

# Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

# 2010



## 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, 2010

ISSUED BY

ROBERTO L. PEÑA  
RETIREMENT ADMINISTRATOR

BECKY VAN WYK, CPA  
ASSISTANT RETIREMENT ADMINISTRATOR

## **FCERA**

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
1111 H STREET  
FRESNO, CALIFORNIA 93721-2515  
[www.FCERA.org](http://www.FCERA.org)

A COMPONENT UNIT OF THE COUNTY OF FRESNO

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## INTRODUCTORY SECTION



Roberto L. Peña  
Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT  
Eulalio Gomez, Chair  
James E. Hackett, Vice Chair  
Michael Cardenas  
Nick Cornacchia  
Franz Criego  
Vicki Crow  
Steven J. Jolly  
Phil Larson  
John P. Souza  
Ronald S. Frye, Alternate

December 1, 2010

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, 2010 and 2009.

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 active members of FCERA. The participating agencies include:

Clovis Veterans Memorial District  
Fresno-Madera Area Agency on Aging  
Fresno Mosquito Abatement 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.

## **FCERA MISSION STATEMENT AND CORE VALUES**

FCERA's mission 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:

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

## **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 Accountancy 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 recognized when earned, regardless of the date of collection and expenses are recognized when incurred, regardless of when a corresponding is made.

## **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 & International Equities including Emerging Markets; Domestic, Global & Opportunistic Fixed Income; Real Assets that includes Real Estate, Commodities and Treasury Inflation Protected Securities (TIPS); Alternative Investments, Term Asset-Backed Securities Loan Facility (TALF) and Hedge Funds.

Under this policy the Board operates under a standard of care in California commonly known 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 Board delegates much discretion to professional investment advisors to execute investment policy subject only to policy and guidelines provided by the Board.

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 current asset allocation calls for a 52% allocation to equities, 21% to fixed income, 11% to real assets, 7% to private equities, 4% to hedge funds and 5% to Term Asset-Backed-Securities Loan Facility (TALF) investments.

During the 2010 fiscal year the Board selected and committed \$50 million each to Grosvenor and Common Sense Investment Management for the Hedge Fund of Funds mandate, \$30 million to Angelo, Gordon & Company in a Distressed Debt mandate, \$150 million to Mondrian Investment Group in an International Small Cap mandate and \$75 million in a Passive Commodities mandate with Blackrock. The Board also transitioned \$105 million from an Active Small Cap Value mandate to the Russell 2000 Value Index with State Street Global Advisors.



For the fiscal year ended June 30, 2010, FCERA's investment portfolio experienced a return, net of fees, of 15.7% compared to a return of -16.5% for the year ended June 30, 2009. FCERA's annualized investment rates of return over the last three and five years, net of fees, were -2.9% and 3.8%, respectively. Please review the Investment Section of this report for more information on FCERA's investments.

## **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.

A new triennial experience study for the three year period from July 1, 2006 through June 30, 2009 was performed and presented to the Board in June 2010. The recommended demographic and economic assumptions were approved by the Board for inclusion in the June 30, 2010 Actuarial Valuation. The demographic assumptions included changes to the retirement, disability and mortality rates while the economic assumptions included changes to the inflation rate and the assumed rate of return.

The actuarial valuation as of June 30, 2009 completed by The Segal Company, determined the funding status, the ratio of plan assets to plan liabilities, to be 78.6% using approved assumptions, decreased from the 82.0% on June 30, 2008. The Board's funding policy uses a five-year smoothing technique to help level the potential wide swings from year to year in investments and a Market Value of Assets (MVA) Corridor to avoid the smoothed Actuarial Value of Assets (AVA) from getting too far away from the MVA and limits the AVA to be no greater than 130% and no less than 70% of the MVA.

## **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, 2010 and 2009, administrative expenses were within the established budget by the Board of Retirement at about .13% and .11% 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:

- i Completed implementation of the new General Ledger System and started working on the Pension Administrative System replacement, two of the Information Technology (IT) project initiatives of FCERA Strategic and Business Planning document.
- i Implementation of the Personnel program included with the fiscal year budget by hiring two supervisors, a Retirement Coordinator Supervisor and a Supervising Account Clerk. The new positions are expected to result in operational efficiencies and further retirement career growth.
- i Continued implementation of the revised Asset Allocation through a number of searches and investment manager selections for new and existing investment mandates throughout the fiscal year. More detailed information on the asset mandate changes is included in the Investment section of this letter and in the Investment Section of the CAFR.
- i Implementation of a Document Imaging System of Administrative Records program to reduce the space needed for record retention and to reduce the time spent researching these records.
- i Completed updating the Retention Schedule policy which included moving records to the County's records Storage Facility.

## **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, 2009. This was the thirteenth 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,

A handwritten signature in black ink, reading "Roberto L. Peña". The signature is written in a cursive style with a large initial 'R' and a stylized 'P'.

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, 2009

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**

**CHAIRMAN**

EULALIO GOMEZ

Safety Member - Elected by Safety Members  
Present term expires December 31, 2011

**VICE CHAIRPERSON**

JAMES E. HACKETT

General Member - Elected by General Members  
Present term expires December 31, 2010

**MEMBER**

MICHAEL CARDENAS, CPA

Qualified Elector - Appointed by Board of Supervisors  
Present term expires December 31, 2011

**MEMBER**

NICK CORNACCHIA

Qualified Elector - Appointed by Board of Supervisors  
Present term expires December 31, 2011

**MEMBER**

FRANZ CRIEGO

General Member - Elected by General Members  
Present term expires December 31, 2012

**MEMBER**

VICKI CROW, CPA

Auditor-Controller/Treasurer-Tax Collector  
Ex-Officio Trustee

**MEMBER**

STEVEN JOLLY

Qualified Elector - Appointed by Board of Supervisors  
Present term expires December 31, 2012

**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

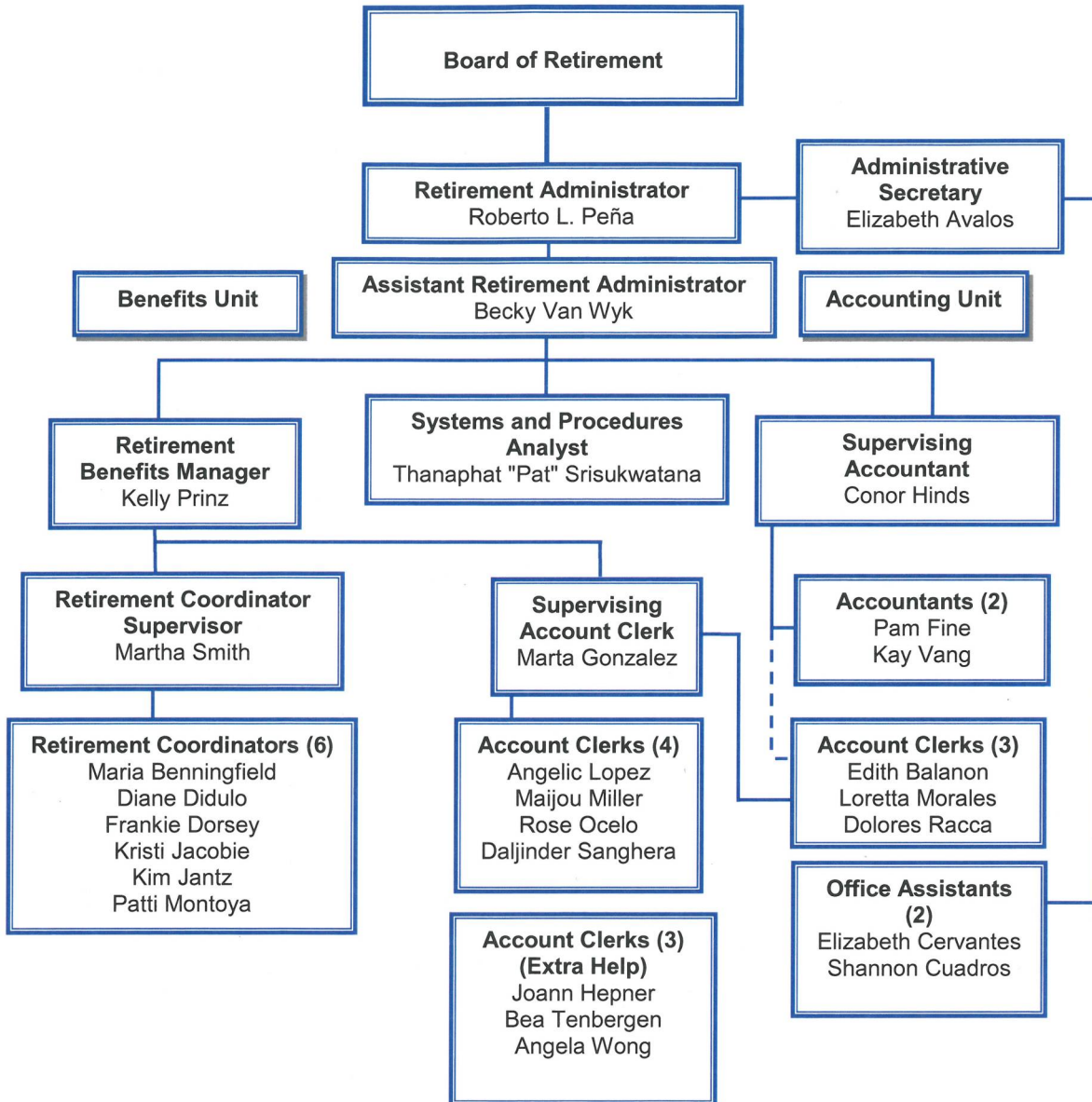
**ALTERNATE RETIRED MEMBER**

RONALD S. FRYE

Alternate Retired Member - Elected by Retirees  
Present term expires December 31, 2010

# FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ADMINISTRATIVE ORGANIZATIONAL CHART

## FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ADMINISTRATIVE ORGANIZATIONAL CHART



Total number of permanent positions authorized - 25  
 Total number of extra-help positions authorized - 3  
 Total Number of positions authorized - 28

## List of Professional Consultants

### **CONSULTING SERVICES**

#### **Actuary**

Segal Company

#### **Auditor**

Brown Armstrong

#### **Commission Recapture Services**

BNY ConvergeX

#### **Custodian Bank**

State Street Bank & Trust

#### **Investment Consultant**

Wurts & Associates

#### **Legal Counsel**

Bernstein Litowitz Berger & Grossmann LP

Cohen Milstein

Harvey Leiderman, Reed Smith LLP

Joseph J. Tabacco, Jr., Berman Devalerio

Rafael Stone, Foster Pepper PLLC

Bryan C. Vess APC

County Counsel

#### **Securities Lending**

State Street Global Advisors

### **INVESTMENT MANAGERS**

#### **Domestic Bonds**

BlackRock Financial Management Inc.

Bradford & Marzec, Inc.

Loomis Sayles

MetWest TALF

PIMCO TALF

Standish Mellon Asset Management

Company, LLC

Western Asset Management Company

### **INVESTMENT MANAGERS**

*(continued)*

#### **Global Bonds**

Grantham, Mayo, Van Otterloo & Co.

#### **Domestic Stocks**

Aronson, Johnson & Ortiz, LP

Brandywine Asset Management, Inc.

INTECH

Kalmar Management

State Street Global Advisors

Wellington Management Company, LLP.

#### **International Stocks**

Mondrian Investment Partners

Oechsle International

Templeton Investment Counsel, Inc.

#### **Private Markets Investment**

Angelo Gordon

BCI Growth V, LP

Blackrock Institutional Trust Company

Common Sense Investment Management

Grosvenor Capital Management

Hamilton Lane

Landmark Partners, Inc

Lone Star Management Co. IV, Ltd.

New Mountain Capital, LLC

TCW Shop III/IV

The Blackstone Group

Warburg, Pincus and Co.

#### **Real Estate Investments**

Colony Capital

Invesco

JMB Advisory Corporation

JE Robert Company, Inc.

Sentinel Real Estate Corporation

TA Associates Realty

#### **Cash Equitization Strategy (Overlay)**

State Street Global Advisors

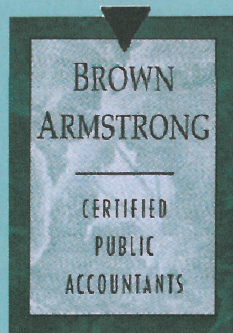
JP Morgan Futures Inc.

A schedule of manager fees is located on page 59 of the Investment Section.

## FINANCIAL SECTION



Peter C. Brown, CPA  
Burton H. Armstrong, CPA, MST  
Andrew J. Paulden, CPA  
Steven R. Starbuck, CPA  
Chris M. Thornburgh, CPA  
Eric H. Xin, CPA, MBA  
Richard L. Halle, CPA, MST  
Aileen K. Keeter, CPA



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Fresno, California 93720  
Tel 559.476.3592 Fax 559.476.3593

## 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, 2010 and 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FCERA's internal control over financial reporting. Accordingly we express no such opinion. An audit also 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 we discussed in Note 2 to the financial statements, FCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of FCERA as of June 30, 2010 and 2009, 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the GASB, who considers it to be an essential part of the financials report for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedure to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Required Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of FCERA's management. Such information has been subjected to the auditing procedures applied by us in the audit of the Fiscal Year 2010 financial statements and, in our opinion, is fairly stated in all material respects in relation to the Fiscal Year 2010 financial statements taken as a whole. The Other Supplementary Information as listed in the table of contents, and the Investment, Actuarial and Statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements of FCERA. The Other Supplementary Information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. We did not audit the information contained in the Investment, Actuarial and Statistical sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of FCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Bakersfield, California  
December 7, 2010

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

Our discussion and analysis of the financial performance of the Fresno County Employees' Retirement (FCERA) provides an overview of the financial activities for the fiscal years ended June 30, 2010 and 2009. Please read it in conjunction with the Letter of Transmittal in the Introductory Section of FCERA's Comprehensive Annual Financial Report, and the Financial Statements, which follow this discussion.

### **Financial Highlights**

- i Net assets held in trust by FCERA, as reported on the *Statement of Plan Net Assets*, totaled \$2,586,687,000 as of June 30, 2010. Net assets increased by \$324,775,000, or 14.4%, consistent with economic and market conditions throughout the year. Net assets totaled \$2,261,912,000 as of June 30, 2009. Financial and economic factors are also discussed in the Letter of Transmittal from the Retirement Administrator and in the Investment Section of this report.
- i The *Statement of Changes in Plan Net Assets* reflects \$499,786,000 in additions to plan net assets for June 30, 2010, primarily due to an increase in the fair value of the investments. Employer contributions totaled \$126,138,000, or 79.7%, of the total contributions of \$158,347,000. Employee contributions of \$32,209,000 represented 20.3% of the total contributions received. Interest and other income added \$64,258,000, with net income from securities lending adding \$1,048,000. At June 30, 2009, \$302,978,000 in subtractions to plan net assets was reported. The net decrease was comprised of \$513,670,000 depreciation in the fair value of the investments, offset by employer and employee contributions of \$148,521,000, and interest and other income in the amount of \$72,263,000.
- i The *Statement of Changes in Plan Net Assets* for June 30, 2010 reflects total deductions from plan net assets of \$175,011,000. Benefit payments of \$169,526,000 comprised 96.9% of the total deductions, with refunds of contributions in the amount of \$1,915,000 and administrative fees totaling \$3,570,000 representing 1.1% and 2.0%, respectively, of the total deductions. The June 30, 2009 total deductions from the plan net assets were \$161,715,000 with benefit payments of \$155,783,000 comprised 96.3% and refunds of contributions in the amount of \$2,077,000 and administrative fees totaling \$3,855,000 representing 1.3% and 2.4%, respectively, of the total deductions.
- i FCERA 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 insert discussion of Governmental Accounting Standard Board (GASB) Statements S45, S50, 51, and 53. When drafting the current

## **Fresno County Employees' Retirement Association Management's Discussion and Analysis (Continued)**

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

Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets for fiscal year ending June 30, 2010.

These statements provide standards regarding certain disclosures and the use of accounting principles by State and Local Governments. FCERA 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 FCERA'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 FCERA's activities in a way that helps answer this question. The actuarial valuation prepared for the one year period ended June 30, 2009 reported the funding ratio as 78.6%, a decrease of 3.4% from the funding ratio of 82.0% included in the valuation report as of June 30, 2008. The funding ratio indicates that at June 30, 2009 we have about \$0.79 for each \$1.00 of liability.

The decrease to the funding ratio is primarily the result of investment losses, lower than expected salary increases and other experience gains and losses that occur naturally due to variations in the actual experience of the system when compared to what was expected (estimated). A change in the method used to calculate non-service connected (ordinary) disability benefits contributed, to a lesser degree, to the decrease in the funding ratio. Additional information can be found in the Actuarial Valuation prepared for the year ended June 30, 2009 which is available on FCERA's website.

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 FCERA'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 FCERA'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 FCERA's overall health.

### **FCERA's Net Assets**

FCERA's net assets increased 14.4% in 2010, from a beginning value of \$2,261,912,000 to \$2,586,687,000. The increase was primarily due to the net appreciation in the fair value of investments held by FCERA. The net assets for June 30, 2009 had decreased \$464,693,000, 17% from the June 30, 2008 balance of \$2,726,605,000, primarily due to decreases in the net fair value of investments held by FCERA during that period. Investment trades receivable and payable at June 30, 2010 decreased 55.2% to \$52,030,000 and 50.0% to \$74,600,000, respectively, over the June 30, 2009 balances of \$116,198,000 and \$149,153,000, due to less



**Fresno County Employees' Retirement Association  
Management's Discussion and Analysis (Continued)**

**FCERA's Net Assets (Continued)**

outstanding trades at year end 2010. The cash collateral payable for securities lending decreased 22.7% from \$283,498,000 to \$219,010,000 from June 30, 2009. The June 30, 2009 balance of cash collateral payable for securities lending had decreased 20.8%, or \$74,250,000 from the June 30, 2008 balance of \$283,498,000.

(The following table presents the net assets amounts at end of fiscal years 2010, 2009 and 2008, expressed in thousands).

	2010	2009	2008	Increase/ (Decrease) 2010-2009	Increase/ (Decrease) 2009-2008
Current and other assets	\$ 2,881,482	\$ 2,694,940	\$ 3,284,001	\$ 186,542	\$ (589,061)
Capital assets	2,193	2,216	2,405	(23)	(189)
Total assets	2,883,675	2,697,156	3,286,406	186,519	(589,250)
Other liabilities					
Total liabilities	296,988	435,244	559,801	(138,256)	(124,557)
Net assets	\$ 2,586,687	\$ 2,261,912	\$ 2,726,605	\$ 324,775	\$ (464,693)

**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, 2010, total additions to plan net assets increased from the prior year, in the amount of \$499,786,000, primarily due to the increase in net investment income. Additions declined during the year ended June 30, 2009 in the amount of \$302,978,000 from the previous year mainly due to a decrease in investment income, directly related to the balance of investments at the beginning of the year and the rate of return afforded by the various markets during the year. Total contributions increased 6.6% for the year ended June 30, 2010, due to the increase in the employer contribution rates. For the year ended June 30, 2009 contributions had increased 16.4% over the prior year. The following table (presented in thousands), displays summary data on the changes in Plan.

	2010	2009	2008	Increase/ (Decrease) 2010-2009	Increase/ (Decrease) 2009-2008
Additions:					
Contributions	\$ 158,347	\$ 148,521	\$ 127,577	\$ 9,826	\$ 20,944
Net investment income/(loss)	341,439	(451,499)	(186,911)	792,938	(264,588)
Total Additions/ (Subtractions)	499,786	(302,978)	(59,334)	802,764	(243,644)
Deductions:					
Benefits paid	171,441	157,860	149,144	13,581	8,716
Administrative costs	3,570	3,855	3,569	(285)	286
Total Deductions	175,011	161,715	152,713	13,296	9,002
Increase/(decrease) in net assets	324,775	(464,693)	(212,047)	789,468	(252,646)
Net assets, beginning of year	2,261,912	2,726,605	2,938,652	(464,693)	(212,047)
Net assets, end of year	\$ 2,586,687	\$ 2,261,912	\$ 2,726,605	\$ 324,775	\$ (464,693)

## **Fresno County Employees' Retirement Association Management's Discussion and Analysis (Continued)**

### **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 2010 totaled \$175,011,000, an increase of 8.2% over 2009. Deductions for fiscal year 2009 totaled \$161,715,000, an increase of 5.9% over the 2008 amount of \$152,713,000.

Administrative expenses are approved in an annual budget by FCERA's Board and represented 0.12% of the total assets in 2010 and 0.14% and 0.11% of total assets in 2009 and 2008, 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. FCERA has consistently met its budgets and continues to expect to do so.

The total deductions in plan net assets of \$175,011,000 during 2010 combined with the contributions of \$158,347,000 and the net investment gain of \$341,439,000, which are depicted on page 17, account for the net increase in plan assets of \$324,775,000 in 2010.

### **Reporting FCERA's Fiduciary Responsibilities**

FCERA is a fiduciary for the County of Fresno public employee retirement system. Accordingly, FCERA is responsible for these assets under our trust arrangement, and they can only be used for trust beneficiaries and payment of plan expenses. FCERA 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 FCERA 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.

### **Potential Changes**

GASB has distributed a "preliminary views" document that will dramatically change the way our financial report will look in the future, if the GASB's views become final standards. For plans such as ours, a "cost - sharing multiple employer plan," GASB is proposing that the unfunded actuarially accrued liability, based on an updated set of calculations, would be reported on the face of the statement of fiduciary net assets, but not on FCERA's statements, on our employers' statements. In essence, FCERA would report to our employers their share of the unfunded liability. This may cause great concern to our employers.

## **Fresno County Employees' Retirement Association Management's Discussion and Analysis (Continued)**

### **Potential Changes (continued)**

One of the potential outcomes is also a break in the linkage between a required contribution calculated by our actuary and the amount that has been funded by our employers and active employees. Under the preliminary view, the assets of FCERA would continue to be reported at the plan level. The views have been met with a significant amount of discussion, even in the mainstream media including The Wall Street Journal and The New York Times. Our administration, our consultants and our member associations including the State Association of County Retirement Systems (SACRS) are following the GASB's deliberations very closely. SACRS and our consultants recently testified at a public hearing in San Francisco in front of the GASB to give their views. It is expected that the GASB will deliberate toward a standard that may be issued in late 2011, with implementation in 2012. We will keep our employers informed as developments warrant.

### **Contacting FCERA'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 FCERA's finances and to show FCERA's accountability for the funds under its stewardship. Fresno County Employees' Retirement Association

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

Respectfully submitted,



Becky Van Wyk, CPA  
Assistant Retirement Administrator

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**STATEMENTS OF PLAN NET ASSETS**  
**JUNE 30, 2010 AND 2009**  
(Amounts expressed in thousands)

	<u>2010</u>	<u>2009</u>
ASSETS:		
Cash and cash equivalents with fiscal agents	\$ 58,533	\$ 108,045
Securities lending investments pool:		
Short term investments	219,010	283,498
	<u>219,010</u>	<u>283,498</u>
Receivables:		
Investment income receivables	58,468	116,198
Administrative receivables	15,234	6,717
Contributions receivables	6,924	6,502
Securities lending receivables	122	339
Total receivables	<u>80,748</u>	<u>129,756</u>
Investments, at fair value:		
U.S. Government and agencies fixed income	181,676	253,413
Domestic fixed income	443,010	388,164
Foreign fixed income	70,807	130,071
Domestic equity	810,716	741,841
International equity	543,399	397,021
Mortgages	44,152	72,481
Credit Default Swaps	(882)	-
Foreign Exchange Forward Contracts	40	-
Rights - International Equity	47	-
REITs	5,663	-
Private markets and alternative investments	424,300	190,326
Total investments	<u>2,522,928</u>	<u>2,173,317</u>
Prepaid expenses	<u>263</u>	<u>324</u>
Capital assets		
Nondepreciable	97	-
Depreciable, net	2,096	2,216
Total capital assets, net	<u>2,193</u>	<u>2,216</u>
Total assets	<u>2,883,675</u>	<u>2,697,156</u>
LIABILITIES:		
Investment accounts payable	74,611	149,153
Cash collateral payable for securities lending	219,010	283,498
Administrative accounts payable	3,319	2,509
Securities lending bank and broker fees	48	84
Total liabilities	<u>296,988</u>	<u>435,244</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 2,586,687</u>	<u>\$ 2,261,912</u>

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, 2010 AND 2009**  
(Amounts expressed in thousands)

	<u>2010</u>	<u>2009</u>
ADDITIONS:		
Contributions:		
Employers	\$ 126,138	\$ 113,959
Plan members	32,209	34,562
Total contributions	<u>158,347</u>	<u>148,521</u>
Investment income/(loss):		
From investment activities		
Net appreciation/(depreciation) in fair value of investments	288,857	(513,670)
Interest	32,038	36,781
Dividends	20,801	27,102
Private markets	10,853	4,418
Net income /(loss) from investment activities	<u>352,549</u>	<u>(445,369)</u>
From securities lending activities		
Securities lending income	1,629	6,926
Securities lending expenses		
Borrower rebate expenses	(332)	(2,407)
Security lending management fees	(250)	(873)
Net income from securities lending activities	<u>1,047</u>	<u>3,646</u>
Miscellaneous income	567	316
Investment expenses	(12,724)	(10,092)
Net investment income/(loss)	<u>341,439</u>	<u>(451,499)</u>
Total additions/(subtractions)	<u>499,786</u>	<u>(302,978)</u>
DEDUCTIONS:		
Benefits and refunds paid to plan members and beneficiaries	171,441	157,860
Administrative expenses	3,570	3,855
Total deductions	<u>175,011</u>	<u>161,715</u>
NET INCREASE (DECREASE)	324,775	(464,693)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
BEGINNING OF YEAR	<u>2,261,912</u>	<u>2,726,605</u>
END OF YEAR	<u>\$ 2,586,687</u>	<u>\$ 2,261,912</u>

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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1 - DESCRIPTION OF THE PLAN**

The following description of the Fresno County Employees' Retirement Association (FCERA) is provided for general information purposes only. FCERA 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 FCERA 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. FCERA 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 (County), including the Superior Court of California-County of Fresno, Clovis Veterans Memorial District, Fresno-Madera Area Agency on Aging and Fresno Mosquito Vector Control. An employee becomes eligible for membership commencing with the pay period following the date of employment in a permanent position.

FCERA membership at June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Retirees and beneficiaries receiving benefits	5,509	5,283
Terminated employees entitled to benefits but not yet receiving them (Deferred Members)	1,515	1,533
Current employees:		
Vested:		
General Tier 1	4,477	4,425
General Tier 2	11	7
General Tier 3	48	44
Safety Tier 1	733	718
Nonvested:		
General Tier 1	867	1,251
General Tier 2	123	128
General Tier 3	578	588
Safety Tier 1	40	142
Safety Tier 2	39	62
Total current employees	<u>6,916</u>	<u>7,365</u>
Total membership	<u><u>13,940</u></u>	<u><u>14,181</u></u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**

**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 32664.2 became mandatory for any new employee in a Safety job classification covered by a collective bargaining agreement negotiated by Service Employees International Union (SEIU). Mandatory Tier II extended to senior management and unrepresented employees with membership date on or after August 27, 2007.

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. General Tier II membership is mandatory for elected officials, department head, senior management, management and unrepresented effective with a membership date on or after August 27, 2007.

**Administration**

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

1. County Treasurer,
2. Two active members of FCERA elected by the general members,
3. One active member of FCERA elected by the safety members,
4. One retired member of FCERA elected by the retired members,

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

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

**Administration (Continued)**

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,
6. One alternate member of FCERA 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 (FCERA) 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. FCERA 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**

FCERA'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.)

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

**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 Pronouncements**

For the year ended June 30, 2010, FCERA adopted Governmental Accounting Standards Board's (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, the Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. FCERA also adopted GASB's Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*; the Statement provides guidance on how to measure, recognize and disclose derivative investments within the financial statements.

**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 FCERA to invest the assets of FCERA 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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

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

securities, alternative investments, and real estate investments. FCERA currently employs external investment managers to manage its assets subject to the guidelines of the investment policy.

GASB Statement No. 40 and Statement No. 53 detail the disclosure requirements associated with FCERA's deposits, investments and derivatives. The Statements identify the following risks: 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. FCERA does not have a policy for managing custodial credit risk. As of June 30, 2010, all domestic deposits were insured, registered and held by the custodian bank in FCERA's name. FCERA held foreign currencies deposits at June 30, 2010 with a United States Dollar value of \$697 of which \$0 is subject to custodial credit risk since the deposits were registered or held in FCERA's name.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. FCERA's investments are not subject to custodial credit risk because investments are insured and registered in FCERA's name. FCERA'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. FCERA 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 pages 25 and 27 were obtained from Moody's rating agencies as of June 30, 2010.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

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

Investment Type		Minimum Policy Rating	Exempt from Disclosure	<u>Rating at Year End June 30, 2010</u>				Not Rated
				Aaa/ P1	Baa	Caa		
Securities lending - investments								
Quality D Investment Fund	\$ 219,010	Aaa/ P1	\$ -	\$ 219,010	\$ -	\$ -	\$ -	-
Subtotal	<u>219,010</u>		<u>-</u>	<u>219,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
US Government and agencies								
US treasury notes	118,413	N/A	68,381	50,032	-	-	-	-
Federal agency securities	<u>63,264</u>	B3	<u>-</u>	<u>42,906</u>	<u>61</u>	<u>-</u>	<u>-</u>	<u>20,297</u>
Subtotal	<u>181,677</u>		<u>68,381</u>	<u>92,938</u>	<u>61</u>	<u>-</u>	<u>-</u>	<u>20,297</u>
Domestic fixed income	374,028	B3	-	77,446	127,137	4,859		164,586
Mortgages	44,152	B3	-	15,000	3,116	3,121		22,915
Foreign fixed income	71,314	B3	-	37,562	30,671	24		3,057
Opportunistic Fixed Income Fund	86,944	AA	-	86,944	-	-		-
Global Bond Fund	<u>14</u>	AA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14</u>
	<u>\$ 977,139</u>		<u>\$ 68,381</u>	<u>\$ 528,900</u>	<u>\$ 160,985</u>	<u>\$ 8,004</u>	<u>\$ -</u>	<u>\$ 210,869</u>

*Interest rate risk.* Interest rate risk is the risk that changes in the interest rate will adversely affect the fair value of an investment. FCERA has not adopted a policy to manage interest rate risk. FCERA selected the segmented time distribution method for the following investments subject to interest rate risk at June 30, 2010.

Investment Type	<u>Remaining Maturity in Months at June 30, 2010</u>				
	Less than 12 months	13 to 60 months	61 to 120 months	More than 120 months	
Securities lending - investments					
Quality D Investment Fund	\$ 219,010	\$ 219,010	\$ -	\$ -	\$ -
Subtotal	<u>219,010</u>	<u>219,010</u>	<u>-</u>	<u>-</u>	<u>-</u>
US Government and agencies					
US Treasury notes	68,381	10,203	17,552	12,547	28,079
Federal agency securities	<u>63,264</u>	<u>-</u>	<u>6,951</u>	<u>10,121</u>	<u>46,192</u>
Subtotal	<u>131,645</u>	<u>10,203</u>	<u>24,503</u>	<u>22,668</u>	<u>74,271</u>
Domestic fixed income	374,028	6,771	72,048	76,619	218,590
Mortgages	44,152	-	1,643	868	41,641
Foreign fixed income	71,314	227	34,061	22,431	14,595
Global Bond Fund	14	-	-	-	14
Opportunistic Fixed Income Fund	86,944	5,347	38,271	35,047	8,279
TIPS Index Fund	<u>50,032</u>	<u>-</u>	<u>4,616</u>	<u>5,003</u>	<u>40,413</u>
Total Investments	<u>\$ 977,139</u>	<u>\$ 241,558</u>	<u>\$ 175,142</u>	<u>\$ 162,636</u>	<u>\$ 397,803</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

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

At June 30, 2010, FCERA has \$12,798 invested in the County of Fresno external investment pool, which has a dollar weighted average maturity of 708 days, compared to \$19,408, and a dollar weighted average maturity of 583 days at June 30, 2009.

*Concentration of credit risk.* This is the risk of loss attributed to the concentration of the government's investment in a single issuer. FCERA's investment policy does not permit any one manager to invest more than five percent of the market value of its portion of the portfolio in any one issue, with the exception of investments issued by the US Government and its agencies. As of June 30, 2010 no investments in any one issuer is greater than five percent of total investments. Investment managers authorized to invest in below investment grade securities are limited to holding no more than 20% of their portfolio market value in such securities.

*Foreign currency risk.* This is the risk that FCERA will not be able to recover the value of its investment in local currency when the exchange value of the currency lowers. FCERA has not adopted a policy to manage the foreign currency risk. As of June 30, 2010, FCERA's investment in foreign currency was as follows:

<u>Currency</u>	<u>Fair Market Value</u>
British Pound Sterling	\$ 17
Euro	72
Japanese Yen	326
Mexican Peso	281
Other Foreign Currency	1
Total Foreign Currency	<u>\$ 697</u>

Foreign currency table expressed in US Dollars and thousands

*Derivatives.* The investment derivatives schedule on page 28 reports the fair value and notional value of the derivatives held by FCERA at June 30, 2010. For reporting purposes, FCERA's derivatives are classified as investment derivatives. FCERA, 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, FCERA may be exposed to a potential loss. At June 30, 2010, FCERA has approximately \$7 million of its \$543 million international equity portfolio hedged through the use of such forward foreign currency contracts. At June 30, 2009, approximately \$37 million of FCERA's \$397 million international equity portfolio was hedged through the use of such forward foreign currency contracts.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

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

Derivative Investments

Investment Derivatives	June 30, 2010		Changes in Fair Value for 2010
	<u>Notional</u>	<u>Fair Value</u>	<u>Fair Value</u>
TBA Securities	\$ 19,000	\$ 74	\$ 1,081
Credit Default Swaps	4,555	(360)	1,279
Interest Rate Swaps	19,902	(522)	(830)
Fixed Income Futures	8,600	-	2,869
Options	(98)	-	234
FX Forwards	6,969	40	331
Rights	-	47	(330)
<b>Grand Totals</b>	<b>\$ 58,928</b>	<b>\$ (721)</b>	<b>\$ 4,634</b>

FCERA could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. FCERA anticipates that counterparties will be able to satisfy their obligations under the contracts. FCERA'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. At June 30, 2010 FCERA did not hold any collateral to offset potential risks it may encounter through counterparty transactions. FCERA's counterparty exposure is detailed in the following schedule:

**Counterparty Credit Risk**

**Counterparty Credit Ratings**

<u>Ratings</u>	<u>Credit Default Swaps</u>	<u>Interest Rate Swaps</u>	<u>Forward Foreign Currency Contracts</u>	<u>Total</u>
Aa3	\$ 23	\$ 459	\$ 8	\$ 490
Aa2	6	-	47	53
Aa1	30	-	74	104
Subtotal Investments in Assets Position	59	459	129	647
Investments in Liability Position	(419)	(981)	(89)	(1,489)
<b>Total Investments in Asset / (Liability) Position</b>	<b>(360)</b>	<b>(522)</b>	<b>40</b>	<b>(842)</b>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

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

At June 30, 2010, FCERA was exposed to Foreign Currency Risk related to its investments in equity rights and forward contracts denominated in foreign currencies.

**Foreign Currency Risks at fair value**

<b>Currency Name</b>	<b>Equities</b>	<b>Forward Currency Contracts</b>		<b>Total Exposure</b>
		<b>Net Receivables</b>	<b>Net Payables</b>	
Euro	\$ 46	\$ 47	\$ (14)	\$ 79
Japanese Yen	-	74	(75)	(1)
Pound Sterling		7	-	7
<b>Total</b>	<b>\$ 46</b>	<b>\$ 128</b>	<b>\$ (89)</b>	<b>\$ 85</b>

The derivative securities included as equities above consist of rights. Foreign currency forward contracts are commitments to purchase or sell a stated amount of foreign currency at a specific future date.

Interest rate risk applies to derivative such as TBA's, Credit Default Swaps and Interest Rate Swaps. At June 30, 2010, FCERA was exposed to the following interest rate risk on its investments in these securities. The table below displays the maturity periods of these derivative investments.

**Interest Rate Risk for Derivatives**

<b>Investment Types</b>	<b>Fair Value</b>	<b>Investment Maturities (in months)</b>				
		<b>Less than 12</b>	<b>13 to 60</b>	<b>61 to 120</b>	<b>More than 120</b>	<b>Total</b>
Credit Default Swaps	\$ (360)	-	(10)	-	(350)	(360)
Interest Rate Swaps	(522)	-	-	(114)	(408)	(522)
TBA Securities	74	-	-	-	74	74
<b>Total</b>	<b>\$ (808)</b>	<b>\$ -</b>	<b>\$ (10)</b>	<b>\$ (114)</b>	<b>\$ (684)</b>	<b>\$ (808)</b>

*Securities Lending.* The Board authorized FCERA, through its custodian bank, to enter into securities lending transactions, whereby securities owned by FCERA 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. All securities on loan must be collateralized at 102% of the market value of the loaned securities, except for non-United States based equities which are initially collateralized at 105%. 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.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

The lending agreement places no restriction on the amount of loans that can be made. FCERA'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. FCERA's agent invests cash collateral in individual securities and the securities are held by the trustee in FCERA'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, FCERA had no credit risk exposure to borrowers because the collateral received exceeded the amount owed to borrowers. As of June 30, 2010 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* - FCERA is subject to credit risk through the reinvestment of collateral cash which FCERA 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, 2010, FCERA 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 FCERA would encounter difficulty finding a buyer to take on the reinvested security and thus making it uncertain when the collateral would become available.

FCERA 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 2010 and 2009 were \$219,010 and \$283,498 respectively. The fair values of loaned securities were as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Domestic equity	\$ 113,620	\$ 119,016
International equity	7,544	32,735
Total equity on loan	<u>121,164</u>	<u>151,751</u>
US government and agencies	56,151	82,265
Domestic bonds	35,184	40,929
Total bonds on loan	<u>91,335</u>	<u>123,194</u>
Total equities and bonds on loan	<u>\$ 212,499</u>	<u>\$ 274,945</u>

*Highly Sensitive Investments.* FCERA 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. FCERA's investment portfolio contains certain variable rate notes and collateralized mortgage obligations. At June 30, 2010 and 2009, FCERA had approximately

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

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

\$70,230 and \$95,137 in these investments, respectively. A detail of these investments are listed below:

<u>Investment Type</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Variable Rate Notes	\$ 26,078	\$ 22,656
Collateralized Mortgage Obligations	44,152	72,481
Forward Foreign Currency	7,233	36,883
Total	<u>\$ 77,463</u>	<u>\$ 132,020</u>

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

Investment trades receivable and payable include forward currency contracts, and sales and purchases of investments. Forward currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2010, forward foreign currency contracts receivable and payable totaled \$7,233 and \$7,194, respectively. At June 30, 2009, forward foreign currency contracts receivable and payable totaled \$36,883 and \$36,935, respectively.

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**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(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, 2010 and 2009:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Dispositions/ Reclassifications</u>	<u>Balance June 30, 2010</u>
Capital assets, depreciated:				
Computer hardware/software	\$ 841	\$ -	\$ -	\$ 841
Furniture and fixtures	163	21	(20)	164
Equipment	64	18	(7)	75
Building	2,103	-	-	2,103
Total capital assets, depreciable	<u>3,171</u>	<u>39</u>	<u>(27)</u>	<u>3,183</u>
Less accumulated depreciation for:				
Computer hardware/software	(444)	(72)	-	(516)
Furniture and fixtures	(78)	(16)	8	(86)
Equipment	(77)	(1)	19	(59)
Building	(356)	(70)	-	(426)
Total accumulated depreciation	<u>(955)</u>	<u>(159)</u>	<u>27</u>	<u>(1,087)</u>
Total capital assets, depreciated, net	<u>2,216</u>	<u>(120)</u>	<u>-</u>	<u>2,096</u>
Total capital assets, net	<u>\$ 2,216</u>	<u>\$ (120)</u>	<u>\$ -</u>	<u>\$ 2,096</u>
Depreciation charged for the current year totaled:		<u>\$ 159</u>		

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Dispositions/ Reclassifications</u>	<u>Balance June 30, 2009</u>
Capital assets, depreciated:				
Computer hardware/software	\$ 921	\$ 7	\$ (87)	\$ 841
Furniture and fixtures	187	-	(24)	163
Equipment	68	-	(4)	64
Building	2,103	-	-	2,103
Total capital assets, depreciable	<u>3,279</u>	<u>7</u>	<u>(115)</u>	<u>3,171</u>
Less accumulated depreciation for:				
Computer hardware/software	(442)	(76)	74	(444)
Furniture and fixtures	(77)	(15)	14	(78)
Equipment	(69)	(12)	4	(77)
Building	(286)	(70)	-	(356)
Total accumulated depreciation	<u>(874)</u>	<u>(173)</u>	<u>92</u>	<u>(955)</u>
Total capital assets, depreciated, net	<u>2,405</u>	<u>(166)</u>	<u>(23)</u>	<u>2,216</u>
Total capital assets, net	<u>\$ 2,405</u>	<u>\$ (166)</u>	<u>\$ (23)</u>	<u>\$ 2,216</u>
Depreciation charged for the current year totaled:		<u>\$ 173</u>		

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

**NOTE 6 - CONTRIBUTIONS AND RESERVES**

**Contributions**

Contributions are made by the members and the employers at rates recommended by FCERA'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 3.79% and 12.58% 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 FCERA 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 FCERA 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.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

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

**Reserved and Designated Accounts of Net Assets held in Trust for Pension Benefits**

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. Effective fiscal year end June 30, 2009, the Contra Tracking Account has been added which represents the amount of interest credited to reserve accounts that has not been paid for out of current or excess earnings.

The sum of all the reserve balances may not tie directly to the total of Net Assets held in Trust for Pension Benefits due to rounding. The amounts and changes in reserves and designations for the year ended June 30, 2010 consist of the following:

	<u>Balance</u> <u>July 1,</u> <u>2009</u>	<u>Increase</u> <u>(Decrease)</u> <u>In Plan</u> <u>Net Assets</u>	<u>Net</u> <u>Transfers</u>	<u>Balance</u> <u>June 30,</u> <u>2010</u>
Reserves:				
Members' accumulated contributions	\$ 356,159	\$ 30,293	\$ (16,797)	\$ 369,655
Current service reserve	729,540	91,482	(32,943)	788,079
Annuity pension reserve	121,455	(18,910)	25,038	127,583
Current service pension reserve	766,981	(77,793)	141,659	830,847
Settlement annuity pension reserve	354,859	(18,368)	53,858	390,349
Settlement benefit reserve	101,610	(7,838)	8,133	101,905
Cost of living adjustment reserve	579,619	312	63,100	643,031
Supplemental cost of living reserve	6,417	(1,155)	-	5,262
Survivors' death benefit reserve	84	(1,038)	4,768	3,814
Retiree health benefit reserve	46,493	(6,619)	-	39,874
Retiree health benefit reserve (VS)	29,980	(3,460)	2,378	28,898
Contingency reserve	22,619	-	(22,619)	-
Designated for market stabilization	(678,573)	-	237,080	(441,494)
Undistributed earnings	-	337,869	(337,869)	-
Contra Tracking Account	(175,331)	-	(124,709)	(300,040)
Net assets held in trust for Pension benefits	\$ <u>2,261,912</u>	\$ <u>324,775</u>	\$ <u>-</u>	\$ <u>2,586,687</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

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

**Reserves and Designations (Continued)**

The amounts and changes in reserves and designations for the year ended June 30, 2009 consist of the following:

	<u>Balance</u> <u>July 1,</u> <u>2008</u>	<u>Increase</u> <u>(Decrease)</u> <u>In Plan</u> <u>Net Assets</u>	<u>Net</u> <u>Transfers</u>	<u>Balance</u> <u>June 30,</u> <u>2009</u>
Reserves:				
Members' accumulated contributions	\$ 335,820	\$ 32,484	\$ (12,145)	\$ 356,159
Current service reserve	697,636	75,978	(44,074)	729,540
Annuity pension reserve	113,706	(17,671)	25,420	121,455
Current service pension reserve	696,706	(70,744)	141,019	766,981
Settlement annuity pension reserve	316,883	(15,830)	53,806	354,859
Settlement benefit reserve	101,587	(8,103)	8,126	101,610
Cost of living adjustment reserve	518,246	6,501	54,872	579,619
Supplemental cost of living reserve	7,728	(1,311)	-	6,417
Survivors' death benefit reserve	1,010	(989)	63	84
Retiree health benefit reserve	52,845	(6,352)	-	46,493
Retiree health benefit reserve (VS)	30,832	(3,302)	2,450	29,980
Contingency reserve	69,900	-	(47,281)	22,619
Designated for market stabilization	(216,294)	-	(462,279)	(678,573)
Undistributed earnings	-	(455,354)	455,354	-
Contra Tracking Account <sup>1</sup>	-	-	(175,331)	(175,331)
Net assets held in trust for pension benefits	\$ <u>2,726,605</u>	\$ <u>(464,693)</u>	\$ <u>-</u>	\$ <u>2,261,912</u>

*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.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

**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. 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 FCERA, 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 \$121,611,000 for the December 31, 2009 interest-crediting period and \$126,506,000 for the June 30, 2010 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, 2010.

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 of an active deceased member 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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**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 sufficient 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 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.

FCERA 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.

The Contra Tracking Account represents interest that has been credited to the reserve accounts that was not available to be paid out of the current or excess earnings. A balance in this account is the result of the application of the Board's full interest crediting policy and will be replenished in subsequent periods when there are sufficient earnings.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**NOTE 7 – ACTUARIAL VALUATIONS**

Pursuant to provisions in the County Employees Retirement Law of 1937, FCERA 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 rates necessary to properly fund the system. FCERA 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, 2009 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)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Unfunded AAL Percentage of Covered Payroll</b>
June 30, 2009	\$2,864,956	\$3,644,743	\$779,787	78.6%	\$422,519	184.6%

Additional Funding Progress data is provided in the Required Supplementary Information section which presents multi-year trend data about the Actuarial Value of Assets to Actuarial Accrued Liabilities is located on page 43.

- |                                      |   |
|--------------------------------------|---|
| 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  |

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**NOTE 7 – ACTUARIAL VALUATIONS (Continued)**

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 10.00% 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).
- Safety Members: Salary increases range from 5.25% to 10.00% 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.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**NOTE 7 – ACTUARIAL VALUATIONS (Continued)**

7. Amortization method and Period: 25 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.

The latest actuarial valuation decreased the County normal cost rate from 17.70% to 17.67% of payroll primarily due to assumption changes. The County's required contribution rate to finance the UAAL increased from 12.29% to 16.24% of payroll. There is an increase in the total required contribution rate from the prior valuation of 3.92%, from 29.99% to 33.91% of payroll.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**Capital Commitments**

FCERA 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, 2010, outstanding capital commitments to the various partnerships, as approved by the Board, totaled \$737,500. Subsequent to June 30, 2010, FCERA funded \$625,322 of these capital commitments.

**Section 415(b) Benefit Replacement Plan**

The amount of retirement benefits to be paid annually by FCERA to retired members is limited by the Internal Revenue Code, Section 415(b). FCERA and the plan sponsor, Fresno County, have a Memorandum of Understanding that established the County's Replacement Benefits Plan. The Replacement Benefits Plan pays the benefits that exceed the limits set by Internal Revenue Code 415(b). According to the plan, Fresno County agrees to reduce employer contributions payable to FCERA equal to the amounts paid by the County to the retired plan members that exceed the Section 415(b) limitation.

For the fiscal year ended June 30, 2010, FCERA has calculated for the tax years December 2002 through December 2009 that Fresno County will reduce employer

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**(Amounts expressed in thousands)**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)**

**Section 415(b) Benefit Replacement Plan (continued)**

contributions in the amount of \$606 to recover amounts paid to retirees that exceed the Section 415(b) limitation. FCERA has created an accounts payable in the amount of \$606 which is reported on the Statement of Plan Net Assets.

**NOTE 9 - LITIGATION BY FCERA AGAINST ITS FORMER ACTUARY**

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

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

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

Upon discovering the facts and completing its legal and actuarial review, the Board terminated PPP and implemented a process to make corrections. This correction process included adjusting rates prospectively as well as making retroactive adjustments, which, among other things, required refunds totaling \$4,587 to FCERA members.

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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

**NOTE 9 - LITIGATION BY FCERA AGAINST ITS FORMER ACTUARY (Continued)**

On December 16, 2009, FCERA entered into a settlement agreement under which it waived and released all claims against PPP (and PPP's insurer) in exchange for a payment of \$250,000. FCERA received the settlement payment, in full, on or about December 31, 2009. This matter is now closed.

**NOTE 10 – NORTH CENTRAL FIRE PROTECTION DISTRICT LITIGATION**

The North Central Fire Protection District ("District") was an employer plan sponsor that had participated in the Fresno County Employees' Retirement Association (FCERA) continuously since electing to join in 1963. The retirement benefits that the District's employees earned with FCERA 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 had any payroll, but continued to exist as an entity with assets.

Ordinarily, the required employer contributions to FCERA 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 a "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 had any payroll, FCERA could no longer collect amounts from the District to pay for the District's share of the retirement system's UAAL as a percentage of payroll. Accordingly, the FCERA Board of Retirement worked with its actuary to determine the amount that FCERA should collect from the District to cover the District's share of FCERA's UAAL.

After an open and deliberative process, on June 18, 2008 the Board determined that the District's required contribution to FCERA was \$5,117,000 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 FCERA's UAAL. On June 20, 2008, the Board sent an invoice to the District, and demanded payment by no later than June 30, 2008.

On August 5, 2008, the District filed a Complaint for Declaratory Relief in Fresno Superior Court, seeking a judicial declaration that FCERA had no authority to collect any

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010 AND 2009**  
**(Amounts expressed in thousands)**

**NOTE 10 – NORTH CENTRAL FIRE PROTECTION DISTRICT LITIGATION**  
**(Continued)**

amount from the District. On September 4, 2008, FCERA filed an Answer and a Cross-Complaint, which sought a declaration that FCERA was entitled to collect from the District the amounts it had demanded.

FCERA and the District resolved their claims by settlement agreement dated August 6, 2009. Under the settlement agreement, the District agreed to pay FCERA \$9 million in full and final satisfaction of its obligations to FCERA, as follows: \$5 million on or before August 11, 2009, and another \$4 million on or before July 1, 2010. The District timely made both of its required payments in full. This matter is now closed.

**NOTE 11 – SUBSEQUENT EVENTS**

**Termination of Investment Managers**

During the regular board meeting on September 1, 2010, the Board of Retirement approved the termination of Franklin Templeton's international equity mandate. Franklin Templeton has been instructed to maintain the portfolio, estimated at \$183 million, until a search for a replacement manager can be completed.

During the regular board meeting on October 6, 2010, the Board of Retirement approved the termination of INTECH's large cap growth mandate and selected new large cap growth managers Waddell & Reed and Winslow Capital to equally manage the \$280 million large cap growth mandate, currently managed between INTECH and SSgA Russell 1000 Index Fund, pending successful contract negotiations.

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## REQUIRED SUPPLEMENTARY INFORMATION

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
(Amounts expressed in thousands)

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>		<u>(1) Actuarial Value of Assets (AVA)</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>(3) Unfunded AAL (UAAL) (2) - (1)</u>	<u>(4) Funded Ratio (1)/(2)</u>	<u>(5) Covered Payroll</u>	<u>(6) UAAL as a Percentage of Covered Payroll (3)/(5)</u>
6/30/04	\$	1,977,097	\$ 2,017,971	\$ 40,874	98.0%	\$ 337,614	12.1%
6/30/05		2,044,389	2,233,594	189,205	91.5%	351,049	53.9%
6/30/06		2,398,454	2,803,990	405,536	85.5%	376,270	107.8%
6/30/07		2,610,269	3,149,570	539,301	82.9%	404,277	133.4%
6/30/08		2,812,423	3,429,990	617,567	82.0%	424,083	145.6%
6/30/09		2,864,956	3,644,743	779,787	78.6%	422,519	184.6%

Beginning with the year ended 2003, actuarial valuations are performed annually. The actuarial valuation completed for 2004 and 2005 were prepared by FCERA's prior actuary and disclosed in the June 30, 2006 CAFR. The actuarial value of assets in the Solvency Test, located on page 70, includes the total plan assets for all years. The Summary of Funding Progress shown above reports only the employer's assets for the year 2004, therefore, the amounts will not be consistent between the Solvency Test and the Summary of Funding Progress schedules.

The information reported above for June 30, 2005 is before the Board of Retirement changed their 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 and the funded percentage was 89.2% with a UAAL of \$275,479. At June 30, 2007, the actuarial value of assets (AVA) decreased by \$3,169 for a net overpayment of member contributions discounted to June 30, 2007.

The schedules displayed on this page were prepared by FCERA's current actuary, Segal Company.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
(Amounts expressed in thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2005	\$ 56,296	100.00%
2006	56,664	100.00%
2007	69,997	100.00%
2008	97,305	100.00%
2009	113,959	100.00%
2010	126,138	100.00%

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Amounts expressed in thousands)**

**LATEST ACTUARIAL VALUATION METHODS**

Valuation date	June 30, 2009
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	24 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 10.00% (merit ranges from 0.90% to 6.00%; plus 3.75% inflation plus 0.25% “across the board” salary increase).
- Safety Members:	Salary increases range from 5.25% to 10.00% (merit ranges from 1.25% to 6.00%; plus 3.75% inflation plus 0.25% “across the board” salary increase).
Cost of living adjustments	0 – 3% (tied to the change in Consumer Price Index)

## OTHER SUPPLEMENTARY INFORMATION

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Personnel Services</b>		
Salaries and Benefits	\$ 2,053,830	\$ 1,756,812
Total Personnel Services	<u>2,053,830</u>	<u>1,756,812</u>
<b>Office Expenses</b>		
Election Expenses	10,227	-
Office Supplies	67,157	99,983
Postage	28,075	37,533
Telephone	3,085	3,769
Utilities	22,254	22,841
Total Office Expenses	<u>130,798</u>	<u>164,126</u>
<b>Other Services and Charges</b>		
Bad Debt	-	5,192
Interest Refunded - Overpayment Policy	1,582	115,548
Insurance Other	182,713	165,487
Maintenance	34,313	31,284
Professional and Specialized Services	642,306	1,108,991
Disability Expenses	186,501	158,584
Data Processing Services	133,464	125,716
Transportation, Travel, and Education - Staff	12,734	11,185
Transportation, Travel, and Education - Board	32,295	38,169
Total Other Services and Charges	<u>1,225,908</u>	<u>1,760,156</u>
<b>Depreciation</b>	159,280	173,875
Total Administrative Expenses	<u>\$ 3,569,816</u>	<u>\$ 3,854,969</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**ADMINISTRATIVE BUDGET ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Approved Budget</u>	<u>Final Budget</u>	<u>Fiscal Year Expenditures</u>	<u>Percentage Expended</u>
<b>Personnel Services</b>				
Salaries	\$ 1,310,439	\$ 1,310,439	\$ 1,338,270	102.12%
Benefits	<u>731,455</u>	<u>731,455</u>	<u>715,560</u>	97.83%
Total Personnel Services	<u>2,041,894</u>	<u>2,041,894</u>	<u>2,053,830</u>	100.58%
<b>Professional Services</b>				
Actuarial	100,000	100,000	99,500	99.50%
Legal Counsel	300,000	300,000	257,670	85.89%
Professional Services - Disability	211,044	211,044	186,500	88.37%
Other Professional Services	550,753	550,753	286,363	51.99%
Pensions System Maintenance	<u>91,500</u>	<u>91,500</u>	<u>9,000</u>	9.84%
Total Professional Services	<u>1,253,297</u>	<u>1,253,297</u>	<u>839,033</u>	66.95%
<b>Travel, Transportation, and Education</b>				
Transportation, Travel, and Education - Board	44,200	44,200	32,295	73.07%
Transportation, Travel, and Education - Staff	<u>26,960</u>	<u>26,960</u>	<u>12,734</u>	47.23%
Total Travel, Transportation, and Education	<u>71,160</u>	<u>71,160</u>	<u>45,029</u>	63.28%
<b>Other</b>				
Data Processing	141,360	141,360	133,464	94.41%
Depreciation	-	-	159,280	N/A
Insurance	212,610	212,610	182,713	85.94%
Interest Paid - Overpayment Policy	-	-	1,582	N/A
Maintenance	37,937	37,937	34,313	90.45%
Office Supplies	<u>113,510</u>	<u>113,510</u>	<u>120,572</u>	106.22%
Total Other	<u>505,417</u>	<u>505,417</u>	<u>631,924</u>	125.03%
<b>Capital Assets</b>	<u>279,900</u>	<u>279,900</u>	<u>-</u>	0.00%
<b>Total Administrative Expenditures</b>	<u>\$ 4,151,668</u>	<u>\$ 4,151,668</u>	<u>\$ 3,569,816</u>	85.99%

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**SCHEDULE OF INVESTMENT EXPENSES**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
Investment Manager Fees	\$ 11,726,951	\$ 9,294,996
Custodian Service Fees	116,590	116,227
Actuarial Valuation Fees <sup>1</sup>	90,000	58,000
Executive Office Operation	211,259	239,227
Due Diligence Travel	8,188	3,125
Investment Legal Fees	249,449 <sup>2</sup>	73,437 <sup>2</sup>
Investment Consultant	321,667 <sup>2</sup>	306,727 <sup>2</sup>
Subtotal Investment Expenses	<u>12,724,104</u>	<u>10,091,739</u>
Securities Lending Expenses	581,129	3,280,471
Total Investment Expenses	<u><u>\$ 13,305,233</u></u>	<u><u>\$ 13,372,210</u></u>

<sup>1</sup> Actuarial Valuation Fees are the fees for producing the Actuarial Valuation Report.

<sup>2</sup> Investment Legal Fees, Investment Consultant Fees, Custodian Service Fees, and Actuarial Valuation Fees can also be found on page 48 as Payments to Consultants.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**SCHEDULE OF PAYMENTS TO CONSULTANTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
Disability Attorney Fees	\$ 77,055	\$ 46,070
Retirement Board Attorney Fees	257,670	484,347
Disability Medical, Investigation, and Copying Fees	109,446	112,514
Other Professional Expenses	240,363	50,502
Audit Fees	55,000	106,266
Actuarial Consulting Fees (non-actuary study costs)	99,500	177,729
Actuarial Valuation Fees	90,000 <sup>1</sup>	58,000 <sup>1</sup>
Investment Legal Fees	249,449 <sup>1</sup>	73,437 <sup>1</sup>
Custodian Service Fees	116,590 <sup>1</sup>	116,227 <sup>1</sup>
Investment Consultant	321,667 <sup>1</sup>	306,727 <sup>1</sup>
Data Processing Fees	133,464	125,716
Total Payments to Consultants	<u>\$ 1,750,204</u>	<u>\$ 1,657,535</u>

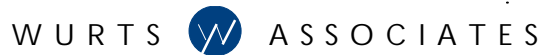
Refer to page Í J for information on fees paid to investment managers.

<sup>1</sup> Investment Legal Fees, Investment Consultant Fees, Custodian Service Fees, and Actuarial Valuation Fees can also be found on page 47 as Investment Expenses.



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## INVESTMENT SECTION



Telephone: 310.297.1777

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September 15, 2010

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

#### Performance Summary

After a 16.5% loss net of fees for the fiscal year ending June 30, 2009, FCERA's investment portfolio returned 15.7% net of fees for the fiscal year ending June 30, 2010. This performance ranked FCERA in the 17<sup>th</sup> percentile in the Independent Consultants Cooperative Public Funds Universe (ICC). Over the past fiscal year we have seen the equity markets rebound on a global basis, even though some questions still remain. Virtually every asset class experienced significant gains, except for the real estate market which experienced a loss of 6.0%.

The FCERA portfolio outperformed the Fund's Policy by 4.2% and outperformed the Median Public Fund in the ICC Universe benchmark by 2.7%. On a relative basis, the FCERA portfolio was in the top quartile of its peer group and was able to meaningfully outperform the Policy Index. While every asset class outperformed its benchmark for the fiscal year except the alternatives allocation, the portfolio's fixed income allocation (29.1% of the total plan) was the primary contributor as the asset class returned 17.3% for the fiscal year, outperforming its benchmark by 7.8%.

For the last three years ending June 30, 2010, the FCERA investment portfolio has an average annualized return of -2.9% net of fees and outperformed the Policy benchmark by 1.6% and the Median Public Fund by 0.70%. These results ranked FCERA's investment portfolio in the 35<sup>th</sup> percentile among its peers. Over the five-year period ending June 30, 2010, the portfolio returned 3.8% net of fees, outperforming the Policy benchmark by 1.7% and the Median Public Fund by 1.1%. FCERA ranked in the 19<sup>th</sup> percentile over the five-year period. In computing individual manager returns Wurts & Associates employs the industry standard approach of computing a true dollar-weighted rate of return.

#### Plan Structure Review

FCERA has taken a number of actions in the investment portfolio over the past fiscal year, due to opportunities becoming available in the market and implementation of the new asset allocation adopted as a result of the August 2008 Asset Liability study. In June 2009, FCERA decided to allocate 5% of the total plan to the Term Asset-Backed Securities Loan Facility (TALF) by decreasing the total plan's allocation to Hedge Funds from 9% to 4%. TALF is a program setup by the government in order to revive consumer lending through direct government stimulus of the asset-backed securities (ABS) market. TALF allowed investors

to use a relatively small amount of capital to make a sizeable ABS purchase, which is subsequently financed by the Federal Reserve at rates lower than the interest received (or at least expected to receive). This leverage allows investors to generate large returns on their invested capital using non-recourse loans. Due to oversubscription to the TALF funds and the subsequent diminished opportunity set, FCERA's eventual commitment was \$82 million, with managers Metropolitan West Asset Management (MetWest) and Pacific Investment Management Company (PIMCO) being funded in August 2009. Since funding, MetWest and PIMCO have returned 15.8% and 32.6%, respectively. In July 2009, FCERA adopted a change to the recommended asset allocation by removing the 2% allocation to Infrastructure and reallocating 3% to Commodities. BlackRock Institutional Trust Company, formerly Barclays Global Investors, was hired to manage the indexed Commodities mandate and was funded with \$75 million at the end of the first quarter 2010.

The first search conducted during the fiscal year was for Hedge Fund of Funds in July 2009 to implement the 4% target allocation. The \$100 million mandate was divided evenly between Grosvenor Capital Management and Common Sense Investment Management. In September 2009, Mondrian Investment Partners was selected for the International Small Cap mandate, which was meant to further diversify the International Equity allocation while increasing the expected return of the portfolio. A month later, Brandywine Global Investment Management was terminated as the Small Cap Value manager due to performance. The mandate was indexed with State Street Global Advisors, and State Street Global Markets transitioned the assets to minimize transaction costs. Towards the end of 2009, TA Realty called part of their \$30 million Value Added Real Estate commitment, and Colony Capital was awarded the \$40 million mandate in Opportunistic Real Estate. Value Added and Opportunistic Real Estate diversifies the current Real Estate allocation and is anticipated to have higher expected returns through capital appreciation than Core Real Estate. The Colony Distressed Credit Fund (CDCF) replaced the original commitment to the Colony Investors IX Fund that was decided on earlier in the year. Colony Capital withdrew from raising the IX Fund to concentrate on distressed credit opportunities. FCERA acquired the \$40 million commitment to the CDCF, with a 10% reserve commitment, from the Swiss Reinsurance Company Ltd through a secondary transaction. Landmark Equity Partners and Angelo Gordon & Co. were each awarded \$30 million commitments to continue funding the Private Equity allocation, which was increased by a percent to 7%. Landmark Equity Partners was hired to manage Secondary Private Equity, and Angelo Gordon was hired to manage Distressed Debt. In addition, Blackstone Alternative Asset Management was terminated as a Hedge Fund manager for the portfolio. The \$15 million in liquidated cash was then used to fulfill the remainder of the \$50 million commitment to Common Sense Investment Management in mid-2010. In January 2010, FCERA's allocation to Global Fixed Income was eliminated and reallocated to Emerging Markets equity, resulting in the termination of GMO. The reallocation decision was implemented to undertake the currency risk within the context of an equity allocation rather than within fixed income.

Below is the new asset allocation versus the actual allocation as of June 30, 2010.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Actual Allocation</u>
Cash	0%	0.7%
Fixed Income	25%	27.2%
Large Cap Equity	24%	23.2%
Small Cap Equity	8%	8.8%
International Equity	21%	21.8%
Real Assets	11%	9.3%
Private Equity	7%	5.7%
Hedge Funds	4%	3.3%

All of us here at Wurts & Associates appreciate the opportunity to assist the FCERA Board in meeting the Plan's investment objectives. We look forward to continuing to providing guidance to help navigate ever-changing capital markets.

Sincerely,



Jeffrey MacLean  
Chief Executive Officer

## **FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION GENERAL INFORMATION**

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

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

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

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

- The Board will act solely in the interest of and for exclusive purposes of providing benefits to participants and their beneficiaries. The Board will keep employer contributions to the Association at a minimum level. The Board will also pay reasonable expenses required to administer the plan.
- The Board will act like a prudent person under equivalent circumstances and having similar goals. Attention to care, skill, prudence, and diligence is of utmost importance when acting on behalf of the Association.
- The Board shall diversify the Association's investments to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so. The diversification of the Association's portfolio is displayed in the tables and graphs included in the following pages.

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

## **FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION SUMMARY OF INVESTMENT OBJECTIVES**

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

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

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

The Investment Results on page 56 are based on time-weighted rate of return using fair value and are annualized for three and five years. All other information is reported at fair value.

### **TARGET AND ACTUAL ASSET ALLOCATIONS AS OF JUNE 30, 2010**

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.

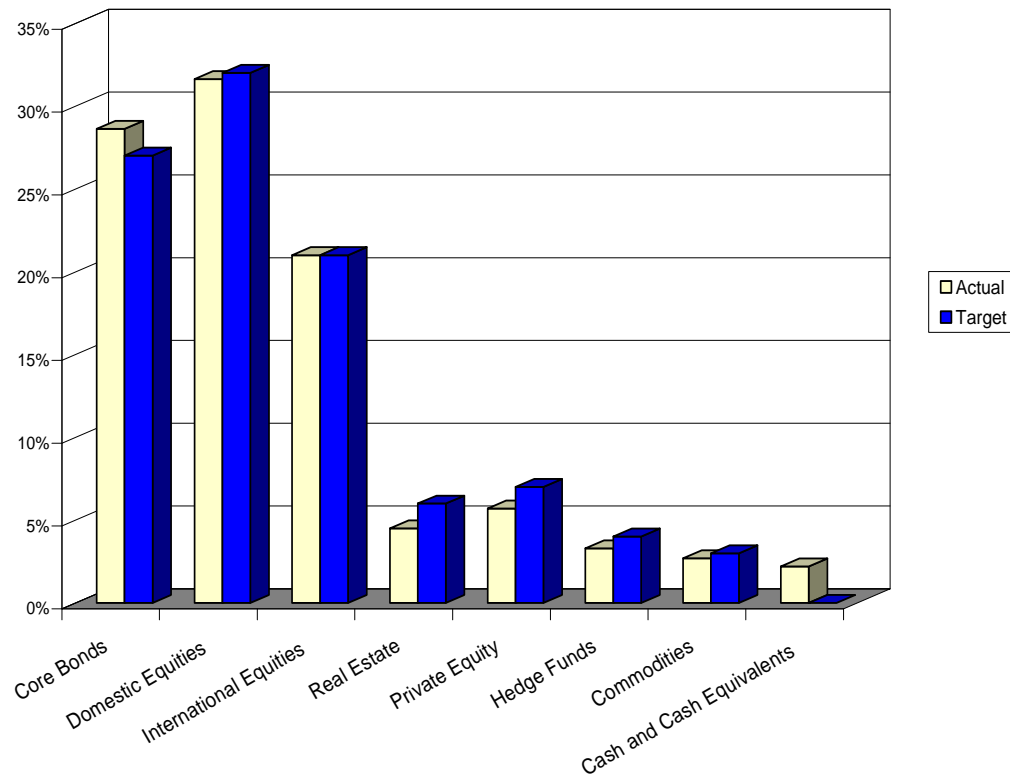
Over time, the Board implements the asset allocation plan by hiring investment managers to invest assets on behalf of the Association, subject to investment guidelines incorporated into each firm's investment management contract.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
TARGET AND ACTUAL ASSET ALLOCATIONS (Continued)  
AS OF JUNE 30, 2010**

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 49 to 51 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. Also, the Target Asset Allocation calls for all cash requirements of the Fund to be classified as Fixed Income. However, FCERA's actual operating cash is reported separately the Financial Statements and on the Investment Summary.

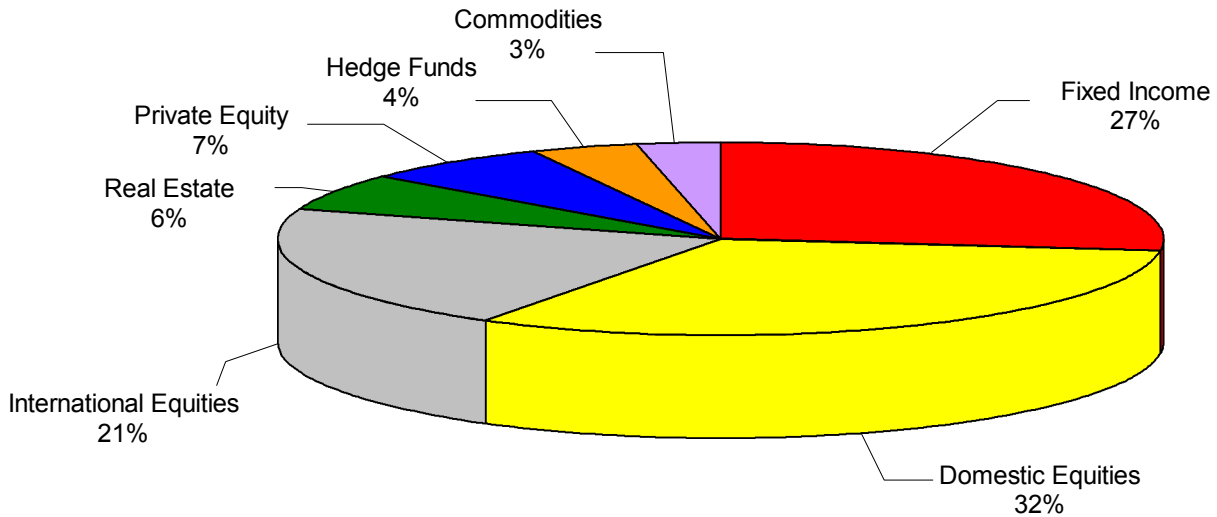
The 2009 - 2010 target and actual asset allocations are presented in the following graphs and charts:





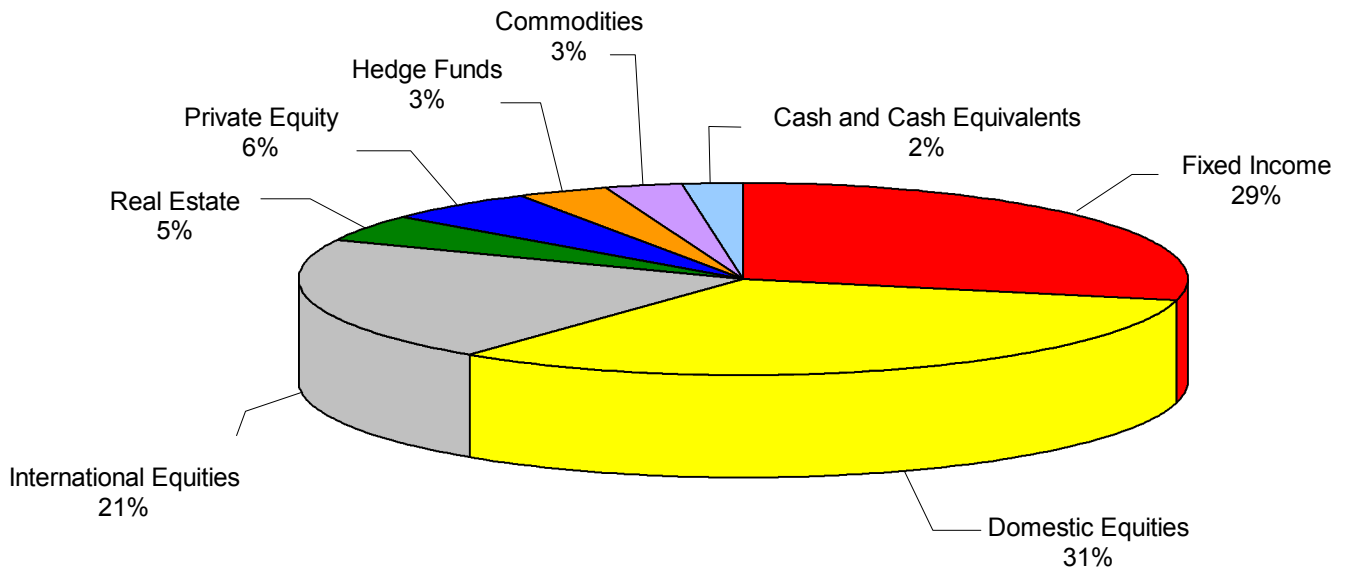
**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
TARGET AND ACTUAL ASSET ALLOCATIONS (Continued)  
AS OF JUNE 30, 2010**

**Target Percentage**



Note: Per Investment Policy the cash requirements of the Fund will be classified under Fixed Income.

**Actual Percentage**



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**INVESTMENT RESULTS**  
**AS OF JUNE 30, 2010**

Investments	Current Year	3-Year Return	5-year Return
<b>Fixed Income</b>			
Domestic	16.4%	8.6%	6.4%
Benchmark : LB Aggregate Index	9.5%	7.6%	5.5%
Domestic Opportunistic	19.3%	0.0% <sup>1</sup>	0.0% <sup>1</sup>
Benchmark : BC Aggregate + 300 BPS	12.7%	0.0%	0.0%
TIPS Index Fund	9.5%	0.0% <sup>1</sup>	0.0% <sup>1</sup>
BC US TIPS	9.5%	0.0%	0.0%
TALF Funds	4.0% <sup>2</sup>	0.0% <sup>1</sup>	0.0% <sup>1</sup>
Benchmark : BC Aggregate Index	3.5%	0.0%	0.0%
<b>Equities</b>			
Domestic Large Capital Value	14.5%	-11.7%	-1.5%
Benchmark: Russell 1000 Value	16.9%	-12.3%	-1.6%
Domestic Large Capital	14.5%	-9.7%	-0.7%
Benchmark: S & P 500 Index	14.4%	-9.8%	-0.8%
Domestic Large Capital Growth	13.2%	-5.8%	0.2%
Benchmark: S & P Citi Growth Index	12.6%	-7.0%	-0.4%
Domestic Large Capital Growth	13.7%	0.0% <sup>1</sup>	0.0% <sup>1</sup>
Benchmark: Russell 1000 Growth	13.6%	0.0%	0.0% <sup>1</sup>
Domestic Small Capital Growth	25.3%	-3.9%	2.6%
Benchmark: Russell 2000 Growth	18.0%	-7.5%	1.1%
Domestic Small Capital Value	-10.6%	0.0% <sup>1</sup>	0.0% <sup>1</sup>
Benchmark : Russell 2000 Value	-10.6%	0.0%	0.0%
Emerging Markets Equity	21.8%	-0.2%	0.0% <sup>1</sup>
Benchmark: MSCI Emerging Markets Free	23.5%	-2.2%	0.0%
International Equity	5.5%	-12.9%	1.5%
Benchmark : MSCI EAFE	6.4%	-12.9%	1.3%
<b>Private Markets</b>			
Real Estate	-2.3%	-9.2%	3.9%
Benchmark : NCREIF Classic Property	-1.5%	-4.7%	3.8%
Hedge Funds	6.7%	-1.7%	4.0%
Benchmark : HFRI FOF Composite Index	4.7%	-4.0%	2.3%
Private Equity	20.3%	-1.0%	8.8%
Benchmark : RUSS 3000 + 250 BP	18.5%	-7.1%	2.0%
Commodities	-4.8% <sup>2</sup>	0.0% <sup>1</sup>	0.0% <sup>1</sup>
Benchmark : DJ UBS Commodity TR Index	-4.8%	0.0%	0.0%
<b>Cash, Custodial and Investment Pool</b>			
Cash	0.7%	2.2%	3.2%
Benchmark: 90-Day Treasury Bill	0.2%	1.6%	2.8%
<b>Total Fund</b>	<b>16.1%</b>	<b>-2.7%</b>	<b>4.1%</b>

Notes:

Hedge Funds, Private Equity and Commodities are net of fees and lagged one quarter. Other investments are reported gross of fees. Investment results were prepared using a time-weighted rate of returned based on the market rate of return.

<sup>1</sup> There were no 3-year or 5-year results available due to managers' mandates were funded between fiscal year 2005 to 2010.

<sup>2</sup> Current Year results are for the quarter ended 06/30/10 due to manager manadates were funded during the fiscal year 2010.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**INVESTMENT SUMMARY**  
**AS OF JUNE 30, 2010**  
**(Amounts expressed in thousands)**

	Fair Value	Actual Percentages	Target Percentages
<b>Investments</b>			
Domestic Bonds <sup>1</sup>	\$ 486,280	18.84%	25.00%
Foreign Bonds	70,807	2.74%	0.00%
US Government and Agencies <sup>2</sup>	181,676	7.04%	2.00%
Total Bonds	<u>738,763</u>	<u>28.62%</u>	<u>27.00%</u>
Domestic Equities	810,716	31.41%	32.00%
International Equities	543,486	21.05%	21.00%
REITs	5,663	0.22%	0.00%
Total Equities	<u>1,359,865</u>	<u>52.68%</u>	<u>53.00%</u>
Private Markets and Alternatives			
Real Estate	117,354	4.55%	6.00%
Private Equity	148,346	5.75%	7.00%
Hedge Funds	85,380	3.31%	4.00%
Commodities	71,427	2.77%	3.00%
Real Estate (Station Building)	1,793	0.07%	0.00%
Total Investments	<u>2,522,928</u>	<u>97.75%</u>	<u>100.00%</u>
<b>Cash and Cash Equivalents</b>			
Cash Held in County Investment Pool	12,798	0.50%	0.00%
Cash Held in Checking Account	92	0.01%	0.00%
Short Term Investment with Fiscal Agent	45,643	1.77%	0.00%
Total Cash and Cash Equivalents	<u>58,533</u>	<u>2.28%</u>	<u>0.00%</u>
<b>Total Investment, Cash and Cash Equivalents</b>	<u>\$ 2,581,461</u>	<u>100.00%</u>	<u>100.00%</u>

<sup>1</sup> Includes mortgages and TALFS.

<sup>2</sup> Includes TIPS

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
AS OF JUNE 30, 2010**

**LARGEST BOND HOLDINGS (By Fair Value)**

Par	Name	Yield	Maturity Date	Fair Value
674,400	EB OPPORTUNISTIC FUND	11.260%	N/A	\$ 85,439,738
3,827,091	WA MORTGAGE BACKED	7.796%	N/A	51,501,169
31,519,413	METWEST ENHANCED TALF	12.000%	N/A	35,333,956
13,954,093	PIMCO TALF	9.600%	N/A	16,111,758
10,000,000	90DAY EURODOLLAR FUTURES	0.222%	09/13/2010	9,934,500
6,300,000	US TREASURY BOND FUTURES	1.930%	09/21/2010	8,032,500
326,308	WA OPPORTUNISTIC	8.820%	N/A	6,332,659
5,800,000	FNMA TBA	3.210%	12/01/2099	5,989,428
65,000,000	MEXICO (UTD MEX ST)	0.071%	12/14/2017	5,348,006
5,000,000	FNMA TBA	2.490%	12/01/2099	5,271,100
<u>142,401,305</u>	Total			<u>\$ 229,294,814</u>

**LARGEST STOCK HOLDINGS (By Fair Value)**

Shares	Name	Fair Value
10,992,609	MONDRIAN INTERNATIONAL SMALL	\$ 155,831,891
546,188	SSGA FUNDS	121,802,072
4,871,415	RUSSELL 2000 VALUE CTF	117,264,709
4,999,104	MONDRIAN EMERGING MARKET FUND	97,371,552
3,364,402	RUSSELL 1000 GROWTH SL	95,300,050
2,446,669	TREASURY INFLATION PROTEC FUND	50,031,943
710,986	RUSSELL 1000 GROWTH INDEX	20,139,389
25,400	APPLE INC	6,388,862
47,900	INTL BUSINESS MACHINES CORP	5,914,692
238,700	MICROSOFT CORP	5,492,487
<u>28,243,373</u>	Total	<u>\$ 675,537,647</u>

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, 2010 AND 2009**

	2010	2009
<b>Investment Managers' Fees</b>		
Domestic Equity Managers:		
Aronson, Johnson and Ortiz	\$ 446,515	\$ 423,298
Artisan Partners	-	196,790
Brandywine Asset Management	144,527	378,710
Intech S&P Barra Growth	671,534	595,881
Kalmar Management	868,781	607,441
State Street Global Advisors	124,843	65,457
Wellington Management Company	430,967	383,534
Total Domestic Equity Managers	<u>2,687,167</u>	<u>2,651,111</u>
International Equity Managers:		
Mondrian Emerging	1,566,691	862,349
Oechsle International	795,594	733,879
Templeton Investment	852,864	734,392
Total International Equity Managers	<u>3,215,149</u>	<u>2,330,620</u>
Domestic Fixed Income Managers:		
BlackRock Financial Management, Inc.	377,722	490,662
Bradford and Marzec, Inc.	-	355,551
Grantham, Mayo & Van Otterloo	145,240	271,721
Loomis Sayles	650,787	394,180
MetWest	222,960	-
Pimco	138,668	-
Standish Mellon	316,096	52,708
Western Asset Management	285,750	340,018
Total Domestic Fixed Income Managers	<u>2,137,223</u>	<u>1,904,840</u>
Private Market Managers:		
Alternative Investments	2,824,529	1,589,170
Real Estate	845,451	769,255
Total Private Market Managers	<u>3,669,980</u>	<u>2,358,425</u>
Cash Overlay		
State Street Global Advisors	17,432	50,000
Total Cash Overlay Managers	<u>17,432</u>	<u>50,000</u>
<b>Total Investment Managers' Fees</b>	<u>\$ 11,726,951</u>	<u>\$ 9,294,996</u>
<b>Other Investment Expenses</b>		
Securities Lending	\$ 581,129	\$ 3,280,471
Due Diligence Travel	8,188	3,125
Custodian Service Fees	116,590	116,227
Actuarial Valuation Fees	90,000	58,000
Executive Office Operation	211,259	239,227
Consulting and Legal Fees	571,116	380,164
<b>Total Other Investment Expenses</b>	<u>\$ 1,578,282</u>	<u>\$ 4,077,214</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**SCHEDULE OF COMMISSIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
American Technology Research Inc	56,785	\$ 1,987	\$ 0.0350	0.20%
Avondale Partners LLC	31,300	1,096	0.0350	0.11%
Baird Robert W. & Company Inc	1,656,525	5,697	0.0034	0.57%
Bank Of New York Brussels	488,130	1,697	0.0035	0.17%
Barclays Capital Inc /Le	1,735,165	11,646	0.0067	1.16%
Baypoint Trading LLC	73,200	2,928	0.0400	0.29%
BNP Paribas Securities Services	205,642	1,613	0.0078	0.16%
BNY Convergenx	317,844	6,356	0.0200	0.63%
BNY Convergenx LJR	2,468,062	62,509	0.0253	6.20%
B-Trade Services LLC	432,593	8,652	0.0200	0.86%
Canaccoroadams Inc	172,507	5,873	0.0340	0.58%
Cantor Fitzgerald & Co	418,025	8,856	0.0212	0.88%
Capital Institutional Svcs Inc Equities	852,687	20,559	0.0241	2.04%
Citi Group Global Markets Inc	1,730,781	16,784	0.0097	1.67%
Citi Group Global Markets Limited	348,580,819	8,509	0.0000	0.84%
CJS Securities Inc	37,830	1,324	0.0350	0.13%
Cowen and Company LLC	1,451,634	8,955	0.0062	0.89%
Craig - Hallum	66,635	2,332	0.0350	0.23%
Credit Suisse Securities (Europe) Ltd	209,958	4,133	0.0197	0.41%
Credit Suisse Securities (USA) LLC	468,569,407	34,407	0.0001	3.41%
CS First Boston (Hong Kong) Limited	200,630	3,339	0.0166	0.33%
Daiwa Securities America Inc	33,900	5,506	0.1624	0.55%
Deutsche Bank Securities Inc	309,521,272	50,794	0.0002	5.04%
Direct Trading Institutional Inc	114,310	1,143	0.0100	0.11%
Dougherty Company	53,835	1,884	0.0350	0.19%
Fidelity Capital Markets	282,914	5,795	0.0205	0.57%
First Analysis Securities Corp	123,120	4,309	0.0350	0.43%
Friedman Billings & Ramsey	42,000	1,680	0.0400	0.17%
Goldman Sachs & Co	270,275,860	76,600	0.0003	7.60%
Goldman Sachs International	25,783,496	6,938	0.0003	0.69%
Guzman & Co	1,865,380	36,892	0.0198	3.66%
Heflin & Co LLC	27,100	1,084	0.0400	0.11%
Hibernia Southcoast Capital Inc	112,212	3,863	0.0344	0.38%
Howard Weil Division Legg Mason	63,920	1,971	0.0308	0.20%
Instinet	1,559,910	31,086	0.0199	3.08%
Investment Technology Group Inc	1,119,291	11,719	0.0105	1.16%
ISI Group Inc	87,640	2,341	0.0267	0.23%
JP Morgan Securities Inc	12,729,295	5,045	0.0004	0.50%
JP Morgan Clearing Corp	8,472,040	22,665	0.0027	2.25%
Janney Montgomery, Scott Inc	539,495	3,792	0.0070	0.38%
Jefferies & Company Inc	4,669,265	32,232	0.0069	3.20%
JMP Securities	31,690	1,121	0.0354	0.11%
JNK Securities Inc	172,100	3,442	0.0200	0.34%
Johnson Rice & Co	245,342	8,587	0.0350	0.85%
Jones Trading Institutional Services LLC	319,659	8,012	0.0251	0.79%
Kaufman Brothers	44,515	1,558	0.0350	0.15%

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**SCHEDULE OF COMMISSIONS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
Kepler Equities Paris	187,629	\$ 2,939	\$ 0.0157	0.29%
Keybank Capital Markets Inc	902,100	3,835	0.0043	0.38%
King, CI & Associates Inc	46,680	1,634	0.0350	0.16%
Knight Securities	224,930	4,520	0.0201	0.45%
Lazard Capital Markets LLC	136,971	1,111	0.0081	0.11%
Leerink Swann and Company	47,455	1,757	0.0370	0.17%
Liquidnet Inc	269,289	4,729	0.0176	0.47%
Macquarie Equities Limited (Sydney)	334,907	1,075	0.0032	0.11%
Macquarie Securities (USA) Inc	29,700	1,188	0.0400	0.12%
Main First Bank De	16,902	1,925	0.1139	0.19%
Merrill Lynch International	423,210	2,153	0.0051	0.21%
Merrill Lynch Pierce Fenner & Smith Inc	15,701,355	25,644	0.0016	2.54%
Merrill Lynch Professional Clearing Corp	96,715	3,180	0.0329	0.32%
Miller Tabak & Company LLC	113,700	1,111	0.0098	0.11%
Mizuho Securities USA Inc	49,600	3,313	0.0668	0.33%
MKM Partners	41,715	1,460	0.0350	0.14%
ML Professional Clearing Corp	98,430	1,969	0.0200	0.20%
Morgan Joseph & Co Inc	137,425	4,810	0.0350	0.48%
Morgan Keegan & Co Inc	1,764,022	3,652	0.0021	0.36%
Morgan Stanley Co Inc	276,493,449	44,220	0.0002	4.39%
National Financial Services Corp	564,510	1,930	0.0034	0.19%
Needham & Company	186,250	6,519	0.0350	0.65%
Northland Securities Inc	122,968	4,304	0.0350	0.43%
Oppenheimer & Co Inc	255,450	3,876	0.0152	0.38%
Pershing LLC	37,363,371	14,343	0.0004	1.42%
Pershing Securities Limited	74,171	4,242	0.0572	0.42%
Pipeline Trading Systems LLC	322,800	5,380	0.0167	0.53%
Piper Jaffray	125,915	4,744	0.0377	0.47%
Pritchard Capital Partners LLC	187,685	6,569	0.0350	0.65%
Pulse Trading LLC	224,164	5,649	0.0252	0.56%
Raymond James And Associates Inc	549,310	17,484	0.0318	1.73%
RBC Capital Markets	28,759,585	3,325	0.0001	0.33%
RBS Securities Inc	256,884	1,305	0.0051	0.13%
Rosenblatt Securities LLC	615,500	11,895	0.0193	1.18%
Sanford Cbernstein Co LLC	472,344	6,317	0.0134	0.63%
Scott & Stringfellow Inc	771,100	2,316	0.0030	0.23%
SG Americas Securities LLC	1,025,700	10,257	0.0100	1.02%
Sidoti & Company LLC	73,875	2,586	0.0350	0.26%
State Street Global Markets	10,621,632	104,164	0.0098	10.33%
Stephens Inc	1,334,616	7,150	0.0054	0.71%
Stifel Nicolaus & Co Inc	2,431,810	5,951	0.0024	0.59%
Thomas Weisel Partners LLC	277,945	7,438	0.0268	0.74%
UBS AG London	862,743,023	3,769	0.0000	0.37%
UBS Securities LLC	15,617,392	36,032	0.0023	3.57%
Wedbush Morgan Securities Inc	74,420	2,605	0.0350	0.26%
Weeden & Co	2,004,102	38,787	0.0194	3.85%
Wells Fargo Securities, LLC	8,084,360	2,992	0.0004	0.30%
William Blair & Company LLC	55,003	2,043	0.0371	0.20%
Other	2,132,996,986	18,522	0.0000	1.84%
	<u>4,873,354,775</u>	<u>\$ 1,008,030</u>	<u>\$ 0.0002</u>	<u>100.00%</u>

ACTUARIAL SECTION





THE SEGAL COMPANY

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September 13, 2010

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, 2009 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, it is our understanding that 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, 2009 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.

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

Benefits, Compensation and HR Consulting Offices throughout the United States and Canada



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The UAAL is amortized as a level percentage of payroll over a declining 24-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, 2009 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;
3. Schedule of Funding Progress;
4. Average Benefit Payments; and
5. Years of Life Expectancy After Service and Disability Retirement.

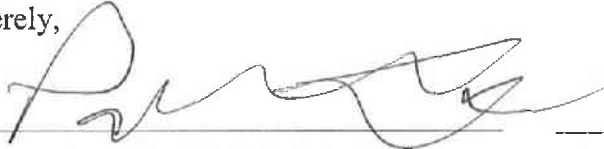
The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2006 Experience Analysis or in conjunction with the June 30, 2009 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2009 valuation produce results, which, 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 as of June 30, 2009 will be used in the June 30, 2010 valuation.

In the June 30, 2009 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 82.0% to 78.6%. The employer's rate has increased from 29.99% of payroll to 33.91% of payroll, while the employee's rate has decreased from 8.02% of payroll to 7.99% of payroll.

In the June 30, 2009 valuation, the actuarial value of assets included \$678.6 million in deferred investment losses, which represented 30% of the market value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 78.6% to 60.0% and the aggregate employer contribution rate, expressed as a percent of payroll, would increase from 33.91% to 48.26%.

The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

Sincerely,



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



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

MYM/gxk  
Enclosures

## **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 (UAAL) established as of the June 30, 2003 valuation is being amortized over a declining 30-year period with 25 years remaining as of June 30, 2008. Any new UAAL established on each subsequent valuation after June 30, 2003 as a result of actuarial gains or losses and changes in actuarial assumptions is amortized over a separate 15-year declining period. The increase in UAAL due to benefit improvements is amortized over 30 years. 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, 2009. The actuarial valuation report as of June 30, 2009 was approved and adopted by the Fresno County Board of Retirement on January 20, 2010.

- |    |   |  |
|----|---|--|
| 1. | Investment Rate of Return:              | 8.00% per annum  |
| 2. | Interest Credited to Employee Accounts: | Nominal rate of 3.00% per annum,<br>compounded semiannually  |
| 3. | Inflation:                              | 3.75% per annum  |
| 4. | Salary Scale:                           |  |
|    | - General Members:                      | Salary increases range from 4.90% to 10.00%<br>based on years of service (merit ranges from<br>0.90% to 6.00%; plus 3.75% inflation plus<br>0.25% "across the board" salary increase). |
|    | - Safety Members:                       | Salary increases range from 5.25% to 10.00%<br>based on years of service (merit ranges from<br>1.25% to 6.00%; plus 3.75% inflation plus<br>0.25% "across the board" salary increase). |
| 5. | Asset Valuation:                        | Smoothed market value  |
| 6. | Spouses and Dependents:                 | 80% of male active members and 55% of<br>female active members assumed married at<br>retirement, with wives assumed three years<br>younger than husbands                               |
| 7. | Rates of Termination of Employment:     | 0.00% to 11.00%, depending on age,<br>gender and service classification  |

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

8. Years of Life Expectancy After Retirement:
  - General Members: RP – 2000 Healthy Annuitant Mortality with adjustment for white collar workers
  - Safety Members: RP – 2000 Healthy Annuitant Mortality with adjustment for blue collar workers set back two years
9. Years of Life Expectancy After Disability: RP - 2000 Disabled Annuitant Mortality set back one year for General members and two years for Safety members
10. Life Expectancy After Retirement for Employee Contribution Rate Purposes:
  - General Members: RP - 2000 Healthy Annuitant Mortality with adjustment for white collar workers weighted 1/3 male and 2/3 female
  - Safety Members: RP - 2000 Healthy Annuitant Mortality with adjustment for blue collar workers set back two years weighted 5/6 male and 1/6 female
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. Service and Disability Retirements: Varies by tier of membership and by age
14. Gains & Losses: 24 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.

Note: Information compiled from Actuarial Report prepared by The Segal Company as of June 30, 2009. Please refer to page 44 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
6/30/2004 <sup>1</sup>	General	6,534	\$ 283,136	\$ 3,611	1.0%
	Safety	911	54,478	4,983	1.0%
	Total	7,445	\$ 337,614	\$ 3,779	1.0%
6/30/2005 <sup>1</sup>	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 <sup>2</sup>	General Tier 1	6,559	\$ 310,007	\$ 3,938	6.6%
	General Tier 2 <sup>3</sup>	140	5,024	2,990	100.0%
	Safety Tier 1	973	60,661	5,195	8.5%
	Safety Tier 2 <sup>3</sup>	14	578	3,442	100.0%
	Total	7,686	\$ 376,270	\$ 4,080	4.8%
6/30/2007 <sup>2</sup>	General Tier 1	6,537	\$ 328,403	\$ 4,186	6.3%
	General Tier 2 <sup>3</sup>	300	10,965	3,046	1.9%
	Safety Tier 1	934	63,392	5,656	8.9%
	Safety Tier 2 <sup>3</sup>	31	1,516	4,079	18.5%
	Total	7,802	\$ 404,276	\$ 4,318	7.5%
6/30/2008 <sup>2</sup>	General Tier 1	6,117	\$ 329,751	\$ 4,492	7.3%
	General Tier 2 <sup>3</sup>	123	6,640	4,498	47.7%
	General Tier 3 <sup>4</sup>	547	19,601	2,986	100.0%
	Safety Tier 1	888	64,592	6,061	7.2%
	Safety Tier 2 <sup>3</sup>	65	3,499	4,486	10.0%
	Total	7,740	\$ 424,083	\$ 4,566	5.7%
6/30/2009 <sup>2</sup>	General Tier 1	5,723	\$ 318,409	\$ 4,636	3.2%
	General Tier 2 <sup>3</sup>	136	8,270	5,067	12.7%
	General Tier 3 <sup>4</sup>	630	24,554	3,248	8.7%
	Safety Tier 1	856	67,334	6,555	8.2%
	Safety Tier 2 <sup>3</sup>	62	3,952	5,311	18.4%
	Total	7,407	\$ 422,519	\$ 4,754	4.1%

<sup>1</sup> Information compiled from annual Actuarial Reports prepared by Public Pension Professionals dated June 30, 2004 and 2005.

<sup>2</sup> Information compiled from annual Actuarial Reports prepared by The Segal Company dated June 30, 2006, 2007, 2008 and 2009.

<sup>3</sup> New benefit tier effective September 2005.

<sup>4</sup> New benefit tier effective December 2007.

**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	Allowances Added	Number Removed From Rolls	Allowances Removed	Number at End of Year	Annual Allowance (in thousands)	Percent Increase in Annual Allowance	Average Annual Allowance (in thousands)	Percent Increase in Average Annual Allowance
2004-05	4,234	285	N/A	118	N/A	4,401	\$ 114,376	7.65%	\$ 26	3.59%
2005-06	4,401	316	N/A	107	N/A	4,610	120,230	5.12%	26	0.35%
2006-07	4,610	315	N/A	146	N/A	4,779	130,568	8.60%	27	4.75%
2007-08	4,779	400	N/A	149	N/A	5,030	142,136	8.86%	28	3.44%
2008-09	5,030	393	\$ 7,370	140	\$ 1,051	5,283	154,794	8.91%	29	3.68%
2009-10	5,283	378	8,182	152	1,356	5,509	169,338	9.40%	31	4.91%

N/A = Data not available

**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, 2004	\$ 1,977,097 <sup>2</sup>	\$ 2,017,971	\$ 40,874	98.0%	\$ 337,614	12.1%
June 30, 2005	2,044,389 <sup>1</sup>	2,233,594 <sup>1,3</sup>	189,205 <sup>1,3</sup>	91.5% <sup>1</sup>	351,049	53.9% <sup>3</sup>
June 30, 2006	2,398,454	2,803,990	405,536	85.5%	376,270	107.8%
June 30, 2007	2,610,269 <sup>4</sup>	3,149,570	539,301	82.9%	404,277	133.4%
June 30, 2008	2,812,423	3,429,990	617,567	82.0%	424,083	145.6%
June 30, 2009	2,864,956	3,644,743	779,787	78.6%	422,519	184.6%

<sup>1</sup> Results were prepared by FCERA's prior actuary and disclosed in the June 30, 2006 CAFR.

<sup>2</sup> Actuarial Value of Assets on the Solvency Test includes the total plan assets for all years. The Schedule of Funding Progress shown here and on page 43 reports only the employers' assets for the year 2004, therefore, the amounts will not be consistent between the Solvency Test Schedule and the Schedule of Funding Progress.

<sup>3</sup> 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.

<sup>4</sup> Assets decreased by \$3,169 for the net overpayment of member contributions discounted to June 30, 2007.

Source: Schedule prepared by The Segal Company.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**SCHEDULE OF ANALYSIS OF FINANCIAL EXPERIENCE**

(Amounts expressed in thousands)

<b>Changes to UAAL</b>		<b>2009</b>
1	Unfunded actuarial accrued liability at beginning of year	\$ 617,567
2	Gross Normal Cost payable at middle of year	108,914
3	Actual employer and member contributions	(148,521)
4	Interest (full year on (1) plus half year on (2)+(3))	47,821
5	Expected unfunded actuarial accrued liability at end of year	625,781
6	Actuarial (gain)/loss due to all changes:	
	<u>Experience (gain)/loss</u>	
	a. Loss from investment return	170,717
	b. Lower than expected salary increase	(23,365)
	c. Other experience (gain)/loss	7,741
	d. Subtotal	155,093
	<u>Other Changes</u>	
	e. Change in ordinary disability benefit	(1,087)
	f. Subtotal	(1,087)
7	Actual unfunded actuarial accrued liability at end of year (5)+(6d)+(6f).	\$ 779,787

Note: Information prepared by The Segal Company.

<b>Changes to UAAL</b>		<b>2008</b>
1	Unfunded actuarial accrued liability at beginning of year	\$ 539,301
2	Gross Normal Cost payable at middle of year	108,668
3	Actual employer and member contributions	(127,577)
4	Interest (full year on (1) plus half year on (2)+(3))	42,388
5	Expected unfunded actuarial accrued liability at end of year	562,780
6	Actuarial (gain)/loss due to all changes:	
	a. Gain from investment return	(4,483)
	b. Higher than expected salary increase	22,384
	c. Higher than expected liability for new retirees	11,941
	d. Other experience (gain)/loss	8,057
	e. Subtotal	37,899
	<u>Other Changes</u>	
	f. Reclassification of terminated members to deferred members entitled to a benefit	13,254
	g. Refinement of data to calculate continuance benefits for members who elected the temporary annuity option	3,634
	h. Subtotal	16,888
7	Actual unfunded actuarial accrued liability at end of year (5)+(6e)+(6h).	\$ 617,567

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 <sup>(d)</sup> (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, 2004 (a) \$	275,678	\$ 1,254,674	\$ 750,455	\$ 2,265,388	(b) 100%	100%	98%
June 30, 2005 (c)	285,576	1,415,822	532,196	2,044,389	100%	100%	64%
June 30, 2006	301,758	1,515,599	986,633	2,398,454	100%	100%	59%
June 30, 2007	330,610	1,710,524	1,108,436	2,610,269	(e) 100%	100%	51%
June 30, 2008	335,820	1,895,024	1,199,146	2,812,423	100%	100%	48%
June 30, 2009	356,159	2,055,024	1,233,560	2,864,956	100%	100%	37%

- (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 Schedule of Funding Progress which reports only the employers' assets for the year 2004, therefore, the amounts will not be consistent between Solvency Test Schedule and the Schedule of Funding Progress.
- (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 to June 30, 2007.

Note: UAAL means Unfunded Actuarial Accrued Liability.  
Source: Information prepared by The Segal Company.

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

Age	Total Terminations	Ordinary Death	Duty Death	Total Disability
<b>General Members - Male</b>				
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
<b>General Members - Female</b>				
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
<b>Safety Members - Male</b>				
20	0.04000	0.00000	0.00100	0.00010
30	0.03700	0.00040	0.00140	0.00200
40	0.02700	0.00130	0.00230	0.00600
50	0.01000	0.00210	0.00310	0.01200
60	0.00000	0.00640	0.00740	0.01200
<b>Safety Members - Female</b>				
20	0.04000	0.00000	0.00100	0.00010
30	0.03700	0.00020	0.00120	0.00200
40	0.02700	0.00070	0.00170	0.00600
50	0.01000	0.00170	0.00270	0.01200
60	0.00000	0.00380	0.00480	0.01200

Note: Information compiled from Actuarial Report prepared by The Segal Company dated June 30, 2009. 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, 2009. 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)

<b>Years of Service</b>	<b>Refunds</b>	<b>Deferred Vested</b>
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, 2009.

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

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

Note: Information provided by The Segal Company.

**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 provided by The Segal Company.

## **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**

- i Tier 1 and 2  
Highest 365 consecutive days of compensation earnable.
- i Tier 3  
Highest three-year average final compensation earnable.

### **3. SERVICE RETIREMENT**

- i Tier 1  
General offers 2.5% at age 55, Government Code Section 31676.12, 31676.14 and 31627.  
Safety offers 2.5% at age 50, Government Code Section 31664 and 31627.
- i 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.
- i Tier 3  
General offers 2% at age 55, Government Code Section 31676.15.
- i 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.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
SUMMARY OF MAJOR PLAN PROVISIONS (continued)**

i 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.

i 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**

i Non-service connected

1.5% for General and 1.8% for Safety of final average salary per year of service, with a maximum of 33.33% if projected service is used (age 65 for General, age 55 for Safety), or service retirement benefit (if eligible).

i Service-connected

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



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**SUMMARY OF MAJOR PLAN PROVISIONS (continued)**

**5. DEATH BEFORE RETIREMENT**

- i Refund of contributions plus 1/12th of monthly salary per year of service, maximum of six months' salary.
- i If eligible for non-service connected disability or service retirement
  - 60% of member's accrued allowance.
- i If service-connected
  - 50% of final compensation or 100% of service retirement, if eligible.

**6. DEATH AFTER RETIREMENT**

- i Service retirement or ordinary disability
  - 60% of member's allowance payable to an eligible spouse.
- i Service disability
  - 100% of member's allowance payable to an eligible spouse.

**7. VESTING**

- i After five years of service.
- i Must leave contributions on deposit.

**8. MEMBERS' CONTRIBUTIONS**

Based on entry age.

**9. COST-OF-LIVING**

Maximum 3% COLA for all members.

Note: Information for the Summary of Major Plan Provisions was compiled from the Actuarial Report prepared by The Segal Company dated June 30, 2009, except for information related to Non-Service Connected Disability (item 4 on the preceding page) which The Segal Company provided separately.

STATISTICAL SECTION

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**TABLE OF CHANGES IN PLAN NET ASSETS**  
**Fiscal Years Ended 2001 through 2010**  
(Amounts expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Additions</b>										
Employer Contributions	\$ -	\$ 7,780	\$ 33,583	\$ 442,950 <sup>1</sup>	\$ 56,343	\$ 56,664	\$ 69,997	\$ 97,305	\$ 113,959	\$ 126,138
Member Contributions	9,973	14,434	19,974	18,239	24,261	30,570	33,528	30,272	34,562	32,209
Net Investment Income/Loss	(33,930)	(63,285)	27,390 <sup>3</sup>	238,877	235,406	229,767	442,355	(186,911)	(451,499)	341,439
Total Additions	(23,957)	(41,071)	80,947 <sup>3</sup>	700,066	316,010	317,001	545,880	(59,334)	(302,978)	499,786
<b>Deductions <sup>2</sup></b>										
Total Benefit Expense	63,881	81,784	92,887	107,052	115,129	120,993	131,480	143,072	155,783	169,526
Administrative Expense	2,235	1,544	2,059	2,001	2,484	2,865	3,298	3,569	3,855	3,570
Refunds	1,146	870	904	941	1,403	1,185	2,114	6,072	2,077	1,915
Total Deductions	67,262	84,198	95,850	109,994	119,016	125,043	136,892	152,713	161,715	175,011
Change in Plan Net Assets	\$ (91,219)	\$ (125,269)	\$ (14,903)	\$ 590,072	\$ 196,994	\$ 191,958	\$ 408,988	\$ (212,047)	\$ (464,693)	\$ 324,775

<sup>1</sup> Includes proceeds from Pension Obligation Bonds.

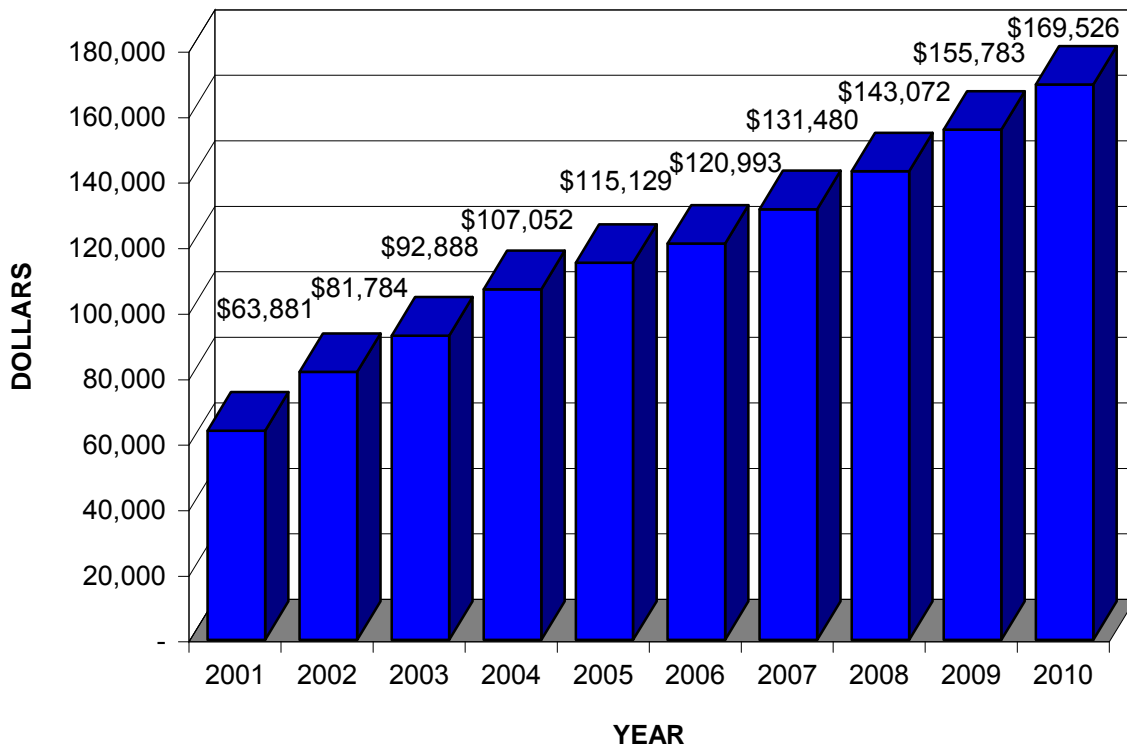
<sup>2</sup> See page 89 for detailed information on Benefit and Refund deductions by type.

<sup>3</sup> 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)

YEAR END	SERVICE		SURVIVOR		DISABILITIES		TOTAL <sup>1</sup>
	GENERAL	SAFETY	GENERAL	SAFETY	GENERAL	SAFETY	
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 <sup>2</sup>	\$ 4,364 <sup>2</sup>	131,480
2008	110,819	21,074	1,312	459	4,489	4,919	143,072
2009	120,975	23,014	1,398	470	4,771	5,155	155,783
2010	131,465	24,758	1,392	536	5,015	6,360	169,526

**BENEFIT EXPENSES**

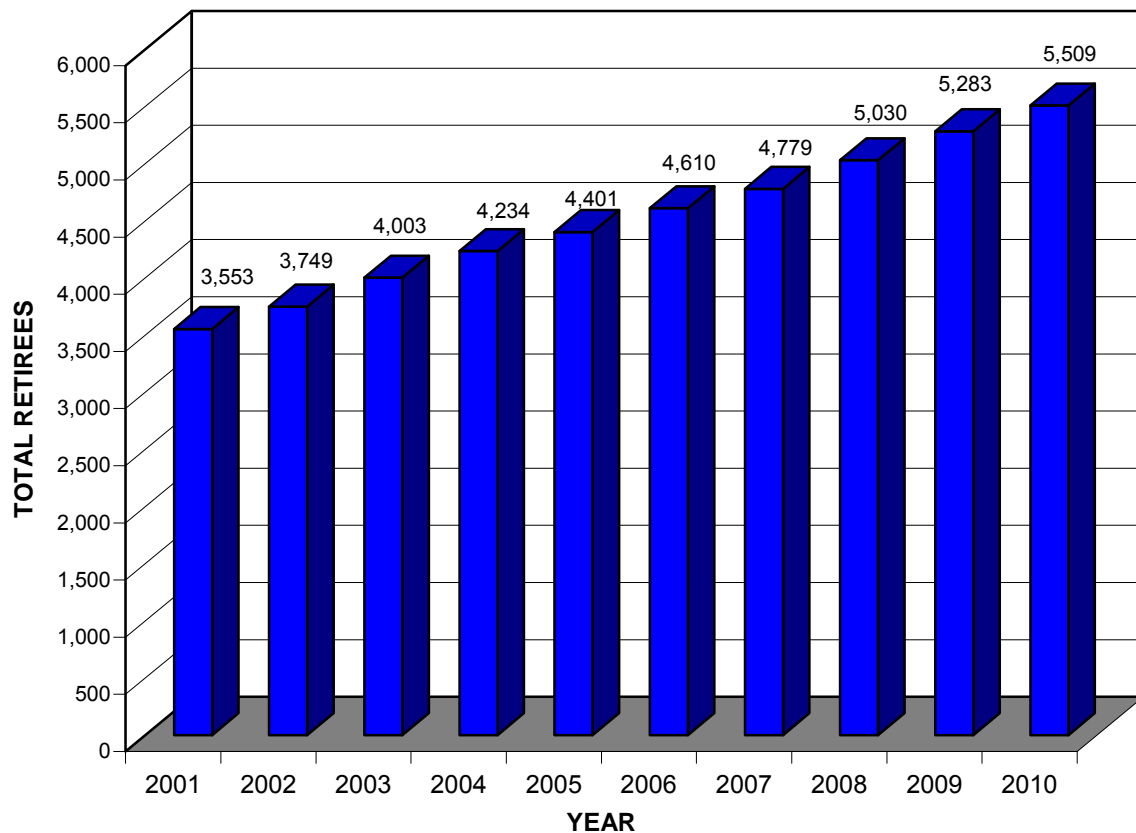


<sup>1</sup> Total Benefit Expenses are the actual expenses paid and will not equal Total Average Annual Benefits reported on page 82.

<sup>2</sup> 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**

<b>YEAR END</b>	<b>GENERAL</b>	<b>SAFETY</b>	<b>SURVIVOR</b>	<b>TOTAL</b>
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
2009	4,519	663	101	5,283
2010	4,705	702	102	5,509



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

Valuation Date <sup>5</sup>	Plan type	Annual <sup>4</sup> Number	Total Average <sup>3</sup> Annual Benefits	Annual Average Benefits	Average Monthly Benefits	% Change in Average Benefits
6/30/2002 <sup>1</sup>	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	<u>3,713</u>	<u>\$ 82,684,968</u>	<u>\$ 58,380</u>	<u>\$ 4,865.00</u>	60.8%
6/30/2003 <sup>2</sup>	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	<u>4,025</u>	<u>\$ 94,126,704</u>	<u>\$ 58,608</u>	<u>\$ 4,884.00</u>	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	<u>4,331</u>	<u>\$ 108,718,800</u>	<u>\$ 67,500</u>	<u>\$ 5,625.00</u>	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	<u>4,418</u>	<u>\$ 110,461,020</u>	<u>\$ 62,460</u>	<u>\$ 5,205.00</u>	-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	<u>4,579</u>	<u>\$ 118,700,688</u>	<u>\$ 62,218</u>	<u>\$ 5,185.00</u>	-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	<u>4,831</u>	<u>\$ 130,040,808</u>	<u>\$ 99,288</u>	<u>\$ 8,274.00</u>	59.6%
6/30/2008	General Tier 1	4,405	\$ 116,801,232	\$ 26,516	\$ 2,210.00	5.4%
	General Tier 2	2	72,600	36,300	3,025.00	3.7%
	Safety Tier 1	639	26,198,856	41,000	3,417.00	4.8%
	Total	<u>5,046</u>	<u>\$ 143,072,688</u>	<u>\$ 103,816</u>	<u>\$ 8,652.00</u>	4.6%
6/30/2009	General Tier 1	4,481	\$ 128,267,304	\$ 28,625	\$ 2,385.39	8.0%
	General Tier 2	-	-	-	-	N/A
	Safety Tier 1	672	28,448,568	42,334	3,527.85	3.3%
	Total	<u>5,153</u>	<u>\$ 156,715,872</u>	<u>\$ 70,959</u>	<u>\$ 5,913</u>	-31.6%

<sup>1</sup> Source: Biennial actuary reports through June 30, 2002.

<sup>2</sup> Source: Annual actuary reports commencing after June 30, 2002.

<sup>3</sup> Total Average Annual Benefits will not equal the Actual Total Benefit Expense reported on page 80.

<sup>4</sup> Total Annual Membership provided by the Actuary will not equal the Actual Membership reported on page 81.

<sup>5</sup> FCERA will display nine years of valuation data at June 30, 2010 rather than display ten years due to Biennial Actuary reporting prior to June 30, 2003.

Note: See page 83 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**

Retirement Effective Date	Years of Credited Service						
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30 and over</u>
Period 7/1/2008 to 6/30/2009							
Average monthly benefit	\$539	\$1,116	\$1,772	\$2,643	\$3,746	\$4,489	\$5,937
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	11	51	75	59	50	34	54
Period 7/1/2007 to 6/30/2008							
Average monthly benefit	\$502	\$1,365	\$1,865	\$2,668	\$3,280	\$4,657	\$6,170
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	15	27	52	62	42	41	54
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

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**

<b>Date</b>	<b>Plan Type</b>	<b>Active Vested</b>	<b>Active Nonvested</b>	<b>Total Active Members</b>	<b>Deferred Members</b>
6/30/2001	General	3,466	3,083	6,549	
	Safety	641	301	942	
	Total	<u>4,107</u>	<u>3,384</u>	<u>7,491</u>	<u>1,353</u>
6/30/2002	General	3,566	3,299	6,865	
	Safety	630	293	923	
	Total	<u>4,196</u>	<u>3,592</u>	<u>7,788</u>	<u>1,467</u>
6/30/2003	General	3,600	3,054	6,654	
	Safety	605	328	933	
	Total	<u>4,205</u>	<u>3,382</u>	<u>7,587</u>	<u>1,376</u>
6/30/2004	General	3,385	3,242	6,627	
	Safety	581	345	926	
	Total	<u>3,966</u>	<u>3,587</u>	<u>7,553</u>	<u>1,378</u>
6/30/2005	General	4,203	2,537	6,740	
	Safety	664	303	967	
	Total	<u>4,867</u>	<u>2,840</u>	<u>7,707</u>	<u>1,464</u>
6/30/2006	General	4,535	2,144	6,679	
	Safety	710	287	997	
	Total	<u>5,245</u>	<u>2,431</u>	<u>7,676</u>	<u>1,514</u>
6/30/2007	General	4,707	2,108	6,815	1,465
	Safety	723	284	1,007	133
	Total	<u>5,430</u>	<u>2,392</u>	<u>7,822</u>	<u>1,598</u>
6/30/2008	General	4,596	2,133	6,729	1,466
	Safety	725	232	957	139
	Total	<u>5,321</u>	<u>2,365</u>	<u>7,686</u>	<u>1,605</u>
6/30/2009	General	4,476	1,967	6,443	1,403
	Safety	718	204	922	130
	Total	<u>5,194</u>	<u>2,171</u>	<u>7,365</u>	<u>1,533</u>
6/30/2010	General	4,536	1,568	6,104	1,379
	Safety	733	79	812	136
	Total	<u>5,269</u>	<u>1,647</u>	<u>6,916</u>	<u>1,515</u>

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**

	<u>2010</u>			<u>2001</u>		
<u>Participating Employers</u>	<u>Covered Employees</u>	<u>Rank</u>	<u>Percent of Total System</u>	<u>Covered Employees</u>	<u>Rank</u>	<u>Percent of Total System</u>
County of Fresno	6,871	1	99.35%	7,396	1	98.74%
Fresno-Madera Area Agency on Aging	31	2	0.45%	34	3	0.46%
Clovis Veterans Memorial District	8	3	0.11%	4	5	0.05%
Fresno Mosquito and Vector Control	6	4	0.09%	10	4	0.13%
Fresno County Office of Education	-	-	0.00%	1	6	0.01%
North Central Fire Protection District	-	-	0.00%	46	2	0.61%
Total	<u>6,916</u>		<u>100.00%</u>	<u>7,491</u>		<u>100.00%</u>

Note: See page 86 Schedule of Participating Employers and Active Members for covered employees from 2001 through 2010.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>County of Fresno</b>										
General Members	6,059	6,395	6,681	6,762	6,623	6,684	6,571	6,596	6,807	6,494
Safety Members	812	922	957	968	957	927	889	893	884	902
Total	6,871	7,317	7,638	7,730	7,580	7,611	7,460	7,489	7,691	7,396
<b>Participating Agencies (General Members)</b>										
Clovis Veterans Memorial District	8	9	8	5	6	4	3	4	3	4
Fresno County Office of Education	0	0	0	0	0	1	1	1	1	1
Fresno Mosquito and Vector Control	6	8	7	8	8	9	9	10	10	10
Fresno-Madera Area Agency on Aging	31	31	33	35	37	36	36	36	37	34
North Central Fire Protection	0	0	0	5	5	6	7	7	7	6
Total	45	48	48	53	56	56	56	58	58	55
<b>Participating Agencies (Safety Members)</b>										
North Central Fire Protection	0	0	0	39	40	40	37	40	39	40
Total	0	0	0	39	40	40	37	40	39	40
<b>Total Active Members</b>										
General Members	6,104	6,443	6,729	6,815	6,679	6,740	6,627	6,654	6,865	6,549
Safety Members	812	922	957	1,007	997	967	926	933	923	942
Total	6,916	7,365	7,686	7,822	7,676	7,707	7,553	7,587	7,788	7,491

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 <sup>4</sup>	Tier 3 <sup>5</sup>	Tier 1	Tier 2 <sup>4</sup>		
July 1, 2009	to	June 30, 2010	27.82%	25.64%	24.36%	42.19%	41.21%	06/30/08	<sup>1</sup>
July 1, 2008	to	June 30, 2009	26.71%	24.86%	22.86%	38.56%	35.84%	06/30/07	<sup>1</sup>
July 1, 2007	to	June 30, 2008	23.36%	21.15% <sup>6</sup>	21.80%	31.34%	29.37%	06/30/06	<sup>1</sup>
July 1, 2006	to	June 30, 2007	18.37%	N/A	N/A	20.76%	N/A	06/30/05	<sup>1</sup>
July 1, 2005	to	June 30, 2006	14.14%	N/A	N/A	25.02%	N/A	06/30/04	<sup>1</sup>
July 1, 2004	to	June 30, 2005	15.71%	N/A	N/A	21.23%	N/A	06/30/03	<sup>1</sup>
July 1, 2003	to	June 30, 2004	15.38%	N/A	N/A	20.75%	N/A	06/30/02	<sup>1</sup>
July 1, 2002	to	June 30, 2003	7.20%	N/A	N/A	24.88%	N/A	06/30/00	<sup>1</sup>
October 1, 2001	to	June 30, 2002	0.00% <sup>3</sup>	N/A	N/A	21.87% <sup>2,3</sup>	N/A	06/30/00	
July 1, 2000	to	September 30, 2001	0.00% <sup>3</sup>	N/A	N/A	0.00% <sup>3</sup>	N/A	06/30/98	

<sup>1</sup> Non aggregate rates are reported in the valuation prepared for these years only.

<sup>2</sup> The employer contribution rates reflect the aggregate rates as provided by Actuary.

<sup>3</sup> Employer rates were reduced through the use of undistributed earnings.

<sup>4</sup> New benefit tier effective September 2005.

<sup>5</sup> New benefit tier effective December 2007.

<sup>6</sup> Includes a correction to the rate reported at June 30, 2008.

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 <sup>1</sup>							Option Selected <sup>2</sup>					
		1	2	3	4	5	6	7	U	1	2	3	4	D
\$1 - 500	302	269	5	3	2	6	1	16	199	10	82	3	1	7
501 - 1,000	742	625	39	5	11	31	2	29	573	27	113	16	1	12
1,001 - 1,500	899	768	50	24	6	24	2	25	711	33	110	34	1	10
1,501 - 2,000	711	622	26	27	7	10	3	16	580	28	83	15		5
2,001 - 3,000	1117	957	19	109	8	7	7	10	955	40	89	26		7
3,001 - 4,000	670	601	4	50	7	5	3		579	23	52	13		3
4,001 - 5,000	403	389	1	12			1		341	11	38	12		1
5,001 - 6,000	277	269		7	1				247	11	19			
Over 6,000	388	379		8				1	349	5	28	5		1
Totals	<b>5,509</b>	<b>4,879</b>	<b>144</b>	<b>245</b>	<b>42</b>	<b>83</b>	<b>19</b>	<b>97</b>	<b>4,534</b>	<b>188</b>	<b>614</b>	<b>124</b>	<b>3</b>	<b>46</b>

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**Notes:**

<sup>1</sup> 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

<sup>2</sup> 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 receives 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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Service Benefits										
General	\$ 52,480	\$ 65,113	\$ 72,875	\$ 83,795	\$ 90,517	\$ 96,590	\$ 100,807	\$ 110,819	\$ 120,975	\$ 131,465
Safety	10,529	15,378	18,710	22,012	23,233	23,148	20,542	21,074	23,014	24,759
Service Connected Disability <sup>1</sup>										
General							2,178	2,278	2,447	2,746
Safety							4,212	4,763	4,999	6,211
Non-Service Connected Disability <sup>1</sup>										
General							1,774	2,210	2,324	2,269
Safety							152	156	156	148
Non-Service Connected Disability Continuance										
General							923	1,000	1,070	1,118
Safety							129	133	135	139
Service Connected Disability Continuance										
General							136	141	142	126
Safety							317	327	335	357
Active Death Benefits <sup>2</sup>	872	1,293	1,303	1,245	1,379	1,255	310	171	186	188
Total Benefits	\$ 63,881	\$ 81,784	\$ 92,888	\$ 107,052	\$ 115,129	\$ 120,993	\$ 131,480	\$ 143,072	\$ 155,783	\$ 169,526
Type of Refund <sup>3</sup>										
Death							\$ 205	\$ 345	\$ 304	\$ 338
Miscellaneous - UAAL <sup>4</sup>							-	4,140	13	1
Separation	\$ 1,146	\$ 870	\$ 904	\$ 941	\$ 1,403	\$ 1,185	1,909	1,587	1,760	1,576
Total refunds	\$ 1,146	\$ 870	\$ 904	\$ 941	\$ 1,403	\$ 1,185	\$ 2,114	\$ 6,072	\$ 2,077	\$ 1,915

<sup>1</sup> Prior to fiscal year 2007, all Disability Benefits were reported with Service Benefits.

<sup>2</sup> Prior to fiscal year 2007, Active Death Benefits included survivor continuances for service connected disability and non-service connected benefits. Beginning in 2007, survivor continuance for service connected disability and non-service connected disability benefits are reported separately.

<sup>3</sup> Prior to fiscal year 2007, data was not available to categorize refunds.

<sup>4</sup> UAAL means Unfunded Actuarial Accrued Liability.

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