COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008

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, 2008

ISSUED BY

ROBERTO L. PEÑA
RETIREMENT ADMINISTRATOR

BECKY VAN WYK, CPA
ASSISTANT RETIREMENT ADMINISTRATOR

FCERA

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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FRESNO, CALIFORNIA 93721-2515
www.FCERA.org

A COMPONENT UNIT OF THE COUNTY OF FRESNO

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Roberto L. Peña
Retirement Administrator

December 4, 2008

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 (FCERA), I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2008 and 2007.

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. FCERA's MD&A can be found immediately following the Report of the Independent Auditor.

FCERA AND ITS SERVICES

FCERA 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 three other participating agencies are members of FCERA. The participating agencies include:

Clovis Memorial District
Fresno-Madera Area Agency on Aging
Fresno Mosquito and Vector Control

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's 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 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 FCERA's 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 FCERA's 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 each triennial experience study is performed, economic assumptions may be reviewed annually. The triennial experience study as of June 30, 2006 was prepared by The Segal Company and adopted by the Board in January 2008.

The actuarial valuation as of June 30, 2007 completed by The Segal Company, determined the funding status, the ratio of plan assets to plan liabilities, to be 82.9% using approved assumptions, a slight decreased from the 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.

FCERA MISSION STATEMENT AND CORE VALUES

FCERA is to administer the retirement benefits for the members and beneficiaries of FCERA in a prudent, accurate, cost-effective and timely manner and to administer the investment funds of FCERA in a cost-effective manner that achieves FCERA's investment and funding objectives within prudent levels of risk. In carrying out its mission, FCERA will:

- Carry out all of its activities in a manner consistent with the fiduciary duties set out in laws that govern fiduciaries.
- Carry out all of its activities in accordance with the highest degree of honesty and integrity.
- Work with true professionals that operate at the forefront of their respective fields.
- Instill confidence in the membership and stakeholders through timely and responsive service.
- Work together as a team to solve members' problems and overcome challenges as they arise.
- Aim to respond to member needs in a timely and consistent manner and ensure the security of their benefits.
- Provide continuous and effective education of members and stakeholders.

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 2008 fiscal year the Board 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.

In September 2007, the Board selected State Street Bank as the new custodial bank and disbursement agent, replacing Fifth Third Bank effective January 1, 2008.

For the fiscal year ended June 30, 2008, FCERA's investment portfolio experienced a return, net of fees, of -5.4% compared to a return of 18.7% for the year ended June 30, 2007. FCERA's annualized investment rates of return over the last three and five years, net of fees, were 7.6% and 10.1%, respectively. Please review the Investment Section of this report for more information on FCERA's investments.

An asset liability study was prepared by investment consultant, Wurts & Associates (Wurts), and presented to the Board in August 2008. The asset liability study evaluated the current asset allocation and expected returns necessary to meet long term liabilities of the Plan.

BUDGET

The Board of Retirement approves FCERA's annual administrative budget. The County Employees Retirement Law of 1937 limits FCERA's annual administrative budget to eighteen hundredth of one percent (.18%) of the plan's total assets. FCERA's administrative expenses have historically been well below the statutory limitation. For the years ended June 30, 2008 and 2007, administrative expenses were within the established budget by the Board of Retirement at about .1086% and .0921% of total assets for each year, respectively.

SIGNIFICANT EVENTS AND INITIATIVES

Among the most noteworthy and significant events FCERA worked on during the fiscal year are:

- Recognizing the need for a policy focused-approach, the Board of retirement finalized its Board Policy Manual by developing and implementing Board Governance Policies and Charters that included a Strategic Planning exercise for a more efficient and effective decision making process, better risk management approach and more effective use of resources.
- The Strategic Planning exercise culminated in the completion and approval of a Strategic and Business Planning document that included a mission statement, provided strategic positioning and identified future threats, potential projects and business initiatives.
- Completed a nationwide search process through a Request for Proposal exercise for Actuarial services that culminated with the hiring of The Segal Company, a national actuarial service provider.
- Completed a nationwide search process through a Request for Proposal exercise for Custodian and Benefit Payments services that culminated with the hiring of State Street Bank, one of the nation's leading providers for these services.
- The lawsuit filed by the County of Fresno against the FCERA Board of Retirement seeking a change in the method of calculating final compensation was finalized July 5, 2007, appealed thereafter and in a May 4, 2007 opinion, the decision was affirmed by the Court of Appeal. 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 which became to be known as the Final Compensation Recalculation project now in its final stages. The project is now over 99% completed with about 4,299 final compensation and retirement benefit recalculations prepared with underpayments of $1,143,084 including interest paid to members while collection of overpayments will continue for several years based upon the repayment agreements in place between the Association and retirees. The project is scheduled for completion during the winter of 2008.
- Enhanced communication with members by expanding retirement information, providing status of FCERA's various projects and updating educational retirement information contained on FCERA's website.
- Initiated and completed a nationwide search process through Request for Proposal exercises for General Investment Counsel and Investment Consultant services. On August 20, 2008, the Board selected the firm of Foster Pepper for General Investment Counsel. On September 17, 2008, the Board elected to retain the services of Wurts as Investment Consultant.

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 FCERA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. This was the eleventh 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 FCERA's investment portfolio.

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

Respectfully submitted,

Roberto L. Peña

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, 2007

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.

President

Executive Director

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
THE BOARD OF RETIREMENT

ADMINISTRATOR
ROBERTO L. PEÑA
Retirement Administrator

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

VICE CHAIRPERSON
ALAN CADE, Jr.
General Member - Elected by General Members
Present term expires December 31, 2009

MEMBER
MICHAEL CARDENAS, CPA
Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2008

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

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

MEMBER
EULALIO GOMEZ
Safety Member - Elected by Safety Members
Present term expires December 31, 2008

MEMBER
JAMES E. HACKETT
General Member - Elected by General Members
Present term expires December 31, 2010

MEMBER
PHIL LARSON
Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2010

MEMBER
JOHN P. SOUZA
Retired Member – Elected by Retirees
Present term expires December 31, 2010

ALTERNATE RETIRED MEMBER
RONALD S. FRYE
Alternate Retired Member - Elected by Retirees
Present term expires December 31, 2010

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ORGANIZATION CHART

Board of Retirement
Steven J. Jolly, Chair
Alan Cade, Jr., Vice Chair
Michael Cardenas
Nick Cornacchia
Vicki Crow
Eulalio Gomez
James E. Hackett
Phil Larson
John P. Souza
Ronald S. Frye, Alternate

Retirement Administrator
Roberto L. Peña

Administrative Secretary
Elizabeth Avalos

Benefits Unit

Assistant Retirement Administrator
Becky Van Wyk

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
Kristi Jacobie
Kim Jantz
Vacant

Office Assistants (2)
Leticia Morales
Janice Wells

Account Clerks (4)
Lisa Le Duc
Angelic Lopez
Rose Ocelo
Patricia Montoya

Retirement Coordinator (1)
(Extra Help)

Account Clerks (2)
(Extra Help)

Final Comp (10)
(Extra Help)

Accountants (2)
Pam Fine
Kay Vang

Account Clerks (3)
Edith Balanon
Loretta Morales
Dolores Racca

Total number of permanent positions authorized - 23
Total number of extra-help positions authorized - 13
Total Number of positions authorized - 36

LIST OF PROFESSIONAL CONSULTANTS
AS OF JUNE 30, 2008

CONSULTING SERVICES

Actuary

Segal Company

Auditor

Brown Armstrong

Commission Recapture Services

Lynch, Jones & Ryan

Custodian Bank

Fifth Third Bank
State Street Bank & Trust (effective 1/1/2008)

Investment Consultant

Wurts & Associates

Legal Counsel

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

Securities Lending

Credit Suisse First Boston
State Street Global Advisors (effective 1/1/2008)

INVESTMENT MANAGERS

Domestic Bonds

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

INVESTMENT MANAGERS (continued)

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
Wellington Management Company, LLP.

International Stocks

Mondrian Emerging
Oechsle International
Templeton Investment Counsel, Inc.

Private Markets Investment

BCI Growth V, LP
Hamilton Lane
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
The Blackstone Group
Warburg, Pincus and Co.

Cash Equitization Strategy (Overlay)

State Street Global Advisors/JP Morgan

A schedule of Manager fees is located on page 60 of the Investment Section.

FINANCIAL SECTION

BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK THORNBURGH & KEETER
Certified Public Accountants

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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

Audit Committee and Board of Retirement
Fresno County Employees' Retirement Association
Fresno, California

We have audited the accompanying Statement of Plan Net Assets of the Fresno County Employees Retirement Association (FCERA) as of June 30, 2008 and 2007 and the related Statement of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of FCERA 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.

As discussed in Note 2 to the financial statements, in Fiscal Year 2008, FCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and 27*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of FCERA as of June 30, 2008 and 2007 and its changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this 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 basic 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 Fiscal Year 2008 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the Fiscal Year 2008 basic 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 basic financial statements of FCERA. The Other Supplementary Information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008, on our consideration of FCERA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
December 4, 2008

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

Our discussion and analysis of the financial performance of the Fresno County Employees' Retirement Association (Association) provides an overview of the financial activities for the fiscal years ended June 30, 2008 and 2007. 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 $2,726,605,000 as of June 30, 2008. Net assets decreased by $212,047,000, or 7.2%, consistent with economic and market conditions through out the year. Net assets totaled $2,938,652,000 as of June 30, 2007. 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 $59,334,000 in subtractions to plan net assets for June 30, 2008, primarily due to a decrease in the fair value of the investments. Employer contributions totaled $97,305,000, or 76.3%, of the total contributions of $127,577,000. Employee contributions in the amount of $30,272,000 represented 23.7% of the total contributions received. Interest and other income added $87,654,000, with net income from securities lending adding $3,321,000. At June 30, 2007, $545,880,000 in additions to plan net assets were reported. The net increase was comprised of $354,715,000 appreciation in the fair value of investments, (64.9% of the total additions), interest and other investment income of $87,640,000 (16.1% of the total additions) and employer and employee contributions of $103,525,000 (19.0% of the total additions).
- The *Statement of Changes in Plan Net Assets* for June 30, 2008 reflects total deductions from plan net assets of $152,713,000. Benefit payments of $143,072,000 comprised 93.7% of the total deductions, with refunds of contributions in the amount of $6,072,000 and administrative fees totaling $3,569,000 representing 4.0% and 2.3%, respectively, of the total deductions. The June 30, 2007 total deductions from the plan net assets were $136,892,000 with benefit payments of $131,480,000 comprised 96.1% and refunds of contributions in the amount of $2,113,000 and administrative fees totaling $3,299,000 representing 1.5% and 2.4%, respectively, of the total deductions.
- 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*

Using this Comprehensive Annual Financial Report and Financial Statements (Continued)

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, 2007 reported the funding ratio as 82.9%, a decrease of 2.6% from the funding ratio of 85.5% included in the valuation report as of June 30, 2006. The funding ratio indicates that at June 30, 2007 we have about $0.83 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 decreased 7.2% in 2008, from a beginning value of $2,938,652,000 to $2,726,605,000. The decrease was primarily due to the net depreciation in the fair value of investments held by FCERA. The net assets for June 30, 2007 had increased $408,988,000, 16.2% over the June 30, 2006 balance of $2,529,664,000, 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, 2008 increased 33.8% to $147,230,000 and 10.8% to $198,589,000 respectively, over the June 30, 2007 balances of $110,066,000 and $179,299,000, due to more outstanding trades at year end 2008. The cash collateral payable for securities lending decreased 19.7% from $445,448,000 to $357,748,000 from the June 30, 2007. The June 30, 2007 balance of cash collateral payable for securities lending had increased 25.0%, or $89,029,000 from the June 30, 2006 balance of $356,419,000.

FCERA's Net Assets (Continued)

(The following table presents the net assets amounts at end of fiscal years 2008, 2007 and 2006, expressed in thousands).

	2008	2007	2006	Increase/ (Decease) 2008-2007	Increase/ (Decease) 2007-2006
Current and other assets	$ 3,284,001	$ 3,578,592	$ 3,000,585	$ (294,591)	$ 578,007
Capital assets	2,405	2,454	2,573	(49)	(119)
Total assets	3,286,406	3,581,046	3,003,158	(294,640)	577,888
Other liabilites					
Total liabilities	559,801	642,394	473,494	(82,593)	168,900
Net assets	$ 2,726,605	$ 2,938,652	$ 2,529,664	$ (212,047)	$ 408,988

Changes 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, 2008, total additions to plan net assets decreased 111% to a negative $605,214, from the prior year primarily due to the decrease in net investment income. During the year ended June 30, 2007, total additions to plan net assets increased by approximately 72.2% from the prior year, with the majority of the increase resulting from the increase in net investment income. Total contributions increased 23.2% for the year ended June 30, 2008, due to the increase in the employer contribution rates. For the year ended June 30, 2007 contributions had increased 18.7% over the prior year.

The following table (presented in thousands), displays summary data on the changes in Plan Net Assets.

	2008	2007	2006	Increase/ (Decrease) 2008-2007	Increase/ (Decrease) 2007-2006
Additions:					
Contributions	$ 127,577	$ 103,525	$ 87,234	$ 24,052	$ 16,291
Net investment income	(186,911)	442,355	229,767	(629,266)	212,588
Total Additions	(59,334)	545,880	317,001	(605,214)	228,879
Deductions:					
Benefits paid	149,144	133,593	122,178	15,551	11,415
Administrative costs	3,569	3,299	2,865	270	434
Total Deductions	152,713	136,892	125,043	15,821	11,849
Increase/decrease in net assets	(212,047)	408,988	191,958	(621,035)	217,030
Net assets, beginning of year	2,938,652	2,529,664	2,337,706	408,988	191,958
Net assets, end of year	$ 2,726,605	$ 2,938,652	$ 2,529,664	$ (212,047)	$ 408,988

Changes to Plan Net Assets (Continued)

The primary deductions of the Plan include the payment of benefits to members and beneficiaries, the refund of contributions to former members, and the cost of administering the retirement plan. Deductions for fiscal year 2008 totaled $152,713,000, an increase of 11.6% over 2007. Deductions for fiscal year 2007 totaled $136,892,000, an increase of 9.5% over the 2006 amount of $125,043,000.

Administrative expenses are approved in an annual budget by the Association's Board and represented 0.11% of the total assets in 2008 and 0.09% 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 total deductions in plan net assets of $152,713,000 during 2008 combined with the contributions of $127,577,000 and the net investment loss of $186,911,000, which are depicted on page 15, account for the net decrease in plan assets of $212,047,000 in 2008.

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 decreased 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 93721-2515

Becky Van Wyk

Becky Van Wyk, CPA, CGFM
Assistant Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2008 AND 2007
(Amounts expressed in thousands)

	2008	2007
ASSETS:		
Cash and cash equivalents with fiscal agents (Note 3)	$ 106,615	$ 154,071
Securities lending investments pool:		
Short term investments	75,127	219,411
Long term investments	282,621	226,037
	357,748	445,448
Receivables:		
Investment trades receivable (Note 4)	147,230	110,066
Interest and dividends receivable	7,923	7,550
Contributions and other receivables	7,656	15,250
Securities lending receivable	1,041	1,933
Total receivables	163,850	134,799
Investments, at fair value (Note 3):		
U.S. Government and agencies fixed income	288,433	302,331
Domestic fixed income	341,393	326,249
Foreign fixed income	135,693	100,119
Domestic equity	998,606 [1]	1,188,194 [1]
International equity	551,448	665,523
Mortgages	105,607	103,898
Private markets and alternative investments	234,463	157,802
Total investments	2,655,643	2,844,116
Prepaid expenses	145	158
Capital assets (Note 5)		
Depreciable, net	2,405	2,454
Total capital assets, net	2,405	2,454
Total assets	3,286,406	3,581,046
LIABILITIES:		
Investment trades payable (Note 4)	198,589	179,299
Cash collateral payable for securities lending (Note 3)	357,748	445,448
Accounts payable	2,781	15,846
Securities lending bank and broker fees	683	1,801
Total liabilities	559,801	642,394
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (Note 6)	$ 2,726,605	$ 2,938,652

(A schedule of funding progress appears on page 45).

[1] Effective with fiscal year ended June 30, 2008 the domestic equity index fund is combined with domestic equity. The June 30, 2007 display has been updated to coincide with the June 30, 2008 change, for comparison.

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, 2008 AND 2007
(Amounts expressed in thousands)

	2008	2007
ADDITIONS:		
Contributions:		
Employers	$ 97,305	$ 69,997
Plan members	30,272	33,528
Total contributions	127,577	103,525
Investment (loss)/income:		
From investment activities		
Net (depreciation)/appreciation in fair value of investments	(264,694)	363,823
Interest	39,752	38,012
Dividends	35,389	31,038
Private markets	11,159	18,590
Net(loss)/income from investment activities	(178,394)	451,463
From securities lending activities		
Securities lending income	18,174	17,838
Securities lending expenses		
Borrower rebate expenses	(14,015)	(16,403)
Security lending management fees	(838)	(324)
Net income from securities lending activities	3,321	1,111
Miscellaneous income	1,354	1,520
Investment expenses	(13,192)	(11,739)
Net investment (loss)/income	(186,911)	442,355
Total (subtractions)/additions	(59,334)	545,880
DEDUCTIONS:		
Benefits and refunds paid to plan members and beneficiaries	149,144	133,593
Administrative expenses	3,569	3,299
Total deductions	152,713	136,892
NET (DECREASE)/INCREASE	(212,047)	408,988
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
BEGINNING OF YEAR	2,938,652	2,529,664
END OF YEAR	$ 2,726,605	$ 2,938,652

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 the Superior Court of California-County of Fresno, (County), Clovis Memorial, Fresno Mosquito Vector Control 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. As of June 30, 2007, North Central Fire Protection District ceased active participation in the Association.

The Association membership at June 30, 2008 and 2007 is as follows:

	2008	2007
Retirees and beneficiaries receiving benefits	5,030	4,779
Terminated employees entitled to benefits but not yet receiving them (Deferred Members)	1,605	1,598
Current employees:		
Vested:		
General Tier 1	4,549	4,663
General Tier 2	6	44
General Tier 3	41	-
Safety Tier 1	725	723
Nonvested:		
General Tier 1	1,512	1,853
General Tier 2	115	255
General Tier 3	506	-
Safety Tier 1	167	253
Safety Tier 2	65	31
Total current employees	7,686	7,822
Total membership	14,321	14,199

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

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 benefit tier, membership classification (general or safety) and the option selected by the participant. 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 31664.2 became mandatory for any new employee in a Safety job classification covered by a collective bargaining agreement negotiated by Service Employees International Union (SEIU).

The County of Fresno adopted a new retirement tier for General members (General Tier III) under Government Code Section 31676.15, effective December 31, 2007. General Tier II members represented by SEIU were automatically transferred to General Tier III effective December 31, 2007. General Tier III membership is mandatory for some bargaining units within the County of Fresno.

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 active members of the Association elected by the general members,
3. One active 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 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.)

NOTE 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deposits and Investments (Continued)

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.

Implementation of New Accounting Pronouncement

The Association adopted Governmental Accounting Standards Board's (GASB) Statement No. 50, *Pension Disclosures an amendment of GASB Statement No. 25 and 27*, effective June 30, 2008. The expanded information on fair value methods and significant assumptions are included further in this note, and actuarial information is disclosed in Note 7 - Actuarial Valuations.

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statements of Plan Net Assets and Changes in Plan Net Assets. Also, certain accounts presented in prior year's data may have been reclassified in order to be consistent with the current year's presentation.

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.

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, 2008, 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, 2008 with a United States Dollar value of $471 of which $471 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. The Association'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, 2008 and June 30, 2007.

(Amounts expressed in thousands)

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

Investment Type		Minimum Policy Rating	Exempt from Disclosure	Rating at Year End June 30, 2008 Aaa/ P1	Baa	Caa	Not Rated
Securities lending - investments							
Asset backed security	$ 43,931	Aaa/ P1	$ -	$ 14,272	$ -	$ -	$ 29,659
Corporate fixed income	203,775	Aaa/ P1	-	203,775	-	-	-
Repurchase agreements	110,042	Aaa/ P1	-	110,042	-	-	-
Subtotal	357,748		-	328,089	-	-	29,659
US Government and agencies							
US treasury notes	49,145	N/A	49,145	-	-	-	-
Federal agency securities	239,288	B3	-	190,876	-	-	48,412
Subtotal	288,433		49,145	190,876	-	-	48,412
Domestic fixed income	341,393	B3	-	102,113	233,890	3,506	1,884
Mortgages	105,607	B3	-	58,997	-	-	46,610
Foreign fixed income	56,540	B3	-	37,307	11,116	42	8,075
Global Bond Fund	79,153	AA	-	79,153	-	-	-
	$ 1,228,874		$ 49,145	$ 796,535	$ 245,006	$ 3,548	$ 134,640

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	24,929	B3	-	14,362	381	-	10,186
Global Bond Fund [1]	75,190	AA	-	75,190	-	-	-
	$ 1,278,045		$ 54,262	$ 960,982	$ 98,641	$ 2,614	$ 161,546

[1] Global Bond Fund amount for June 30, 2007 has been revised to $75,190, a correction from $74,003 as previously reported.

(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, 2008 and June 30, 2007.

		Remaining Maturity in Months at June 30, 2008			
Investment Type		Less than 12 months	13 to 60 months	61 to 120 months	More than 120 months
Securities lending - investments					
Asset backed securities	$ 43,931	$ 43,931	$ -	$ -	$ -
Corporate fixed income	203,775	203,775	-	-	-
Repurchase agreements	110,042	45,125	64,917	-	-
Subtotal	357,748	292,831	64,917	-	-
US Government and agencies					
US Treasury notes	49,145	786	13,958	2,284	32,117
Federal agency securities	239,288	-	109	1,491	237,688
Subtotal	288,433	786	14,067	3,775	269,805
Domestic fixed income	341,393	12,034	68,005	50,256	211,098
Mortgages	105,607	-	1,584	-	104,023
Foreign fixed income	56,540	3,684	19,813	17,923	15,120
Global Bond Fund	79,153	-	-	-	79,153
Total Investments	$ 1,228,874	$ 309,335	$ 168,386	$ 71,954	$ 679,199

		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	15,485	28,923
Federal agency securities	248,069	-	3,312	4,761	239,996
Subtotal	302,331	1,432	11,734	20,246	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	24,929	-	24,548	-	381
Global Bond Fund [1]	75,190				75,190
Total Investments	$ 1,278,045	$ 359,231	$ 307,200	$ 80,024	$ 531,590

[1] Global Bond Fund amount for June 30, 2007 has been revised to $75,190, a correction from $74,003 as previously reported.

(Amounts expressed in thousands)

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

At June 30, 2008, the Association has $30,872 invested in the County of Fresno external investment pool, which has a dollar weighted average maturity of 806 days, compared to $59,713, and a dollar weighted average maturity of 501 days at June 30, 2007.

At June 30, 2008, the Association has $79,153 invested in a global bond fund, which has a weighted average maturity of 9.18 years, compared to $75,190 with a weighted average maturity of 6.5 years at June 30, 2007.

Concentration of credit risk. This is the risk of loss attributed to the concentration of the government's investment in a single issuer. The Association'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, 2008 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 The Association 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, 2008, the Association's investment in foreign currency was as follows:

Currency	Fair Market Value (US Dollars, thousands)
British Sterling Pound	$ 8
Euro	125
Japanese Yen	336
Other foreign currency	2
Total foreign currency	$ 471

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, 2008, the Association has approximately $31 million of its $551 million international equity portfolio hedged through the use of such forward foreign currency contracts. At June 30, 2007, approximately $21 million of the Association's $665 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, State Street Bank and Trust Company 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, 2008 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, 2008, the Association believes that if a borrower of a loaned security called on its collateral that it would be reasonably possible that devaluation would be experienced and due to market conditions the Association would encounter difficulty finding a buyer to take on the reinvested security and thus making it uncertain when the collateral would become available.

(Amounts expressed in thousands)

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

The Association is unable to quantify the dollar devaluation that would have existed if collateral had been called upon. 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 securities lending investment pool for 2008 and 2007 were $357,748 and $445,448 respectively. The fair values of loaned securities were as follows:

	June 30, 2008	June 30, 2007
Domestic equity	$ 262,731	$ 345,622
International equity	28,306	47,096
Total equity on loan	291,037	392,718
US government and agencies	36,934	32,420
Domestic bonds	16,986	7,516
Total bonds on loan	53,920	39,936
Total stocks and bonds on loan	$ 344,957	$ 432,654

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, 2008 and 2007, the Association had approximately $139,281 and $135,414 in these investments, respectively. A detail of these investments are listed below:

Investment Type	June 30, 2008	June 30, 2007
Variable Rate Notes	$ 33,674	$ 31,516
Collateralized Mortgage Obligations	105,607	103,898
Forward Foreign Currency	30,706	21,000
Total	$ 169,987	$ 156,414

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

NOTE 4 - **INVESTMENT TRADES RECEIVABLE AND PAYABLE (Continued)**

transactions. At June 30, 2008, forward foreign currency contracts receivable and payable totaled $30,706 and $30,886 respectively. At June 30, 2007, forward foreign currency contracts receivable and payable totaled $20,892 and $20,976 respectively.

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(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, 2008 and 2007:

	Balance July 1, 2007	Additions	Dispositions	Balance June 30, 2008
Capital assets, depreciated:				
Computer hardware/software	$ 794	$ 121	$ 6 [1]	$ 921
Furniture and fixtures	187	-	-	187
Equipment	68	-	-	68
Building	2,103	-	-	2,103
Total capital assets, depreciable	3,152	121	6	3,279
Less accumulated depreciation for:				
Computer hardware/software	(370)	(66)	(6) [1]	(442)
Furniture and fixtures	(57)	(20)	-	(77)
Equipment	(55)	(14)	-	(69)
Building	(216)	(70)	-	(286)
Total accumulated depreciation	(698)	(170)	(6)	(874)
Total capital assets, depreciated, net	2,454	(49)	-	2,405
Total capital assets, net	$ 2,454	$ (49)	$ -	$ 2,405
Depreciation charged for the current year totaled:		$ 170		

	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		

[1] Dispositions were overstated on this schedule by five thousand dollars at June 30, 2007, correction to accumulated depreciation recorded at June 30, 2008.

NOTE 6 - **CONTRIBUTIONS AND RESERVES**

Contributions

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, classification (safety or general), and benefit tier 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. Members are not permitted to borrow their contributions. Upon termination of employment, members may withdraw their contributions by requesting a refund of their 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 45.

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 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.

(Amounts expressed in thousands)

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

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.

The amounts and changes in reserves and designations for the year ended June 30, 2008 consist of the following:

	Balance July 1 2007	Increase (Decrease) In Plan Net Assets	Net Transfers	Balance June 30, 2008
Reserves:				
Members' accumulated contributions	$ 323,110	$ 24,199	$ (11,489)	$ 335,820
Current service reserve	668,261	64,398	(35,023)	697,636
Annuity pension reserve	106,720	(16,622)	23,608	113,706
Current service pension reserve	634,829	(64,659)	126,536	696,706
Settlement annuity pension reserve [1]	283,538	(13,671)	47,016	316,883
Settlement benefit reserve [1]	101,788	(8,339)	8,138	101,587
Cost of living adjustment reserve	461,899	4,767	51,580	518,246
Supplemental cost of living reserve	8,589	(1,466)	605	7,728
Survivors' death benefit reserve	1,817	(936)	129	1,010
Retiree health benefit reserve	54,599	(6,089)	4,335	52,845
Retiree health benefit reserve (VS)	31,476	(3,150)	2,506	30,832
Contingency reserve	15,964	-	53,936	69,900
Designated for market stabilization	246,062	-	(462,356)	(216,294)
Undistributed earnings	-	(190,479)	190,479	-
Net assets held in trust for Pension benefits	$ 2,938,652	$ (212,047)	$ -	$ 2,726,605

[1] Effective fiscal year end June 30, 2008 supplemental annuity and supplemental benefit reserves are titled settlement annuity and settlement benefit reserves respectively.

(Amounts expressed in thousands)

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

<u>Reserves and Designations (Continued)</u>

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
Settlement annuity pension reserve [2]	254,176	[1] (11,647)	41,009	283,538
Settlement benefit reserve [2]	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 reclassified from Cost of Living Reserve to Supplemental Annuity Reserve.

[2] Effective fiscal year end June 30, 2008 supplemental annuity and supplemental benefit reserves are titled settlement annuity and settlement benefit reserves respectively.

Members' accumulated contributions include all member contributions net of refunds and benefits paid to members. At retirement, member balances are transferred to the *annuity and settlement annuity pension reserves* and the *cost of living adjustment reserve*. Employers' contributions are paid into *current service reserve, settlement annuity reserve and cost of living reserve*. The employer current service and settlement annuity contributions are combined in the *current service reserve*, although tracked separately within the *current service reserve* balance. When an employee retires, the employer portion of their accumulated contributions for current service and settlement annuity are transferred from the *current service reserve* into the *current service pension reserve and the settlement annuity pension 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.

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

Reserves and Designations (Continued)

Historically, the Board has authorized that an annual rate equal to the actuarial rate of return be apportioned as the interest. During fiscal year ended June 30, 2003, the Board adopted an interest crediting policy that limited the amount available to apportion in lean years to the amount required to keep the non-valuation reserve account within an established floor of 1% of net assets and ceiling of 3% of net plan assets. However, effective July 1, 2007, the Board adopted a new interest crediting policy which implements the following objectives: 1) maintains consistency between the reserving structure accounts and the actuarial funding policies of the Association, 2) assures that the reserve values track the market value of assets over the long term and 3) to the extent possible, maintain reasonable stability in the both interest crediting and contribution rates by avoiding charging short-term losses to reserves. This policy resulted in interest apportionments of $107,067 for the December 31, 2007 interest-crediting period and $110,875 for the June 30, 2008 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. No additional transfers were made in fiscal year ended June 30, 2008.

The *survivor's death benefit reserve* is credited with balances transferred from members' accumulated contributions and the employer *current service reserve,* in those instances where the survivor is entitled to continuation benefits. The *current service reserve* consists of current service and settlement annuity contributions (which are tracked separately within the *current service reserve*). 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 and settlement annuity pension reserves* 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 monies with the expectation (but not the requirement) that the funds be used 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

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

Reserves and Designations (Continued)

as part of the Settlement Agreement negotiated between the County of Fresno and certified employee organizations in December 2000.

The supplemental cost of living reserve was established in 1990 to provide additional benefits for eligible members. The benefit was 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 changed each year. The *supplemental cost of living reserve* balance reflects Board approved transfers from *undistributed earnings*. Analysis of the expenditures of this reserve indicated that insufficient funding was unavailable to continue the benefit past August 2005. Thus, the Board of Retirement authorized transfers sufficient to provide funds to continue the benefit at existing levels in existence at June 30, 2006. The supplemental benefit reserve was established to account for the benefit increase given to retirees or the beneficiaries of retirees who retired prior to January 1, 2001, as part of the Settlement Agreement approved December 2000.

The supplemental annuity benefit reserve was established to account for the benefit increase given to members who retired on or after January 1, 2001 as part of the Settlement Agreement approved December 2000.

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.

The Association maintains a Statutory Contingency Reserve based on 1% of the total valuation account reserve balances. As part of the Interest Credit policy modified by the Board in September 2008, the Board established an additional Board Contingency Reserve of up to 2% of the total Plan Net Assets. Funding of this additional reserve is subject to Board approval.

NOTE 7 – **ACTUARIAL VALUATIONS**

Pursuant to provisions in the County Employees Retirement Law of 1937, the Association engages an independent actuarial firm to perform an annual actuarial valuation. An experience study is performed every three (3) years (i.e., triennial experience study). The economic and non-economic assumptions are updated at the time each triennial experience study is performed. Triennial experience studies serve as the basis for assumptions required in developing employer and member contribution

NOTE 7 – **ACTUARIAL VALUATIONS (Continued)**

rates necessary to properly fund the system. The Association periodically hires an independent actuarial firm to audit the results of the valuations. New assumptions were adopted by the Board of Retirement for the June 30, 2007 actuarial valuation based on the results of the June 30, 2006 triennial non-economic Experience Study and the June 30, 2007 Economic Assumptions Study.

Funded Status as of the Most Recent Actuarial Valuation Date
(Dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Unfunded AAL Percentage of Covered Payroll
June 30, 2007	$2,610,269	$3,149,570	$539,301	82.9%	$404,277	133.4%

1. Actuarial Cost Method: Entry Age Normal Cost Funding Method

2. Actuarial Asset Valuation Method: Five-year smoothed method based on the difference between expected and actual return on the market value of assets for the 10 six-month periods as of the valuation date. The smoothing method was adopted effective for the June 30, 1998 valuation.

3. Inflation: 4.0% per annum

4. Investment Rate of Return: 8.00% effective annual interest rate, net of both investment and administrative expenses. This rate was adopted for the June 30, 2007 valuation.

5. Projected Salary Increases: General Members: Salary increases range from 4.90% to 10.0% based on years of service (merit ranges from 0.90% to 6.00%; plus 3.75% inflation plus 0.25% "across the board" salary increase).

Additional Funding Progress data provided in the Required Supplementary Information section on page 45.

NOTE 7 – **ACTUARIAL VALUATIONS (Continued)**

5. Projected Salary Increases (Continued):

Safety Members: Salary increases range from 5.25% to 10.0% based on years of service (merit ranges from 1.25% to 6.00%; plus 3.75% inflation plus 0.25% "across the board" salary increase).

These rates were adopted for the June 30, 2007 valuation.

6. Post-retirement Benefit Increases:

The Cost of Living Adjustment (COLA) is applied in accordance with changes to the CPI but limited to a maximum of 3% per year. A supplemental COLA may be provided to certain members to limit the loss of purchasing power to no more than 25%.

Post-retirement benefit increase of 3% per year is assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index, are assumed payable each year in the future as they are equal to the expected increase in the Consumer Price Index of 3.0% per year. This rate was adopted for the June 30, 1978.

7. Amortization method and Period:

26 years (declining) for UAAL established as of June 30, 2003 plus 15 years (declining) for UAAL and change in actuarial assumptions established on each subsequent valuation. The increase in UAAL due to benefit improvements is amortized over 30 years. The Plan selects a closed method.

NOTE 7 – **ACTUARIAL VALUATIONS (Continued)**

The latest actuarial valuation increased the County normal cost rate from 16.48% to 17.87% of payroll primarily due to assumption changes. The County's required contribution rate to finance the UAAL increased from 8.09% to 10.65% of payroll. There is an increase in the total required contribution rate from the prior valuation of 3.95%, from 24.57% to 28.52% of payroll.

Note 8 – **COMMITMENTS AND CONTINGENCIES**

Capital Commitments

The Association invests in real estate and private equity partnerships. Each partnership's investment activity is controlled by a general partner and defined in the prospectus and Commitment Agreement. The Commitment Agreement defines the period of the investment which is typically five to ten years and the capital commitment. The Board of Retirement approves the capital commitment at the time the partnership agreement is approved.

As of June 30, 2008, outstanding capital commitments to the various partnerships, as approved by the Board, totaled $477,500. Subsequent to the June 30, 2008, the Association funded $387,388 of these capital commitments.

NOTE 9 - **FINAL COMPENSATION LITIGATION**

On May 7, 2003, the County of Fresno (County) brought suit against the Association 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 Association 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 Association and its Board, inter alia, that the Board of the Association 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 the

NOTE 9 - **FINAL COMPENSATION LITIGATION (Continued)**

Association 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 the Association 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 the Association 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 Association 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 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 Association 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 Decisions; (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 Association and its Board, until the judgment on the County's claim for declaratory relief became final and all appeals from the judgment were 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.

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

The Superior Court dismissed, with prejudice, FDSA's cross-complaint on January 23, 2008, resulting in the conclusion of the court action. On August 11, 2006, the independent actuarial firm, The Segal Company, identified several questionable practices and errors by Public Pension Professionals, Inc. (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 included adjusting rates prospectively as well as making retroactive adjustments, which, among other things, required refunds totaling $4,587 to the Association members to date.

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

Trial is currently set for May 18, 2009.

NOTE 11 – **NORTH CENTRAL FIRE PROTECTION DISTRICT LITIGATION**

The North Central Fire Protection District ("District") is an employer plan sponsor that has participated in the Association continuously since electing to join in 1963. The retirement benefits that the District's employees earn with Association are funded with employer and employee contributions and investment returns on those contributions.

In early 2007, the District entered into an agreement with the City of Fresno relating to fire protection services. As part of that process, all of the District's employees terminated their employment with the District and became employees of the City of Fresno. Thus, the District no longer has any payroll, but continues to exist as an entity with assets. Ordinarily, the required employer contributions to the Association are translated into percentage rates to be applied against the projected payrolls of each employer. The employers' contribution rates are generally comprised of a "normal cost" portion, representing the anticipated contributions attributable to the service of employees for the coming year, and an Unfunded Actuarial Accrued Liability (UAAL) portion, representing a portion of the gains or losses in the system attributable to the service of employees in all cumulative past years. Because the District no longer has any payroll, the Association can no longer collect amounts from the District to pay for

NOTE 11 – **NORTH CENTRAL FIRE PROTECTION DISTRICT LITIGATION (Continued)**

the District's share of the retirement system's UAAL as a percentage of payroll. Accordingly, the Association Board of Retirement worked with its actuary to determine the amount that the Association should collect from the District to cover the District's share of the Association's UAAL.

After an open and deliberative process, on June 18, 2008 the Board determined that the District's required contribution to the Association was $5,117 as of June 30, 2007, and that interest at 8% per annum should run from July 1, 2007 until the District satisfied its obligation in full. The Board further determined that that the amount owing from the District would be subject to future adjustments based on future changes to the Association's UAAL. On June 20, 2008, the Board sent an invoice to the District, and demanded payment by no later than June 30, 2008.

To date, the District has not made its required contribution. On August 5, 2008, the District filed (in Fresno Superior Court) a Complaint for Declaratory Relief, which seeks a declaration that the Association has no authority to collect any amounts from the District.

On September 4, 2008, the Association filed an Answer and a Cross-Complaint, which seeks a declaration that the Association is entitled to collect from the District the amounts it has demanded.

The first case management conference is set for December 8, 2008. At that case management conference, the Court will likely set a trial date for sometime in mid to late 2009.

NOTE 12 – **SUBSEQUENT EVENTS**

Recent Market Events

The events of volatility occurring in the stock market have had a material effect on the Association's asset values. The Association's exposure to companies such as American International Group (AIG), Lehman Brothers, Merrill Lynch, Morgan Stanley and Washington Mutual led to unrealized losses in September 2008, prior to the stock market crash of October 2008. The following are disclosures that occurred subsequent to the Association's fiscal year end, but prior to the actual issuance of the financial statements.

NOTE 12 – **SUBSEQUENT EVENTS (Continued)**

Recent Market Events (Continued)

American International Group Inc. (AIG) Exposure

The Federal Reserve Bank of New York was authorized to loan AIG up to $85 billion in return for 79.9 % equity interest.[1] This loan was to enable AIG to meet its financial obligations. As of September 19, 2008, the Association's investment consultant, Wurts & Associates, estimated the Association's exposure to AIG resulted in an unrealized loss in the amount of $927.

Lehman Brothers Holdings Inc. Exposure

Lehman Brothers filed for bankruptcy which according to Wurts & Associates created an unrealized loss for the Association of $2,846 as of September 19, 2008.

Merrill Lynch Exposure

On September 14, 2008, Merrill Lynch was acquired by Bank of America in a deal worth approximately $50 billion. Prior to being purchased by Bank of America, Merrill Lynch's stock price fell considerably due in part to the write-down of sub-prime losses of nearly $23 billion. [2] Wurts & Associates has estimated Merrill Lynch's losses have resulted in an unrealized loss for the Association of $294 as of September 19, 2008.

Morgan Stanley Exposure

On September 22, 2008, Morgan Stanley announced its plans to become a traditional bank holding company. The Federal Reserve approved Morgan Stanley's request which prevented additional chaos in the investment banking sector as evidenced with Lehman Brothers bankruptcy and the Merrill Lynch sale to Bank of America. According to Wurts & Associate the Association has an unrealized loss of $637 due to the Morgan Stanley losses as of September 19, 2008.

Investment Manager Exposure to Debt Holdings

The following is a summary from Wurts & Associates showing The Association's investment manager exposure to the companies whose activity is creating excessive unrealized losses:

(Amounts expressed in thousands)

NOTE 12 – **SUBSEQUENT EVENTS (Continued)**

Investment Manager Exposure to Debt Holdings (Continued)

The Association's Investment Manager Exposure as of September 19, 2008:

Security Name	Base Total Cost (thousands)	Base Market Value (thousands)	Unrealized Loss (thousands)
American Intl Group Inc (AIG)	$ 1,240	$ 313	$ (927)
Lehman Brothers	3,114	268	(2,846)
Merrill Lynch	2,682	2,388	(294)
Morgan Stanley	3,447	2,810	(637)
Washington Mutual	434	299	(135)
	$ 10,917	$ 6,078	$ (4,839)

[1] http:/ federalreserve.gov/newsevents/press/other/20080916a.htm
[2] http:// business.timesonline.co.uk/tol/business/industry_sectors/banking_and finance/article3204631.ece

Counter Party Exposure

The Association was subject to counterparty exposure as a result of the events subsequent to the Lehman Brothers bankruptcy and credit pressures on Merrill Lynch and Morgan Stanley. Prior to these events, the Association had loaned securities to these firms through its Securities Lending program. All the loans through the Securities Lending program were fully collateralized at 102% of the security value. Loans to Merrill Lynch and Morgan Stanley still exist; however, the Association expects the return of these securities upon maturity of the loans. All securities loaned to Lehman Brothers were recalled less the pending amount listed in the following table:

The Association's Counter Party Exposure as of September 24, 2008:

Borrow Name	Cash Collateral (thousands)	Market Value Securities On Loan (thousands)	Collateral Percent
Merrill Lynch Government Securities	$ 499	$ 489	102.08%
Merrill Lynch International	13	16	102.06%
Merrill Lynch, Pierce, Fenner & Smith	22,332	20,875	103.58%
Morgan Stanley & Co. Inc	6,915	6,562	105.01%
Lehman Brothers	374	353	105.75%
	$ 30,133	$ 28,295	

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008 AND 2007
(Amounts expressed in thousands)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(1) Actuarial Value of Assets (AVA)	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3)/(5)
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 [1]	98.9%	341,981	9.2% [1]
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 [1]	2,233,594 [1,3]	189,205 [1,3]	91.5% [1]	351,049	53.9% [3]
6/30/06	2,398,454	2,803,990	405,536	85.5%	376,270	107.8%
6/30/07	2,610,269 [4]	3,149,570	539,301	82.9%	404,277	133.4%

[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, located on page 71, 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 Cost of Living Adjustments UAAL be paid by members. After the amendment, the AAL was $2,545,620, the AVA was $2,270,141, the funded percentage was 89.2% and UAAL was $275,479.

[4] Assets decreased by $3,169 for a net overpayment of member contributions discounted.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Amounts expressed in thousands)

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2003	$ 33,583	100.00%
2004	44,939	85.67% [1]
2005	56,296	100.00%
2006	56,664	100.00%
2007	69,997	100.00%
2008	97,305	100.00%

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

[1] 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.

(Amounts expressed in thousands)

LATEST ACTUARIAL VALUATION METHODS

Valuation date	June 30, 2007
Actuarial cost method	Entry age normal funding method
Amortization method	Level percent of payroll for total unfunded liability – The Plan selects a closed method
Remaining amortization period	26 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	8.00% (compounded semi-annually, 4.0% real return, 3.75% inflation; real across-the-board salary increases .25%)
Projected salary increases	Rates vary by service type:
- General Members:	Salary increases range from 4.90% to 10.0% (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 5.25% to 10.0% (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, 2008 AND 2007

	2008	2007
Personnel Services		
Salaries and Benefits	$ 1,704,559	$ 1,601,643
Total Personnel Services	1,704,559	1,601,643
Office Expenses		
Election Expenses	14,663	9,296
Office Supplies	61,773	49,765
Postage	41,209	18,555
Telephone	3,309	4,038
Utilities	21,320	19,794
Total Office Expenses	142,274	101,448
Other Services and Charges		
Bad Debt	-	5,083
Interest Refunded - Overpayment Policy	175,896	67,307
Insurance Other	162,757	162,236
Maintenance	30,452	23,061
Professional and Specialized Services	892,297	857,376
Disability Expenses	96,445	137,965
Data Processing Services	149,049	140,124
Transportation, Travel, and Education - Staff	17,265	14,700
Transportation, Travel, and Education - Board	27,500	25,815
Total Other Services and Charges	1,551,661	1,433,667
Depreciation	170,173	162,484
Total Administrative Expenses	$ 3,568,667	$ 3,299,242

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ADMINISTRATIVE BUDGET ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Approved Budget	Final Budget	Fiscal Year Expenditures	Percentage Expended
Personnel Services				
Salaries	$ 1,310,409	$ 1,310,409	$ 1,163,007	88.75%
Benefits	615,573	615,573	541,552	87.98%
Total Personnel Services	1,925,982	1,925,982	1,704,559	88.50%
Professional Services				
Actuarial [1]	75,000	75,000	157,307	209.74%
Legal Counsel	379,000	379,000	330,095	87.10%
Professional Services - Disability	149,774	149,774	96,445	64.39%
Other Professional Services	426,369	426,369	277,795	65.15%
Pensions System Maintenance	359,036	359,036	127,100	35.40%
Total Professional Services	1,389,179	1,389,179	988,742	71.17%
Travel, Transportation, and Education				
Transportation, Travel, and Education - Board	44,200	44,200	27,500	62.22%
Transportation, Travel, and Education - Staff	27,060	27,060	17,265	63.80%
Total Travel, Transportation, and Education	71,260	71,260	44,765	62.82%
Other				
Data Processing	162,527	162,527	149,049	91.71%
Depreciation [2]	-	-	170,173	N/A
Insurance	177,682	177,682	162,757	91.60%
Interest Paid - Overpayment Policy	-	-	175,896	N/A
Maintenance	34,636	34,636	30,452	87.92%
Office Supplies	133,038	133,038	142,274	106.94%
Total Other	507,883	507,883	830,601	163.54%
Capital Assets [2]	15,650	15,650	-	0.00%
Total Administrative Expenditures	$ 3,909,954	$ 3,909,954	$ 3,568,667	91.27%

[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, 2008 AND 2007

	2008	2007
Investment Manager Fees	$ 12,219,526	$ 10,913,720
Custodial Service Fees	162,854	200,664
Actuarial Valuation Fees [1]	148,000	55,000
Executive Office Operation	205,475	219,818
Due Diligence Travel	5,770	2,731
Futures Commission Expense	24,600	46,954
Foreign Tax Representation Fee	-	2,250 [2]
Investment Legal Fees	227,093 [2]	37,050 [2]
Investment Consultant	198,167 [2]	260,742 [2]
Subtotal Investment Expenses	13,191,485	11,738,929
Securities Lending Expenses	14,853,128	16,727,150
Total Investment Expenses	$ 28,044,613	$ 28,466,079

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 50 as Payments to Consultants.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Disability Attorney Fees	$ 19,988	$ 27,660
Retirement Board Attorney Fees	330,095	426,020
Disability Medical, Investigation, and Copying Fees	76,457	110,305
Other Professional Expenses	64,151	63,489
Audit Fees	60,119	55,417
Foreign Tax Representation Fees	-	2,250 [1]
Actuarial Consulting Fees (non-actuary study costs)	157,307	79,458
Actuarial Report Fees	148,000	55,000
Investment Legal Fees	227,093 [1]	37,050 [1]
Custodial Fees	162,854	200,664
Investment Consultant	198,167 [1]	260,742 [1]
Data Processing Fees	149,049	140,124
Total Payments to Consultants	$ 1,593,280	$ 1,458,179

Refer to page 60 for information on fees paid to investment managers.

[1] Foreign Tax Representation, Investment Legal and Investment Consultant Fees can also be found on page 49 as Investment Expenses.

INVESTMENT SECTION

2321 Rosecrans, Suite 2250
El Segundo, California 90245

WURTS ASSOCIATES

Telephone: 310.297.1777
Facsimile: 310.297.0878

October 16, 2008

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

After an 18.7% gain net of fees for the fiscal year ending June 30, 2007, FCERA's investment portfolio returned -5.4% net of fees (fiscal year ending June 30, 2008) and ranked in the 69th percentile in the Independent Consultants Cooperative Public Funds Universe (ICC). Both domestic and international markets experienced losses for the fiscal year while the fixed income markets posted a modest 4.4% return.

The FCERA portfolio matched the Fund's Policy and underperformed the Median Public Fund in the ICC Universe benchmark by 1.0%. The underperformance was largely due to the Plan's poor performance in domestic and international equities over the past fiscal year. FCERA's domestic equity allocation returned -13.9% while the international equity allocation had a one year return of -6.9%. These two asset classes make up over 55% of the total Plan's allocation and as result the FCERA's performance was hampered.

For the last three years ending June 30, 2008, the FCERA investment portfolio has earned 7.6% net of fees and outperformed the Policy benchmark by 100 basis points and the Median Public Fund by 80 basis points. These results ranked FCERA's investment portfolio in the 24th percentile amongst its peers. Over the five-year period ending June 30, 2008, the portfolio returned 10.1% net of fees. This return earned FCERA a ranking in the 19th percentile. Return calculations were prepared using a time-weighted rate of return based on market values (fair values).

FCERA has taken a number of actions regarding the Plan over the past fiscal year. The first was to address the discrepancy of the underweight to the Private Markets in the target allocation. As a result, FCERA provided additional funding to two existing Private Equity managers, New Mountain Partners and Warburg Pincus, and hired a Private Equity Fund-of-Funds manager, Hamilton Lane in October of 2007. Additionally, INVESCO, a Core Real Estate manager, was also hired. INVESCO was funded in October, 2007.

In February, FCERA decided to terminate Trust Company of the West, a Large Cap Growth manager, and place the assets in a Russell 1000 Growth Index fund using State Street Global Advisors as the transition manager. Starting at the beginning of 2008, FCERA hired State Street Bank & Trust Co., located in Boston to be the Plan's new custodian. One manager, Brandywine Global Investment Management, was also put on probationary status in May of this year as a result of underperformance. 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%	1.7%
Core Fixed Income	30%	29.5%
Domestic Equity	38%	36.9%
Global Fixed Income	3%	2.9%
International Equity	18%	20.4%
Private Markets	11%	8.6%

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

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 57 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, 2008

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.

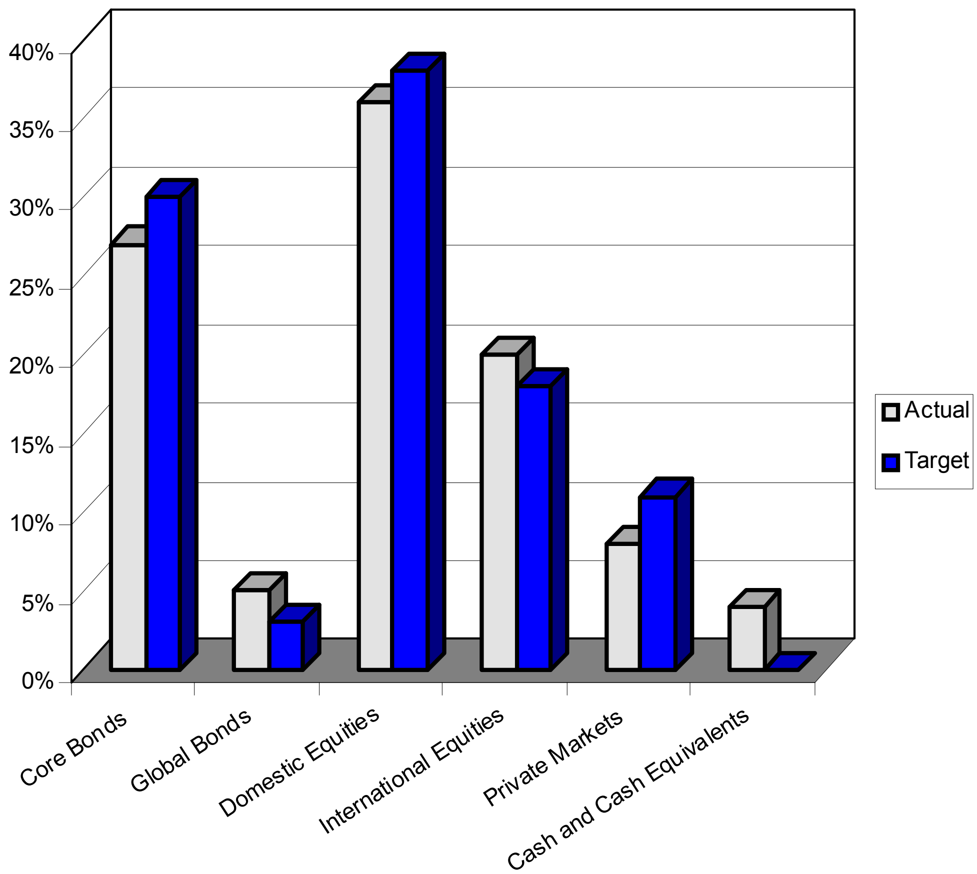
One keystone of asset allocation is diversification among asset classes. Diversification helps to maintain risk at a tolerable level. Therefore, the Board reviews the investment performance and volatility of each asset class on a regular basis over various time periods (quarterly, annually, multi-years) 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 51 and 52 of this CAFR due to the different reporting methodologies used by the investment consultant and FCERA.

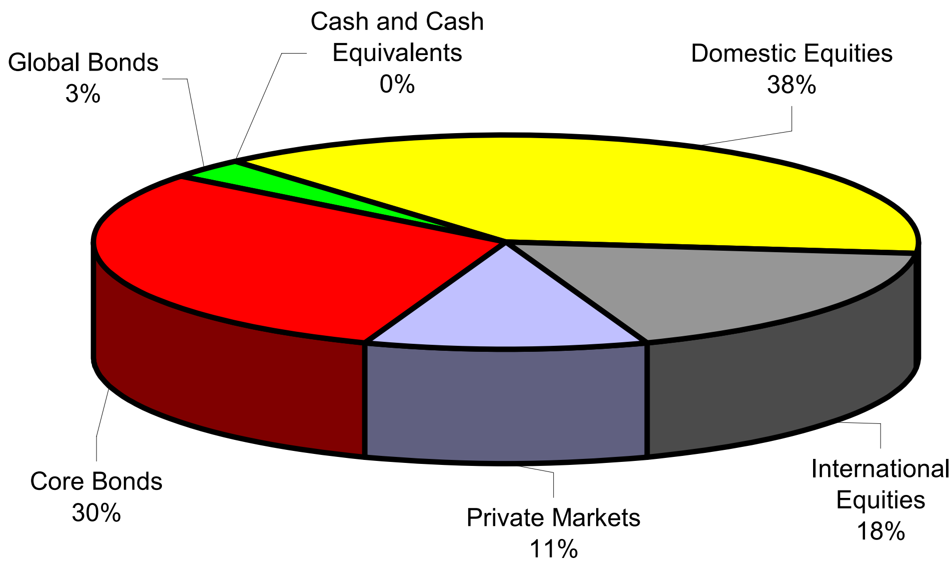
For example, the investment consultant reports cash held with investment managers as part of the investment manager's investment portfolio not as cash and cash equivalents as reported on the Investment Summary.

The 2007 - 2008 target and actual asset allocations are presented in the following graphs and charts:

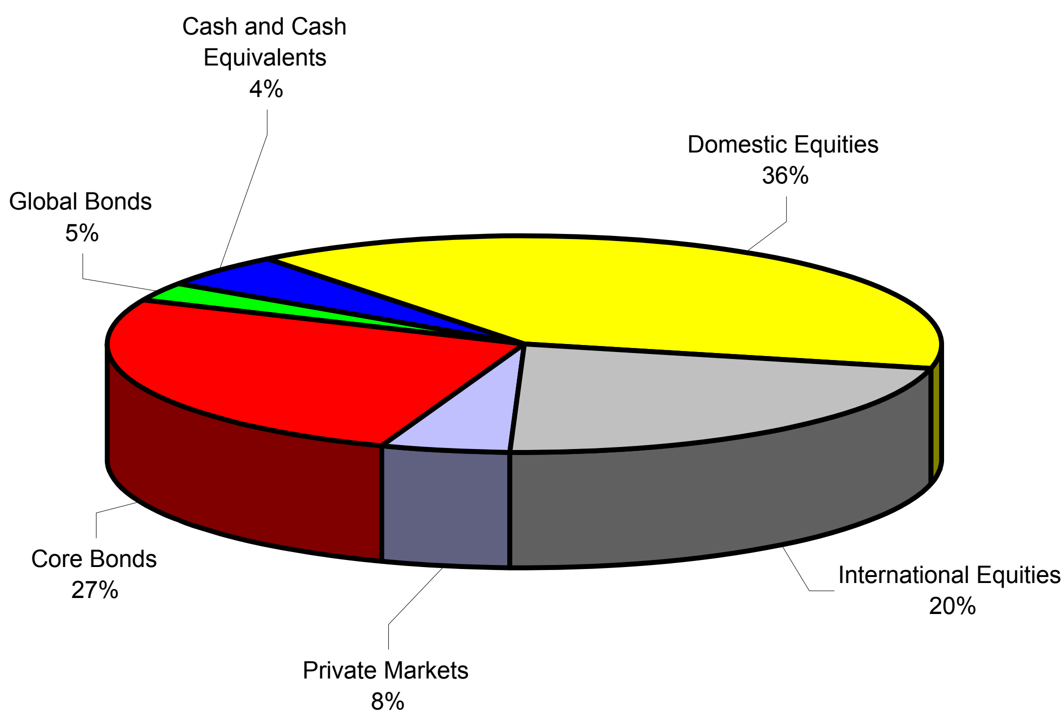


FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TARGET AND ACTUAL ASSET ALLOCATIONS (Continued)
AS OF JUNE 30, 2008

Target Percentages



Actual Percentages



FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT SUMMARY
AS OF JUNE 30, 2008

Total Funds	Current Year	3-Year Return	5-year Return
Fixed Income			
Domestic	4.8%	3.7%	4.3%
Benchmark : LB Aggregate Index	7.1%	4.1%	3.9%
Global	7.2%	5.8%	7.0%
Benchmark : JPM Global GBI T/U	16.7%	6.0%	6.2%
Equities			
Domestic Large Capital Value	-16.8%	4.0%	10.0%
Benchmark: Russell 1000 Value	-18.8%	3.5%	8.9%
Domestic Large Capital	-13.1%	4.5%	0.0% [1]
Benchmark: S & P 500 Index	-13.1%	4.4%	0.0%
Domestic Large Capital Growth	-3.6%	5.3%	0.0% [2]
Benchmark: S & P Citi Growth Index	-5.8%	4.6%	0.0%
Domestic Large Capital Growth	1.2% [5]	0.0% [5]	0.0% [5]
Benchmark: Russell 1000 Growth	1.3%	0.0%	0.0%
Domestic Small Capital Growth	-13.7%	3.1%	0.0% [3]
Benchmark: Russell 2000 Growth	-10.8%	6.1%	0.0%
Domestic Small Capital Value	-24.2%	-1.3%	8.5%
Benchmark : Russell 2000 Value	-21.6%	1.4%	10.0%
Emerging Markets Equity	5.4%	0.0% [4]	0.0% [4]
Benchmark: MSCI Emerging Markets Free	4.9%	0.0%	0.0%
International Equity	-11.2%	13.0%	16.7%
Benchmark : MSCI EAFE	-10.2%	13.3%	17.2%
Private Markets			
Real Estate	7.4%	20.3%	17.6%
Benchmark : NCREIF Classic Property	9.2%	15.0%	14.7%
Alternative Investments	0.6%	15.7%	17.7%
Benchmark : S&P 500 + 4.47%	-9.1%	9.0%	12.3%
Cash, Custodial and Investment Pool			
Cash	3.9%	4.4%	3.3%
Benchmark: 90-Day Treasury Bill	3.6%	4.3%	3.2%
Total	**-5.1%**	**8.0%**	**10.5%**

Notes:

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

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 the mandate was funded on March 23, 2004.

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

[3] There were no 5-year results for Domestic Small Capital Growth, because the mandate was funded in November 2004.

[4] There were no current 3-year or 5-year results for Emerging Market Equity because the mandate was funded in November 2005.

[5] The current year information for this mandate is for the quarter ended 06/30/2008. There are no 3-year or 5-year results because the mandate was funded in April 2008.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT SUMMARY
AS OF JUNE 30, 2008
(Amounts expressed in thousands)

	Fair Value	Actual Percentages	Target Percentages
Investments			
Domestic Bonds[1]	$ 447,000	16.18%	30.00%
Global Bonds [2]	135,693	4.91%	3.00%
US Government and Agencies	288,433	10.44%	0.00%
Total Bonds	871,126	31.53%	33.00%
Domestic Stocks	998,606	36.15%	38.00%
International Stocks	551,448	19.96%	18.00%
Total Stocks	1,550,054	56.11%	56.00%
Real Estate (Station Building)	1,793	0.07%	0.00%
Private Markets[3]	232,670	8.42%	11.00%
Total Investments	2,655,643	96.13%	100.00%
Cash and Cash Equivalents			
Cash Held in County Investment Pool	30,872	1.12%	0.00%
Cash Held in Checking Account	173	0.01%	0.00%
Short Term Investment with Fiscal Agent	75,570	2.74%	0.00%
Total Cash and Cash Equivalents	106,615	3.86%	0.00%
Total Investment, Cash and Cash Equivalents	$ 2,762,258	100.00%	100.00%

1 Includes mortgages.
2 Includes foreign bonds.
3 Includes real estate, futures, and alternative investments.

FRESNO COUNTY EMPLOYEES’ RETIREMENT ASSOCIATION

LARGEST BOND HOLDINGS (By Fair Value)
as of June 30, 2008

Par	Name	Yield	Maturity Date	Fair Value
8,921,009	WA Mortgage Backed	0.000%	12/31/99	$ 100,058,032
9,179,665	GMO Global Bond Fund III	0.000%	12/31/99	79,128,716
12,300,000	SWAPTRHL4 IRS USD RF	4.050%	12/11/09	12,438,039
10,800,000	BRS628UC8 IRS USD RV	1.000%	01/08/10	10,800,000
10,000,000	BRS6QYY56 IRS USD RV	1.000%	03/06/13	10,252,926
10,000,000	US Treasury Notes	3.500%	05/31/13	10,073,438
9,500,000	BRS6J4SVO IRS USD RF	3.076%	03/20/13	9,500,000
9,500,000	BRS6SKOQ5 IRS USD RF	2.744%	02/14/10	9,500,000
9,400,000	0WPO79015 IRS USD RV	1.000%	05/15/16	9,400,480
9,643,064	FNMA Pool	5.000%	07/01/35	9,277,682
99,243,738	Total			$ 260,429,313

LARGEST STOCK HOLDINGS (By Fair Value)
as of June 30, 2008

Shares	Name	Fair Value
8,698,335	Mondrian Emerging Market Fund	$ 179,465,781
630,033	SSGA Funds	157,319,143
3,364,335	Russell 1000 Growth SL	104,849,490
297,500	Exxon Mobil Corp.	26,218,675
139,096	Conoco Phillips	13,129,271
244,711	AT&T Incorporated	8,244,314
80,500	Chevron Corp.	7,979,965
67,900	Exelon Corp.	6,108,284
111,780	SAP Ag.	5,857,584
110,500	Marathon Oil Corp.	5,731,635
13,744,690	Total	$ 514,904,142

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, 2008 AND 2007

	2008	2007
Investment Managers' Fees		
Domestic Equity Managers:		
Aronson, Johnson and Ortiz	$ 621,100	$ 641,262
Artisan Partners	634,831	634,982
Brandywine Asset Management	529,779	600,734
Intech S&P Barra Growth	775,806	750,679
Kalmar Management	560,711	495,746
State Street Global Advisors	16,146	42,432
TCW Concentrated Core	168,141	462,190
Wellington Management Company	589,975	590,724
Total Domestic Equity Managers	3,896,489	4,218,749
International Equity Managers:		
Mondrian Emerging	1,266,762	1,082,653
Oechsle International	1,072,242	1,052,112
Templeton Investments	1,115,664	1,133,396
Total International Equity Managers	3,454,668	3,268,161
Domestic Fixed Income Managers:		
BlackRock Financial Management, Inc.	497,143	484,673
Bradford and Marzec, Inc.	444,616	422,710
Grantham, Mayo & Van Otterloo	310,727	291,292
Loomis Sayles	373,451	349,182
Western Asset Management	464,460	463,724
Total Domestic Fixed Income Managers	2,090,397	2,011,581
Private Market Managers:		
Alternative Investments	1,905,350	1,061,586
Real Estate	820,126	339,661
Total Private Market Managers	2,725,476	1,401,247
Cash Overlay		
State Street Global Advisors	52,496	13,982
Total Cash Overlay Managers	52,496	13,982
Total Investment Managers' Fees	$ 12,219,526	$ 10,913,720
Other Investment Expenses		
Securities Lending Expense	$ 14,853,128	$ 16,727,150
Due Diligence Travel	5,770	2,731
Custodial Service Fees	162,854	200,664
Actuarial Valuation Fees	148,000	55,000
Executive Office Operation	205,475	219,818
Futures Commission Expense	24,600	46,954
Consulting and Legal Fees	425,260	300,042
Total Other Investment Expenses	$ 15,825,087	$ 17,552,359

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
ABN Amro Securities LLC	368,347	$ 9,375	$ 0.0255	0.39%
Avian Securities	259,000	5,180	0.0200	0.21%
Baird, Robert W. & Company Inc	125,925	6,236	0.0495	0.26%
Banc Of America Securities LLC	289,006	8,914	0.0308	0.37%
Bank Of New York Brussels	386,557	3,116	0.0081	0.13%
Bear Stearns & Co Inc	863,434	24,922	0.0289	1.03%
Bernstein	448,090	7,549	0.0168	0.31%
Bloomberg Trade Book LLC	646,411	8,369	0.0129	0.35%
BNY Brokerage Inc	563,122	13,289	0.0236	0.55%
BNY Convergex LJR	781,057	27,250	0.0349	1.13%
Bank of New York	95,700	2,703	0.0282	0.11%
Broadcort Capital	67,383	3,089	0.0458	0.13%
B-Trade Services LLC	677,531	13,502	0.0199	0.56%
Cantor Fitzgerald & Co	443,974	11,499	0.0259	0.48%
Capital Institutional Svcs	552,276	18,095	0.0328	0.75%
CIBC World Markets Corp	116,745	5,271	0.0451	0.22%
Citigroup Global Markets	948,682	17,207	0.0181	0.71%
Credit Suisse Securities LLC	3,053,658	49,689	0.0163	2.06%
Crowell, Weedon & Co, Inc	108,700	4,348	0.0400	0.18%
CS First Boston Limited	610,805	14,563	0.0238	0.60%
Daiwa Securities America Inc	49,000	4,187	0.0854	0.17%
Deutsche Bank Securities Inc	2,797,095	58,679	0.0210	2.43%
Dowling & Partners	64,300	2,597	0.0404	0.11%
Euroclear	480,820	2,707	0.0056	0.11%
First Albany	59,110	2,549	0.0431	0.11%
Fox Pitt Kelton Inc	85,100	3,052	0.0359	0.13%
Friedman Billings & Ramsey	138,750	5,787	0.0417	0.24%
Goldman Sachs & Co	4,304,672	74,550	0.0173	3.09%
Goldman Sachs International	404,116	4,331	0.0107	0.18%
Goldman Package	372,026	3,720	0.0100	0.15%
Guzman & Co	919,400	22,429	0.0244	0.93%
Instinet	2,732,016	61,549	0.0225	2.55%
Investment Technology Group Inc	1,367,601	20,142	0.0147	0.83%
ITG Posit	393,535	5,903	0.0150	0.24%
J P Morgan Securities Inc	1,164,057	28,116	0.0242	1.17%
Jefferies & Company Inc	1,487,387	32,281	0.0217	1.34%
Jones & Associates Inc	410,067	12,038	0.0294	0.50%
Jones Trading Institutional Services	909,996	23,121	0.0254	0.96%
Keefe Bruyette & Woods Inc	85,100	4,014	0.0472	0.17%
Knight Securities	387,007	7,880	0.0204	0.33%
Labranche Financial Services	332,000	7,094	0.0214	0.29%
Lehman Brothers Inc	1,279,135	52,590	0.0411	2.18%
Liquidnet Inc	1,809,210	40,173	0.0222	1.66%

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
Lynch Jones And Ryan Inc	1,542,032	51,708	0.0335	2.14%
Merrill Lynch,Pierce,Fenner & Smith, Inc	1,157,380	33,311	0.0288	1.38%
Ml Professional Clearing Corp	402,503	8,050	0.0200	0.33%
Morgan Stanley Co Inc	1,420,936	35,478	0.0250	1.47%
Needham & Company	148,180	6,537	0.0441	0.27%
Pipeline Trading Systems LLC	158,850	2,384	0.0150	0.10%
Piper Jaffray & Hopwood	81,700	3,779	0.0463	0.16%
Portware	520,790	5,411	0.0104	0.22%
Pulse Trading LLC	119,610	2,540	0.0212	0.11%
Raymond James And Associates Inc	160,620	7,293	0.0454	0.30%
RBC Capital Markets	62,760	2,667	0.0425	0.11%
Rosenblatt Securities LLC	854,800	21,717	0.0254	0.90%
Sanford Cbernstein Co LLC	412,281	9,522	0.0231	0.39%
Scott & Stringfellow, Inc	57,700	2,470	0.0428	0.10%
SG America's Securities	99,610	2,645	0.0266	0.11%
Signal Hill Capital	209,687	4,331	0.0207	0.18%
Salomon Smith Barney	158,460	6,552	0.0413	0.27%
State Street Brokerage Services	2,524,833	37,886	0.0150	1.57%
Stephens Inc	88,700	4,077	0.0460	0.17%
Stifel Nicolaus & Co Inc	80,050	3,599	0.0450	0.15%
Susquehanna Brokerage	121,782	2,436	0.0200	0.10%
UBS Securities LLC	1,936,242	63,699	0.0329	2.64%
Veritas Securities	187,200	5,171	0.0276	0.21%
Wachovia Capital Markets, LLC	132,200	6,391	0.0483	0.26%
Warburg Securities	117,155	3,126	0.0267	0.13%
Weeden & Co	1,121,862	26,272	0.0234	1.09%
William Blair & Company, LLC	49,331,924	1,221,905	0.0248	50.62%
Other	2,971,733	99,510	0.0335	4.12%
	99,619,483	$ 2,414,122	$ 0.0242	100.00%

ACTUARIAL SECTION

SEGAL

THE SEGAL COMPANY
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October 3, 2008

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, 2007 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, 2007 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.

One of the funding objectives 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).

The UAAL is amortized as a level percentage of payroll over a declining 26-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, 2007 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, 2006 Experience Analysis or in conjunction with the June 30, 2007 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2007 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, 2009.

In the June 30, 2007 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 85.5% to 82.9%. The employer's rate has increased from 24.57% of payroll to 28.52% of payroll, while the employee's rate has increased from 7.45% of payroll to 8.49% of payroll.

Sincerely,

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

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

MYM/hy
Enclosures (4040368)

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 Unfunded Actuarial Accrued Liability 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, 2006. The actuarial valuation report was approved and adopted by the Fresno County Board of Retirement on February 6, 2008.

1.	Investment Rate of Return:	8.00% per annum, compounded semiannually. (4.00% real, 3.75% inflation; real across-the-borad salary increases .25%)
2.	Interest Credited to Employee Accounts:	8.00% per annum, compounded semiannually
3.	Inflation:	3.75% per annum
4.	Salary Scale:	
	- General Members:	Salary increases range from 4.90% to 10.0% 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 5.25% to 10.0% 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:	80% of male active members and 55% 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 11.0%, 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:	40% of General members and 55% of Safety 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 Company dated June 30, 2007. Please refer to page 46 for the latest actuarial valuation methods.

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

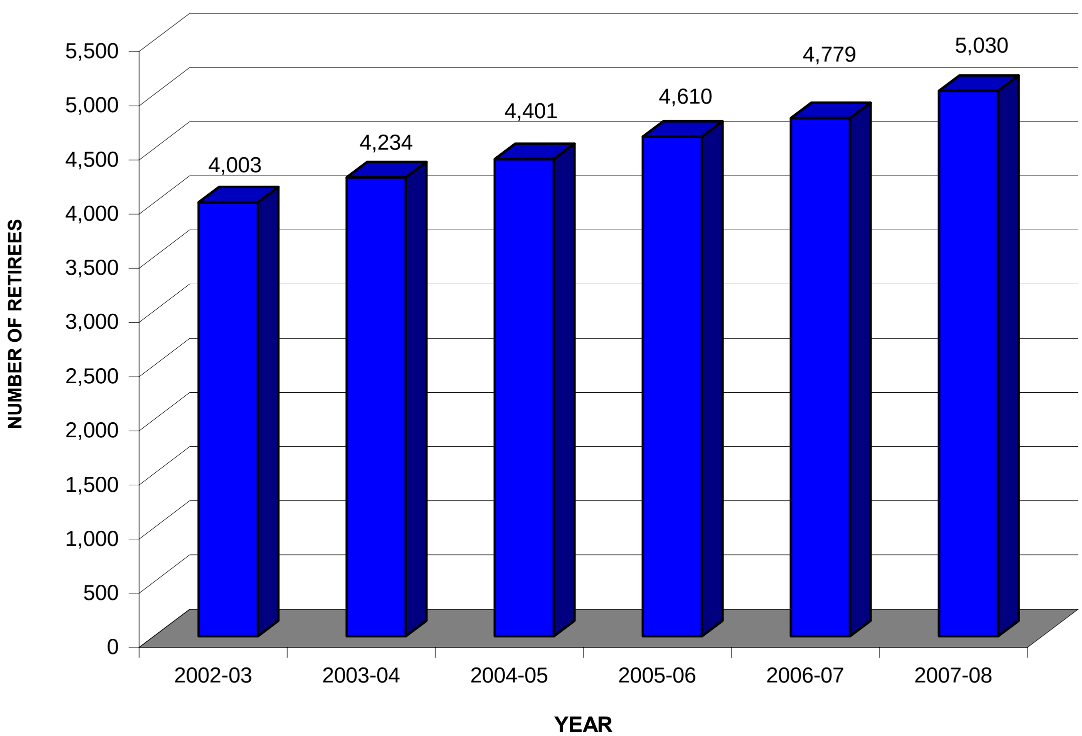
Valuation Date	Plan Type	Number		Annual Payroll (in thousands)		Average Monthly Salary	% Increase in Average Salary
6/30/2002 [1]	General	6,811	$	275,646	$	3,373	10.0%
	Safety	923		51,329		4,634	10.4%
	Total	7,734	$	326,975	$	3,523	9.8%
6/30/2003 [2]	General	6,660	$	286,279	$	3,582	6.2%
	Safety	939		55,702		4,943	6.7%
	Total	7,599	$	341,981	$	3,750	6.4%
6/30/2004 [2]	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 [2]	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 [3]	General Tier 1	6,559	$	310,007	$	3,938	6.6%
	General Tier 2 [4]	140		5,024		2,990	100.0%
	Safety Tier 1	973		60,661		5,195	8.5%
	Safety Tier 2 [4]	14		578		3,442	100.0%
		7,686	$	376,270	$	4,016	4.8%
6/30/2007 [3]	General Tier 1	6,537	$	328,403	$	4,186	6.3%
	General Tier 2 [4]	300		10,965		3,046	1.9%
	Safety Tier 1	934		63,392		5,656	8.9%
	Safety Tier 2 [4]	31		1,516		4,079	18.5%
		7,802	$	404,276	$	4,318	7.5%

1. Information compiled from biennial Actuarial Reports prepared by Public Pensions Professionals dated June 30, 2002.
2. Information compiled from annual Actuarial Reports prepared by Public Pension Professionals dated June 30, 2003, 2004 and 2005.
3. Information compiled from annual Actuarial Reports prepared by The Segal Company dated June 30, 2006 and 2007.
4. 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
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%
2006-07	4,610	315	146	4,779	130,568,000	8.60%	27,321	4.76%
2007-08	4,779	400	149	5,030	142,136,000	8.86%	28,258	3.43%

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 (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Unfunded AAL Percentage of Covered Payroll
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	2,044,389 [1]	2,233,594 [1, 3]	189,205 [1, 3]	91.5% [1]	351,049	53.9% [3]
June 30, 2006	2,398,454	2,803,990	405,536	85.5%	376,270	107.8%
June 30, 2007	2,610,269 [4]	3,149,570	539,301	82.9%	404,277	133.4%

[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 45 reports only the employers' 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 Cost of Living Adjustments UAAL be paid by members. After the amendment, the AAL was $2,545,620, the AVA was $2,270,141, the funded percentage was 89.2% and the UAAL was $275,479.

[4] Assets decreased by $3,169 for the net overpayment of member contributions discounted.

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

	Changes to UAAL		2007
1	Unfunded actuarial accrued liability at beginning of year	$	405,536
2	Gross Normal Cost payable at middle of year		93,442
3	Actual employer and member contributions		(103,525)
4	Interest (full year on (1) plus half year on (2)+(3))		32,681
5	Expected unfunded actuarial accrued liability at end of year		428,134
6	Actuarial (gain)/loss due to all changes:		
	a. Gain from investment return		(42,823)
	b. Change in actuarial assumptions		108,905
	c. Higher than expected salary increase		56,450
	d. Net over/(under) payment of member contributions		3,169
	e. Implementation of General Tier 3		333
	f. Other experience (gain)/loss		(14,867)
	g. Subtotal		111,167
7	Actual unfunded actuarial accrued liability at end of year (5)+(6g).	$	539,301

Note: Information prepared by The Segal Company.

	Changes to UAAL		2006
1	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
2	Gross Normal Cost payable at middle of year		86,186
3	Actual employer and member contributions		(87,234)
4	Interest (full year on (1d) plus half year on (2)+(3))		28,346
5	Expected unfunded actuarial accrued liability at end of year		375,208
6	Actuarial (gain)/loss due to all changes:		
	a. Loss from investment		28,252
	b. Other experience (gain)/loss		2,076
	c. Subtotal		30,328
7	Actual unfunded actuarial accrued liability at end of year (5)+(6c).	$	405,536

Note: Information prepared by The Segal Company.

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

	Actuarial Accrued Liabilities (AAL) 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 (AVA)	Active Member Contributions (1)	Vested, Retirants and Beneficiaries (2)	Active Members Employer Financed (3)
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 (d)	$ 1,515,599	$ 986,633	$ 2,398,454	100%	100%	59%
June 30, 2007	$ 330,610 (d)	$ 1,710,524	$ 1,108,436	$ 2,610,269 (e)	100%	100%	51%

(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 employers' assets for the years 2002, 2003 and 2004, amounts will therefore not be consistent between Solvency Test and the Summary of Funding Progress schedules.
(c) Before the Board amended its funding policy to eliminate the requirement that one half of the Cost of Living Adjustments UAAL be paid by members. After the amendment, the AAL was $2,545,620 and the AVA was $2,270,141.
(d) Equal to the total balance (in market value) of the reserve account maintained for member contributions.
(e) Assets decreased by $3,169 for the net overpayment of member contributions discounted.

Note: UAAL means Unfunded Actuarial Accrued Liability.

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

Age	Total Terminations	Ordinary Death	Duty Death	Total Disability
General Members - Male				
20	0.05000	0.00000	0.00000	0.00010
30	0.05000	0.00040	0.00000	0.00020
40	0.04500	0.00090	0.00000	0.00050
50	0.03400	0.00200	0.00000	0.00310
60	0.02000	0.00560	0.00000	0.00920
General Members - Female				
20	0.07000	0.00000	0.00000	0.00010
30	0.07000	0.00030	0.00000	0.00020
40	0.04900	0.00060	0.00000	0.00100
50	0.03400	0.00160	0.00000	0.00180
60	0.02000	0.00470	0.00000	0.00420
Safety Members - Male				
20	0.04000	0.00000	0.00100	0.00010
30	0.03700	0.00040	0.00100	0.00200
40	0.02700	0.00130	0.00100	0.00600
50	0.01000	0.00210	0.00100	0.01200
60	0.00000	0.00640	0.00100	0.01200
Safety Members - Female				
20	0.04000	0.00000	0.00100	0.00010
30	0.03700	0.00020	0.00100	0.00200
40	0.02700	0.00070	0.00100	0.00600
50	0.01000	0.00170	0.00100	0.01200
60	0.00000	0.00380	0.00100	0.01200

Note: Information compiled from Actuarial Report prepared by The Segal Company dated June 30, 2007. 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	0.04000
55	0.07000
60	0.30000
65	0.43000
70	1.00000
General Tier 1 - Female	
50	0.04000
55	0.10000
60	0.22000
65	0.30000
70	1.00000
General Tier 2 - Male and Female	
50	0.03000
55	0.08400
60	0.15000
65	0.35000
70	1.00000
General Tier 3 - Male and Female	
50	0.03000
55	0.08400
60	0.19200
65	0.43300
70	1.00000
Safety Tiers 1 and 2 - Male and Female	
50	0.05000
55	0.45000
60	1.00000
65	1.00000
70	1.00000

Note: Information compiled from Actuarial Report prepared by The Segal Company dated June 30, 2007. 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	85.00%	15.00%
1	85.00%	15.00%
2	85.00%	15.00%
3	85.00%	15.00%
4	85.00%	15.00%
5	30.00%	70.00%
6	30.00%	70.00%
7	30.00%	70.00%
8	30.00%	70.00%
9	30.00%	70.00%
10	30.00%	70.00%
11	30.00%	70.00%
12	30.00%	70.00%
13	30.00%	70.00%
14	30.00%	70.00%
15	30.00%	70.00%
16	30.00%	70.00%
17	30.00%	70.00%
18	30.00%	70.00%
19	30.00%	70.00%
20 or more	30.00%	70.00%

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 Company dated June 30, 2007.

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

Age	Years of Life Expectancy
General Members - Male	
50	31.20
60	22.10
70	14.00
80	7.60
90	3.50
100	1.80
110	1.50
General Members - Female	
50	33.80
60	24.50
70	16.20
80	9.50
90	4.80
100	2.80
110	1.70
Safety Members - Male	
50	31.10
60	22.00
70	14.20
80	8.10
90	4.00
100	2.00
110	1.50
Safety Members - Female	
50	34.40
60	25.10
70	16.70
80	10.10
90	5.30
100	3.10
110	1.80

Note: Information complied from Actuarial Report prepared by The Segal Company dated June 30, 2007.

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

Age	Years of Life Expectancy	
General Members	**Male**	**Female**
20	30.60	47.00
30	27.30	40.30
40	23.20	33.00
50	18.20	25.40
60	13.80	18.70
70	9.70	13.00
80	6.20	8.30
90	3.70	4.90
100	1.90	3.00
110	1.50	1.70
Safety Members	**Male**	**Female**
20	30.90	47.60
30	27.70	41.00
40	23.70	33.80
50	18.70	26.10
60	14.20	19.30
70	10.10	13.50
80	6.50	8.70
90	3.90	5.20
100	2.00	3.10
110	1.50	1.80

Note: Information complied from the Actuarial Report prepared by The Segal Company dated June 30, 2007.

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

- Tier 1 and 2
  Highest 365 consecutive days of compensation earnable.

- Tier 3
  Highest three-year average final 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% at age 55, Government Code Section 31676.16.
  Safety offers 2.29% at age 50, Government Code Section 31664.2.

- Tier 3
  General offers 2% at age 55, Government Code Section 31676.15.

- 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 for General and Safety Tier 1.

  2.0% times final average salary per year of service for General Tier 2 and Tier 3.

  2.29% times final average salary per year of service for Safety Tier 2.

- Benefit Adjustments

  Reduced for retirement before 55 and 50 for General and Safety Tier 1, respectively; 2.5% benefit formulas.

  Increased for retirement after 55 and 50 for General and Safety Tier 1, respectively; 2.5% benefit formulas respectively.

  Reduced for retirement before 55 for General Tier 2 and 3, and increased after 55; 2.0% benefit formulas.

  Increased for retirement after 50 for Safety Tier 2 and reduced before 50; 2.29% benefit formulas.

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 62 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 Company dated June 30, 2007.

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STATISTICAL SECTION

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TABLE OF CHANGES IN PLAN NET ASSETS
Fiscal Years Ended 1999 through 2008
(Amounts expressed in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Additions										
Employer Contributions	$ 6,005 [1]	$ -	$ -	$ 7,780	$ 33,583	$ 442,950 [1]	$ 56,343	$ 56,664	$ 69,997	$ 97,305
Member Contributions	7,775	9,198	9,973	14,434	19,974	18,239	24,261	30,570	33,528	30,272
Net Investment Income/Loss	105,166	133,170	(33,930)	(63,285)	27,390 [3]	238,877	235,406	229,767	442,355	(186,911)
Total Additions	118,946	142,368	(23,957)	(41,071)	80,947 [3]	700,066	316,010	317,001	545,880	(59,334)
Deductions [2]										
Total Benefit Expense	47,198	52,223	63,881	81,784	92,887	107,052	115,129	120,993	131,480	143,072
Administrative Expense	764	867	2,235	1,544	2,059	2,001	2,484	2,865	3,298	3,569
Refunds	1,568	2,275	1,146	870	904	941	1,403	1,185	2,114	6,072
Total Deductions	49,530	55,365	67,262	84,198	95,850	109,994	119,016	125,043	136,892	152,713
Change in Plan Net Assets	$ 69,416	$ 87,003	$ (91,219)	$ (125,269)	$ (14,903)	$ 590,072	$ 196,994	$ 191,958	$ 408,988	$ (212,047)

[1] Includes proceeds from Pension Obligation Bonds.

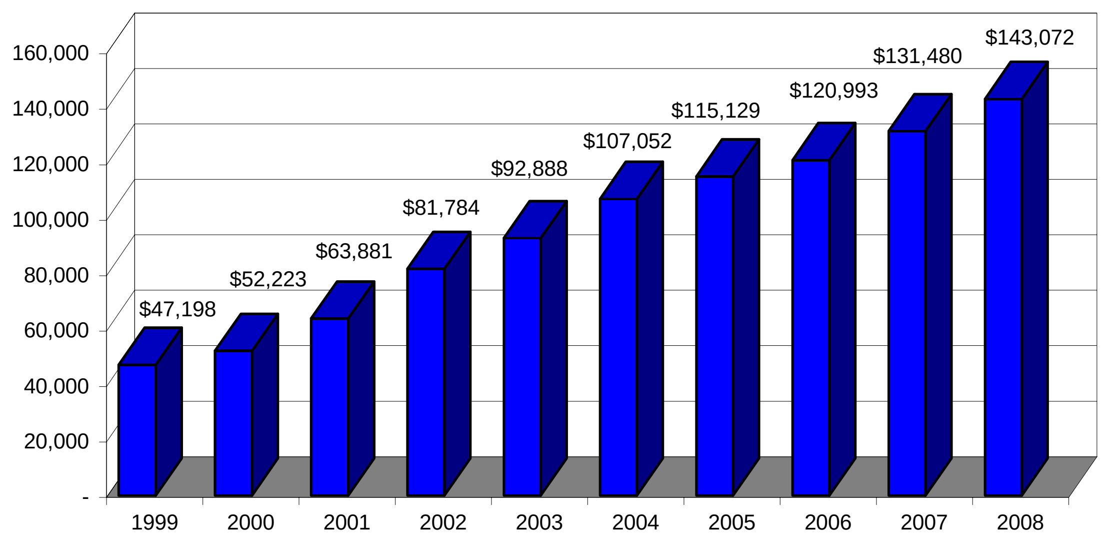
[2] See page 91 for detailed information on Benefit and Refund deductions by type.

[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
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 [2]	$ 4,364 [2]	131,480
2008	110,819	21,074	1,312	459	4,489	4,919	143,072 [1]

BENEFIT EXPENSES
(expressed in thousands)



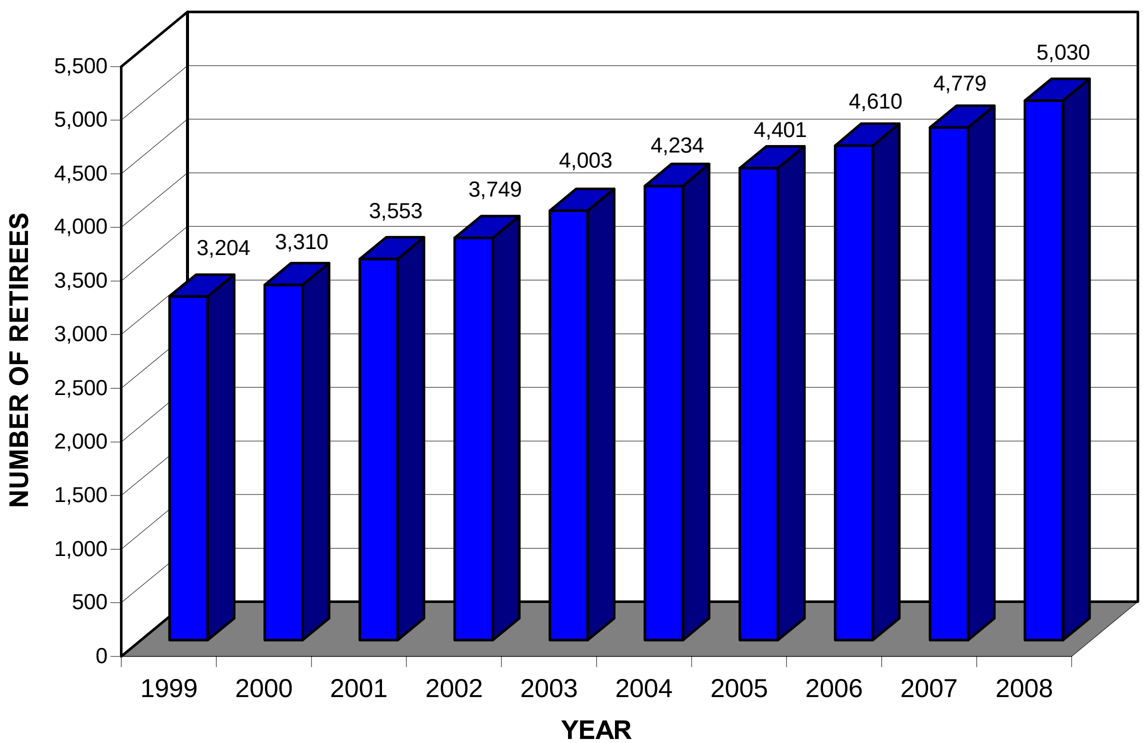
[1] Total Benefit Expenses are the actual expenses paid and will not equal Total Average Annual Benefits reported on page 84.

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

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

YEAR END	GENERAL	SAFETY	SURVIVOR	TOTAL
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
2008	4,303	631	96	5,030

TOTAL RETIRED MEMBERS



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

Valuation Date	Plan type	Annual [4] Number	Total Average [3] Annual Benefits	Annual Average Benefits	Average Monthly Benefits	% Change in Average Benefits
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 [1]	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	$ 58,380	$ 4,865.00	60.8%
6/30/2003 [2]	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	$ 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%
6/30/2007	General Tier 1	4,224	$ 106,296,432	$ 25,165	$ 2,097.00	3.8%
	General Tier 2	2	69,984	34,992	2,916.00	N/A
	Safety Tier 1	605	23,674,392	39,131	3,261.00	3.1%
	Total	4,831	$ 130,040,808	$ 99,288	$ 8,274.00	59.6%

[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 82.
[4] Total Annual Membership provided by the Actuary will not equal the Actual Membership reported on page 83.

Note: See page 85 for information organized by years of credited service in five year increments.
Note: Effective with fiscal year ended June 30, 2007 the schedule has been expanded to display membership by benefit tier.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY YEARS OF CREDITED SERVICE

	Years of Credited Service						
Retirement Effective Date	0-4	5-9	10-14	15-19	20-24	25-29	30 and over
Period 7/1/2006 to 6/30/2007							
Average monthly benefit	$332	$967	$1,525	$2,235	$2,642	$4,266	$5,325
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	7	26	58	47	33	33	51
Period 7/1/2005 to 6/30/2006							
Average monthly benefit	$474	$846	$1,754	$2,531	$2,518	$4,146	$4,841
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	10	34	59	65	31	28	40
Period 7/1/2004 to 6/30/2005							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Period 7/1/2003 to 6/30/2004							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Period 7/1/2002 to 6/30/2003							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Period 7/1/2001 to 6/30/2002							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Period 7/1/2000 to 6/30/2001							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Period 7/1/1999 to 6/30/2000							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Period 7/1/1998 to 6/30/1999							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Period 7/1/1997 to 6/30/1998							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: N/A means that information is not available.
Note: Data for average monthly benefit, final average salary, and number of retired members will be available for years beginning July 1, 2005.
Source: Information provided by The Segal Company.

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

Date	Plan Type	Active Vested	Active Nonvested	Total Active Members	Deferred Members
6/30/1999	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
6/30/2008	General	4,596	2,133	6,729	1,466
	Safety	725	232	957	139
	Total	5,321	2,365	7,686	1,605

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 PRINCIPAL PARTICIPATING EMPLOYERS
Current Year and Nine Years Ago

	2008			1999		
Participating Employers	Covered Employees	Rank	Percent of Total System	Covered Employees	Rank	Percent of Total System
County of Fresno	7,638	1	99.38%	6,430	1	98.68%
Fresno-Madera Area Agency on Aging	33	2	0.43%	25	3	0.38%
Clovis Memorial	8	3	0.10%	4	5	0.06%
Fresno Mosquito and Vector Control	7	4	0.09%	10	4	0.15%
Fresno County Office of Education	-	-	-	3	6	0.05%
North Central Fire Protection District [1]	-	-	-	44	2	0.68%
Total	7,686		100.00%	6,516		100.00%

[1] North Central Fire Protection District withdrew active membership from the Retirement Plan as of August 31, 2007.

Note: See page 88 Schedule of Participating Employers and Active Members for covered employees from 2000 through 2007.

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
County of Fresno										
General Members	6,681	6,762	6,623	6,684	6,571	6,596	6,807	6,494	6,312	5,605
Safety Members	957	968	957	927	889	893	884	902	877	825
Total	7,638	7,730	7,580	7,611	7,460	7,489	7,691	7,396	7,189	6,430
Participating Agencies (General Members)										
Clovis Memorial	8	5	6	4	3	4	3	4	4	4
Fresno County Office of Education	0	0	0	1	1	1	1	1	3	3
Fresno Mosquito and Vector Control	7	8	8	9	9	10	10	10	10	10
Fresno-Madera Area Agency on Aging	33	35	37	36	36	36	37	34	29	25
North Central Fire Protection	0	5	5	6	7	7	7	6	7	6
Total	48	53	56	56	56	58	58	55	53	48
Participating Agencies (Safety Members)										
North Central Fire Protection	0	39	40	40	37	40	39	40	41	38
Total	0	39	40	40	37	40	39	40	41	38
Total Active Members										
General Members	6,729	6,815	6,679	6,740	6,627	6,654	6,865	6,549	6,365	5,653
Safety Members	957	1,007	997	967	926	933	923	942	918	863
Total	7,686	7,822	7,676	7,707	7,553	7,587	7,788	7,491	7,283	6,516

Note: North Central Fire Protection District withdrew active membership from the Retirement Plan as of August 31, 2007.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER'S CONTRIBUTION RATES

Effective Dates			General			Safety		Actuarial Report for Year Ended
			Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	
July 1, 2007	to	June 30, 2008	23.36%	23.36%	21.80% [4]	31.34%	29.37%	06/30/06 [1]
July 1, 2006	to	June 30, 2007	18.37%	N/A	N/A	20.76%	N/A	06/30/05 [1]
July 1, 2005	to	June 30, 2006	14.14%	N/A	N/A	25.02%	N/A	06/30/04 [1]
July 1, 2004	to	June 30, 2005	15.71%	N/A	N/A	21.23%	N/A	06/30/03 [1]
July 1, 2003	to	June 30, 2004	15.38%	N/A	N/A	20.75%	N/A	06/30/02 [1]
July 1, 2002	to	June 30, 2003	7.20%	N/A	N/A	24.88%	N/A	06/30/00 [1]
October 1, 2001	to	June 30, 2002	0.00% [3]	N/A	N/A	21.87% [2, 3]	N/A	06/30/00
July 1, 2000	to	September 30, 2001	0.00% [3]	N/A	N/A	0.00% [3]	N/A	06/30/98
June 28, 1999	to	June 30, 2000	0.00% [3]	N/A	N/A	0.00% [3]	N/A	06/30/98
March 20, 1998	to	June 27, 1999	2.07% [2]	N/A	N/A	5.93% [2]	N/A	06/30/96

[1] Non aggregate rates are reported in the valuation prepared for these years only.

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

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

[4] Tier 3 rates went into effect starting pay period beginning December 31, 2007.

Note: As of fiscal year ended June 30, 2008, rates will be displayed by benefit tiers.

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

Monthly Benefit Amount	Members receiving a benefit	Type of Retirement[1]							Option Selected[2]					
		1	2	3	4	5	6	7	U	1	2	3	4	D
$ 1 - 500	282	253	6	2	3	4	1	13	200	9	64	3	1	5
501 - 1,000	722	617	34	7	5	32	2	25	561	30	102	17	2	10
1,001 - 1,500	877	753	49	25	4	23	2	21	711	34	93	30	0	9
1,501 - 2,000	662	586	27	21	4	8	3	13	547	16	78	15	1	5
2,001 - 3,000	1046	893	14	107	10	6	8	8	909	33	73	24	0	7
3,001 - 4,000	561	506	4	40	4	4	2	1	490	13	45	12	0	1
4,001 - 5,000	355	345	1	8	0	0	1	0	303	7	34	10	0	1
5,001 - 6,000	233	226	1	6	0	0	0	0	209	6	18	0	0	0
Over 6,000	292	283	1	7	0	0	0	1	261	5	23	3	0	0
Totals	**5,030**	**4,462**	**137**	**223**	**30**	**77**	**19**	**82**	**4,191**	**153**	**530**	**114**	**4**	**38**

Notes:

[1] Type of Retirement

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

[2] Option Selected:

U Unmodified: Eligible Surviving Spouse receives 60% continuance.
The following options reduce the retired member's monthly benefit:
1 Beneficiary receives funds remaining in member's account.
2 Beneficiary receives 100% continuance of member's reduced monthly benefit.
3 Beneficiary receivies 50% continuance of member's reduced monthly benefit.
4 Multiple beneficiaries receive a continuance calculated by Retirement Board's actuary.
D Beneficiary receives disability retirement continuance for eligible active member death.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF BENEFITS AND REFUND DEDUCTIONS FROM PENSION PLAN NET ASSETS BY TYPE
Last Ten Fiscal Years
(Amounts expressed in Thousands)

Type of Benefit	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Service Benefits										
General	$ 39,263	$ 42,909	$ 52,480	$ 65,113	$ 72,875	$ 83,795	$ 90,517	$ 96,590	$ 100,807	$ 110,819
Safety	7,239	8,530	10,529	15,378	18,710	22,012	23,233	23,148	20,542	21,074
Disability Benefits - Service										
General									2,178	2,278
Safety									4,212	4,763
Disability Benefits - Non Service										
General									1,774	2,210
Safety									152	156
Survivors - Non Service										
General									923	1,000
Safety									129	133
Survivors - Service										
General									136	141
Safety									317	327
Death Benefits	696	784	872	1,293	1,303	1,245	1,379	1,255	310	171
Total Benefits	$ 47,198	$ 52,223	$ 63,881	$ 81,784	$ 92,888	$ 107,052	$ 115,129	$ 120,993	$ 131,480	$ 143,072
Type of Refund										
Death									$ 205	$ 345
Miscellaneous - UAAL									-	4,140
Separation	$ 1,568	$ 2,275	$ 1,146	$ 870	$ 904	$ 941	$ 1,403	$ 1,185	1,909	1,587
Total refunds	$ 1,568	$ 2,275	$ 1,146	$ 870	$ 904	$ 941	$ 1,403	$ 1,185	$ 2,114	$ 6,072

Note: Prior to fiscal year 2007 all Disability Benefits were reported with Service Benefits.
Note: Prior to fiscal year 2007 Death Benefits included both service and non-service deaths.
Note: Prior to fiscal year 2007 data was not available to categorize refunds.
Note: UAAL means Unfunded Actuarial Accrued Liability.

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