	$ 2,044,389		100%	100%	64%
June 30, 2006		$ 301,758	$ 1,515,599	$ 986,633	$ 2,398,454		100%	100%	59%

a) Results prepared by the Association's prior actuary and disclosed in the June 30, 2006 CAFR.
b) Actuarial Value of Assets in the Solvency Test includes the total plan assets for all years. This differs from the Summary of Funding Progress which reports only the employer's assets for the years 2002, 2003 and 2004, amounts will therefore not be consistent between Solvency Test and Summary of Funding Progress schedules.
c) Before the Board amended its funding policy to eliminate the requirement that one – half of the COLA UAAL be paid by members. After the amendment, the AAL was $2,545,620 and the V V A was $2,270,141.
d) Equal to the total balance (in market value) of the reserve account maintained for member contributions.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE
(Amounts expressed in thousands)

Age	Total Terminations	Ordinary Death	Duty Death	Total Disability [1]
General Members - Male				
20	0.07500	0.00000	0.00000	0.00010
30	0.06300	0.00120	0.00000	0.00020
40	0.05300	0.00300	0.00000	0.00050
50	0.04300	0.00600	0.00000	0.00170
60	0.03300	0.00660	0.00000	0.00390
General Members - Female				
20	0.08400	0.00000	0.00000	0.00010
30	0.06960	0.00040	0.00000	0.00020
40	0.05760	0.00100	0.00000	0.00050
50	0.04560	0.00240	0.00000	0.00140
60	0.03360	0.00560	0.00000	0.00310
Safety Members - Male				
20	0.07010	0.00000	0.00100	0.00060
30	0.05930	0.00120	0.00100	0.00160
40	0.02070	0.00280	0.00100	0.00490
50	0.00330	0.00560	0.00100	0.01230
60	0.00000	0.00000	0.00100	0.00000
Safety Members - Female				
20	0.07010	0.00000	0.00100	0.00060
30	0.05930	0.00030	0.00100	0.00160
40	0.02070	0.00080	0.00100	0.00490
50	0.00330	0.00200	0.00100	0.01230
60	0.00000	0.00000	0.00100	0.00000

[1] Beginning June 30, 2005, Actuarial Reports will convey non-service connected and service connected disabilities as a combined probability of separation. One third of General member disabilities are presumed service connected and the other two thirds are presumed non-service connected. All safety members are presumed service connected.

Note: Information compiled from Actuarial Report prepared by The Segal Group, Inc. dated June 30, 2006. Assumptions for separation from active service are based on combined tiers with the exception of service retirement.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE (Continued)
(current assumptions)

Age	Service Retirement
General Tier 1 - Male	
50	0.05000
55	0.06000
60	0.30000
65	0.40000
70	1.00000
General Tier 1 - Female	
50	0.04000
55	0.10000
60	0.20000
65	0.45000
70	1.00000
General Tier 2 - Male and Female	
50	0.03000
55	0.08400
60	0.15000
65	0.35000
70	1.00000
Safety Tiers 1 and 2 - Male and Female	
50	0.06000
55	0.50000
60	1.00000
65	1.00000
70	1.00000

Note: Information compiled from Actuarial Report prepared by The Segal Group, Inc. dated June 30, 2006.
Assumptions for separation from active service are based on combined tiers with the exception of service retirement.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
PROPORTION OF WITHDRAWALS FROM ACTIVE SERVICE
(current assumptions)

Years of Service	Refunds	Deferred Vested
0	100.00%	0.00%
1	100.00%	0.00%
2	100.00%	0.00%
3	100.00%	0.00%
4	100.00%	0.00%
5	25.00%	75.00%
6	25.00%	75.00%
7	25.00%	75.00%
8	25.00%	75.00%
9	25.00%	75.00%
10	16.70%	83.30%
11	16.70%	83.30%
12	16.70%	83.30%
13	16.70%	83.30%
14	16.70%	83.30%
15	10.00%	90.00%
16	10.00%	90.00%
17	10.00%	90.00%
18	10.00%	90.00%
19	10.00%	90.00%
20 or more	0.00%	100.00%

Note: Probability of refunds by age are not available. Refunds are more closely associated with years of service. Information compiled from Actuarial Report prepared by The Segal Group, Inc. dated June 30, 2006.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
YEARS OF LIFE EXPECTANCY AFTER SERVICE RETIREMENT
(current assumptions)

Age	Years of Life Expectancy
General Members - Male	
50	30.93
60	22.46
70	14.48
80	8.06
90	3.97
100	2.33
110	2.07
General Members - Female	
50	34.12
60	25.13
70	16.98
80	10.00
90	5.38
100	3.47
110	2.28
Safety Members - Male	
50	28.83
60	20.61
70	13.31
80	7.61
90	3.98
100	2.37
110	2.11
Safety Members - Female	
50	32.86
60	23.69
70	15.77
80	9.43
90	5.15
100	3.37
110	2.20

Note: Information compiled from Actuarial Report prepared by Public Pension Professionals dated June 30, 2005.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
YEARS OF LIFE EXPECTANCY AFTER DISABILITY RETIREMENT
(current assumptions)

Age	Years of Life Expectancy
General and Safety Members - Male	
20	30.81
30	27.47
40	23.27
50	18.25
60	13.86
70	9.81
80	6.43
90	3.90
100	2.29
110	2.03
General and Safety Members - Female	
20	46.81
30	40.06
40	32.78
50	25.15
60	18.62
70	12.98
80	8.42
90	5.12
100	3.33
110	2.18

Note: Information compiled from Actuarial Report prepared by Public Pension Professionals dated June 30, 2005.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUMMARY OF MAJOR PLAN PROVISIONS

1. ELIGIBILITY

First day of pay period following date of employment.

2. DEFINITION OF SALARY

Highest 365 consecutive days of compensation earnable.

3. SERVICE RETIREMENT

- Tier 1

  General offers 2.5% at age 55, Government Code Section 31676.14 and 31627.
  Safety offers 2.5% at age 50, Government Code Section 31664 and 31627.

- Tier 2

  General offers 2%, Government Code Section 31676.16.
  Safety offers a maximum 3% based on years of service, Government Code Section 31664.2.

- Early retirement

  Age 50 with 10 years of service, or any age with 30 years of service for General, or any age with 20 years of service for Safety.

- Benefit

  2.5% times final average salary per year of service.

- Benefit Adjustments

  Reduced for retirement before 55 and 50 for General and Safety, respectively; 2.5% benefit formulas.

  Increased for retirement after 55 and 50 for General and Safety, respectively; 2.5% benefit formulas respectively.

4. DISABILITY RETIREMENT

- Non-service connected

  2.25% of final average salary per year of service, with a maximum of 33.33% if projected service is used (age 60 for General, age 55 for Safety), or 90% of the accrued service retirement benefit without a benefit adjustment, or service retirement benefit (if eligible).

- Service-connected

  Greater of 50% of final average salary or service retirement benefit (if eligible)

5. DEATH BEFORE RETIREMENT

- Refund of contributions plus 1/12th of monthly salary per year of service, maximum of six months salary.

- If eligible for non service connected disability or service retirement

  - 60% of member's accrued allowance.

- If service-connected

  - 50% of final compensation or 100% of service retirement, if eligible.

6. DEATH AFTER RETIREMENT

- Service retirement or ordinary disability

  - 60% of member's allowance payable to an eligible spouse.

- Service disability

  - 100% of member's allowance payable to an eligible spouse.

7. VESTING

- After five years of service.

- Must leave contributions on deposit.

8. MEMBERS' CONTRIBUTIONS

Based on entry age.

9. COST-OF-LIVING

Maximum 3% COLA for all members.

Note: Information compiled from Actuarial Report prepared by The Segal Group, Inc. dated June 30, 2006.

THIS PAGE LEFT INTENTIONALLY BLANK

STATISTICAL SECTION

Fresno Orange Store

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TABLE OF CHANGES IN PLAN NET ASSETS
Fiscal Years Ended 1998 through 2007
(Amounts expressed in thousands)

	1998	1999	2000	2001	2002
Additions					
Employer Contributions	$ 202,550	$ 6,005 [1]	$ -	$ -	$ 7,780
Member Contributions	7,168	7,775	9,198	9,973	14,434
Net Investment Income/Loss	250,001	105,166	133,170	(33,930)	(63,285)
Total Additions	459,719	118,946	142,368	(23,957)	(41,071)
Deductions					
Total Benefit Expense	44,816	47,198	52,223	63,881	81,784
Administrative Expense	721	764	867	2,235	1,544
Refunds [2]	1,772	1,568	2,275	1,146	870
Total Deductions	47,309	49,530	55,365	67,262	84,198
Change in Plan Net Assets	$ 412,410	$ 69,416	$ 87,003	$ (91,219)	$ (125,269)

[1] Includes proceeds from Pension Obligation Bonds.

[2] Refund information by type of refund not available.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TABLE OF CHANGES IN PLAN NET ASSETS (Continued)
Fiscal Years Ended 1998 through 2007
(Amounts expressed in thousands)

	2003	2004	2005	2006	2007
Additions					
Employer Contributions	$ 33,583	$ 442,950 [1]	$ 56,343	$ 56,664	$ 69,997
Member Contributions	19,974	18,239	24,261	30,570	33,528
Net Investment Income/Loss	27,390 [3]	238,877	235,406	229,767	442,355
Total Additions	80,947 [3]	700,066	316,010	317,001	545,880
Deductions					
Total Benefit Expense	92,887	107,052	115,129	120,993	131,480
Administrative Expense	2,059	2,001	2,484	2,865	3,298
Refunds [2]	904	941	1,403	1,185	2,114
Total Deductions	95,850	109,994	119,016	125,043	136,892
Change in Plan Net Assets	$ (14,903)	$ 590,072	$ 196,994	$ 191,958	$ 408,988

[1] Includes proceeds from Pension Obligation Bonds.

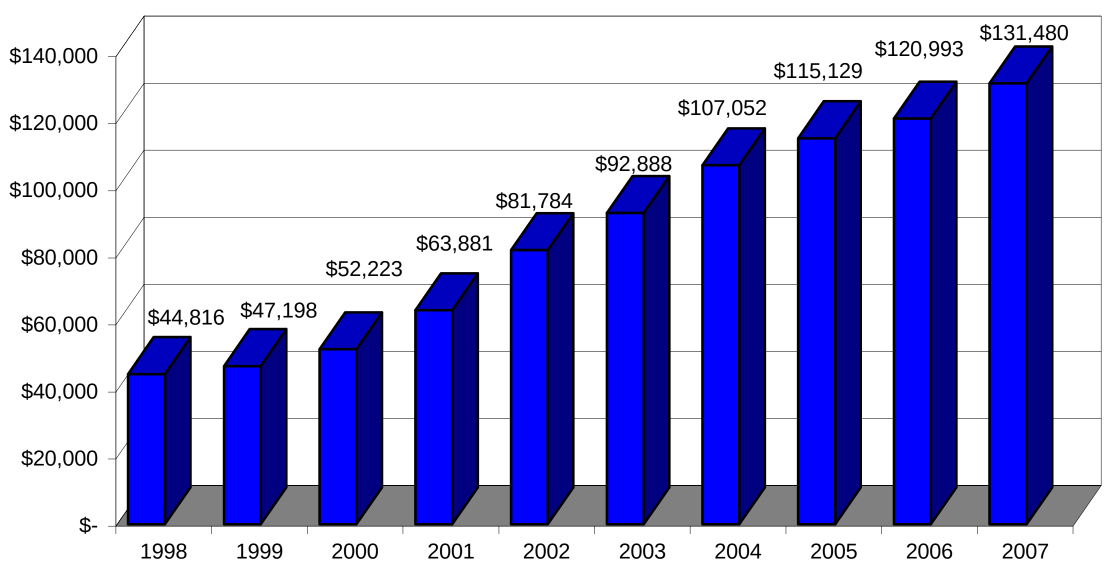
[2] Refund information by type of refund not available.

[3] Amounts revised from prior year (2003) Comprehensive Annual Financial Report.

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

	SERVICE		SURVIVOR		DISABILITIES		
YEAR END	GENERAL	SAFETY	GENERAL	SAFETY	GENERAL	SAFETY	TOTAL
1998	$ 37,715	$ 6,587		$ 514			$ 44,816
1999	39,263	7,239		696			47,198
2000	42,909	8,530		784			52,223
2001	52,480	10,529		872			63,881
2002	65,113	15,378		1,293			81,784
2003	72,875	18,710		1,303			92,888
2004	83,795	22,012		1,245			107,052
2005	90,517	23,233		1,379			115,129
2006	96,590	23,148		1,255			120,993
2007	$ 100,807	$ 20,542	$ 1,369	$ 446	$ 3,952	$ 4,364 [2]	$ 131,480 [1]

BENEFIT EXPENSES
(expressed in thousands)



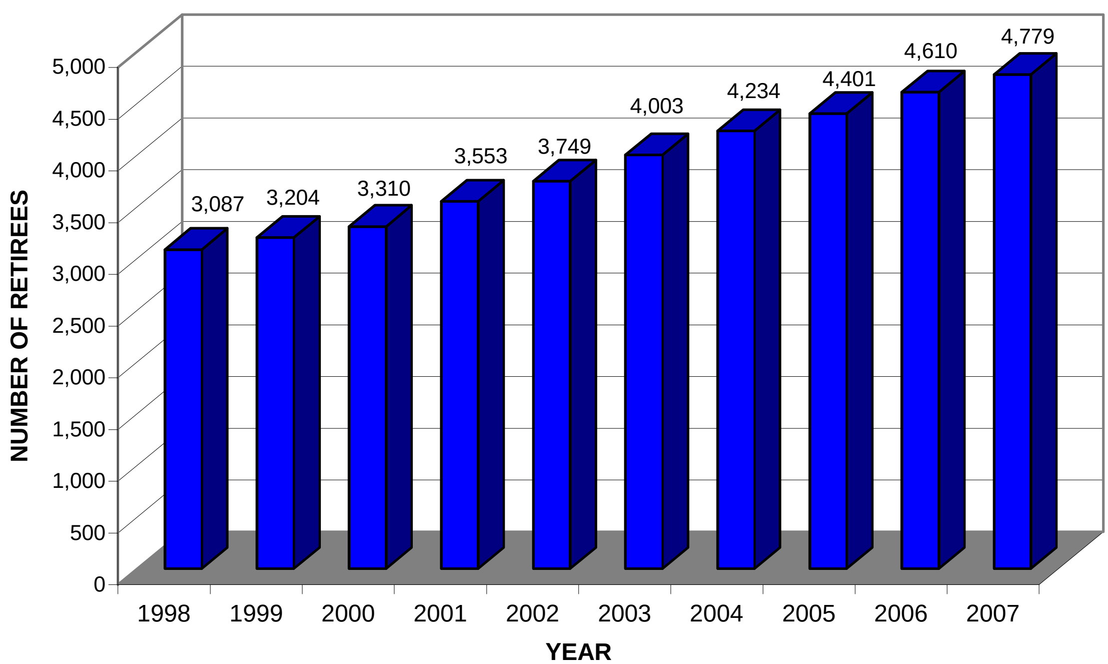
[1] Total Benefit Expenses are the actual expenses paid and not equal Total Average Annual Benefits reported on page 83.

[2] Effective fiscal year ended June 30, 2007, Disability Benefit Expenses are reported separately.

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

YEAR END	GENERAL	SAFETY	SURVIVOR	TOTAL
1998	2,732	292	63	3,087
1999	2,816	318	70	3,204
2000	2,897	338	75	3,310
2001	3,089	390	74	3,553
2002	3,235	435	79	3,749
2003	3,435	488	80	4,003
2004	3,635	516	83	4,234
2005	3,770	543	88	4,401
2006	3,956	565	89	4,610
2007	4,094	591	94	4,779

TOTAL RETIRED MEMBERS



FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF AVERAGE ANNUAL BENEFIT AND MEMBERSHIP DISTRIBUTION OF RETIRED MEMBERS

Valuation Date	Plan type	Annual Number	Total Average [3] Annual Benefits	Annual Average Benefits	Average Monthly Benefits	% Change in Average Benefits
6/30/1996	General	2,721	$ 32,505,087	$ 11,946	$ 995.50	13.7%
	Safety	280	5,327,290	19,026	1,585.50	6.2%
	Total	3,001	$ 37,832,377	$ 30,972	$ 2,581.00	9.0%
6/30/1998	General	2,746	$ 34,052,681	$ 12,401	$ 1,033.42	3.8%
	Safety	298	5,919,878	19,865	1,655.42	4.4%
	Total	3,044	$ 39,972,559	$ 32,266	$ 2,688.83	4.2%
6/30/2000	General	2,901	$ 38,686,107	$ 13,335	$ 1,111.25	7.5%
	Safety	330	7,581,842	22,975	1,914.58	15.7%
	Total	3,231	$ 46,267,949	$ 36,310	$ 3,025.83	12.5%
6/30/2002	General	3,287	$ 66,423,696	$ 20,208	$ 1,684.00	51.5%
	Safety	426	16,261,272	38,172	3,181.00	66.1%
	Total	3,713	$ 82,684,968	[1] $ 58,380	$ 4,865.00	60.8%
6/30/2003	General	3,549	$ 76,488,048	$ 21,552	$ 1,796.00	6.7%
	Safety	476	17,638,656	37,056	3,088.00	-2.9%
	Total	4,025	$ 94,126,704	[2] $ 58,608	$ 4,884.00	0.4%
6/30/2004	General	3,848	$ 87,041,760	$ 22,620	$ 1,885.00	5.0%
	Safety	483	21,677,040	44,880	3,740.00	21.1%
	Total	4,331	$ 108,718,800	$ 67,500	$ 5,625.00	15.2%
6/30/2005	General	3,929	$ 91,278,528	$ 23,232	$ 1,936.00	2.7%
	Safety	489	19,182,492	39,228	3,269.00	-12.6%
	Total	4,418	$ 110,461,020	$ 62,460	$ 5,205.00	-7.5%
6/30/2006	General	4,020	$ 97,474,788	$ 24,247	$ 2,021.00	4.4%
	Safety	559	21,225,900	37,971	3,164.00	-3.2%
	Total	4,579	$ 118,700,688	$ 62,218	$ 5,185.00	-0.4%

[1] Source: Biennial actuary reports through June 30, 2002.

[2] Source: Annual actuary reports commencing after June 30, 2002.

[3] Total Average Annual Benefits will not equal the Actual Total Benefit Expense reported on page 81.

Note: Information to organize by years of credited service in five year increments not available.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ACTIVE AND DEFERRED MEMBERS

Date	Plan Type	Active Vested	Active Nonvested	Total Active Members	Deferred Members
6/30/1998	General	3,588	1,551	5,139	
	Safety	488	385	873	
	Total	4,076	1,936	6,012	1,289
6/30/1999	General	3,412	2,241	5,653	
	Safety	590	273	863	
	Total	4,002	2,514	6,516	1,310
6/30/2000	General	3,674	2,691	6,365	
	Safety	614	304	918	
	Total	4,288	2,995	7,283	1,326
6/30/2001	General	3,466	3,083	6,549	
	Safety	641	301	942	
	Total	4,107	3,384	7,491	1,353
6/30/2002	General	3,566	3,299	6,865	
	Safety	630	293	923	
	Total	4,196	3,592	7,788	1,467
6/30/2003	General	3,600	3,054	6,654	
	Safety	605	328	933	
	Total	4,205	3,382	7,587	1,376
6/30/2004	General	3,385	3,242	6,627	
	Safety	581	345	926	
	Total	3,966	3,587	7,553	1,378
6/30/2005	General	4,203	2,537	6,740	
	Safety	664	303	967	
	Total	4,867	2,840	7,707	1,464
6/30/2006	General	4,535	2,144	6,679	
	Safety	710	287	997	
	Total	5,245	2,431	7,676	1,514
6/30/2007	General	4,707	2,108	6,815	1,465
	Safety	723	284	1,007	133
	Total	5,430	2,392	7,822	1,598

Note: Effective with fiscal year ended June 30, 2007, Deferred Members column is classified between General and Safety.

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

Year	Plan Type	County of Fresno	% of Total Covered Employees	Clovis Memorial	% of Total Covered Employees	Fresno County Office of Education	% of Total Covered Employees
1998	General	5,098		3		2	
	Safety	833		0		0	
	Total	5,931	99%	3	0%	2	0%
1999	General	5,605		4		3	
	Safety	825		0		0	
	Total	6,430	99%	4	0%	3	0%
2000	General	6,312		4		3	
	Safety	877		0		0	
	Total	7,189	99%	4	0%	3	0%
2001	General	6,494		4		1	
	Safety	902		0		0	
	Total	7,396	99%	4	0%	1	0%
2002	General	6,807		3		1	
	Safety	884		0		0	
	Total	7,691	99%	3	0%	1	0%
2003	General	6,596		4		1	
	Safety	893		0		0	
	Total	7,489	99%	4	0%	1	0%
2004	General	6,571		3		1	
	Safety	889		0		0	
	Total	7,460	99%	3	0%	1	0%
2005	General	6,684		4		1	
	Safety	927		0		0	
	Total	7,611	99%	4	0%	1	0%
2006	General	6,623		6		0	
	Safety	957		0		0	
	Total	7,580	99%	6	0%	0	0%
2007	General	6,762		5		0	
	Safety	968		0		0	
	Total	7,730	99%	5	0%	0	0%

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS (Continued)

Year	Plan Type	Fresno Mosquito and Vector Control	% of Total Covered Employees	Fresno Madera Area Agency	% of Total Covered Employees	North Central Fire Protection	% of Total Covered Employees	Total Active Members
1998	General	9		20		7		5,139
	Safety	0		0		40		873
	Total	**9**	**0%**	**20**	**0%**	**47**	**1%**	**6,012**
1999	General	10		25		6		5,653
	Safety	0		0		38		863
	Total	**10**	**0%**	**25**	**0%**	**44**	**1%**	**6,516**
2000	General	10		29		7		6,365
	Safety	0		0		41		918
	Total	**10**	**0%**	**29**	**0%**	**48**	**1%**	**7,283**
2001	General	10		34		6		6,549
	Safety	0		0		40		942
	Total	**10**	**0%**	**34**	**0%**	**46**	**1%**	**7,491**
2002	General	10		37		7		6,865
	Safety	0		0		39		923
	Total	**10**	**0%**	**37**	**0%**	**46**	**1%**	**7,788**
2003	General	10		36		7		6,654
	Safety	0		0		40		933
	Total	**10**	**0%**	**36**	**0%**	**47**	**1%**	**7,587**
2004	General	9		36		7		6,627
	Safety	0		0		37		926
	Total	**9**	**0%**	**36**	**0%**	**44**	**1%**	**7,553**
2005	General	9		36		6		6,740
	Safety	0		0		40		967
	Total	**9**	**0%**	**36**	**0%**	**46**	**1%**	**7,707**
2006	General	8		37		5		6,679
	Safety	0		0		40		997
	Total	**8**	**0%**	**37**	**0%**	**45**	**1%**	**7,676**
2007	General	8		35		5		6,815
	Safety	0		0		39		1,007
	Total	**8**	**0%**	**35**	**0%**	**44**	**1%**	**7,822**

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER CONTRIBUTION RATES

EFFECTIVE DATES			GENERAL	SAFETY	SOURCE
July 1, 2006	to	June 30, 2007	18.37%	20.76%	06/30/05 [1]
July 1, 2005	to	June 30, 2006	14.14%	25.02%	06/30/04 [1]
July 1, 2004	to	June 30, 2005	15.71%	21.23%	06/30/03 [1]
July 1, 2003	to	June 30, 2004	15.38%	20.75%	06/30/02 [1]
July 1, 2002	to	June 30, 2003	7.20%	24.88%	06/30/00 [1]
October 1, 2001	to	June 30, 2002	0.00% [3]	21.87% [2,3]	06/30/00
July 1, 2000	to	September 30, 2001	0.00% [3]	0.00% [3]	06/30/98
June 28, 1999	to	June 30, 2000	0.00% [3]	0.00% [3]	06/30/98
March 20, 1998	to	June 27, 1999	2.07% [2]	5.93% [2]	06/30/96
June 19, 1995	to	March 19, 1998	10.81% [2]	14.95% [2]	06/30/94

[1] Non aggregate rates are reported in the valuation prepared for the annual period listed under under "Source".

[2] The employer contribution rates reflect the aggregate rates as provided by Actuary.

[3] Employer rates were reduced through the use of undistributed earnings.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
RETIRED MEMBERS BY TYPE OF BENEFIT

Monthly Benefit Amount	Type of Retirement As of June 30, 2007							Members receiving a benefit
	1	**2**	**3**	**4**	**5**	**6**	**7**	
$1 - 500	254	5	2	4	2	1	13	281
501 - 1,000	626	35	7	6	34	2	22	732
1,001 - 1,500	764	40	21	4	22	5	20	876
1,501 - 2,000	573	24	25	1	6	3	10	642
2,001 - 3,000	845	11	96	9	5	7	7	980
3,001 - 4,000	478	4	30	2	4	3	0	521
4,001 - 5,000	327	1	7	0	0	0	0	335
5,001 - 6,000	189	1	5	0	0	0	0	195
Over 6,000	222	0	6	0	0	0	1	229
Totals	**4,278**	**121**	**199**	**26**	**73**	**21**	**73**	**4,791**

Monthly Benefit Amount	Type of Retirement As of June 30, 2006							Members receiving a benefit
	1	**2**	**3**	**4**	**5**	**6**	**7**	
$1 - 500	248	5	2	5	4	1	12	277
501 - 1,000	639	30	7	5	33	2	24	740
1,001 - 1,500	758	37	22	4	19	3	14	857
1,501 - 2,000	577	19	35	2	6	5	11	655
2,001 - 3,000	810	11	85	7	3	6	3	925
3,001 - 4,000	468	4	16	2	4	3	0	497
4,001 - 5,000	308	0	7	0	0	1	0	316
5,001 - 6,000	164	0	6	0	0	0	0	170
Over 6,000	179	1	3	0	0	0	1	184
Totals	**4,151**	**107**	**183**	**25**	**69**	**21**	**65**	**4,621**

1 = Normal retirement
2 = Non service connected disability
3 = Service connected disability
4 = Beneficiary payment - normal retirement
5 = Survivor non service connecte disability
6 = Survivor service connected disability
7 = Ex spouses