Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

2014 - 2015

Fresno County Employees' Retirement Association

A Pension Trust Fund for the County of Fresno

and Participating Employers

Fresno, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014

ISSUED BY

DONALD C. KENDIG, CPA
RETIREMENT ADMINISTRATOR

and

BECKY VAN WYK, CPA
ASSISTANT RETIREMENT ADMINISTRATOR

FCERA

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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A Pension Trust Fund for the County of Fresno
and Participating Employers

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[INTRODUCTORY SECTION]

Donald C. Kendig, CPA
Retirement Administrator

December 9, 2015

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

Dear Board Members:

I am pleased to present this Comprehensive Annual Financial Report ("CAFR") for the Fresno County Employees' Retirement Association ("FCERA"), sometimes referred to as the Association, for the fiscal years ended June 30, 2015 and 2014.

The CAFR provides policymakers, members, employers, regulatory agencies and other users with a comprehensive and accurate review of the fiscal year's operations, from July 1 to June 30.

In addition, the CAFR serves as a source of reliable information for making responsible management decisions, determining compliance with legal requirements and demonstrating the stewardship of the Board of Retirement of the Fresno County Employees' Retirement Association ("Board"), staff and key consultants who serve the members of FCERA. While good stewardship is clearly demonstrated by the data contained in the CAFR, it is important to note that the management of FCERA is responsible for both the accuracy of the data and the completeness and fairness of the presentation of the financial information, including all disclosures. The accumulation, analysis and presentation of the data rest upon the shoulders of management and the supporting staff, and I am thankful to all members of the FCERA team.

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 provides a broader context as compared to the MD&A, and the two should be read in tandem. The MD&A can be found immediately following the Independent Auditor's Report in the Financial Section.

While the numbers are somewhat dry and already somewhat dated, they tell a story. Please read on.

FCERA MISSION STATEMENT AND CORE VALUES

Our mission is to administer the retirement benefits for the members and beneficiaries in a prudent, accurate, timely and cost-effective manner, while administering fund assets in a manner that achieves investment and funding objectives within prudent levels of risk.

In carrying out this mission, we endeavor to:

- Honor our fiduciary duties set out in laws that govern fiduciaries
- Exhibit accuracy, honesty and integrity in all of our work
- Coordinate our efforts with professionals and advisors
- Render timely and responsive service to members and partner organizations
- Work as a team to solve members' problems and overcome challenges
- Exercise constant diligence in operations and prudent management of assets
- Provide regular, accessible and effective education to members and others

FCERA AND ITS SERVICES

FCERA is a cost-sharing multiple employer public retirement system established by the County of Fresno (the County) Board of Supervisors on January 1, 1945 to provide retirement, disability, death and survivor benefits for its members under the California State Government Code, Section 31450 *et. seq.,* (the County Employees Retirement Law of 1937, hereinafter "CERL") and Section 7522 et. seq., (the Public Employees' Pension Reform Act of 2013, hereinafter "PEPRA"). The retirement plan is administered by a Board, which consists of nine voting members and a retiree alternate, who are presented on page 10 of the Introductory Section.

FCERA is governed by the California Constitution, the CERL, the PEPRA, and regulations, procedures, and policies adopted by the Board. The Fresno County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect benefits for FCERA members.

The Board is responsible for establishing policies governing the administration of the retirement plan, determining benefit allowances, and managing the investments of the Association's assets. The Board defines the duties and oversees the activities of the Retirement Administrator, who in turn, directs and oversees the staff and operations of the Administrative Office. Participating employer entities ("Sponsors") include:

- County of Fresno
- Superior Court of California, County of Fresno
- Clovis Veterans Memorial District
- Fresno-Madera Area Agency on Aging
- Fresno Mosquito & Vector Control District

FINANCIAL INFORMATION

As mentioned previously, management is responsible for the accuracy, completeness, fair presentation of information and all disclosures in this Report. In addition, management is also responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that FCERA's financial reporting is accurate and reliable. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of the cost and benefits requires estimates and judgments by management.

Brown Armstrong Accountancy Corporation (the "Auditor") provides financial statement independent audit services to FCERA. The Auditor attests that these financial statements are presented in accordance with GAAP and that the financial statements are free of any material misstatement. Management is responsible for assuring that internal accounting controls are sufficient to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules. Controls have inherent limitations and do rely on human diligence. Because of these inherent limitations, the internal controls are not exact in their nature, which may lead to the risk that errors or misstatements may occur and may not be identified immediately. Case in point, the error made in 2004 in the allocation of Pension Obligation Bond proceeds into the Health Benefit Reserve account, just recently discovered, and discussed in further detail later in the Financial Section of the CAFR. While the internal controls at the time did not catch this error, I would like to assure stakeholders that the internal controls have only gotten better with the passage of time. FCERA's current management believes it has prudent controls in place to mitigate the inherent risk within its financial reporting and accounting systems.

The accompanying financial statements and transactions are prepared on an accrual basis of accounting. Revenues are recognized when earned, regardless of the date of collection and expenditures are recognized when incurred, regardless of when a corresponding cash outlay is made.

GENERAL OPERATIONS

Administering the retirement benefits *for the members and beneficiaries in a prudent, accurate, timely and cost-effective manner* begins with ongoing direct services to active and retired members, efficient management of the office and business operations, and facilitating the work of the Board, advisors, and professional service providers. Several noteworthy events and major ongoing projects required particular attention and effort during the year.

Board Oversight

Having completed a second consecutive term as chair, and as limited by the bylaws, Dr. Rod Coburn III was succeeded by Steven J. Jolly as chair of the Board on January 7, 2015, with Dr. Coburn becoming Vice Chair and providing consistency on the Board. Five additional changes to the Board's composition occurred between fiscal years. Judy Case McNairy, Board of Supervisors appointment and member, retired and was briefly replaced by Debbie Poochigian from District 5 of the Board of Supervisors. The position is currently vacant. Gregory Baxter replaced Marion Montgomery-Austin as an appointed member. Paul Dictos, CPA filled the General Member Vacancy left by Alan Cade Jr. after his resignation on June 11, 2014. Mary Ann Rogozinski became the Alternate Retired Member filling the vacancy that was vacant at the close of last fiscal year.

Administration

No structural changes were undertaken with respect to the organization chart, but the Board approved, as part of budget deliberations for fiscal year 2015-16, the addition of a communications position, which will form a communications section within the organization chart. The position will handle the ever increasing records requests, peer information surveys, external data gathering and statistical reports, policy and business form standardization and version control, public communications, internet and intranet content, and internal communication training, among a host of other exciting activities. Retirement Administrator position was filled on November 5, 2014 by yours truly, with Becky Van Wyk reassuming the Assistant Retirement Administrator role.

Staffing, Operations, and Benefit Delivery

A substantial amount of staff turnover occurred, along with a number of recruitment challenges, resulting in the decision to close the office to the public between the hours of 8:00 am and 9:00 am, and 4:00 pm to 5:00 pm, in addition to the noon hour closure already in effect. Three of the five Retirement Coordinator spaces are unfilled, as is the Supervising Retirement Coordinator (or a 60% vacancy rate) and two have just been filled. Four of the seven Account Clerks in the benefits accounting section were vacant (or 57%) and three have just been filled. Staff that has left, and false starts in the recruitment process, have indicated higher pay somewhere else or not enough here. The County Board of Supervisors recently approved a reclassification of the Retirement Coordinator series to a Retirement Specialist series that has been in the works for over seven years. The County Board of Supervisors also approved a restoration, over time, to sizable pay reductions that occurred several years prior. Both of these changes have the possibility to improve recruitment and retention; however, the Fresno economy is improving and the competition for talent will increase. FCERA and its management continue to seek innovative ways to fairly compensate, recruit, and retain good people.

The modified office hours will likely be in effect until the new positions have been on the job consistently for at least six months. Service Buybacks, active members' most important concern, have a backlog of three years, with staff processing the buybacks for current retirements as a priority. This has caused a substantial amount of angst among the two to three hundred that have had to wait. For all concerned, it has been a priority of management to fill vacancies and train staff in the accounting benefits units responsible for completing the calculations. Given the 60% vacancy in retirement coordinators, general counseling sessions and benefit estimate requests, active members' second most important concern, are limited to those members signing papers, setting a retirement date. We are not taking walk-ins at this time and are focusing on keeping retirements current, so there is not a delay in a retiree's pension benefits. The time we are closed to the public is the time we are calculating benefits and processing retirements. We look forward to resuming normal office hours and taking walk-ins again as soon as possible.

Systems

Significant progress was achieved in the development of systems that will enhance records management and benefits management with the transition from the existing "Pensions" pension administration system to the new "Arrivos" pension administration system that took place on November 17, 2014, marking the finishing stages to the systems development and implementation. Work still needs to be completed to document all workflows, process, and procedures. The finalization of Arrivos will be marked by the completion of the member self-service web portal, after which point, ways to improve upon Arrivos will be an ongoing effort.

Accounting

Lastly, it was discovered shortly after the start of this fiscal year that FCERA recorded a portion of the proceeds of the County's 2004 Pension Obligation Bonds (POBs) to the Health Benefit Reserve. The accounting error resulted in non-vested benefits being paid to retirees for a period of approximately six months without appropriate funding, starting in June 2014. Additional information about this error and corrective action taken by the Board is provided in Note 6 to the basic financial statements.

ASSET MANAGEMENT AND INVESTING

The Investment Policy adopted by the Board defines the framework within which the administration, general consultant and third party investment managers endeavor to meet our mission to …*achieve investment and funding objectives within prudent levels of risk*.

The overall strategic asset allocation has a greater impact on investment performance than portfolio manager selection or the timing of allocations. The asset allocation process determines a fund's optimal target allocations, which are expected to achieve objectives related to expected return, liquidity and risk (defined as volatility). This is reflected through the choice of investments at the asset class level.

Under this policy the Board operates under a standard of fiduciary 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. When the Board contracts with professional investment advisors, their discretion is defined by our Investment Policy and the discretion provided by contract and guidelines prescribed by the Board. In exercising discretion when managing assets, such service providers become co-fiduciaries to the members.

The prudent person 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 strategic allocation of assets to various investment classes. As of June 30, 2015, the categorical targets are as follows, and remain unchanged from June 30, 2014:

2015

- Equities..36 %
- Fixed Income..31 %
- Real Assets ....11 %
- Private Credit and Private Equity.......... 14 %
- Hedge Strategies.................................. 8 %

During the 2013-14 fiscal year, the Board made significant changes to the strategic asset allocation reducing Equities 17%, from 53%, increasing Fixed Income 5%, from 26%, increasing Real Assets 1% from 10%, doubling Private Credit and Private Equity from 7%, and doubling Hedge Strategies from 4%. These changes are the results from the endeavor of the Board and Verus (formerly Wurts & Associates) to design an asset and strategy mix that anticipates a low-return market environment for the next 5 to 10 years, and reduces our vulnerability to any general market downturn similar to those witnessed in 2000 and 2008. While the shift took place during the 2013-14 fiscal year, it has taken time to substantially fund the Private Equity, Real Assets, and Hedge Strategies, primarily due to the illiquidity and cyclical nature of the fund offerings.

The Board is currently conducting a search for a specialty consultant for its hedge strategies to help the Board with its 8% allocation, up from 4%. The Board sees this as reducing fees overall for the allocation and gaining direct access to the best ideas in the space.

ACTUARIAL FUNDING STATUS

The CERL prescribes that the Board should engage a qualified, independent actuarial firm to perform regular valuations of the retirement plan. Further, a detailed study of the retirement plan's economic and non-economic assumptions (forecast parameters) is undertaken every three years, wherein the fund actuary makes recommendations to the Board regarding the assumptions to be used to measure the liabilities and assets of the fund. The primary purpose for these studies is to help determine the actuarially required (and stable) level of contributions needed to meet costs associated with annually accruing benefit commitments (normal cost) and eliminate any past unfunded liabilities (Unfunded Actuarial Accrued Liability or "UAAL") within an accepted amortization period.

The actuarial valuation as of June 30, 2014, completed by Segal Consulting, determined that the ratio of plan assets to plan liabilities was 78.4%, based on a valuation value of assets, which represented an increase over the same ratio on June 30, 2013, of 75.0%. Our funding policy employs a five-year "smoothing" methodology, whereby 20% of a fiscal year's market loss, or gain, in a given fiscal year, is recognized over each of five succeeding years to dampen the "noise" of short-term investment market volatility, creating a lesser "actuarial" loss, or gain. This results in five year "layers" of actuarial losses and gains, resulting in one net actuarial loss or gain that goes into the valuation and determination of employer contributions. In addition, the policy imposes an absolute "corridor" of +/- 30% to the actuarial valuation value of assets (VVA) relative to the market value of assets (MVA). This constrains the variance between the VVA and MVA and prevents the employer contribution requirements from not being sufficient on one side of the corridor, or from being too high on the other. These techniques are used to produce reliable, stable and serially manageable changes to required contributions for participating employers.

As part of FCERA's June 30, 2014 actuarial valuation, the Board adopted an assumed rate of return of 7.25%, gross of administration and net of investment expenditures, separately allocating administrative expenditures to the sponsors and active employees as a percentage of total contributions before the explicit administrative expenditure load.

The assumed rate of return has a direct effect on employer contributions relative to market performance (fair value). This means that any return of less than 7.25% is considered a loss, and gains are not realized until after 7.25% has been exceeded.

BUDGET

The first part of our mission is to *administer the retirement benefits for the members and beneficiaries in a prudent, accurate, timely and cost-effective manner...*

Government Code Section 31580.2(a) requires the Board to annually adopt a budget covering the entire expenditure of administration of the retirement system. The total administrative expenditures, which are funded as a component of the member and employer contribution rate, may not exceed the greater of twenty-one hundredths of one percent of the accrued actuarial liability of the system, or two million dollars ($2,000,000), as adjusted annually by the amount of the annual cost of living adjustment, which is the legislative cap (CAP) on spending.

Government Code Section 31580.2(b) provides an exclusion from the CAP for expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products. These costs are identified as information technology costs herein. While these costs are excluded from the CAP, they are subject to the approval of the Board.

Government Code Section 31596.1 provides that the following types of expenditures shall not be considered a cost of administration of the retirement system, but shall be considered as a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the Board:

(a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to Section 31453.
(b) The compensation of any bank or trust company performing custodial services.
(c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.
(d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pool managed by a third party or parties.
(e) The compensation to an attorney for services rendered pursuant to Section 31607 [investment related work] or legal representation rendered pursuant to Section 31529.1 [LACERA specific].

The cost of these items are controlled through contract negotiations and are not subject to the Administrative budget process, primarily due to the legally mandated aspects of the actuarial valuations, the fiduciary requirements of hiring investment consulting and investment related legal services, and the de facto fees required to obtain market exposure and to track the investments. These items are not included in the Fiscal Year 2015-16 Proposed Administrative Budget.

For fiscal year ended June 30, 2015, administrative expenditures represented 0.09% of the accrued actuarial liability of the plan. Administrative expenditures have historically been well below the statutory limit.

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 CAFR for the fiscal year ended June 30, 2014, on page 10 of the Introductory Section, which marks eighteen consecutive years that FCERA has achieved this prestigious award. FCERA also received the GFOA award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR). The PAFR provides FCERA's membership with condensed and concise information in an easier to read format than is presented in the CAFR.

ACKNOWLEDGMENTS

The preparation of this CAFR reflects the combined efforts of the FCERA staff, Becky Van Wyk, Conor Hinds and their supportive staff, and the consultants, Verus, Segal Consulting, and Brown Armstrong Accountancy Corporation, all who made significant contributions of time, effort, and expertise.

Lastly, FCERA is a large and complex organization with many contributors to its success. For their commitment to FCERA and for their diligent work to assure FCERA's continued successful operation, sincere thanks are owed to the Board of Retirement trustees, all FCERA staff, and all of our expert consultants and investment advisors.

Respectfully submitted,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Government Finance Officers Association

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, 2014

Executive Director/CEO

[The Board of Retirement]
As of June 30, 2015

CHAIRMAN
STEVEN JOLLY
Appointed by Board of Supervisors
Present term expires December 31, 2015

VICE CHAIRPERSON
DR. ROD COBURN, III
Appointed by Board of Supervisors
Present term expires December 31, 2017

MEMBER
LAURA BASUA
Elected by General Members
Present term expires December 31, 2017

MEMBER
GEGORY BAXTER
Appointed by Board of Supervisors
Present term expires December 31, 2017

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

MEMBER
PAUL DICTOS, CPA
Elected by General Members
Present term expires December 31, 2015

MEMBER
ROBERT DOWELL
Elected by Retirees
Present term expires December 31, 2016

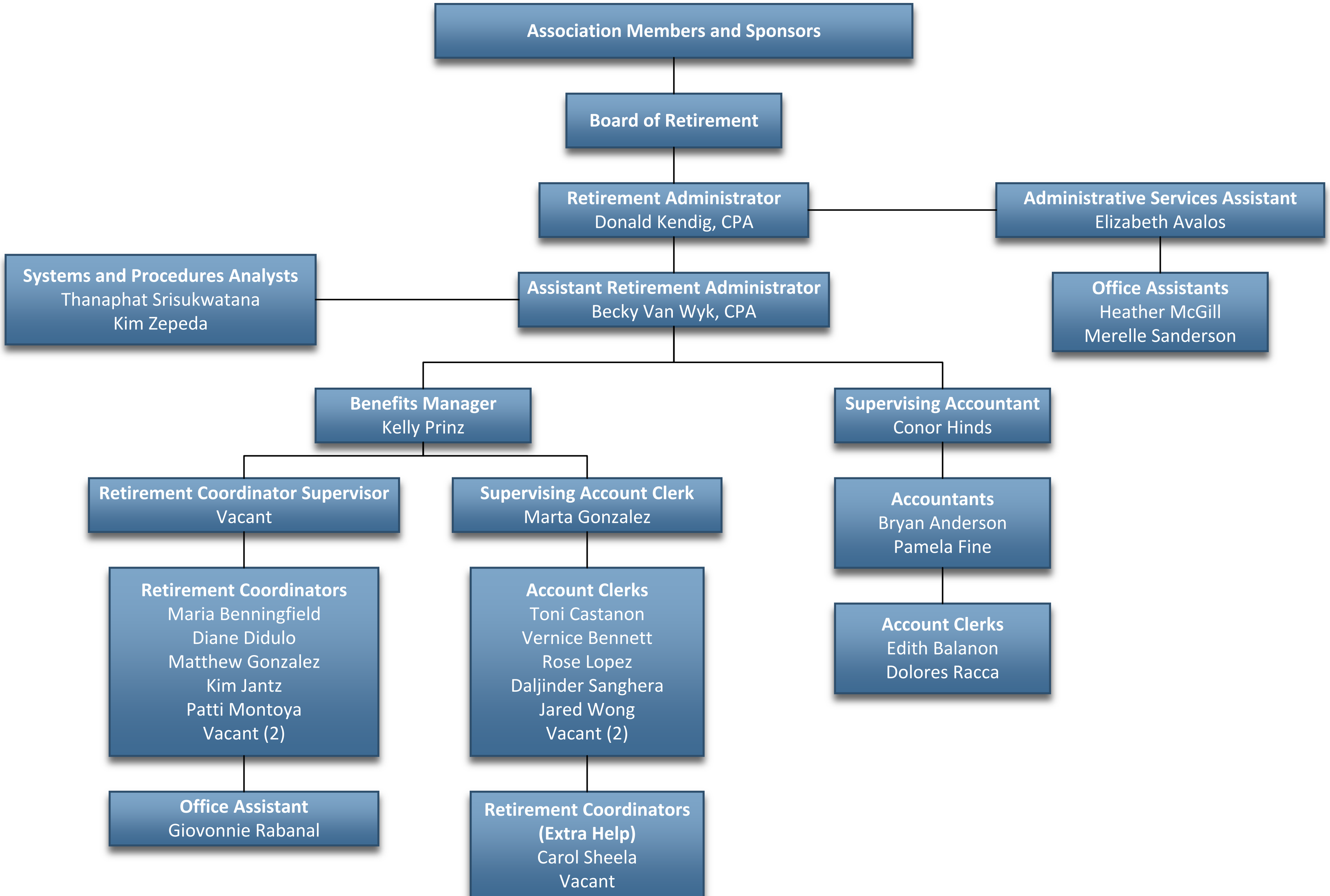
MEMBER
EULALIO GOMEZ
Elected by Safety Members
Present term expires December 31, 2017

MEMBER
VACANT
Appointed by Board of Supervisors
Present term expires December 31, 2015

ALTERNATE RETIRED MEMBER
MARY ANN ROGOZINSKI
Alternate Retired Member - Elected by Retirees
Present term expires December 31, 2016

[Administrative Organizational Chart]

at June 30, 2015



CONSULTING SERVICES

Actuary

- Segal Consulting

Auditor

- Brown Armstrong Accountancy Corporation

Commission Recapture Services

- ConvergEx

Custodian Bank

- Northern Trust

Investment Consultant

- Verus (formerly known as Wurts & Associates)

Legal Counsel

- Bernstein Litowitz Berger & Grossmann LLP
- Cohen Milstein Sellers & Toll PLLC
- Harvey Leiderman, Reed Smith LLP
- Joseph J. Tabacco, Jr., Berman Devalerio
- Rafael Stone, Foster Pepper PLLC
- Fresno County Counsel

Securities Lending

- Northern Trust

Technical and Pension System Design

- Linea Solutions, Inc.
- Tegrit Group

A complete list of Investment Managers Schedule of Fees and Commissions can be found on pages 78 and 79 of the Investment Section.

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[FINANCIAL SECTION]

BROWN ARMSTRONG
Certified Public Accountants

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the Fresno County Employees' Retirement Association (FCERA) as of fiscal years ended June 30, 2015 and 2014, the related Statement of Changes in Fiduciary Net Position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise FCERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to FCERA's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of FCERA as of fiscal years ended June 30, 2015 and 2014, and the changes in fiduciary net position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, the total pension liability of the participating employers as of June 30, 2015, was $5,117,241,000. The fiduciary net position as a percentage of the total liability as of June 30, 2015, was 78.79%. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.25%, which represents the long-term expected rate of return. Our opinion is not modified with respect to this matter.

Additionally, as discussed in Note 2 to the financial statements, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include private equity, real estate, hedge funds, and private credit. Such investments totaled $724,239,000 (17.1% of total assets) at June 30, 2015. Where a publicly listed price is not available, the management of FCERA uses alternative sources of information including audited financial statements, unaudited interim reports, independent appraisals, and similar evidence to determine the fair value of the investments. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of FCERA that collectively comprise FCERA's basic financial statements. The other supplementary information and the introductory, investment, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used in the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015, 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 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* in considering FCERA's internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 9, 2015

We are pleased to provide this overview and analysis of the financial activities of the Fresno County Employees' Retirement Association (FCERA) for the years ended June 30, 2015 and 2014. We encourage readers to take into account the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal, as well as the Financial Statements.

Financial Highlights

- FCERA's net position at the close of fiscal year 2015 totaled $4.0 billion (net position restricted for pension benefits), a decrease of $18 million, or 0.4% from 2014, primarily as a result of the net depreciation in the Fair Value of Investments. The June 30, 2014 net position of $4.0 billion represented an increase of $551 million over the $3.5 billion balance as of June 30, 2013.

- Total additions, as reflected in the Statement of Changes in Fiduciary Net Position, for the year ended June 30, 2015, were $217.7 million, which includes employer and employee contributions of $217.3 million, investment losses of $327 thousand, and net securities lending income of $733 thousand. Fiscal year 2014 investment income and gains were up from 2013. These gains totaled $581.8 million for the year ended June 30, 2014, compared to gains of $377.2 million in 2013.

- Employer contributions increased from $165.3 million in 2014 to $184.2 million in 2015 primarily as the result of an increase in contribution rates attributed to the effect of changes in actuarial assumptions, less than expected increases in total payroll, and the effect of investment losses on the valuation value of assets. Contribution rates are applied on a July through June fiscal year basis and increased as of July 1, 2014.

- Plan member contributions increased for 2015 when compared to 2014, mainly due to an increase in contributions rates resulting from the effect of changes in the actuarial assumptions. For 2015, 2014, and 2013, plan member contributions were $33.1 million, $30.2 million, and $30.5 million, respectively.

- Total deductions, as reflected in the Statement of Changes in Fiduciary Net Position, increased from $227.9 million to $235.7 million over the prior year, or approximately 3.4%, mainly attributed to the pension payroll. Benefits paid to retirees and beneficiaries increased from $222.3 million in 2014 to $229.1 million in 2015, or approximately 3.1%. This increase can be attributed to an increase in the number of new retirees and an annual cost of living (COLA) increase. The increase in the Pension Benefits from 2014 over 2013 was approximately 5.5%, primarily attributed to new retirees and the cost of living increase.

- FCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2014, the date of FCERA's last actuarial valuation, the funded ratio for FCERA was 78.4%. In general, this indicates that for every dollar of projected benefits due FCERA has approximately $0.78 to cover its obligation.

- Slow global growth and sharp declines in commodity markets created a challenging environment for the investments. International equity assets returned -5.9%, with commodities being the worst performer, losing 21.8% (net) in 2015. The total investment portfolio finished the fiscal year earning a -0.2% return net of fees, compared to 17.1% return, net of fees, in 2014.

Overview of the Financial Statements

This Management Discussion and Analysis is intended to serve as an introduction to FCERA's financial statements, which are comprised of these components:

1. Statement of Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to the Basic Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information

The implementation of Governmental Accounting Standards Board (GASB) Statement No. 67 in 2014 caused an increase in the number of schedules in the Required Supplementary Information section. These new schedules provide a broad scope of financial information including a pension liability measurement and changes to the liability, historical contributions, money-weighted investment return and additional actuarial related disclosures.

The Statement of Fiduciary Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed as of year-end. The net position, which is the assets less the liabilities, reflects the funds available for future use.

The Statement of Changes in Fiduciary Net Position provides a view of current year additions to and deductions from the plan. The trend of additions versus deductions to the plan will indicate whether FCERA's financial position is improving or deteriorating over time.

Both financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the GASB, using the accrual basis of accounting. FCERA complies with all material requirements of these principles and guidelines.

All of the current year's additions and deductions are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date, not settlement date. In addition, both realized and unrealized gains and losses are shown on investments, and all capital assets are depreciated over their useful lives.

Other factors, such as market conditions, should be considered in measuring FCERA's overall financial strength.

The Notes to the Basic Financial Statements are an integral part of the financial report and provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide detailed discussion of key policies, programs, and activities that occurred during the year.

Required Supplementary Information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information as of the latest actuarial valuation concerning FCERA's progress in funding its obligations to provide pension benefits to members. Included are the Schedule of Employer Contributions, Schedule of Investment Returns, Actuarial Valuation Methods and Assumptions, and Schedule of Changes in Net Position Liability and Related Ratios. Each schedule presents historical trend information about annual required contributions of the employer and the actual contributions made, investment returns of the Plan and the overall net pension liability as well as funded position. Actuarial Methods and Assumptions point to important criteria used in the determination of the Plan's required contributions to achieve full funding of the Plan. These schedules provide information to help promote understanding of the changes in the funded status of the Plan over time.

Other Supplementary Information. The schedules of administrative expenditures, administrative budget analysis, information technology expenditures, investment expenditures, and payments to consultants are presented following the required supplementary information.

Financial Analysis

As of June 30, 2015, FCERA has $4.0 billion in net position restricted for pension benefits, which means that assets of $4.3 billion exceed liabilities of $0.2 billion. At June 30, 2014 and 2013, FCERA's net position restricted for pension benefits totaled $4.0 billion and $3.5 billion, respectively. The net position restricted for pension benefits is available to meet FCERA's ongoing obligation to plan participants and their beneficiaries.

As of June 30, 2015, the net position restricted for pension benefits decreased by 0.4% compared to 2014, and increased by 15.7% over 2013, primarily due to the changes in the fair value of investments. Current assets and current liabilities also change by offsetting amounts due to the recording of the securities lending cash collateral.

Capital Assets

FCERA's investment in capital assets increased from $7.0 million to $9.8 million (net of accumulated depreciation and amortization). The investment in capital assets includes servers, equipment, and furniture. The total increase in FCERA's investment in capital assets from 2014 to 2015 was 39.6%. Capital assets increased 39.7% from 2013 to 2014. The new pension administration system was placed into production in November 2014 and was the primary reason for the increase in capital assets in both the 2015 and 2014 fiscal years.

Starting in fiscal year 2012, FCERA follows Government Code Section 31580.2, which states that expenditures for software, hardware, and computer technology consulting services in support of the computer products shall not be a cost of the administration of the retirement system. During fiscal years 2015 and 2014, FCERA's expenditures for software, hardware, and computer technology consulting services were $3,147,244 and $2,115,649 (revised from prior year), respectively.

Net Position Restricted for Benefits

As of June 30 2015, 2014 and 2013

(Dollars in Thousands)

	2015	2014	2013	% Change 2015-2014	% Change 2014-2013
Current Assets	**$ 326,293**	$ 539,656 *	$ 645,248 *	-39.5%	-16.4%
Investments	**3,908,246**	3,964,180	3,438,193	-1.4%	15.3%
Capital Assets, net	**9,816**	7,033	5,035	39.6%	39.7%
Total Assets	**4,244,355**	**4,510,869 ***	**4,088,476 ***	**-5.9%**	**10.3%**
Total Liabilities	**212,236**	**460,740 ***	**589,024 ***	**-54.0%**	**-23.0%**
Net Position Restricted for Benefits	**$ 4,032,119**	**$ 4,050,129**	**$ 3,499,452**	**-0.4%**	**15.7%**

* Revised disclosure from prior years, reported collateral amounts now exclude non-cash collateral.

FCERA has annual valuations completed by its independent actuary, Segal Consulting. The purpose of the valuation is to determine the future contributions by the members and employers needed to pay all the expected future benefits. Despite variations in the stock market, FCERA's management and independent actuary concur that FCERA remains in a financial position that will enable the plan to meet its obligations to participants and beneficiaries. FCERA remains focused on the long-term performance of the fund, dependent on a strong and successful investment program, risk management and strategic planning.

FCERA's Activities

Changes in FCERA's Fiduciary Net Position

As of June 30, 2015, 2014 and 2013

(Dollars in Thousands)

	2015	2014	2013	% Change 2015-2014	% Change 2014-2013
Employer Contributions	$ 184,213	$ 165,309	$ 158,572	11.4%	4.2%
Plan Member Contributions	33,110	30,154	30,516	9.8%	-1.2%
Net Investment (Loss)/Income	(327)	581,786	377,235	-100.0%	54.2%
Net Securities Lending Income	733	1,383	1,248	-47.0%	10.8%
Total Additions	**217,729**	**778,632**	**567,571**	**-72.0%**	**37.2%**
Pension Benefits	229,115	222,289	210,745	3.1%	5.5%
Refunds	2,282	2,103	2,211	8.5%	-4.9%
Administrative	4,297	3,542	3,634	21.3%	-2.5%
Other	45	21	42	114.3%	-50.0%
Total Deductions	**235,739**	**227,955**	**216,632**	**3.4%**	**5.2%**
Change in net position	**$ (18,010)**	**$ 550,677**	**$ 350,939**	**-103.3%**	**56.9%**

Additions to Fiduciary Net Position

The primary sources to finance the benefits that FCERA provides to its members are accumulated through the collection of member (employee) and employer contributions and through the earnings on investments (net of investment expenditures). The Net Investment Income or Loss for the years ended June 30, 2015, 2014, and 2013 totaled a loss of $327 thousand, and gains of $581.8 million, and $377.2 million, respectively.

By year-end, total additions had decreased by $561 million from 2014, or -72.0%, due primarily to investment losses being higher than in the previous year. For 2014, total additions had increased by $211.1 million over 2013, or 37.2%. The Investment Section of this report reviews the result of investment activity for the year ended June 30, 2015.

Deductions from Fiduciary Net Position

The primary uses of FCERA's assets include the payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the cost of administering the system. Deductions in the year ended June 30, 2015 totaled $235.7 million, an increase of 3.4% over June 30, 2014. 2014 had an increase of $11.3 million or a 5.2% change from June 30, 2013. The increases are mostly attributed to the additional benefit payments for retirees as well as the growth in the number and average amount of benefits paid to retirees year over year.

The Board of Retirement approves the annual budget for FCERA. The California Government Code Section 31580.2(a) limits the annual administrative expenditures to not exceed the greater of either of the following: (1) twenty-one hundredths of one percent (0.21%) of the accrued actuarial liability of the retirement system; (2) two million dollars ($2,000,000), as adjusted annually by the amount of the annual cost of living adjustment computed in accordance with Article 16.5. The 2015 Administrative Budget was amended to increase appropriations by $286,000 to accommodate the payment of hosting fees for the pension administration system. The 2015 Technology Budget was amended to increase appropriations by $1,852,819 for contract amounts on the purchase and design of the pension administration system. Expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products are not considered a cost of administration of the retirement system. FCERA has consistently met its administrative expenditures budget for the current year and prior years.

Pension Liabilities

As GASB Statement No. 67 requires, FCERA reports the Total Pension Liability and the Net Pension Liability as calculated by FCERA's actuary. It is important to note that these liabilities are solely calculated for financial reporting purposes and are not intended to provide information about the funding of FCERA's benefits.

FCERA's Total Pension Liability as of June 30, 2015, was $5.12 billion resulting from an increase of 3.8 percent from $4.93 billion as of June 30, 2014 and a 5.5 percent increase from $4.85 billion as of June 30, 2013. FCERA's Net Pension Liability as of June 30, 2015, was $1,085 million, representing an increase of 23.6 percent from $878 million as of June 30, 2014, but a 19.7 percent decrease from $1,350 million as of June 30, 2013. This $207 million increase in liabilities is primarily as a result of annual investment return of -0.2 percent which was significantly below the assumed rate of 7.25%. This loss was somewhat offset by gains from lower than expected active salary increases and lower than expected retiree COLA increases during 2013/2014 (because liabilities are rolled forward from June 30, 2014 to June 30, 2015, these gains are first reported in the June 30, 2015 results).

Under GASB Statement No. 67, the Fiduciary Net Position as a percentage of the Total Pension Liability is required to be presented. For the fiscal years ended June 30, 2015, 2014, and 2013, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 78.79 percent, 82.18 percent, and 72.15 percent respectively. The change at 2015 is a 4.1 percent decrease from 2014 and is due to the somewhat moderate growth in Total Pension Liability of $189 million in conjunction with a moderate decrease in FCERA's Fiduciary Net Position of $18 million, which results in a less favorable financial position at June 30, 2015, when compared to June 30, 2014.

Net Pension Liability
As of June 30, 2015, 2014 and 2013
(Dollars in Thousands)

	2015	2014	2013	$ Change 2015-2014	% Change 2015-2014	$ Change 2014-2013	% Change 2014-2013
Total Pension Liability	**$5,117,241**	$ 4,928,183	$ 4,850,282	$ 189,058	3.8%	$ 77,901	1.6%
Less: Fiduciary Net Position	**(4,032,119)**	(4,050,129)	(3,499,452)	18,010	-0.4%	(550,677)	15.7%
Net Pension Liability	**$1,085,122**	**$ 878,054**	**$1,350,830**	**$ 207,068**	**23.6%**	**$(472,776)**	**-35.0%**
Fiduciary Net Position as a Percentage of Total Pension Liability	**78.79%**	**82.18%**	**72.15%**		**4.1%**		**13.9%**

FCERA's Fiduciary Responsibilities

FCERA's Board and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the assets can only be used for the exclusive benefit of plan participants and their beneficiaries.

Requests for Information

This financial report is designed to provide the Board, our membership, taxpayers, investment managers, and others with a general overview of FCERA's financial condition and to demonstrate FCERA's accountability for the funds under its stewardship.

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

FCERA
Attn: Accounting Unit
1111 H Street
Fresno, CA 93721

Respectfully submitted,

Becky Van Wyk

Becky Van Wyk, CPA
Assistant Retirement Administrator
December 9, 2015

Statement of Fiduciary Net Position

As of June 30, 2015 and June 30, 2014

(Dollars in Thousands)

	2015	2014	
Assets			
Cash and cash equivalents with fiscal agents	$ 94,235	$ 98,575	
Securities lending investments pool:			
Short-term investments	192,520	328,786	*
Receivables:			
Investment trades receivable	13,313	88,151	
Interest and dividends receivable	12,608	11,694	
Administrative receivable	42	52	
Contributions receivable	13,246	12,165	
Securities lending receivable	82	110	
Total Receivables	39,291	112,172	
Investments, at fair value:			
Domestic and international fixed income	1,557,325	1,718,428	
Domestic and international equities	1,626,682	1,598,926	
Private equity	338,802	271,295	
Real estate	159,533	147,620	
Hedge funds	154,465	147,051	
Private credit	71,439	80,860	
Total Investments	3,908,246	3,964,180	
Prepaid expenditures	247	123	
Capital assets			
Nondepreciable	501	5,508	
Depreciable, net of accumulated depreciation	9,315	1,525	
Total Capital Assets, Net	9,816	7,033	
Total Assets	4,244,355	4,510,869	
Liabilities			
Accounts payable - purchase of investments	16,512	128,638	
Cash collateral payable for securities lending	192,520	328,786	*
Administrative accounts payable	3,185	3,289	
Securities lending bank and broker fees	19	27	
Total Liabilities	212,236	460,740	
Net Position Restricted for Pension Benefits	$ 4,032,119	$ 4,050,129	

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

* Revised disclosure from prior year, reported collateral amounts now exclude non-cash collateral.

Statement of Changes In Fiduciary Net Position

As of June 30, 2015 and June 30, 2014

(Dollars in Thousands)

	2015	2014
Additions		
Contributions:		
Employers	$ 184,213	$ 165,309
Plan members	33,110	30,154
Total Contributions	**217,323**	**195,463**
Investment (Loss)/Income:		
From Investment Activities		
Net (depreciation)/appreciation in fair value of investments	(90,676)	507,904
Interest	45,996	32,852
Dividends	27,662	33,682
Private markets	32,713	22,598
Investment expenditures	(16,374)	(15,795)
Miscellaneous income	352	545
Net investment (loss)/income, before securities lending	**(327)**	**581,786**
From securities lending activities		
Securities lending income	972	1,746
Securities lending expenditures		
Security lending management fees	(239)	(363)
Net income from securities lending activities	**733**	**1,383**
Net investment income	**406**	**583,169**
Total Additions	**217,729**	**778,632**
Deductions		
Benefits paid to plan members and beneficiaries	229,115	222,289
Refunds of member contributions	2,282	2,103
Administrative expenditures	4,297	3,542
Other	45	21
Total deductions	**235,739**	**227,955**
Change in Net Position	**(18,010)**	**550,677**
Net Position Restricted for Pension Benefits		
Beginning of Year	**4,050,129**	**3,499,452**
End of Year	**$ 4,032,119**	**$ 4,050,129**

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

NOTE 1 - DESCRIPTION OF THE RETIREMENT PLAN (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) and the California Public Employees Pension Reform Act (PEPRA) of 2013. Readers should refer to the 1937 Act and PEPRA for more complete information.

General

FCERA is a contributory defined benefit plan initially organized under the provisions of the 1937 Act on January 1, 1945. Effective January 1, 2013, PEPRA added requirements and benefit levels for new members joining the Plan after January 1, 2013, as well as modifying some provisions of the 1937 Act for existing members. FCERA 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), the Superior Court of California-County of Fresno, Clovis Veterans Memorial District, Fresno-Madera Area Agency on Aging, and Fresno Mosquito & Vector Control District. An employee becomes eligible for membership commencing with the pay period following the date of employment in an eligible permanent position.

Plan Membership

As of June 30, 2015 and June 30, 2014

	2015	2014
Active Members		
Vested	**4,758**	5,058
Non-Vested	**2,211**	1,866
Total Active Members	**6,969**	**6,924**
Retired Members	**6,843**	6,626
Terminated Vested (Deferred)	**1,437**	1,401
Terminated Non-Vested*	**1,771**	1,498
Total Membership	**17,020**	**16,449**

* Schedule revised from prior year to include terminated non-vested members.

Benefit Provisions

The Board, under the provisions of the 1937 Act, administers benefit provisions adopted by the Plan Sponsors. Benefits are based upon a combination of age, years of service, final average salary (the highest year, highest three consecutive years or average of the highest three one-year periods of employment), benefit tier (including membership classification) and the payment option selected by the member. Disability and death benefits are additionally based upon whether the disability was service connected or not, and whether the death occurred before or after retirement. Retirement benefit payments consist of regular retirement benefits and, depending on the date of retirement, may include cost of living benefits, supplemental benefits, supplemental annuity benefits, and vested health benefits. Benefits may also include a supplemental cost of living and a non-vested health benefit if approved by the Board. General members enrolled in Tiers 1, 2, 3, or 4 may retire at age 50 with 10 years of service, at any age with 30 years of service, or at age 70 with any years of service. General members enrolled in Tier 5 may retire at age 52 with 5 years of service, or age 70 with any years of service. Safety members enrolled in Tiers 1, 2, or 4 may retire at age 50 with 10 years of service or at any age with 20 years of service. Safety members enrolled in Tier 5 may retire at age 50 with 5 years of service, or age 70 with any years of service.

At June 30, 2015, there were five tiers for general members (1, 2, 3, 4 & 5) and four tiers for safety members (1, 2, 4 & 5). General Tiers 1, 2, 3 and 4, and Safety Tiers 1 ,2 and 4 are closed to new members unless they meet the requirements under Government Code Section 7522 et al. Safety includes members in active law enforcement or certain other “Safety” classifications as designated by the Board.

Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required.

PEPRA limits the amount of compensation FCERA can use to calculate a retirement benefit. The 2015 compensation limits used to determine contribution amounts for Tier 5 members is $117,020 for members covered by Social Security and $140,424 for members not covered by Social Security and will be adjusted in future years for changes in the Consumer Price Index. Most FCERA members are covered by Social Security.

The tiers and their basic provisions are listed below:

Tier Name	Government Code Section	Effective Date	Basic Provisions	Vested Health Benefit	Final Average Salary Period	Plan Sponsors
Pre-Ventura General	31676.12	Various	2.0% at 57; maximum 3% cost of living benefit	Yes	Highest 1 – year	All
General Tier 1	31676.14 and the Settlement Agreement	January 1, 2001	2.5% at 55; maximum 3% cost of living benefit	Yes	Highest 1 - year	All
General Tier 2	31676.16	September 12, 2005	2.0% at 55; maximum 3% cost of living benefit	Yes	Highest 1 - year	County and FMAAA[1]
General Tier 3	31676.15	December 17, 2007	2.0% at 55; maximum 3% cost of living benefit	Yes	3 Highest Years	County
General Tier 4	31676.1	June 11, 2012	2.0% at 61; no cost of living benefit	No	3 Highest Years	County
General Tier 5	7522.20	January 1, 2013	2.5% at 67; no cost of living benefit	No	Highest 3 Consecutive Years	All
Pre-Ventura Safety	31664	Various	2.0% at 50; maximum 3% cost of living benefit	Yes	Highest 1 – year	County and NCFPD[2]
Safety Tier 1	31664 and the Settlement Agreement	January 1, 2001	2.5% at 50; maximum 3% cost of living benefit	Yes	Highest 1 - year	County and NCFPD[2]
Safety Tier 2	31664.2	September 12, 2005	3.0% at 55; maximum 3% cost of living benefit	Yes	Highest 1 - year	County
Safety Tier 4	31664	June 11, 2012	2.0% at 50; no cost of living benefit	Yes	3 Highest Years	County
Safety Tier 5	7522.25(d)	January 1, 2013	2.7% at 57; no cost of living benefit	No	Highest 3 Consecutive Years	County

[1] FMAAA – Fresno-Madera Area Agency on Aging

[2] NCFPD – North Central Fire Protection District. NCFPD withdrew active membership from FCERA as of August 31, 2007.

Administration

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

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.

As of the printing of this CAFR, one of the four appointed seats on the Board of Retirement remained vacant due to a resignation of an appointed County Supervisor.

As of the June 30, 2014, Actuarial Valuation adopted by the Board, administrative expenditures are financed through a 1.10% load of payroll. The employer's share is .93% and employee's share is .17% of payroll allocated to the employer and member rates, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

FCERA is the public employee retirement system established by the County on January 1, 1945, and administered independently by the Board to provide retirement, disability, death, and survivor benefits for its employees under the 1937 Act. FCERA's actuarially determined financial data is included in the County's Comprehensive Annual Financial Report in the Notes to the Basic Financial Statements and the Required Supplementary Information section.

Basis of Accounting

FCERA's financial statements are prepared using the accrual basis of accounting. Investment income is recognized when it is earned and expenditures 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 for additional information on the County Treasurer's commingled cash and investment pool.)

Plan investments are reported at fair value. The fair values of equity and fixed income securities are derived from quoted market prices. The fair values of private market investments are estimated from fair values provided by the real estate investment funds, futures investment managers, and alternative investment managers. All investment purchases and sales are recorded on the trade date. Additional information regarding the Plan's investments can be found in the Investment Section of this CAFR.

Asset Allocation Policy

In March 2014, the Board adopted new policy targets, which resulted from an asset liability study conducted in the fourth quarter of 2013. The new policy reduced the investment risk by reducing equity exposure and restructuring the fixed income portfolio. The new asset allocation policy is incorporated into FCERA's updated Investment Policy Statement, which helps guide the manner in which FCERA invests.

Investment Concentrations

FCERA does not hold investments in any one organization that represent 5 percent or more of the Plan's Fiduciary Net Position.

Implementation of New Accounting Standards

For the year ended June 30, 2014, FCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25.* The requirements for GASB Statement No. 67 necessitated changes and additions in the Notes to the Financial Statements and Required Supplementary Information. Significant changes include calculation of total and net pension liability for financial reporting, comprehensive footnote disclosure regarding pension liability, sensitivity of net pension liability to the discount rate, additional investment disclosure, expected long-term discount rate, and annual money-weighted rate of return on investment. The net pension liability and related ratios as determined by GASB Statement No. 67 is presented in the Required Supplementary Information. Other requirements are reflected in the Notes to the Financial Statements and Required Supplementary Information sections.

The new standards require the County and other Plan Sponsors to recognize their proportionate share of long-term obligation for pension benefits as a liability for the first time and provide a more comparable measure of the annual costs of pension benefits by employer. This proportionate share is based on the employer's long-term contribution effort. The new financial reporting standards also enhance accountability and transparency through revised and new note disclosures and required supplementary information. For the County and other Plan Sponsors, the new financial reporting provisions are effective for fiscal year ending June 30, 2015.

In order to implement the GASB Statement Nos. 67 and 68, FCERA established a Task Force comprised of key stakeholders from the County, other Plan Sponsors, and external professional service providers to discuss the requirements for implementation. The Task Forces established timelines and a framework for implementation decisions. The objective of the Task Force was realized when FCERA's actuary, Segal Consulting, completed the required GASB Statement No. 67 schedules in December 2014, and GASB Statement No. 68 in August 2015.

Long-term Expected Rate of Return by Asset Class

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenditures. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenditures, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table below.

The long-term expected rate of return assumption was developed using recent economic assumptions included in the latest Actuarial Experience Study completed in August 2013. Since the development of these assumptions, adjustments were approved by the Board in December 2013 to the target allocation of investments, referred to as Mix B. The impact of the adjustments to the new asset allocation by selecting Mix B, compared to the economic assumptions developed in the Actuarial Experience Study, is not considered substantial enough to invalidate the long-term expected rate of return assumption. However, users of this report must be aware that due to the selection of Mix B there is a difference in the target allocation presented below and the target allocation presented in the Investment Section on page 72 and 73.

	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	24%	6.10%
Small Cap U.S. Equity	5%	6.88%
Developed International Equity	19%	6.87%
Emerging International Equity	5%	8.22%
U.S. Core Fixed Income	19%	0.63%
Treasury Inflation-Protected Securities (TIPS)	4%	-0.11%
Emerging Market Debt	3%	3.85%
Real Estate	6%	4.93%
Commodities	4%	3.93%
Hedge Funds	4%	3.46%
Private Equity	7%	12.68%
Total	**100%**	

Net Pension Liability

GASB Statement No. 67 requires public pension plans to disclose the net pension liability of the Plan. The net pension liability is measured as the total pension liability less the amount of the Plan's fiduciary net position. The net pension liability is an accounting measurement for financial statement reporting purposes. The components of FCERA's net pension liability at June 30, 2015, are disclosed on the following page and on page 35.

Net Pension Liability

As of June 30, 2015 and June 30, 2014

(Dollars in Thousands)

	2015	2014
Total pension liability	**$ 5,117,241**	$ 4,928,183
Fiduciary net position	**4,032,119**	4,050,129
Net pension liability	**$ 1,085,122**	**$ 878,054**
Fiduciary net position as a percentage of the total pension liability	**78.79%**	**82.18%**

The measurement date of the net pension liability was determined at June 30, 2015, and June 30, 2014. Fiduciary net position (plan assets) was valued as of the measurement date while the total pension liability was determined based upon rolling forward the total pension liability from actuarial valuations as of June 30, 2014 and 2013, respectively.

Actuarial Assumptions used in this GASB analysis:

Inflation	3.25%
Salary Increases	General: 4.75% to 10.75%; and Safety: 5.25% to 10.75%, varies by service, including inflation.
Investment Rate of Return	7.25%, net of Pension Plan investment expenditures, including inflation.
Administrative Expenditures	1.10% of payroll, allocated .93% to employers and .17% to employees.
Mortality	Various rates based on RP-2000 Mortality tables in the June 30, 2014, actuarial valuation.

Discount rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2015 and June 30, 2014. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current Plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future Plan members and their beneficiaries, as well as projected contributions from future Plan members, are not included. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2015 and June 30, 2014.

Sensitivity of the net pension liability to changes in the discount rate. The schedule below presents the net pension liability of FCERA as of June 30, 2015, calculated using the discount rate of 7.25%, as well as what the FCERA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

(Dollars in Thousands)	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
FCERA's net pension liability as of June 30, 2015	**$1,783,868**	**$1,085,122**	**$510,887**

Money-Weighted Rate of Return

For the fiscal year ended June 30, 2015 and June 30, 2014, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expenditure, was 0.02 percent and 17.53 percent, respectively. For commentary on the overall investment performance of the Plan which impacted the money-weighted rate of return compared to prior year, please see the Investment Consultant's Report on page 67. The money-weighted rate of return expresses investment performance, net of investment expenditure, adjusted for the changing amounts actually invested.

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 software (accounting general ledger and pensions administration systems) and thirty years for buildings. Depreciation expenditure is reported as part of administrative expenditure.

Income Taxes

The Internal Revenue Service (IRS) has ruled that Plans such as FCERA qualify under Section 401(a) of the Internal Revenue Code (IRC), which prevents FCERA from being subjected to taxation under present income tax laws. In 1988 the FCERA Plan was determined by the IRS to be a tax qualified plan. In accordance with this determination, no provisions for income taxes have been made in the accompanying basic financial statements, as FCERA is exempt from federal and state income taxes under provisions of the IRC, Section 401(a), and the California Revenue and Taxation Code, Section 23701, respectively.

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.

Administrative Expenditures

FCERA's Board annually approves the budget for administrative expenditures. Under the California State Government Code Section 31580.2 administrative expenditures are limited to 0.21% of the accrued actuarial liability of the Plan. Previously, administrative expenditures were limited to 23 basis points of total assets. As a result of the change in basis points, the information technology expenditures are no longer included in the administrative expenditures. The Schedule of Information Technology Expenditures includes computer software, hardware, computer maintenance, and equipment. With the exclusion of the information technology costs, FCERA's administrative expenditures totaled 0.09% of the accrued actuarial liability of the Plan.

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying *Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.* Also certain accounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

NOTE 3 - **DEPOSITS AND INVESTMENTS**

Except as otherwise expressly restricted by the California Constitution and by law, the Board may, at its discretion, invest, or delegate FCERA to invest it's assets through the purchase, holding, or sale of any form or type of instrument, or financial transaction when prudent in the informed opinion of the Board. In addition, the Board has established an investment policy that places limits on the compositional mix of cash, fixed income and equity securities, alternative investments, and real estate investments. FCERA currently employs external investment managers to manage its assets subject to the guidelines of the investment policy. GASB Statements No. 40 and 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. Rather than creating an across the board policy addressing limitations on credit ratings of certain debt securities, FCERA has chosen to manage the investment risks detailed in GASB Statements No. 40 and No. 53 by requiring each investment manager responsible for a separately held portfolio to follow specific agreed upon investment guidelines that meet the requirements of FCERA for the individual investment mandate. FCERA's investment guidelines do not govern control over commingled portfolios and therefore only apply to separately held portfolios.

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, 2015, all domestic deposits were insured, registered, and held by the custodian bank in FCERA's name. FCERA held foreign currencies deposits at June 30, 2015, with a United States Dollar value of $2,715,000 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 counterparty 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's external investment pool is unrated for credit risk purposes.

The credit ratings disclosed below were obtained from Moody's rating agency as of June 30, 2015, and June 30, 2014. FCERA has re-stated the June 30, 2014, Northern Institutional Liquid Assets Portfolio to exclude the disclosure of non-cash collateral amounts.

Credit Quality Ratings of Investments in Fixed Income Securities

As of June 30, 2015 and June 30, 2014

(Dollars in Thousands)

	2015		2014	
Moody's Credit Rating	**Percentage of Total Fixed Income**	**FCERA's Fixed Income Securities**	**Percentage of Total Fixed Income**	**FCERA's Fixed Income Securities**
Northern Institutional Liquid Assets Portfolio / Tier 1 Quality		**$ 192,520**		$ 328,786
Fixed Income Securities				
Aaa	**6.4%**	**100,040**	7.4%	126,897
Aa	**4.7%**	**72,529**	1.4%	23,892
A	**9.6%**	**150,018**	3.0%	50,838
Baa	**14.2%**	**220,823**	15.8%	271,401
Ba	**5.3%**	**81,832**	3.9%	67,877
B	**3.4%**	**53,069**	1.5%	25,395
Caa	**0.8%**	**12,274**	0.1%	1,669
Ca	**0.0%**	**6**	0.0%	-
Agency/Exempt	**10.1%**	**157,688**	28.9%	496,170
NR	**45.5%**	**709,046**	38.1%	654,289
Total Fixed Income Securities	**100.0%**	**1,557,325**	**100.0%**	**1,718,428**
Total Securities Lending Pool and Fixed Income Securities		**$ 1,749,845**		**$ 2,047,214**

NR = Securities that are not rated by Moody's, an independent research company.

Agency/Exempt = Securities that are exempt from rating disclosure and are implicity or explicity guaranteed by the U.S. Government.

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, 2015 and June 30, 2014.

Interest Rate Risk
As of June 30, 2015
(Dollars in Thousands)

Investment Type		Less than 12 months	13 to 60 months	61 to 120 months	More than 120 months
		Remaining Maturity in Months at June 30, 2015			
Securities lending - investments					
Quality D Investment Fund	$ 192,520	$ 192,520	$ -	$ -	$ -
Subtotal	**192,520**	**192,520**	**-**	**-**	**-**
U.S. Government and agencies					
U.S. Treasury notes	57,069	20,963	28,172	-	7,934
Federal agency securities	1,673	-	527	-	1,146
Subtotal	**58,742**	**20,963**	**28,699**	**-**	**9,080**
Domestic fixed income	317,314	8,289	65,252	135,291	108,482
Mortgages	32	-	-	-	32
Foreign fixed income	452,589	10,431	155,122	174,605	112,431
Barclays U.S. AGG Index Fund	368,647	3,686	179,900	133,155	51,906
Eaton Vance Bank Loans	203,969	203,969	-	-	-
TIPS Index Fund	156,032	-	44,436	70,199	41,397
Total Investments	**$ 1,749,845**	**$ 439,858**	**$ 473,409**	**$ 513,250**	**$ 323,328**

Interest Rate Risk
As of June 30, 2014
(Dollars in Thousands)

Investment Type		Less than 12 months	13 to 60 months	61 to 120 months	More than 120 months
		Remaining Maturity in Months at June 30, 2014			
Securities lending - investments					
Quality D Investment Fund	$ 328,786	$ 328,786	$ -	$ -	$ -
Subtotal	**328,786**	**328,786**	**-**	**-**	**-**
U.S. Government and agencies					
U.S. Treasury notes	193,249	1,109	128,788	24,147	39,205
Federal agency securities	161,963	58	2,219	2,445	157,241
Subtotal	**355,212**	**1,167**	**131,007**	**26,592**	**196,446**
Domestic fixed income	341,435	8,135	91,988	82,310	159,002
Mortgages	46,772	-	-	-	46,772
Foreign fixed income	337,483	5,128	111,457	131,566	89,332
Barclays U.S. AGG Index Fund	478,746	4	247,177	162,822	68,743
TIPS Index Fund	158,780	-	54,729	48,403	55,648
Total Investments	**$ 2,047,214**	**$ 343,220**	**$ 636,358**	**$ 451,693**	**$ 615,943**

At June 30, 2015, FCERA had $50,202,000 invested in the County external investment pool, which has a dollar weighted average maturity of 2.2 years, compared to $31,710,000 and a dollar weighted average maturity of 2.6 years at June 30, 2014.

Concentration of credit risk. This is the risk of loss attributed to the concentration of the FCERA'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 U.S. Government and its agencies. As of June 30, 2015, no investments in any one issuer are 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. FCERA's investment in foreign currency at June 30, 2015 and June 30, 2014 are as follows:

Foreign Currency Risk

As of June 30, 2015 and June 30, 2014

(Dollars in Thousands)

Currency	Fair Value 2015	Fair Value 2014
British Pound Sterling	**$ 260**	$ 475
Colombian Peso	**629**	252
Euro Currency	**281**	1,015
Hong Kong Dollar	**10**	122
Japanese Yen	**305**	867
Mexican Peso	**29**	82
Nigerian Naira	**79**	381
Other Foreign Currencies	**1,122**	432
Total Foreign Currency	**$ 2,715**	**$ 3,626**

Foreign currency tables expressed in U.S. dollars and thousands.

Derivatives. The investment derivatives schedule on the following page reports the fair value and notional value of the derivatives held by FCERA at June 30, 2015. For reporting purposes, FCERA's derivatives are classified as investment derivatives. All changes in fair value are reported as part of Net Appreciation/(Depreciation) in Fair Value of Investments in the *Statement of Changes in Fiduciary Net Position*. FCERA, through its external investment managers, enters into forward foreign currency contracts as well as equity rights 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, 2015, FCERA has approximately $2,071,000 of its $743,060,000 international fixed income and international equity portfolio invested in such forward foreign currency and equity rights contracts. At June 30, 2014, the fair value of the forward currency contracts were $-335,000 of FCERA's $787,495,000 international fixed income and international equity portfolio.

Investment Derivatives

As of June 30, 2015 and June 30, 2014

(Dollars in Thousands)

	2015		2014	2015-2014
Derivative Type	**Notional Value**	**Fair Value**	**Fair Value**	**Change in Fair Value**
Credit Default Swaps	**$ -**	**$ (10)**	$ 25	$ (35)
Fixed Income Futures	**(18,917)**	**-**	-	$ -
Forward Foreign Currency	**-**	**2,071**	(335)	$ 2,406
Interest Rate Swaps	**-**	**(122)**	(232)	$ 110
Options	**-**	**40**	194	$ (154)
Rights	**-**	**364**	195	$ 169
Total	**$ (18,917)**	**$ 2,343**	**$ (153)**	**$ 2,496**

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 cash collateral at certain defined levels. At June 30, 2015 and June 30, 2014, FCERA held $557,000 and $875,000 cash collateral, respectively, to offset potential risks it may encounter through counterparty transactions.

FCERA's comparative counterparty exposure is detailed in the following schedule:

Counterparty Credit Risk Analysis
As of June 30, 2015
(Dollars in Thousands)

	Aa	A	Exchange Traded	Not Rated	Total
Futures	$ -	$ -	$ -	$ -	**$ -**
Options	-	-	-	40	**40**
Rights/Warrants	-	-	-	364	**364**
Swaps	-	-	-	(132)	**(132)**
Forwards	-	-	-	2,071	**2,071**
	$ -	**$ -**	**$ -**	**$ 2,343**	**$ 2,343**

Counterparty Credit Risk Analysis
As of June 30, 2014
(Dollars in Thousands)

	Aa	A	Exchange Traded	Not Rated	Total
Futures	$ -	$ -	$ -	$ -	**$ -**
Options	-	-	-	294	**294**
Rights/Warrants	-	-	-	195	**195**
Swaps	-	-	-	(207)	**(207)**
Forwards	-	-	-	(335)	**(335)**
	$ -	**$ -**	**$ -**	**$ (53)**	**$ (53)**

At June 30, 2015 and June 30, 2014, FCERA was exposed to Foreign Currency Risk related to its investments in equity rights and forward contracts denominated in foreign currencies. The tables on the following pages display FCERA's position in each of the foreign currency contracts.

Foreign Currency Risks at Fair Value

As of June 30, 2015

(Dollars in Thousands)

Currency Name	Equities	Forward Currency Contracts Net Receivables	Forward Currency Contracts Net Payables	Total Exposure
Brazil Real	$ -	$ 1,781	$ (466)	$ 1,315
Canadian dollar	-	4	-	4
Chilean Peso	-	69	(911)	(842)
Colombian Peso	-	14	(38)	(24)
Euro	362	184	(65)	481
Hungarian Forint	-	6	(17)	(11)
Indian Rupee	-	(1)	139	138
Indonesia Rupiah	-	(4)	5	1
Japanese Yen	-	(14)	6	(8)
Malaysia Ringgit	-	4	(31)	(27)
Mexican Peso	-	34	(41)	(7)
New Israeli Shekel	-	(23)	16	(7)
New Romania Leu	-	-	(1)	(1)
New Zealand dollar	-	795	-	795
Nigerian Naira	-	(49)	73	24
Norwegian Krone	-	-	(80)	(80)
Peruvian Nuevo Sol	-	27	(4)	23
Phillipine Peso	-	2	-	2
Polish Zloty	-	57	(20)	37
Russian Ruble	-	26	(36)	(10)
Singapore dollar	2	-	-	2
South African Rand	-	(10)	106	96
South Korean Won	-	17	(13)	4
Swedish krona	-	-	365	365
Thai Bhat	-	(1)	5	4
Turkey	-	(6)	165	159
Total	**$ 364**	**$ 2,912**	**$ (843)**	**$ 2,433**

Foreign Currency Risks at Fair Value

As of June 30, 2014

(Dollars in Thousands)

Currency Name	Equities	Forward Currency Contracts Net Receivables	Forward Currency Contracts Net Payables	Total Exposure
Brazil Real	$ -	$ 156	$ (699)	$ (543)
British Pound	-	35	(26)	9
Chilean Peso	-	2	-	2
Chinese Yen	-	-	(1)	(1)
Colombian Peso	-	5	(63)	(58)
Euro	195	18	(23)	190
Hungarian Forint	-	-	(50)	(50)
Indonesia Rupiah	-	64	(128)	(64)
Indian Rupee	-	48	(18)	30
Japanese Yen	-	10	(26)	(16)
Mexican Peso	-	31	(7)	24
Malaysia Ringgit	-	171	(74)	97
Nigerian Naira	-	-	(6)	(6)
Peruvian Nuevo Sol	-	-	(2)	(2)
Phillipine Peso	-	-	(25)	(25)
Polish Zloty	-	46	(35)	11
Romanian Leu	-	23	(1)	22
Russian Ruble	-	170	(69)	101
South African Rand	-	154	(48)	106
South Korean Won	-	10	-	10
Swiss Franc	-	-	(1)	(1)
Thai Bhat	-	11	(10)	1
Turkey	-	23	(2)	21
Total	**$ 195**	**$ 977**	**$ (1,314)**	**$ (142)**

The derivative securities included as equities on the prior page 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 derivatives such as Fixed Income Options, Credit Default Swaps, Interest Rate Swaps, Forward Foreign Currency and Rights. At June 30, 2015 and June 30, 2014, FCERA was exposed to the following interest rate risk on its investments in these securities. The tables on the following page display the maturity periods of these derivative investments.

Interest Rate Risk Analysis
As of June 30, 2015
(Dollars in Thousands)

Investment Types	Fair Value	Investment Maturities (in months)				
		Less than 12	13 to 60	61 to 120	More than 120	Total
Credit Default Swaps	$ (10)	$ (5)	$ (5)	$ -	$ -	$ (10)
Fixed Income Futures	-	-	-	-	-	-
Forward Currency Contracts	2,071	2,071	-	-	-	2,071
Interest Rate Swaps	(122)	39	(144)	33	(50)	(122)
Options	40	40	-	-	-	40
Rights	364	17	347	-	-	364
Total	**$ 2,343**	**$ 2,162**	**$ 198**	**$ 33**	**$ (50)**	**$ 2,343**

Interest Rate Risk Analysis
As of June 30, 2014
(Dollars in Thousands)

Investment Types	Fair Value	Investment Maturities (in months)				
		Less than 12	13 to 60	61 to 120	More than 120	Total
Credit Default Swaps	$ 25	$ 15	$ 5	$ 7	$ (2)	$ 25
Fixed Income Futures	-	-	-	-	-	-
Forward Currency Contracts	(335)	(335)	-	-	-	(335)
Interest Rate Swaps	(232)	-	(109)	(10)	(113)	(232)
Options	294	43	251	-	-	294
Rights	195	32	162	1	-	195
Total	**$ (53)**	**$ (245)**	**$ 309**	**$ (2)**	**$ (115)**	**$ (53)**

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, U.S. government agency and domestic bonds. All securities on loan must be collateralized at 102% of the fair 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, money market mutual fund and any common trust fund maintained by a bank, other financial institution, any commingled, or pooled trust.

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, 2015, 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 underlying securities where the collateral has been reinvested. FCERA invests its collateral in Northern Trust's cash collateral pool called the Northern Institutional Liquid Assets Portfolio (NILAP). The NILAP is considered a Tier 1 quality fund, investing in the highest credit quality securities. The goal of the NILAP is to maintain a $1.00 net asset value per share of the fund, preserving reinvested collateral while providing a stable source of income. The collateral reported in these Financial Statements excludes non-cash collateral amounts.

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 Fiduciary Net Position.* Securities on loan are reported at fair value on the *Statement of Fiduciary Net Position.* The carrying values of the cash collateral securities lending investment pool as of June 30, 2015 and 2014, were $192,520,000 and $328,786,000, respectively. The fair values of loaned securities are listed below:

Fair Values of Loaned Securities

As of June 30, 2015 and June 30, 2014

(Dollars in Thousands)

	2015	2014
Domestic equity	$ 112,207	$ 129,534
International equity	5,270	11,633
Total equity on loan	**117,477**	**141,167**
U.S. Government and agencies	4,871	134,936
Domestic bonds	56,183	33,796
Foreign Bonds	9,563	11,566
Total bonds on loan	**70,617**	**180,298**
Total equities and bonds on loan	**$ 188,094**	**$ 321,465**

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, 2015 and 2014, FCERA had approximately $4,811,000 and $78,491,000 in these investments, respectively.

Investment Type

As of June 30, 2015 and June 30, 2014

(Dollars in Thousands)

Investment Type	2015	2014
Asset - Backed / Variable Rate Notes	**$ 2,708**	$ 32,054
Collateralized Mortgage Obligations	**32**	46,772
Forward Foreign Currency	**2,071**	(335)
Total	**$ 4,811**	**$ 78,491**

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, 2015, forward foreign currency contracts receivable and payable totaled $4,204,000 and $2,133,000, respectively. At June 30, 2014, forward foreign currency contracts receivable and payable totaled $923,000 and $1,310,000, respectively.

NOTE 5 - **CAPITAL ASSETS**

The following is a summary of changes in depreciable capital assets for the years ended June 30, 2015 and 2014:

Depreciable Capital Assets

As of June 30, 2015

(Dollars in Thousands)

	Balance July 1, 2014	Additions	Dispositions/ Reclassifications	Balance June 30, 2015
Capital assets, depreciable:				
Computer hardware/software	$ 926	$ 8,192	$ (830)	**$ 8,288**
Furniture and fixtures	164	-	-	**164**
Equipment	81	6	(6)	**81**
Building	2,103	-	-	**2,103**
Total capital assets, depreciable	**3,274**	**8,198**	**(836)**	**10,636**
Less accumulated depreciation for:				
Computer hardware/software	(815)	(332)	829 [1]	**(318)**
Furniture and fixtures	(149)	(2)		**(151)**
Equipment	(79)	(4)	8 [1]	**(75)**
Building	(706)	(70)	(1) [1]	**(777)**
Total accumulated depreciation	**(1,749)**	**(408)**	**836**	**(1,321)**
Total capital assets, depreciated, net	**1,525**	**7,790**	**-**	**9,315**
Total capital assets, net	**$ 1,525**	**$ 7,790**	**$ -**	**$ 9,315**
included in administrative expenditures totaled:		**$ 408**		

[1] Represents adjustments due to rounding prior year's asset category balances.

Depreciable Capital Assets
As of June 30, 2014
(Dollars in Thousands)

	Balance July 1, 2013	Additions	Dispositions/ Reclassifications	Balance June 30, 2014
Capital assets, depreciated:				
Computer hardware/software	$ 926	$ -	$ -	$ 926
Furniture and fixtures	164	-	-	164
Equipment	81	-	-	81
Building	2,103	-	-	2,103
Total capital assets, depreciable	**3,274**	**-**	**-**	**3,274**
Less accumulated depreciation for:				
Computer hardware/software	(738)	(77)	-	(815)
Furniture and fixtures	(134)	(15)	-	(149)
Equipment	(74)	(5)	-	(79)
Building	(636)	(70)	-	(706)
Total accumulated depreciation	**(1,582)**	**(167)**	**-**	**(1,749)**
Total capital assets, depreciated, net	**1,692**	**(167)**	**-**	**1,525**
Total capital assets, net	**$ 1,692**	**$ (167)**	**$ -**	**$ 1,525**
included in administrative expenditures totaled:		**$ 167**		

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. Employee contribution rates are designed to provide funding for approximately one-fourth of the regular retirement benefits and one-half of all cost of living benefits for members enrolled in Tiers 1 through 4 and one half of the normal cost of the retirement benefit for members enrolled in Tier 5. 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 against their contributions. Upon termination of employment, members may withdraw their contributions by requesting a refund of their accumulated contributions and interest. Non-vested members may 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 survivors' 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. The schedule of employer contributions, which include 10 year trend data, is presented in the required supplementary information schedule on page 59. Details on funding progress are presented in the Actuarial Section on page 87.

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 meeting the minimum eligibility requirements for eligibility as defined in Note 1 of these Financial Statements.

On September 12, 2012, PEPRA was signed into law by the Governor of California, Jerry Brown, establishing a new tier for General and Safety employees entering FCERA membership on or after January 1, 2013. The benefit formula for General members is 2.5% at age 67 and the

Safety formula is 2.5% at age 57. Benefits under the new PEPRA tiers are based on a consecutive three-year final average compensation period.

Reserved and Designated Accounts of Net Position Restricted for Pension Benefits

Net Position Restricted for Pension Benefits is segregated into members' and employers' accumulated contributions 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 as of fiscal year end June 30, 2009, the Contra Tracking Account was added to represent the amount of interest credited to reserve accounts that had not been paid for out of current or excess earnings.

The amounts and changes in reserves and designations for the year ended June 30, 2015 consist of the following:

Reserve Balances
As of June 30, 2015
(Dollars in Thousands)

	Balance July 1, 2014	Increase (Decrease) In Fiduciary Net Position	Net Transfers	Balance June 30, 2015
Reserves:				
Members' accumulated contributions	$ 412,209	$ 30,828	$ (15,907)	**$ 427,130**
Current service reserve	1,081,826	134,785	(18,299)	**1,198,312**
Annuity pension reserve	154,925	(24,298)	27,215	**157,842**
Current service pension reserve	1,136,609	(112,995)	171,041	**1,194,655**
Settlement annuity pension reserve	548,316	(30,623)	64,710	**582,403**
Settlement benefit reserve	105,577	(6,465)	7,675	**106,787**
Cost of living adjustment reserve	950,228	3,561	86,984	**1,040,773**
Supplemental cost of living reserve	1,380	(650)	-	**730**
Survivors' death benefit reserve	730	(1,217)	642	**155**
Retiree health benefit reserve	(777)	(2,641)	-	**(3,418)**
Retiree health benefit reserve (VS)	38,565	(4,359)	2,770	**36,976**
Contingency reserve	3,260	-	(3,260)	**-**
Designated for market stabilization	221,267	-	(282,525)	**(61,258)**
Undistributed earnings	-	(3,936)	3,936	**-**
Contra Tracking Account	(603,986)	-	(44,982)	**(648,968)**
Net Position Restricted for Pension Benefits	**$ 4,050,129**	**$ (18,010)**	**$ -**	**$ 4,032,119**

The amounts and changes in reserves and designations for the year ended June 30, 2014, consist of the following:

Reserve Balances
As of June 30, 2014
(Dollars in Thousands)

	Balance July 1, 2013	Increase (Decrease) In Fiduciary Net Position	Net Transfers	Balance June 30, 2014
Reserves:				
Members' accumulated contributions	$ 398,889	$ 28,051	$ (14,730)	$ 412,209
Current service reserve	977,822	121,682	(17,678)	1,081,826
Annuity pension reserve	151,490	(23,349)	26,783	154,925
Current service pension reserve	1,073,078	(106,401)	169,932	1,136,609
Settlement annuity pension reserve	512,148	(28,285)	64,453	548,316
Settlement benefit reserve	104,214	(6,738)	8,101	105,577
Cost of living adjustment reserve	865,020	100	85,108	950,228
Supplemental cost of living reserve	2,131	(751)	-	1,380
Survivors' death benefit reserve	1,536	(1,280)	474	730
Retiree health benefit reserve [1]	6,974	(7,751)	-	(777)
Retiree health benefit reserve (VS) [1]	39,716	(4,208)	3,057	38,565
Contingency reserve	-	-	3,260	3,260
Designated for market stabilization	(39,916)	-	261,183	221,267
Undistributed earnings	-	579,607	(579,607)	-
Contra Tracking Account [1]	(593,650)	-	(10,336)	(603,986)
Net Position Restricted for Pension Benefits	**$ 3,499,452**	**$ 550,677**	**$ -**	**$ 4,050,129**

[1] Reserve balances beginning at July 1, 2013, have been restated to account for a correcting transfer of Pension Obligation Bonds (POB) funds plus interest.

Members' accumulated contributions include all member contributions net of refunds 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.

Prior to July 1, 2007, the Board authorized 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 implemented the following objectives: 1) maintain consistency between the reserving structure accounts and the actuarial funding policies of FCERA, 2) assure that the reserve values track the market value of assets over the long-term and 3) to the extent possible, maintain reasonable stability in both the interest crediting and contribution rates by avoiding charging short-term losses to reserves. This policy resulted in interest apportionments of $160,551,000 for the December 31, 2014 interest-crediting period, and $166,280,000 for the June 30, 2015, interest-crediting period. The semi-annual rates of interest for the two periods were 3.625% and 3.625%, respectively. Any additional transfers out of undistributed earnings are made in accordance with the authorization of the Board. A corrective transfer to the vested Health Benefit Reserve (VS) was made at June 30, 2014.

The *survivors' 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 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 as part of the Settlement Agreement negotiated between the County and certified employee organizations in December 2000.

In September 2014 an accounting error affecting the non-vested Health Benefit was identified when a review of the reserve balances beginning in 2003-2004 disclosed that $8,682,000 of the pension obligation bond proceeds were misclassified. The discovery led to a reclassification of $8,682,000 representing pension obligation bond funds that were originally intended for the vested Health Benefit Reserve (VS) (Section 9 benefits).

In addition to the reclassification of pension obligation bond funds, FCERA has adjusted the credited interest between both Health Benefit Reserves. Interest in the amount of $2,597,000 from December 2004 through June 2008 was transferred from the non-vested Health Benefit to the vested Health Benefit Reserve (VS). An additional $6,649,000 in interest was credited to the vested Health Benefit Reserve (VS) for the period of December 2008 through June 2014 in accordance with the current interest crediting policy. At the November 5, 2014 Board meeting, after vigorous discussion, the Board upheld their decision to discontinue the non-vested health benefit as of November 1, 2014. The Board also agreed not to recover overpayments made to retirees that occurred during the period of May 2014 to October 2014.

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 authorized transfers sufficient to provide funds to continue the benefit at levels in existence at June 30, 2006. FCERA staff, in conjunction with the Actuary, monitors the declining balance of the supplemental cost of living reserve and have determined that the benefit will cease either at the end of fiscal year 2016 or the beginning of fiscal year 2017.

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 in 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 in 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 Fiduciary Net Position. 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.

NOTE 7 - **ACTUARIAL VALUATIONS**

Pursuant to provisions in the 1937 Act, FCERA engages an independent actuarial firm, Segal Consulting, to perform an annual actuarial valuation. An experience study is performed every three years (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 Plan. FCERA periodically hires an independent actuarial firm to audit the results of the valuations. New assumptions were adopted by the Board for the June 30, 2014 actuarial valuation based on the results of the June 30, 2012 triennial non-economic Experience Study and the June 30, 2012, Economic Assumptions Study.

Funded Status as of the Most Recent Actuarial Valuation Date

As of June 30, 2014

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	UAAL	Funded Ratio	Actuarial Projected Covered Payroll	UAAL Percentage of Covered Payroll
June 30, 2014	**$3,824,221**	**$4,876,754**	**$1,052,533**	**78.40%**	**$373,774**	**281.60%**

Additional Funding Progress data is provided in the Actuarial Section which presents multi-year trend data about the Actuarial Value of Assets to Actuarial Accrued Liabilities and is located on page 87.

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: 3.25% per annum
4. Investment Rate of Return: 7.25% effective annual interest rate, net of investment expenditures.
5. Projected Salary Increases: General Members: Salary increases range from 4.75% to 10.75% based on years of service (merit ranges from 1.00% to 7.00%; plus 3.25% inflation plus 0.50% “across the board” salary increase).

	Safety Members: Salary increases range from 5.25% to 10.75% based on years of service (merit ranges from 1.50% to 7.00%; plus 3.25% inflation plus 0.50% “across the board” salary increase).
6. Post-Retirement Benefit Increases:	The Cost of Living Adjustment (COLA) is applied in accordance with changes to the Consumer Price Index 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%. The COLA is available to General tiers 1, 2 & 3 and Safety tiers 1 & 2. 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 valuation.
7. Amortization Method and Period:	19 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 for periods ended June 30, 2010, and 15 years for all periods thereafter. The Plan selected a closed method.

The latest actuarial valuation decreased the County normal cost rate from 20.55% to 19.76% of payroll primarily due to the effects of investment gain on valuation value of assets, lower than expected salary increases along with lower than expected COLA increases as of June 30, 2014. The County’s required contribution rate to finance the UAAL decreased from 32.97% to 32.80% of payroll. There is a decrease in the total required contribution rate from the prior valuation of .96%, from 53.52% to 52.56% of payroll.

NOTE 8 - **COMMITMENTS AND CONTINGENCIES**

FCERA invests in real estate, infrastructure, private credit, 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 approves the capital commitment at the time the partnership agreement is approved.

As of June 30, 2015, the Plan had capital commitments to the various partnerships, as approved by the Board, totaling $1,186,548,034. Subsequent to June 30, 2015, FCERA funded $1,118,193,608 of these capital commitments, with remaining unfunded commitments totaling $68,354,426 outstanding. As of June 30, 2014, capital commitments to the various partnerships, as approved by the Board, totaled $937,940,000, of which $892,391,143 had been funded, while unfunded commitments totaled $45,548,857.

NOTE 9 - **SUBSEQUENT EVENTS**

Subsequent events were evaluated from the year-end report date of June 30, 2015 through December 9, 2015, which is the date the financial statements were available to be issued. Management determined there were no events and transactions subject to required disclosure.

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[REQUIRED SUPPLEMENTARY INFORMATION]

Schedule of Employer Contributions

Last Ten Fiscal Years

Fiscal Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Annual Active Employee Payroll	Contributions as a Percentage of Annual Active Employee Payroll
2006	$ 56,664,000	$ 56,664,000	$ -	$ 366,623,000	15.46%
2007	69,997,000	69,997,000	-	370,720,000	18.88%
2008	97,305,000	97,305,000	-	394,449,000	24.67%
2009	113,959,000	113,959,000	-	399,799,000	28.50%
2010	126,138,000	126,138,000	-	392,713,000	32.12%
2011	130,290,000	130,290,000	-	385,204,000	33.82%
2012	157,869,000	157,869,000	-	346,742,000	45.53%
2013	158,572,000	158,572,000	-	346,808,000	45.72%
2014	165,309,000	165,309,000	-	350,326,000	47.19%
2015	184,213,000	184,213,000	-	351,109,000	52.47%

Schedule of Investment Returns – Pension Plan

*For the Years Ended June 30, 2015 and 2014**

	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expenditures	0.02%	17.53%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Actuarial Methods and Assumptions

As required by GASB Statement No. 67, FCERA's actuary completed the measure of the net pension liability as of June 30, 2015 and June 30, 2014 by rolling forward the total pension liability information for financial reporting, as of June 30, 2014 and June 30, 2013, respectively. The basis for these calculations was the latest Valuation Report, prepared for funding purposes. All actuarial methods and assumptions used for this roll forward analysis were the same as those used in the June 30, 2013 Valuation Report. Please see NOTE 7 – Actuarial Valuations, for the actuarial assumptions and methods used for the June 30, 2014 valuation report.

Valuation date	June 30, 2013
Actuarial cost method	Entry age actuarial cost method

Amortization method	Level percent of payroll (3.75% payroll growth assumed).
Remaining amortization period	20 years (declining) for Unfunded Actuarial Accrued Liability (UAAL) established as of June 30, 2003 plus 15 years (declining) for UAAL due to actuarial gains or losses, changes in actuarial assumptions or plan amendments established on each subsequent valuation.
Asset valuation method	The actuarial value of assets is determined by recognizing any difference between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 30% of the market value of assets. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.

Actuarial assumptions:

Investment rate of return	7.25% net of pension plan investment expenditures (includes inflation at 3.25%)
Inflation rate	3.25%
Administrative expenditures	1.10% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenditures) for the employer and member.
Projected salary increases	Rates vary by service type:
- General Members	Salary increases range from 4.75% to 10.75%, including 3.25% inflation.
- Safety Members	Salary increases range from 5.25% to 10.75%, including inflation.

Cost of living adjustments	3.00% of retirement income for General Tiers 1, 2 and 3, and Safety Tiers 1 and 2 0.00% for General and Safety Tiers 4 and 5.
Other assumptions	Same as the assumptions in the June 30, 2014 funding actuarial valuation, these assumptions will be brought forward and used in the June 30, 2015 funding actuarial valuation.
Other information	All members with membership dates on or after January 1, 2013 enter the Tier 5 created by PEPRA.

Schedule of Changes in Net Pension Liability and Related Ratios

*For the Years Ended June 30, 2015, 2014, and 2013**

	2015	2014	2013
Total pension liability			
Service cost	**$ 104,671,060**	$ 107,568,854	$ 98,293,207
Interest	**355,525,811**	341,121,326	336,460,778
Change of benefit terms	**-**	-	-
Differences between expected and actual experience	**(50,048,133)**	(146,396,595)	(143,645,760)
Changes of assumptions	**-**	-	265,552,249
Benefit payments, including refunds of employee contributions	**(231,396,472)**	(224,392,602)	(212,956,631)
Other[1]	**10,306,014**	-	-
Net change in total pension liability	**$ 189,058,280**	**77,900,983**	**343,703,843**
Total pension liability - beginning	**4,928,182,936**	**4,850,281,953**	**4,506,578,110**
Total pension liability – ending (a)	**$ 5,117,241,216**	**4,928,182,936**	**4,850,281,953**
Fiduciary net position			
Contributions - employer	**184,213,235**	165,309,213	158,572,420
Contributions - employee	**33,109,947**	30,153,934	30,515,683
Net investment income	**360,796**	583,169,608	378,483,400
Benefit payments, including refunds of employee contributions	**(231,396,472)**	(224,392,602)	(212,956,631)
Administrative expenditures	**(4,297,090)**	(3,541,682)	(3,633,683)
Other	**-**	(21,269)	(42,121)
Net change in fiduciary net position	**(18,009,584)**	**550,677,202**	**350,939,068**
Fiduciary net position - beginning	**4,050,128,933**	**3,499,451,731**	**3,148,512,663**
Fiduciary net position – ending (b)	**4,032,119,349**	**4,050,128,933**	**3,499,451,731**
Net pension liability – ending (a) – (b)	**$ 1,085,121,867**	**$ 878,054,003**	**$ 1,350,830,222**
Fiduciary net position as a percentage of the total pension liability	**78.79%**	**82.18%**	**72.15%**
Covered employee payroll [2]	**$ 351,109,000**	**$ 350,326,000**	**$ 346,808,000**
Net pension liability as percentage of covered employee payroll	**309.06%**	**250.64%**	**389.50%**

Notes to Schedule:

Benefit changes: All new members with membership dates on or after January 1, 2013 enter the new tier created by PEPRA.

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

[1] Estimated liability impact for including a group of about 1,420 members reported for the first time as vested terminated members in the upcoming June 30, 2015 funding valuation.

[2] Covered employee payroll represents compensation earnable and pensionable compensation.

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[OTHER SUPPLEMENTARY INFORMATION]

Schedule of Administrative Expenditures

For Years Ended June 30, 2015 and 2014

	2015	2014
Personnel Services		
Salaries and Benefits	**$ 2,331,252**	$ 2,182,199
Total Personnel Services	**2,331,252**	**2,182,199**
Office Expenditures		
Election Expenditures	**11,331**	-
Office Supplies	**77,688**	68,120
Postage	**25,009**	27,970
Telephone	**8,518**	8,603
Utilities	**26,563**	23,107
Total Office Expenditures	**149,109**	**127,800**
Other Services and Charges		
Equipment / Furnishings	**541**	3,912
Insurance	**129,400**	123,759
Maintenance	**38,250**	36,391
Professional and Specialized Services	**792,243**	492,181
Disability Expenditures	**227,417**	162,812
Data Processing Services	**145,773**	166,334
Transportation, Travel, and Education - Staff	**26,207**	28,412
Transportation, Travel, and Education - Board	**49,025**	50,461
Total Other Services and Charges	**1,408,856**	**1,064,262**
Depreciation	**407,873**	167,421
Total Administrative Expenditures	**$ 4,297,090**	**$ 3,541,682**

Administrative Budget Analysis

For Year Ended June 30, 2015

	Approved Budget	Final Budget	Fiscal Year Expenditures	Percentage Expended
Personnel Services				
Salaries	$ 1,590,400	$ 1,590,400	$ 1,338,778	84.18%
Benefits	1,080,000	1,080,000	992,474	91.90%
Total Personnel Services	**2,670,400**	**2,670,400**	**2,331,252**	**87.30%**
Professional Services				
Actuarial [1]	100,000	100,000	219,352	219.35%
Legal Counsel	220,000	220,000	217,483	98.86%
Professional Services - Disability	185,000	185,000	227,417	122.93%
Other Professional Services	552,700	838,700	355,408	42.38%
Total Professional Services	**1,057,700**	**1,343,700**	**1,019,660**	**75.88%**
Travel, Transportation, and Education				
Transportation, Travel, and Education - Board	73,400	73,400	49,025	66.79%
Transportation, Travel, and Education - Staff	37,300	37,300	26,207	70.26%
Total Travel, Transportation, and Education	**110,700**	**110,700**	**75,232**	**67.96%**
Other				
Data Processing	171,300	171,300	145,773	85.10%
Depreciation	171,000	171,000	407,873	238.52%
Insurance	131,300	131,300	129,400	98.55%
Maintenance	40,900	40,900	38,250	93.52%
Office Supplies	167,800	167,800	149,109	88.86%
Total Other	**682,300**	**682,300**	**870,405**	**127.57%**
Capital Assets [2, 3]	**10,000**	**10,000**	**541**	**5.41%**
Total Administrative Expenditures [4]	**$ 4,531,100**	**$ 4,817,100**	**$ 4,297,090**	**89.20%**

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

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

[3] Computer Equipment is included in Information Technology (IT) Infrastructure page 65.

[4] As defined in Government Code Section 31580.2, excludes Information Technology expenditures.

Schedule of Information Technology Expenditures

For Years Ended June 30, 2015 and 2014

	2015	2014
Property and Equipment	**$ 13,106**	$ 6,629
Pension System Maintenance	**32,414**	14,640
Subtotal Excluded IT Expenditures[1]	**45,520**	21,269
IT Infrastructure[2]	**3,101,724**	2,094,380
Total Information Technology Expenditures	**$ 3,147,244**	**$ 2,115,649**

[1] As defined by Government Code Section 31580.2.

[2] IT Infrastructure amounts are accounted for in the Depreciable Capital Assets.

Schedule of Investment Expenditures

For Years Ended June 30, 2015 and 2014

	2015	2014
Investment Manager Fees	**$ 15,660,239**	$ 15,193,079
Custodian Service Fees [2]	**110,143**	116,668
Actuarial Valuation Fees [1, 2]	**66,000**	65,000
Due Diligence Travel	**-**	1,901
Investment Legal Fees [2]	**164,429**	48,810
Investment Consultant Fees [2]	**373,570**	369,167
Subtotal Investment Expenditures [2]	**16,374,381**	**15,794,625**
Securities Lending Expenditures	**239,216**	362,890
Total Investment and Security Lending Expenditures	**$ 16,613,597**	**$ 16,157,515**

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

[2] Investment Legal Fees, Investment Consultant Fees, Custodian Service Fees, and Actuarial Valuation Fees can also be found on page 66 as Payments to Consultants.

Schedule of Payments to Consultants

For Years Ended June 30, 2015 and 2014

	2015	2014
Disability Attorney Fees	**$ 66,670**	$ 65,653
Retirement Board Attorney Fees	**217,483**	120,479
Disability Medical, Investigation, and Copying Fees	**160,747**	97,158
Other Professional Expenditures	**285,068**	253,251
Audit Fees	**70,340**	68,500
Actuarial Consulting Fees (non-actuary study costs)	**219,352**	49,951
Actuarial Valuation Fees [1]	**66,000**	65,000
Investment Legal Fees [1]	**164,429**	48,810
Custodian Service Fees [1]	**110,143**	116,668
Investment Consultant Fees [1]	**373,570**	369,167
Data Processing Fees	**145,773**	166,334
Total Payments to Consultants	**$ 1,879,575**	**$ 1,420,971**

Refer to page 78 for information on fees paid to investment managers.

[1] Investment Legal Fees, Investment Consultant Fees, Custodian Service Fees, and Actuarial Valuation Fees can also be found on page 65 as Investment Expenditures.

[INVESTMENT SECTION]

October 9, 2015

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

Dear Trustees:

Verus Advisory is pleased to provide the Board of Trustees of the Fresno County Employees' Retirement Association ("FCERA") with an overview of the market environment for the fiscal year ended June 30, 2015 as well as an update on performance and a summary of Portfolio changes.

Investment Landscape

Sluggish global growth, continued easy monetary policies and sharp declines in commodity markets created a challenging climate for most well diversified investment portfolios, FCERA being no exception.

The US continued a moderate economic recovery during fiscal year 2015, with improving consumer confidence, unemployment and GDP growth rates, marking the US as an outlier in the struggling global economy. Despite a challenging winter and west-coast port closures, real year-over-year GDP growth ended at 2.3% in the US, a rate that continued to outpace other developed economies. Sustained improvement in unemployment and payroll numbers also indicated a strengthening US labor force as broad unemployment fell to 5.4% while consumer confidence reached levels not seen since 2005. Despite improving fundamental indicators, concerns remained that headline numbers are masking underlying structural issues in the United States; broad unemployment (U6) persisted at elevated levels and wage growth has remained stagnant.

Largely attributable to this improving economic backdrop at home and relative weakness globally, domestic equities led all major asset classes during the fiscal year returning 7.3% as proxied by the Russell 3000. Unlike past years, there was wide dispersion amongst market capitalization and style tilts during fiscal year 2015; small-cap growth assets as proxied by the Russell 2000 Growth returned 12.3% while large-cap value assets returned only 4.1% as measured by the Russell 1000 Value. Valuations continue to look rich in the US, suggesting strong earnings growth is needed to support equity markets; the S&P 500 Shiller P/E ratio rose 5% during fiscal year 2015, ending at 26.8 versus a 30 year average of 23.6.

Continued speculation around the timing of a Fed rate hike resulted in a modestly flattened US Treasury yield curve compared to fiscal year end 2014. Broadly speaking, yields rose across the US fixed income markets with credit spreads remaining at historically average levels. Global sovereign rates moved lower, with China being the only notable exception; this places the US in the historically unusual position of being the high carry developed marketplace. Inflation expectations, while volatile, fell modestly over the course of the fiscal year with the five year US implied inflation rate ending at 1.6%; CPI over the course of the fiscal year ended at 0.1%.

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Quantitative easing across Europe and Japan, as well as a large declines in commodity prices, devalued many currencies relative to the US dollar; over the course of the year, the dollar appreciated 17% relative to a trade-weighted basket of currencies. The dollar's strength posed a challenge for many US investors with international equity exposure as gains in many of these markets were significantly reduced or eliminated completely when converting returns back to the US dollar. To illustrate, dollar based investors in the MSCI EAFE Index suffered a 3.6% loss while the local investors achieved an 11.2% return over the same timeframe. Geopolitical events across Europe, significant swings in commodity prices as well as currency headwinds resulted in significant emerging market equity volatility. Tensions in Greece mounted as financial austerity requirements met the opposition of the Greek people; while limited in its economic impact, contagion risk was elevated as markets closely observed the threat of a "Grexit." The MSCI Emerging Markets Index fell 4.8% over the course of the fiscal year 2015.

Plan Performance

The FCERA investment portfolio ("the Portfolio") earned a -0.2% return net of fees for the fiscal year ending June 30, 2015. While this low absolute return is materially below the assumed rate of return, it was materially higher than the policy return of -2.1%.

The Portfolio's investments in domestic equities, fixed income, and commodities outperformed their respective benchmarks while international equity, real estate, hedge funds, and private market assets underperformed on a relative basis. In aggregate, real estate investments appreciated 13.3% (net), underperforming the benchmark by 1.1%. The domestic public equity portfolio returned 7.7% (net), outperforming its respective benchmark by 0.4%. International equity assets returned -5.9% (net) underperforming the index by 1.1%. Negative absolute returns were driven by relative currency appreciation. Global fixed income assets returned -1.4% (net), materially outperforming the index return of -7.1%. Here, the source of outperformance was the portfolio's overweight to U.S. dollar denominated securities. The absolute return portfolio underperformed the benchmark by 1.3%, returning 2.8% (net). Private credit and equity strategies were flat, lagging the benchmark by 10%. This was partly due to the challenge in benchmarking against a public markets equivalent, as well as lagged reporting and J-curve impacts. The Plan's worst performing investment was the allocation to commodities which lost 21.8% (net) over the course of the fiscal year, outperforming the Bloomberg Commodity Index by 1.9%.

For the last three years ending June 30, 2015, the Portfolio returned 9.4% net of fees on an annualized basis, outperforming the Policy benchmark by 1.0%. Over the five-year period ending June 30, 2015, the Portfolio returned 9.8% net of fees, outperforming the Policy benchmark by 0.4%. For the trailing ten year period, the Portfolio returned 6.8% net of fees, outperforming the policy index by 1.1%. In computing individual manager returns, Verus utilizes the industry standard approach of computing a time-weighted rate of return based on the market rate of return.

Plan Activity

During fiscal year 2015, Verus assisted FCERA in implementing several new investment mandates necessitated by the more risk diversified asset allocation approved as part of the Asset-Liability Study conducted in the prior fiscal year. This included funding of private infrastructure (3% of assets), as well as several closed-end private partnerships focused on private credit. The most notable change was a restructuring of the fixed income portfolio, moving from a "core plus" approach to more specialized portfolio with new dedicated allocations to investment grade credit, high yield, bank loans, and global sovereign bonds, alongside the existing investments in U.S. TIPS and core bonds. The Plan's domestic equity portfolio also underwent some changes as the number of managers were reduced in an effort to focus on investment managers that generate higher active risk; an attempt to realize greater alpha going forward.

All of us here at Verus appreciate the opportunity to assist the FCERA Board in meeting the Plan's investment objectives. We are confident in the direction of the portfolio, and view the improved diversification as a necessary precaution in face of an uncertain and ever volatile capital markets.

Sincerely,

Jeffrey J. MacLean
Chief Executive Officer

The goal of the 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. Sections 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 Board has exclusive control of the investments of the Association's 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 expenditures 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 expenditures 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.

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 74 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

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

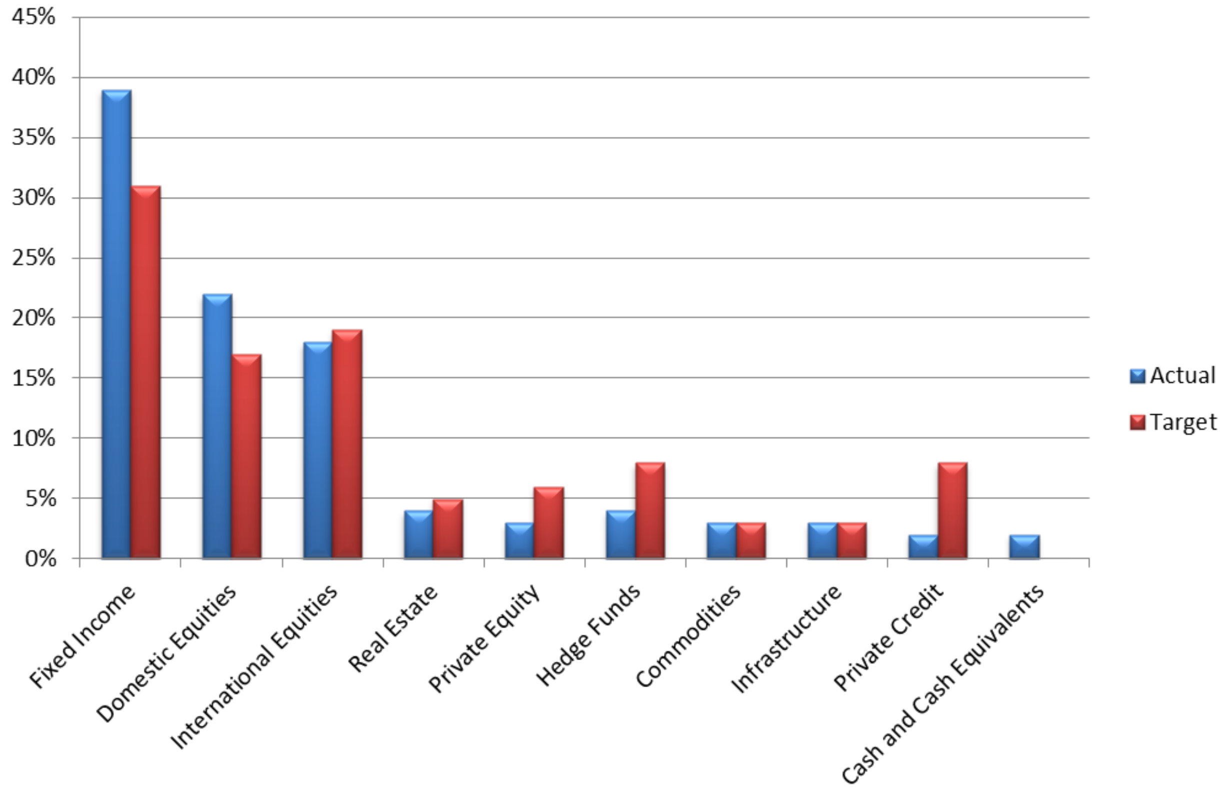
One keystone of asset allocation is diversification among asset classes. Diversification helps to maintain risk at a tolerable level. Therefore, the Board reviews the investment performance and volatility of each asset class on a regular basis over various time periods (quarterly, annually, multi-years)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

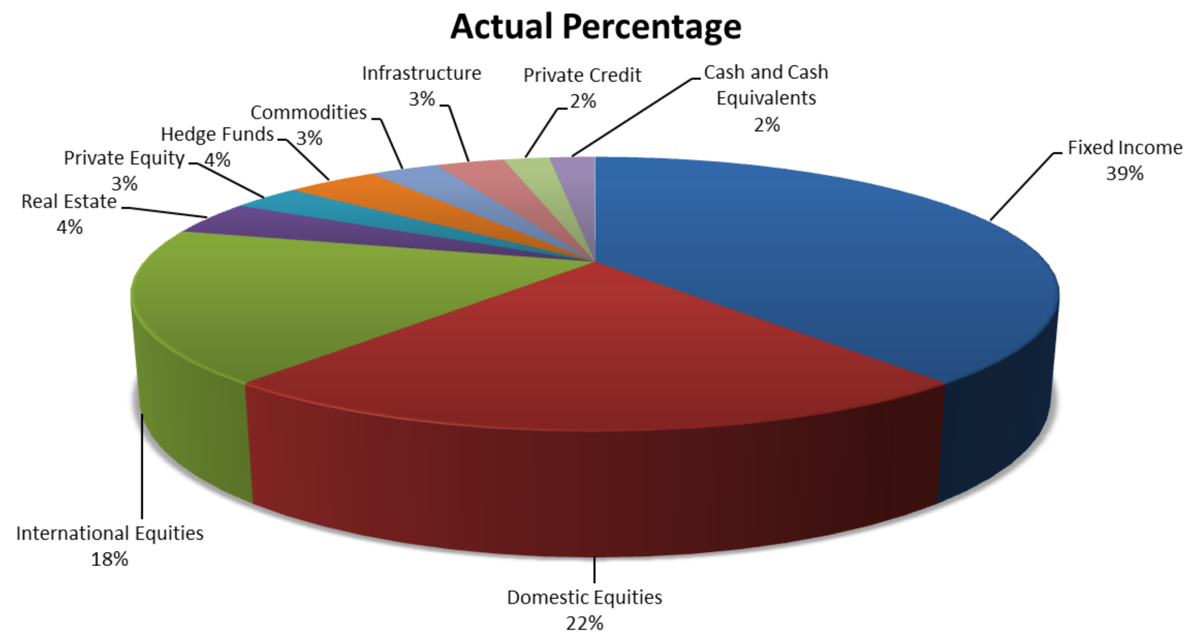
Over time, the Board implements the asset allocation plan by hiring investment managers to invest assets on behalf of the Association, subject to investment guidelines incorporated into each firm's investment management contract.

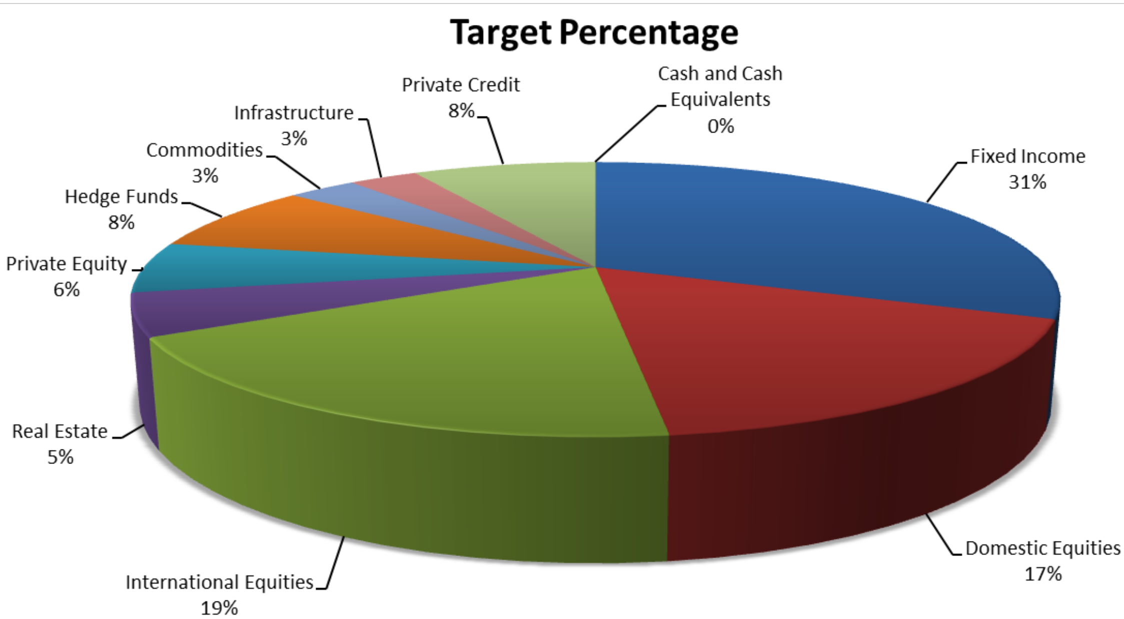
The information provided below and on subsequent pages is a representation of the Association's financial statements. Individually, they may not tie to the investment consultant's report on pages 67 to 69 of this Comprehensive Annual Financial Report (CAFR) due to the different reporting methodologies used by the investment consultant and the Association.

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 Association to be classified as Fixed Income. However, the Association's actual operating cash is reported separately the Financial Statements and on the Investment Summary.

The 2014 – 2015 target and actual asset allocations are presented in the following graphs and charts.




Actual Percentage
Infrastructure 3%
Private Credit 2%
Cash and Cash Equivalents 2%
Commodities 3%
Hedge Funds 4%
Private Equity 3%
Real Estate 4%
Fixed Income 39%
International Equities 18%
Domestic Equities 22%


Target Percentage
Private Credit 8%
Cash and Cash Equivalents 0%
Infrastructure 3%
Commodities 3%
Hedge Funds 8%
Private Equity 6%
Fixed Income 31%
Real Estate 5%
Domestic Equities 17%
International Equities 19%

Investment Results

As of June 30, 2015

Investments	Current Year	3-Year Return	5-Year Return
Fixed Income			
Domestic	2.00%	0.00% [1]	0.00% [1]
Benchmark : BC Aggregate Index	1.90%	0.00%	0.00%
Emerging Markets Debt	-14.90%	0.00% [1]	0.00% [1]
Benchmark : JP Morgan GBI EM Diversified	-15.40%	0.00%	0.00%
TIPS Index Fund	-1.70%	-0.80%	3.30%
BC US TIPS	-1.70%	-0.80%	3.30%
Equities			
Domestic Large Capital Value	6.90%	19.20%	18.20%
Benchmark: Russell 1000 Value	4.10%	17.30%	16.50%
Domestic Large Capital	7.40%	17.30%	17.40%
Benchmark: S & P 500 Index	7.40%	17.30%	17.30%
Domestic Large Capital Growth	12.20%	19.60%	0.00% [1]
Benchmark: Russell 1000 Growth	10.60%	18.00%	0.00%
Domestic Small Capital Growth	4.50%	15.60%	18.00%
Benchmark: Russell 2000 Growth	12.30%	20.10%	19.30%
Domestic Small/Mid Capital Value	3.20%	19.20%	0.00% [1]
Benchmark : Russell 2500 Value	1.00%	17.00%	0.00%
Emerging Markets Equity	-9.20%	2.70%	4.80%
Benchmark: MSCI Emerging Markets	-5.10%	3.70%	3.70%
International Equity	-7.90%	13.70%	0.00% [1]
Benchmark : MSCI EAFE	-4.20%	12.00%	0.00%
International Equity Small Cap	-2.00%	11.90%	12.60%
Benchmark : S&P Developed ex US SC Index	-1.60%	14.90%	12.00%
Private Markets			
Real Estate	16.40%	13.60%	14.80%
Benchmark : NCREIF Classic Property	14.40%	13.10%	14.40%
Hedge Funds	3.00%	8.70%	6.20%
Benchmark : HFRI FOF Composite Index	3.90%	6.30%	4.10%
Private Equity	0.20%	11.00%	10.30%
Benchmark : RUSS 3000 + 2.5%	10.00%	20.60%	20.40%
Commodities	0.00% [1]	0.00% [1]	0.00% [1]
Benchmark : Bloomberg Commodity Index TR	-23.70%	-8.80%	-3.90%
Cash, Custodial and Investment Pool			
Cash	0.20%	0.20%	0.50%
Benchmark: 90-Day Treasury Bill	0.00%	0.00%	0.10%
Total Fund	**0.10%**	**9.80%**	**10.10%**

Notes: Hedge Funds, Private Equity and Commodities are net of fees. Private Equity returns are lagged one quarter.

Other investments are reported gross of fees. Investment results were prepared using a time-weighted rate of return based on the market rate of return.

[1] There were no 3-year or 5-year results available due to managers' mandates were funded between fiscal years 2010 to 2015.

Investment Summary

As of June 30, 2015

(Dollars in Thousands)

		Fair Value	Actual Percentages	Target Percentages
Investments				
Domestic Fixed Income	$	946,556	23.65%	19.00%
Foreign Fixed Income		452,495	11.31%	12.00%
U.S. Government and Agencies[1]		158,274	3.95%	0.00%
Total Fixed Income		**1,557,325**	**38.91%**	**31.00%**
Domestic Equities		872,292	21.79%	17.00%
International Equities		743,060	18.57%	19.00%
Real Estate Investment Trusts		11,330	0.28%	0.00%
Total Equities		**1,626,682**	**40.64%**	**36.00%**
Private Markets and Alternatives				
Real Estate		159,533	3.99%	5.00%
Private Equity		113,712	2.84%	6.00%
Hedge Funds		154,465	3.86%	8.00%
Commodities		103,657	2.59%	3.00%
Infrastructure		121,433	3.03%	3.00%
Private Credit		71,439	1.79%	8.00%
Total Private Markets and Alternatives		**724,239**	**18.10%**	**33.00%**
Total Investments		**3,908,246**	**97.65%**	**100.00%**
Cash and Cash Equivalents				
Cash Held in County Investment Pool		50,202	1.25%	0.00%
Short - Term Investment with Fiscal Agent		44,033	1.10%	0.00%
Total Cash and Cash Equivalents		**94,235**	**2.35%**	**0.00%**
Total Investment, Cash and Cash Equivalents	**$**	**4,002,481**	**100.00%**	**100.00%**

[1] Includes TIPS.

Largest Fixed Income Holdings (By Fair Value)

As of June 30, 2015

Par	Name	Yield	Maturity Date	Fair Value
$ 123	FUT SEP 15 US 2YR T-NOTE	0.63%	09/30/2015	**$ 26,929,312**
23,280,000	UNITED STATES TREAS NTS FLTG RT	0.10%	01/31/2017	**23,292,268**
23,240,000	UNITED STATES OF AMER TREAS BONDS DTD	2.84%	02/15/2045	**20,453,059**
2,033,962	MFO PIMCO SHORT TERM FLOATING NAV	-	N/A	**20,355,888**
1,481,359	MEXICO(UNITED MEXICAN STATES)	0.07%	11/13/2042	**17,051,938**
152,639	CF LOOMIS SAYLES FULL DISCRETION INST	4.55%	N/A	**16,887,499**
15,532	BRAZIL(FED REP OF)	0.01%	01/01/2025	**14,182,105**
15,436	BRAZIL(FED REP OF)	0.01%	01/01/2025	**14,093,926**
106,401	UNITED MEXICAN STATES 8.5 DUE	0.07%	05/31/2029	**12,676,662**
11,250,328	INDONESIA GOVERNMENT 9.0%	8.51%	03/18/2029	**11,900,524**
$ 61,575,780	**Total**			**$ 177,823,181**

LARGEST EQUITY HOLDINGS (By Fair Value)

As of June 30, 2015

Shares	Name	Fair Value
137,942	APPLE INC COM STK	$ 17,301,375
105,990	GILEAD SCIENCES INC	12,409,309
124,900	MASTERCARD INC CL A	11,675,652
25,600	BIOGEN INC COMMON STOCK	10,340,864
89,350	HOME DEPOT INC COM	9,929,466
141,100	VISA INC COM CL A STK	9,474,865
138,930	JPMORGAN CHASE & CO COM	9,413,897
30,564	ALLERGAN PLC. COMMON STOCK	9,274,951
61,767	BAYER AG NPV (REGD)	8,640,451
73,800	CELGENE CORP COM	8,541,243
929,943	**Total**	**$ 107,002,073**

A complete list of portfolio holdings is available upon request.

Domestic Bonds
Northern Trust Barclays Agg Bond Index Fund
Loomis Sayles
State Street TIPS Index Fund
Western Asset Management Company

Global Bonds
Brandywine
Pimco EMD

Domestic Stocks
Aronson, Johnson & Ortiz, LP
Kalmar Investments
State Street Global Advisors
Systematic Financial Management
Waddell & Reed Investment Management

International Stocks
Artisan Partners International
Mondrian Investment Partners
Research Affiliates

Private Credit
Angelo Gordon VII
Colony Distressed Credit I, L.P.
Colony Distressed Credit, III, L.P.
CVI Credit Value Fund III
KKR Mezzanine Partners
Lone Star Fund IV
Oaktree Opportunities IX, L.P.
TCW Shop III
TCW Shop IV

Private Equity
Blackstone IV
Hamilton Lane VI
Landmark Equity X, L.P.
Landmark Equity, XIV, L.P.
New Mountain Partners III
New Mountain Partners, L.P.
WP Equity Partners, L.P.
WP Private Equity VIII, L.P.
WP Private Equity X, L.P.

Real Estate Investments
Invesco Core Real Estate
TA Associates Realty

Infrastructure
IFM

Hedge Fund
Grosvenor Capital Management

Schedule of Fees

As of June 30, 2015

		2015		2014
Investment Managers' Fees				
Domestic Equity Managers:				
Aronson, Johnson & Ortiz, LP	$	424,267	$	533,627
Kalmar Management		483,466		849,236
State Street Global Advisors		59,578		54,106
Systematic Financial Management		256,341		357,043
Waddell & Reed Investment Management		375,361		431,847
Wellington Management Company, LLP		348,946		569,034
Winslow Capital Management		262,340		454,787
Total Domestic Equity Managers		**2,210,299**		**3,249,680**
International Equity Managers:				
Artisan International		1,782,517		1,013,196
Mondrian Investment Partners		2,474,674		2,142,373
Research Affiliates		415,457		728,635
Total International Equity Managers		**4,672,648**		**3,884,204**
Domestic Fixed Income Managers:				
Barclays US AGG Bond		112,857		-
BlackRock Financial Management Inc.		319,215		632,824
Brandywine Global		127,147		-
Eaton Vance		828,247		-
Loomis Sayles		551,473		681,129
Pimco EMD		842,688		565,678
Standish Mellon Asset Management Company, LLC		-		30,526
State Street TIPS Index Fund		63,088		29,239
Western Asset Management Company		317,972		782,446
Total Domestic Fixed Income Managers		**3,162,687**		**2,721,842**
Private Market Managers:				
Private Equity		1,028,526		1,355,930
Real Estate		1,439,893		1,476,826
Hedge Funds		1,240,065		1,307,971
Commodities		362,106		1,307,971
Infrastructure		212,155		1,307,971
Private Credit		1,331,860		1,196,626
Total Private Market Managers		**5,614,605**		**7,953,295**
Total Investment Managers' Fees	**$**	**15,660,239**	**$**	**17,809,021**
Other Investment Expenditures				
Securities Lending	$	239,216	$	362,890
Due Diligence Travel		-		1,901
Custodian Service Fees		110,143		116,668
Actuarial Valuation Fees		66,000		65,000
Consulting and Legal Fees		537,999		417,977
Total Other Investment Expenditures	**$**	**953,358**	**$**	**964,436**

Schedule of Commissions

As of June 30, 2015

Brokerage Firm	Rank	Number of Shares Traded	Total Commissions	Commissions Per Share	Percentage of Commissions
State Street Bk & Trst Co,N.A Nw Yk	1	351,722,232	$ 149,256.45	$ 0.00042	17.27%
State Street Bank And Trust Company	2	2,936,717,767	58,746.39	0.00002	6.80%
Northern Trust Company, The	3	5,238,850	47,140.76	0.00900	5.46%
J.P. Morgan Clearing Corp.	4	8,511,601	36,245.14	0.00426	4.19%
Goldman, Sachs And Co.	5	1,053,970,353	34,315.37	0.00003	3.97%
Deutsche Bank Securities Inc.	6	1,545,059,921	31,589.53	0.00002	3.66%
Broadcort Capital (Thru Ml)	7	846,172	30,790.63	0.03639	3.56%
Morgan Stanley And Co., Llc	8	210,174,303	30,347.64	0.00014	3.51%
Investment Technology Group Inc.	9	2,134,975	25,492.17	0.01194	2.95%
Lynch, Jones And Ryan	10	756,275	23,706.35	0.03135	2.74%
Credit Suisse Ag, New York Branch	11	560,163,114	22,805.15	0.00004	2.64%
Instinet Investment Services Limite	12	1,435,084	17,536.94	0.01222	2.03%
Ubs Limited	13	3,709,415	16,807.11	0.00453	1.95%
Jefferies Llc.	14	114,139,264	15,470.74	0.00014	1.79%
Investment Technology Group Ltd.	15	2,676,954	14,778.30	0.00552	1.71%
Ubs Ag Stamford Branch	16	9,851,566	12,371.32	0.00126	1.43%
Citigroup Global Markets Inc.	17	22,262,802,689	12,331.09	0.00000	1.43%
Merrill Lynch And Co., Inc.	18	10,381,126	11,150.37	0.00107	1.29%
Piper, Jaffray And Hopwood	19	349,405	10,801.48	0.03091	1.25%
Barclays Capital Inc	20	3,686,374	10,485.19	0.00284	1.21%
Top 20 Firms by Commission Dollars		**29,084,327,440**	**$ 612,168.12**	**$ 0.00002**	**70.84%**
All other Brokerage Firms		48,270,127,825	252,002.22	0.00001	29.16%
Total Brokerage Commissions		**77,354,455,265**	**$ 864,170.34**	**$ 0.00001**	**100.00%**

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[ACTUARIAL SECTION]

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8268 www.segalco.com

September 11, 2015

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

Re: June 30, 2014 Actuarial Valuation for the Fresno County Employees' Retirement Association

Dear Members of the Board:

Segal Consulting (Segal) prepared the June 30, 2014 actuarial valuation of the Fresno County Employees' Retirement Association (FCERA) for funding purposes. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and FCERA's funding policy that was adopted by the Board in 2014. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

Actuarial valuations are performed on an annual basis with the last valuation completed as of June 30, 2014. The actuarial calculations presented in the valuation report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for statutory retirement benefits.

The June 30, 2014 actuarial valuation is based on the plan of benefits verified by FCERA and on participant[1] and financial data provided by FCERA. Segal conducted an examination of these data and found them to be reasonably consistent and comparable with data used for other purposes. However, the scope of this examination does not qualify as an audit. 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, Retirement 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. Net deferred investment gains as of June 30, 2011 have been combined and will be recognized in equal amounts over nine six-month periods from that date. That amount plus

[1] As part of the data provided for the June 30, 2014 valuation, the Association made a reclassification to 130 pensioners and deferred vested terminated members who were previously reported as terminated members with refund in the June 30, 2013 valuation.

Board of Retirement
Fresno County Employees' Retirement Association
September 11, 2015
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any deferred gains and losses after June 30, 2011 are 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 Cost Method. Under this method, the employer contribution rate provides for current cost (Normal Cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). The UAAL is amortized as a level percentage of payroll over a declining period with 19 years remaining for the outstanding balance of the UAAL established as of the June 30, 2003 valuation and a separate 15-year period is used for new UAAL established on each subsequent valuation. Any increase in UAAL due to benefit improvements is also amortized over 15 years. The progress being made towards meeting the funding objective through June 30, 2014 is illustrated in the Schedule of Funding Progress.

Note number 2 to the Financial Statements and the Required Supplemental Information (RSI) included in the Financial Section were prepared by the Association based on the results of the Governmental Accounting Standards (GAS) Statement No. 67 actuarial valuation as of June 30, 2014 prepared by Segal. For the Financial Section of the Comprehensive Annual Financial Report, Segal provided the Schedule of Change in Net Pension Liability and Schedule of Employer Contributions as shown in the RSI. A listing of supporting schedules Segal prepared for inclusion in the Actuarial and Statistical Sections of the Association's CAFR is provided below. These schedules were prepared based on the results of the actuarial valuation as of June 30, 2014 for funding purposes.

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, 2012 Experience Analysis or in conjunction with the June 30, 2013 actuarial valuation. Note that the investment return assumption was developed without taking into consideration the impact of the Board's policy of utilizing excess earnings to provide contribution offsets and additional settlement and non-statutory benefits. It is our opinion that the assumptions used in the June 30, 2014 valuation produce results, which, in aggregate, reflect the future experience of the Plan. An experience analysis is performed every three years and the actuarial assumptions adopted by the Board resulting from the experience analysis performed as of June 30, 2012 first became effective in the valuation as of June 30, 2013. The next experience analysis is due to be performed as of June 30, 2015 and assumptions approved in that analysis will be applied in the June 30, 2016 valuation.

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In the June 30, 2014 valuation, the ratio of the valuation assets to actuarial accrued liabilities (funded percentage) increased from 75.0% to 78.4%. The aggregate employer rate has decreased from 52.76% of payroll to 52.56% of payroll, while the aggregate employees' rate has increased from 9.44% to 9.58% of payroll.

Under the actuarial value of assets method, the total unrecognized net investment gain as of June 30, 2014 is $221.3 million. This net investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will offset any investment losses that may occur after June 30, 2014. This implies that if the Association earns the assumed net rate of investment return of 7.25% per year on a market value basis, it will result in investment gains on the actuarial value of assets in the next few years. So, if the actual market return is equal to the assumed 7.25% rate and all other actuarial assumptions are met, the contribution requirements would decrease in each of the next few years.

The net deferred gain of $221.3 million represents 5% of the market value of assets as of June 30, 2014. Unless offset by future investment losses or other unfavorable experience, the recognition of the $221.3 million market gain is expected to have an impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- If the net deferred gains were recognized immediately in the valuation value of assets, the funded percentage would increase from 78.4% to 83.0%.
- If the net deferred gains were recognized immediately in the valuation value of assets, the aggregate employer rate would decrease from 52.6% to about 47.4% of payroll.

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, MAAA, FCA, EA
Senior Vice President & Actuary

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

JAC/gxk
Enclosures

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 19 years remaining as of June 30, 2014. 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 for periods ending through June 30, 2010 and is 15 years for all periods thereafter. 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, 2012. The actuarial valuation report as of June 30, 2014, was approved and adopted by the Fresno County Employees' Retirement Association Board of Retirement on January 7, 2015.

1.	Investment Rate of Return	7.25% per annum
2.	Interest Credited to Employee Accounts	Nominal rate of 3.00% per annum, compounded semiannually
3.	Inflation	3.25% per annum
4.	Salary Scale:	
	• General Members	Salary increases range from 4.75% to 10.75% based on years of service (merit ranges from 1.00% to 7.00%; plus 3.25% inflation plus 0.50% "across the board" salary increase)
	• Safety Members	Salary increases range from 5.25% to 10.75% based on years of service (merit ranges from 1.50% to 7.00%; plus 3.25% inflation plus 0.50% "across the board" salary increase)
5.	Asset Valuation	Smoothed market value
6.	Spouses and Dependents:	75% of male active members and 55% of female active members assumed married at retirement, with wives assumed three years younger than husbands
7.	Rates of Termination of Employment	0.00% to 17.00%, depending on age, gender, and service classification
8.	Years of Life Expectancy After Retirement:	

	• General Members:	RP – 2000 Combined Healthy Mortality with Scale AA to 2015, set back one year for males and two years for females
	• Safety Members:	RP - 2000 Combined Healthy Mortality with Scale AA to 2015, set back one year
9.	Years of Life Expectancy After Disability:	RP - 2000 Combined Healthy Mortality set forward six years (males) and five years (females) for General members, and forward one year for Safety members

10. Life Expectancy After Retirement for Employee Contribution Rate Purposes:

	• General Members:	RP - 2000 Combined Healthy Mortality with Scale AA to 2015, set back one year for males and two years for females, weighted 35% male and 65% female for members and 65% male and 35% female for beneficiaries
	• Safety Member:	RP - 2000 Combined Healthy Mortality with Scale AA to 2015, set back one year weighted 80% male and 20% female
11.	Reciprocity Assumption	40% of General members and 65% 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	19 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 for periods ended June 30, 2010 and 15 years for all periods thereafter.

Note: Information compiled from Actuarial Report prepared by Segal Consulting as of June 30, 2014. Please refer to page 59 for the latest actuarial valuation methods.

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number		Annual Payroll (in thousands)		Average Monthly Salary	% Increase in Average Salary
6/30/2005	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[1]	General	6,699	$	315,031	$	3,919	5.7%
	Safety	987		61,239		5,170	7.4%
	Total	**7,686**	**$**	**376,270**	**$**	**4,080**	**4.8%**
6/30/2007	General	6,837	$	339,368	$	4,136	5.3%
	Safety	965		64,908		5,605	7.8%
	Total	**7,802**	**$**	**404,276**	**$**	**4,318**	**7.5%**
6/30/2008[2]	General	6,787	$	355,992	$	4,371	5.4%
	Safety	953		68,091		5,954	5.9%
	Total	**7,740**	**$**	**424,083**	**$**	**4,566**	**5.7%**
6/30/2009	General	6,489	$	351,233	$	4,511	3.1%
	Safety	918		71,286		6,471	8.0%
	Total	**7,407**	**$**	**422,519**	**$**	**4,754**	**4.1%**
6/30/2010	General	6,134	$	342,741	$	4,656	3.1%
	Safety	812		66,120		6,786	4.6%
	Total	**6,946**	**$**	**408,861**	**$**	**4,905**	**3.2%**
6/30/2011	General	5,996	$	337,646	$	4,693	0.8%
	Safety	767		61,330		6,663	-1.8%
	Total	**6,763**	**$**	**398,976**	**$**	**4,916**	**0.2%**
6/30/2012[3]	General	5,900	$	307,416	$	4,342	-8.1%
	Safety	777		58,180		6,240	-6.8%
	Total	**6,677**	**$**	**365,596**	**$**	**4,563**	**-7.2%**
6/30/2013[4]	General	6,020	$	309,356	$	4,282	-1.4%
	Safety	846		60,723		5,981	-4.3%
	Total	**6,866**	**$**	**370,079**	**$**	**4,492**	**-1.6%**
6/30/2014	General	6,130	$	312,663	$	4,250	-0.8%
	Safety	838		61,111		6,077	1.6%
	Total	**6,968**	**$**	**373,774**	**$**	**4,470**	**-0.5%**

[1] New benefit tier effective September 2005.

[2] New benefit tier effective December 2007.

[3] New benefit tier effective June 2012.

[4] New benefit tier effective January 2013.

Please see Note 1 Description of the Plan-Benefit Provisions page 27.

Source: Public Pension Professionals Actuarial Valuation Reports dated June 30, 2005.
Source: Segal Consulting Actuarial Valuation Reports dated June 30, 2006 through 2014.

Schedule of Retirants and Beneficiaries Added to and Removed From Retiree Payroll
(Dollars in Thousands)

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/ (Decrease) in Average Annual Allowance
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%
2010-11	5,509	414	9,022	154	1,827	5,769	180,063	6.33%	31	1.53%
2011-12	5,769	525[1]	10,794	146	2,033	6,148	193,320	7.36%	31	0.74%
2012-13	6,148	397	8,249	142	2132	6,403	210,654	8.97%	33	4.64%
2013-14	6,403	368	7,584	145	1,885	6,626	222,155	5.46%	34	1.91%
2014-15	6,626	367	7,972	150	1,871	6,843	229,053	3.11%	33	-0.18%

[1] Number Added to Rolls in Year 2011-12 has been revised to tie to the Number at End of Year and to reconcile with the Schedule of Membership reported in the Notes to the Financial Section in the 2011-2012 CAFR.

Source: Schedule provided by FCERA.

Schedule of Funding Progress
(Dollars in Thousands)

Actuarial Valuation Date	Valuation Value of Assets (VVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)[(1)]	UAAL as a Percentage of Covered Payroll [(b) - (a)]/(c)
2004-05 [(2)]	$ 2,044,389 [(3)]	$ 2,233,594 [(3)]	$ 189,205 [(3)]	91.5% [(3)]	$351,049	53.9% [(3)]
2005-06	2,398,454	2,803,990	405,536	85.5%	376,270	107.8%
2006-07	2,610,269 [(4)]	3,149,570	539,301	82.9%	404,277	133.4%
2007-08	2,812,423	3,429,990	617,567	82.0%	424,083	145.6%
2008-09	2,864,956	3,644,743	779,787	78.6%	422,519	184.6%
2009-10	2,983,044	4,092,464	1,109,420	72.9%	408,861	271.3%
2010-11	3,114,483	4,237,961	1,123,478	73.5%	398,976	281.6%
2011-12	3,305,045	4,345,402	1,040,357	76.1%	365,596	284.6%
2012-13	3,518,982	4,694,780	1,175,798	75.0%	370,079	317.7%
2013-14	3,824,221	4,876,754	1,052,533	78.4%	373,774	281.6%

Source: Schedule provided by Segal Consulting.

[1] Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

[2] 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 VVA was $2,270,141, the funded percentage was 89.2% and the UAAL was $275,479.

[3] Results were prepared by FCERA's prior actuary and disclosed in the June 30, 2006 CAFR.

[4] After decreasing assets by $3,169 for a net overpayment of member contributions discounted to June 30, 2007.

Schedule of Analysis of Financial Experience

(Dollars in Thousands)

Changes to UAAL		2014
1 Unfunded actuarial accrued liability at beginning of year	$	**1,175,798**
2 Total Normal Cost payable at middle of year		**110,342**
3 Actual employer and member contributions		**(195,463)**
4 Interest (full year on (1) plus half year on (2)+(3))		**82,160**
5 Expected unfunded actuarial accrued liability at end of year[1]		**1,172,837**
6 Actuarial (gain)/loss due to all changes:		
Experience (gain)/loss		
a. Gain from investment return	$	**(60,779)**
b. Lower than expected salary increases		**(33,580)**
c. Lower than expected COLA increases		**(50,981)**
d. Loss from member reclassification made by Association		**44,514**
e. Gain from restatement of the balance in the Retiree Health Benefit Reserve (Section 9)		**(10,503)**
f. Other experience gains		**(8,975)**
g. Subtotal		**(120,304)**
7 Actual unfunded actuarial accrued liability at end of year (5) + (6g)	**$**	**1,052,533**

[1] Includes a contribution loss of about $54.3 million due to the one-year lag in implementation of the contribution rates determined in the June 30, 2013 valuation and the payment of the UAAL contributions based on lower than expected payroll.

Changes to UAAL		2013
1 Unfunded actuarial accrued liability at beginning of year	$	1,040,357
2 Total Normal Cost payable at middle of year		101,137
3 Actual employer and member contributions		(189,088)
4 Interest (full year on (1) plus half year on (2)+(3))		77,220
5 Expected unfunded actuarial accrued liability at end of year[1]		1,029,626
6 Actuarial (gain)/loss due to all changes:		
Experience (gain)/loss		
a. Loss from investment return	$	26,162
b. Lower than expected salary increases		(60,554)
c. Lower than expected COLA increases		(42,060)
d. Fewer than expected healthy and disable retirements		(22,418)
f. Other experience gains		(13,871)
g. Subtotal		(112,741)
Other Changes		
h. Changes in actuarial assumptions		258,913
i. Subtotal		258,913
7 Actual unfunded actuarial accrued liability at end of year (5) + (6g) + (6i)	**$**	**1,175,798**

Solvency Test
(Dollars in Thousands)

Valuation Date		Actuarial Accrued Liabilities (AAL) for: (1) Active Member Contributions[a]	(2) Vested, Retirants and Beneficiaries	(3) Active Members Employer Financed	Valuation Value of Assets (VVA)		Portion of Accrued Liabilities Covered by Reported Assets: (1) Active Member Contributions	(2) Vested, Retirants and Beneficiaries	(3) Active Members Employer Financed
June 30, 2005	(b)	$ 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	(c)	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%
June 30, 2010		370,623	2,365,220	1,356,621	2,983,044		100%	100%	18%
June 30, 2011		379,029	2,486,960	1,371,972	3,114,483		100%	100%	18%
June 30, 2012		385,537	2,731,606	1,228,259	3,305,045		100%	100%	15%
June 30, 2013		398,888	2,961,186	1,334,706	3,518,982		100%	100%	12%
June 30, 2014		**412,209**	**3,142,414**	**1,322,131**	**3,824,221**		**100%**	**100%**	**20%**

(a) Equal to the total balance (in market value) of the reserve account maintained for member contributions.

(b) 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 VVA was $2,270,141.

(c) After decreasing assets by $3,169 for a net overpayment of member contributions discounted to June 30, 2007.

Source: Information provided by Segal Consulting.

Probabilities of Separation from Active Service

(Current Assumptions)

Age	Total Terminations	Ordinary Death[1]	Total Disability[2]
General Members – Male			
20	0.05500	0.00000	0.00010
30	0.04900	0.00040	0.00020
40	0.03880	0.00090	0.00040
50	0.03540	0.00150	0.00280
60	0.03100	0.00470	0.00780
General Members – Female			
20	0.05000	0.00000	0.00010
30	0.05000	0.00020	0.00020
40	0.04200	0.00050	0.00100
50	0.03350	0.00110	0.00190
60	0.03000	0.00360	0.00440
Safety Members – Male			
20	0.03750	0.00000	0.00010
30	0.03300	0.00040	0.00240
40	0.02200	0.00090	0.00620
50	0.01000	0.00150	0.01020
60	0.00400	0.00470	0.03000
Safety Members – Female			
20	0.03750	0.00000	0.00010
30	0.03300	0.00020	0.00240
40	0.02200	0.00050	0.00620
50	0.01000	0.00120	0.01020
60	0.00400	0.00410	0.03000

[1] All pre-retirement deaths are assumed to be non-service connected.

[2] One-third of General disabilities are assumed to be duty disabilities. The other two-third are assumed to be ordinary disabilities. 100% of Safety disabilities are assumed to be duty disabilities.

Note: Information compiled from Actuarial Report prepared by Segal Consulting dated June 30, 2014. Assumptions for separation from active service are based on combined tiers with the exception of service retirement.

Probabilities of Separation from Active Service

(Current assumptions)

Age	Service Retirement
General Tier 1 - Male	
50	0.04000
55	0.08000
60	0.25000
65	0.40000
70	1.00000
General Tier 1 - Female	
50	0.05000
55	0.09000
60	0.19000
65	0.40000
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
General Tier 4 - Male and Female	
50	0.02000
55	0.04000
60	0.09000
65	0.25000
70	1.00000
General Tier 5 - Male and Female	
50	0.00000
55	0.03500
60	0.08500
65	0.24000
70	1.00000
Safey Tiers 1 and 2 - Male and Female	
50	0.06000
55	0.40000
60	0.50000
65	1.00000
Safey Tiers 4 and 5 - Male and Female	
50	0.04000
55	0.20000
60	0.50000
65	1.00000

Note: Information compiled from Actuarial Report prepared by Segal Consulting dated June 30, 2014. Assumptions for separation from active service are based on combined tiers with the exception of service retirement.

Proportion of Withdrawals from Active Service

(Current assumptions)

Years of Service	Refunds	Deferred Vested
0	90.00%	10.00%
1	90.00%	10.00%
2	90.00%	10.00%
3	90.00%	10.00%
4	90.00%	10.00%
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	15.00%	85.00%
16	15.00%	85.00%
17	15.00%	85.00%
18	15.00%	85.00%
19	15.00%	85.00%
20 or more	15.00%	85.00%

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 Segal Consulting dated June 30, 2014.

Years of Life Expectancy After Service Retirement

(Current Assumptions)

Age	Years of Life Expectancy
General Members - Male	
50	32.70
60	23.40
70	15.10
80	8.30
90	3.80
100	1.90
110	1.50
General Members - Female	
50	35.80
60	26.40
70	17.90
80	10.80
90	5.50
100	3.10
110	1.80
Safety Members - Male	
50	32.70
60	23.40
70	15.10
80	8.30
90	3.80
100	1.90
110	1.50
Safety Members - Female	
50	34.80
60	25.50
70	17.10
80	10.20
90	5.10
100	2.90
110	1.70

Years of Life Expectancy After Disability Retirement
(Current assumptions)

Age	Years of Life Expectancy	
General Members	**Male**	**Female**
20	55.00	58.30
30	45.20	48.40
40	35.60	38.70
50	26.20	29.10
60	17.50	20.30
70	10.20	12.80
80	4.90	6.80
90	2.30	3.50
100	1.50	2.10
110	1.30	1.40
Safety Members	**Male**	**Female**
20	59.90	62.30
30	50.10	52.40
40	40.40	42.60
50	30.80	32.90
60	21.70	23.70
70	13.70	15.60
80	7.20	9.00
90	3.30	4.50
100	1.70	2.70
110	1.50	1.60

Note: Information provided by Segal Consulting.

1. ELIGIBILITY

First day of pay period following date of employment in an eligible position.

2. DEFINITION OF SALARY

- Tiers 1 and 2
  Highest one-year average compensation earnable.
- Tiers 3 and 4
  Highest three-year average compensation earnable.
- Tier 5
  Highest consecutive three years of pensionable compensation.

3. SERVICE RETIREMENT

Benefit Level

- Tier 1
  - General offers 2.5% at age 55, Government Code § 31676.12, 31676.14 and 31627.
  - Safety offers 2.5% at age 50, Government Code § 31664 and 31627.

- Tier 2
  - General offers 2% at age 55, Government Code § 31676.16.
  - Safety offers 2.29% at age 50, Government Code § 31664.2.

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

- Tier 4
  - General offers 1.49% at age 55, Government Code § 31676.1.
  - Safety offers 2% at age 50, Government Code § 31664.

- Tier 5
  - General offers 1% at age 52, Government Code § 7522.20(a).
  - Safety offers 2% at age 50, Government Code § 7522.25(d).

Eligibility

- Early retirement
  - Tiers 1, 2, 3, and 4 - 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.
  - Tier 5 – Age 52 with 5 years of service for General or age 50 with 5 years of service for Safety

- Benefit Adjustments
  - General and Safety Tier 1
    - Reduced for retirement before age 55 and age 50, respectively.
    - Increased for retirement after age 55 and age 50, respectively.
    - Maximum benefit for retirement at or after age 60 and age 55, respectively.
  - General Tiers 2 and 3
    - Reduced for retirement before age 55.
    - Increased for retirement after age 55.
    - Maximum benefit for retirement at or after age 62 or age 65, respectively.
  - Safety Tier 2
    - Reduced for retirement before age 50.
    - Increased for retirement after age 50.
    - Maximum benefit for retirement at or after age 55.
  - General and Safety Tier 4
    - Reduced for retirement before age 61 ¼, General only.
    - Increased for retirement after age 61 ¼ and age 50, respectively.
    - Maximum benefit for retirement at or after age 65 or age 55, respectively.
  - General and Safety Tier 5
    - Reduced for retirement before age 62.
    - Maximum benefit for retirement at or after age 67 or age 57, respectively.

4. DISABILITY RETIREMENT

- Non-service connected

  1.5% for General Tiers 1, 2, 4 & 5, 1.8% General Tier 3; 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 Tiers 1, 2, 4 & 5, age 62 for Tier 3; age 55 for Safety), or service retirement benefit (if eligible).

- Service-connected

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

5. **DEATH BEFORE RETIREMENT**

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

6. **DEATH AFTER RETIREMENT**

- Service retirement or non-service connected disability; eligible beneficiary will receive 60% of member's allowance.
- Service disability, eligible beneficiary will receive 100% of member's allowance.

7. **VESTING**

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

8. **MEMBERS' CONTRIBUTIONS**

Tiers 1, 2, 3, and 4 - Based on entry age.
Tier 5 – Flat rate as determined by valuation.

9. **COST OF LIVING**

Maximum 3% COLA for members enrolled in Tiers 1, 2, and 3. No COLA for members enrolled in Tier 4 or 5.

Note: Information for the Summary of Major Plan Provisions was compiled from the Actuarial Report prepared by Segal Consulting dated June 30, 2014.

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[STATISTICAL SECTION]

STATISTICAL SECTION INFORMATION

This section contains additional comparative information in order to provide a more detailed understanding of the financial statements, note disclosures and supplementary information. The financial trend information displayed on the following pages is intended to show how FCERA's financial position has changed over a period of time, including changes of plan net position, revenues and expenditures, retiree benefit information and membership history.

Table of Changes in Fiduciary Net Position

Last Ten Fiscal Years

(Dollars in Thousands)

	2011	2012	2013	2014	2015
Additions					
Employer Contributions	$ 130,290	$ 157,869	$ 158,572	$ 165,309	**$ 184,213**
Member Contributions	31,293	32,627	30,516	30,154	**33,110**
Net Investment Income/(Loss)	605,422	(10,242)	378,483	583,169	**406**
Total Additions	**767,005**	**180,254**	**567,571**	**778,632**	**217,729**
Deductions [1]					
Total Benefit Expenditures	$ 180,363	$ 193,535	$ 210,745	$ 222,289	**$ 229,115**
Refunds	2,044	1,786	2,211	2,103	**2,282**
Administrative Expenditures	4,108	3,597	3,634 [2]	3,542	**4,297**
Other	N/A	N/A	42 [2]	21	**45**
Total Deductions	**186,515**	**198,918**	**216,632**	**227,955**	**235,739**
Change in Fiduciary Net Position	**$ 580,490**	**$ (18,664)**	**$ 350,939**	**$ 550,677**	**$ (18,010)**

	2006	2007	2008	2009	2010
Additions					
Employer Contributions	$ 56,664	$ 69,997	$ 97,305	$ 113,959	$ 126,138
Member Contributions	30,570	33,528	30,272	34,562	32,209
Net Investment Income/(Loss)	229,767	442,355	(186,911)	(451,499)	341,439
Total Additions	**317,001**	**545,880**	**(59,334)**	**(302,978)**	**499,786**
Deductions [1]					
Total Benefit Expenditures	$ 120,993	$ 131,480	$ 143,072	$ 155,783	$ 169,526
Refunds	1,185	2,114	6,072	2,077	1,915
Administrative Expenditures	2,865	3,298	3,569	3,855	3,570
Other	N/A	N/A	N/A	N/A	N/A
Total Deductions	**125,043**	**136,892**	**152,713**	**161,715**	**175,011**
Change in Fiduciary Net Position	**$ 191,958**	**$ 408,988**	**$ (212,047)**	**$ (464,693)**	**$ 324,775**

[1] See page 109 for detailed information on Benefit and Refund deductions by type.

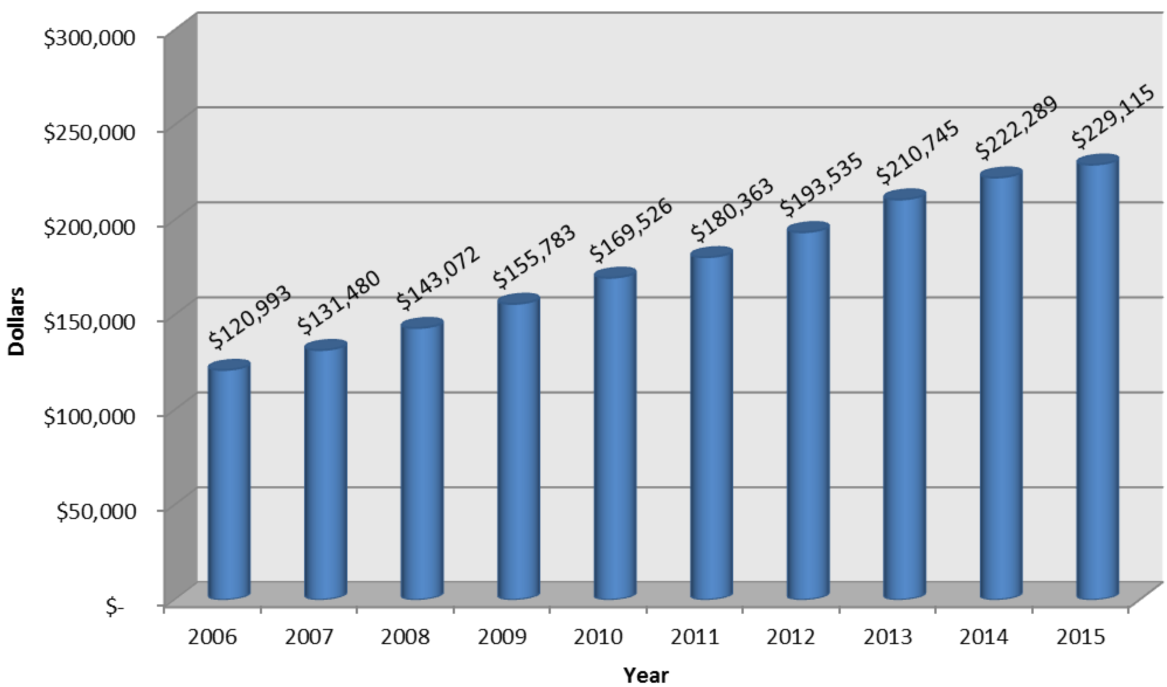
[2] Restated as defined in Government Code Section 31580.2, excludes Information Technology expenditures.

Schedule of Benefit Expenditures by Type

Last Ten Fiscal Years

(Dollars in Thousands)

	SERVICE		SURVIVOR		DISABILITIES		
YEAR-END	GENERAL	SAFETY	GENERAL	SAFETY	GENERAL	SAFETY	TOTAL[1]
2006	$ 96,590	$ 23,148		$ 1,255			$ 120,993
2007	100,807	20,542	$ 1,369	446	$ 3,952 [2]	$ 4,364 [2]	131,480
2008	110,819	21,074	1,312	459	4,489	4,919	143,072
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
2011	139,412	26,584	1,548	703	5,655	6,461	180,363
2012	151,022	28,698	1,899	741	4,883	6,292	193,535
2013	165,066	31,343	1,971	994	5,241	6,130	210,745
2014	173,829	33,021	2,004	1,200	5,411	6,824	222,289
2015	179,054	34,516	2,298	1,426	5,314	6,507	229,115



[1] Total Benefit Expenditures are the actual expenditures paid and will not equal Total Average Annual Benefits reported on page 100.

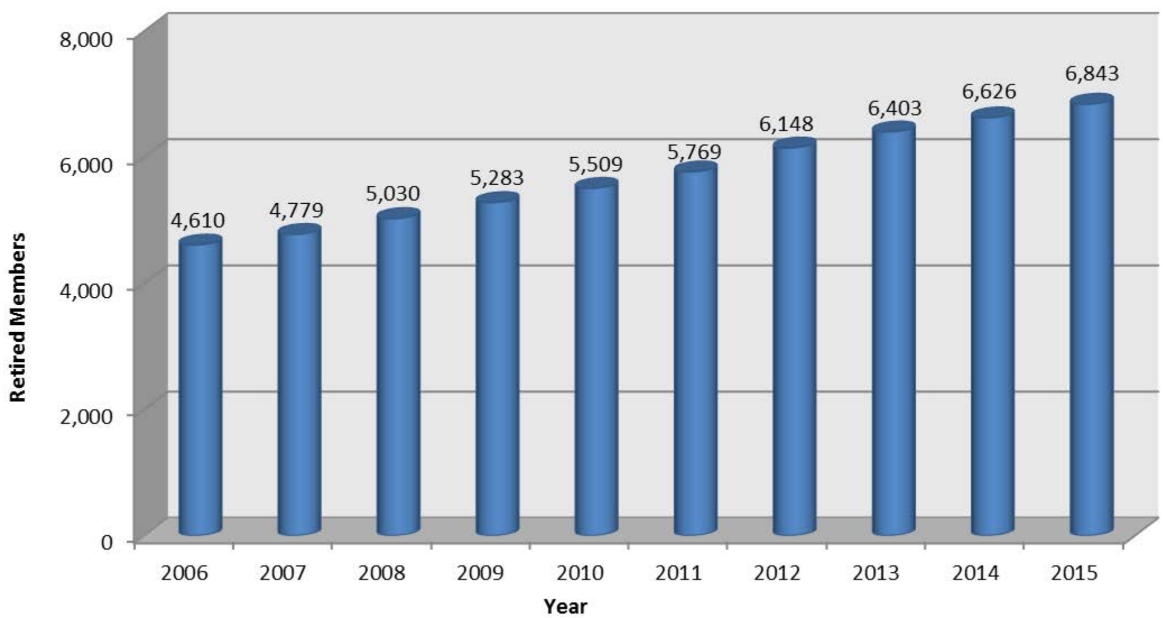
[2] Effective fiscal year ended June 30, 2007, Disability Benefit Expenditures are reported separately from Service Retirement Benefit Expenditures.

Schedule of Retired Members by Type of Retirement

Last Ten Fiscal Years

(Dollars in Thousands)

YEAR-END	GENERAL	SAFETY	SURVIVOR	TOTAL
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
2011	4,937	733	99	5,769
2012	5,276	772	100	6,148
2013	5,498	805	100	6,403
2014	5,687	841	98	6,626
2015	**5,874**	**872**	**97**	**6,843**



Source: Schedule provided by FCERA

Schedule of Average Annual Benefit and Membership Distribution of Retired Members

Last Ten Fiscal Years

Valuation Date	Plan Type	Annual [2] Number	Total Average [1] Annual Benefits	Annual Average Benefits	Average Monthly Benefits	% Change in Average Benefits
6/30/2005	General	3,929	$ 91,278,528	$ 23,232	$ 1,936.00	2.7%
	Safety	489	19,182,492	39,228	3,269.00	-12.6%
	Total	**4,418**	**$ 110,461,020**	**$ 25,002**	**$ 2,083.54**	**-0.4%**
6/30/2006	General	4,020	$ 97,474,788	$ 24,247	$ 2,020.62	4.4%
	Safety	559	21,225,900	37,971	3,164.25	-3.2%
	Total	**4,579**	**$ 118,700,688**	**$ 25,923**	**$ 2,160.24**	**3.7%**
6/30/2007	General Tier 1	4,224	$ 106,296,432	$ 25,165	$ 2,097.07	3.8%
	General Tier 2	2	69,984	34,992	2,916.00	N/A
	Safety Tier 1	605	23,674,392	39,131	3,260.94	3.1%
	Total	**4,831**	**$ 130,040,808**	**$ 26,918**	**$ 2,243.17**	**3.8%**
6/30/2008	General Tier 1	4,405	$ 116,801,232	$ 26,516	$ 2,209.63	5.4%
	General Tier 2	2	72,600	36,300	3,025.00	3.7%
	Safety Tier 1	639	26,198,856	41,000	3,416.65	4.8%
	Total	**5,046**	**$ 143,072,688**	**$ 28,354**	**$ 2,362.81**	**5.3%**
6/30/2009	General Tier 1	4,481	$ 128,267,304	$ 28,625	$ 2,385.39	7.9%
	General Tier 2	-	-	-	-	N/A
	Safety Tier 1	672	28,448,568	42,334	3,527.85	3.3%
	Total	**5,153**	**$ 156,715,872**	**$ 30,413**	**$ 2,534.38**	**7.3%**
6/30/2010	General Tier 1	4,908	$ 137,157,624	$ 27,946	$ 2,328.81	-2.4%
	General Tier 2	5	151,680	30,336	2,528.00	N/A
	General Tier 3	1	39,480	39,480	3,290.00	N/A
	Safety Tier 1	722	31,247,496	43,279	3,606.59	2.2%
	Total	**5,636**	**$ 168,596,280**	**$ 29,914**	**$ 2,492.85**	**-1.6%**
6/30/2011	General Tier 1	5,118	$ 145,020,096	$ 28,335	$ 2,361.28	1.4%
	General Tier 2	5	124,080	24,816	2,068.00	-18.2%
	General Tier 3	2	42,960	21,480	1,790.00	-45.6%
	Safety Tier 1	762	33,218,904	43,594	3,632.86	0.7%
	Total	**5,887**	**$ 178,406,040**	**$ 30,305**	**$ 2,525.42**	**1.3%**
6/30/2012	General Tier 1	5,425	$ 160,482,984	$ 29,582	$ 2,465.18	4.4%
	General Tier 2	5	127,740	25,548	2,129.00	2.9%
	General Tier 3	2	44,208	22,104	1,842.00	2.9%
	Safety Tier 1	803	36,393,984	45,323	3,776.88	4.0%
	Total	**6,235**	**$ 197,048,916**	**$ 31,604**	**$ 2,633.64**	**4.3%**
6/30/2013	General Tier 1	5,536	$ 167,842,464	$ 30,318	$ 2,526.53	2.5%
	General Tier 2	5	130,380	26,076	2,173.00	2.1%
	General Tier 3	3	59,988	19,996	1,666.33	-9.5%
	Safety Tier 1	819	37,731,336	46,070	3,839.17	1.6%
	Total	**6,363**	**$ 205,764,168**	**$ 32,338**	**$ 2,694.80**	**2.3%**
6/30/2014	General Tier 1	5,707	$ 177,666,204	$ 31,131	$ 2,594.27	2.7%
	General Tier 2	8	260,352	32,544	2,712.00	24.8%
	General Tier 3	6	98,388	16,398	1,366.50	-18.0%
	Safety Tier 1	849	40,128,876	47,266	3,938.84	2.6%
	Total	**6,570**	**$ 218,153,820**	**$ 33,205**	**$ 2,767.04**	**2.7%**

[1] Total Average Annual Benefits will not equal the Actual Total Benefit Expenditures reported on page 100.

[2] Total Annual Membership provided by the Actuary will not equal the Actual Membership reported on page 101.

Note: See page 103 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.

Schedule of Average Benefit Payments by Years of Credited Service
Last Ten Fiscal Years

	Years of Credited Service						
Retirement Effective Date	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 and over**
Period 7/1/2013 to 6/30/2014							
Average monthly benefit	$747	$1,033	$1,743	$2,704	$3,528	$4,867	$6,666
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	4	25	84	56	45	37	40
Period 7/1/2012 to 6/30/2013							
Average monthly benefit	$1,064	$1,341	$2,038	$3,268	$4,072	$4,714	$5,842
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	10	27	46	24	43	21	41
Period 7/1/2011 to 6/30/2012							
Average monthly benefit	$331	$1,327	$1,972	$2,795	$3,605	$5,141	$6,031
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	7	47	89	60	90	50	65
Period 7/1/2010 to 6/30/2011							
Average monthly benefit	$699	$1,489	$1,847	$2,881	$3,140	$5,237	$5,703
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	16	47	63	57	58	29	40
Period 7/1/2009 to 6/30/2010							
Average monthly benefit	$706	$1,144	$1,860	$2,996	$3,793	$4,692	$5,674
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	18	44	69	46	54	39	58
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

Notes: N/A means that information is not available.
Data for average monthly benefit and number of retired members is available for years beginning July 1, 2005.
Average final average salary is not available at this time due to system constraints.

Source: Information provided by The Segal Consulting.

Schedule of Active and Deferred Members

Last Ten Fiscal Years

Date	Plan Type	Active Vested	Active Nonvested	Total Active Members	Deferred Members
6/30/2006	General	4,535	2,144	6,679	
	Safety	710	287	997	
	Total	**5,245**	**2,431**	**7,676**	**1,514**
6/30/2007	General	4,707	2,108	6,815	1,465
	Safety	723	284	1,007	133
	Total	**5,430**	**2,392**	**7,822**	**1,598**
6/30/2008	General	4,596	2,133	6,729	1,466
	Safety	725	232	957	139
	Total	**5,321**	**2,365**	**7,686**	**1,605**
6/30/2009	General	4,476	1,967	6,443	1,403
	Safety	718	204	922	130
	Total	**5,194**	**2,171**	**7,365**	**1,533**
6/30/2010	General	4,536	1,568	6,104	1,379
	Safety	733	79	812	136
	Total	**5,269**	**1,647**	**6,916**	**1,515**
6/30/2011	General	4,581	1,374	5,955	1,325
	Safety	732	37	769	126
	Total	**5,313**	**1,411**	**6,724**	**1,451**
6/30/2012	General	4,605	1,259	5,864	1,289
	Safety	709	71	780	126
	Total	**5,314**	**1,330**	**6,644**	**1,415**
6/30/2013	General	4,653	1,346	5,999	1,131
	Safety	691	151	842	132
	Total	**5,344**	**1,497**	**6,841**	**1,263**
6/30/2014	General	4,417	1,674	6,091	1,264
	Safety	641	192	833	137
	Total	**5,058**	**1,866**	**6,924**	**1,401**
6/30/2015	General	4,134	1,997	6,131	1,293
	Safety	624	214	838	144
	Total	**4,758**	**2,211**	**6,969**	**1,437**

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

Schedule of Principal Participating Employers

Current Year and Nine Years Ago

Participating Employers	2015 Covered Employees	2015 Rank	2015 Percentage of Covered Employees	2006 Covered Employees	2006 Rank	2006 Percentage of Covered Employees
County of Fresno	**6,541**	**1**	**93.86%**	7,580	1	98.75%
Superior Court of California-County of Fresno [1]	**390**	**2**	**5.60%**	-		0.00%
Fresno-Madera Area Agency on Aging	**24**	**3**	**0.34%**	37	3	0.49%
Clovis Veterans Memorial District	**9**	**4**	**0.13%**	6	5	0.08%
Fresno Mosquito and Vector Control District	**5**	**5**	**0.07%**	8	4	0.10%
North Central Fire Protection District	**-**	**-**	**0.00%**	45	2	0.59%
Total	**6,969**		**100.00%**	**7,676**		**100.00%**

Note: See page 106 Schedule of Participating Employers and Active Members for covered employees from 2006 through 2015.

[1] On December 11, 2011 the Superior Court of California-County of Fresno separated from the County of Fresno as a separate employer group.

Schedule of Participating Employers and Active Members

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
County of Fresno										
General Members	5,704	5,641	5,533	5,376	5,912	6,059	6,395	6,681	6,762	6,623
Safety Members	837	833	842	780	769	812	922	957	968	957
Total	**6,541**	**6,474**	**6,375**	**6,156**	**6,681**	**6,871**	**7,317**	**7,638**	**7,730**	**7,580**
Participating Agencies (General Members)										
Clovis Veterans Memorial District	9	7	9	8	8	8	9	8	5	6
Fresno Mosquito and Vector Control District	5	6	5	5	5	6	8	7	8	8
Fresno-Madera Area Agency on Aging	24	25	26	28	30	31	31	33	35	37
North Central Fire Protection	-	-	-	-	-	-	-	-	5	5
Superior Court of California-County of Fresno [1]	390	412	426	447	-	-	-	-	-	-
Total	**428**	**450**	**466**	**488**	**43**	**45**	**48**	**48**	**53**	**56**
Participating Agencies (Safety Members)										
North Central Fire Protection	-	-	-	-	-	-	-	-	39	40
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**39**	**40**
Total Active Members										
General Members	6,131	6,091	5,999	5,864	5,955	6,104	6,443	6,729	6,815	6,679
Safety Members	838	833	842	780	769	812	922	957	1,007	997
Total	**6,969**	**6,924**	**6,841**	**6,644**	**6,724**	**6,916**	**7,365**	**7,686**	**7,822**	**7,676**

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

[1] On December 11, 2011 the Superior Court of California-County of Fresno disassociated from the County of Fresno to become a separate employer group.

Schedule of Employers' Contribution Rates

Last Ten Fiscal years

Effective Dates			General					Safety				Actuarial Report for Year Ended
			Tier 1	Tier 2[1]	Tier 3[2]	Tier 4[4]	Tier 5[5]	Tier 1	Tier 2[1]	Tier 4[4]	Tier 5[5]	
July 1, 2014	**to**	**June 30, 2015**	**51.07%**	**48.27%**	**47.33%**	**38.17%**	**37.48%**	**74.79%**	**74.26%**	**59.02%**	**57.41%**	**6/30/2013**
July 1, 2013	to	June 30, 2014	44.99%	42.86%	41.64%	33.88%	32.70%	67.17%	67.21%	54.15%	51.76%	6/30/2012
July 1, 2012	to	June 30, 2013 [6]	43.03%	41.15%	39.71%	31.87%	30.77%	65.06%	63.86%	51.42%	48.92%	6/30/2011
July 1, 2011	to	June 30, 2012	41.03%	38.78%	37.42%	N/A	N/A	61.25%	60.26%	N/A	N/A	6/30/2010
July 1, 2010	to	June 30, 2011	31.47%	29.48%	28.08%	N/A	N/A	47.40%	46.24%	N/A	N/A	6/30/2009
July 1, 2009	to	June 30, 2010	27.82%	25.64%	24.36%	N/A	N/A	42.19%	41.21%	N/A	N/A	6/30/2008
July 1, 2008	to	June 30, 2009	26.71%	24.86%	22.86%	N/A	N/A	38.56%	35.84%	N/A	N/A	6/30/2007
July 1, 2007	to	June 30, 2008	23.36%	21.15% [3]	21.80%	N/A	N/A	31.34%	29.37%	N/A	N/A	6/30/2006
July 1, 2006	to	June 30, 2007	18.37%	N/A	N/A	N/A	N/A	20.76%	N/A	N/A	N/A	6/30/2005
July 1, 2005	to	June 30, 2006	14.14%	N/A	N/A	N/A	N/A	25.02%	N/A	N/A	N/A	6/30/2004

[1] New benefit tier effective September 2005.

[2] New benefit tier effective December 2007.

[3] Includes a correction to the rate reported at June 30, 2008.

[4] New benefit tier effective June 2012.

[5] New benefit tier effective January 1, 2013

[6] Includes a correction to the rates reported at June 30, 2013.

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

Schedule of Retired Members by Type of Benefit

As of June 30, 2015

Monthly Benefit Amount	Members Receiving a Benefit	Type of Retirement[1]							Option Selected[2]					
		1	2	3	4	5	6	7	U	1	2	3	4	D
$1 - 500	537	293	6	139	60	6	4	29	379	21	116	9	2	10
501 - 1,000	840	636	35	7	91	30	1	40	605	37	156	24	1	17
1,001 - 1,500	988	770	47	8	106	25	1	31	741	57	136	44	1	9
1,501 - 2,000	800	657	29	15	70	10	2	17	618	51	108	14	3	6
2,001 - 3,000	1,290	1,082	20	56	107	6	4	15	1,015	98	129	39	3	6
3,001 - 4,000	845	725	5	47	61	4	1	2	686	63	72	18	3	3
4,001 - 5,000	531	498	-	12	18	2	1	-	438	23	51	17	1	1
5,001 - 6,000	386	368	1	4	13	-	-	-	327	18	39	2	-	-
Over 6,000	626	611	1	5	9	-	-	-	549	22	46	5	2	2
Totals	**6,843**	**5,640**	**144**	**293**	**535**	**83**	**14**	**134**	**5,358**	**390**	**853**	**172**	**16**	**54**

Notes:

[1] Type of Retirement

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

[2] Option Selected:

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

Schedule of Benefits and Refund Deductions from Fiduciary Net Position by Type

Last Ten Fiscal Years

(Dollars in Thousands)

Type of Benefit	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Service Benefits										
General	$ 96,590	$ 100,807	$ 110,819	$ 120,975	$ 131,465	$ 139,412	$ 151,022	$ 165,066	$ 173,829	$ 179,054
Safety	23,148	20,542	21,074	23,014	24,759	26,584	28,698	31,343	33,021	34,516
Service Connected Disability [1]										
General	-	2,178	2,278	2,447	2,746	3,321	2,787	3,208	3,214	3,164
Safety	-	4,212	4,763	4,999	6,211	6,309	6,138	6,016	6,718	6,340
Non-Service Connected Disability [1]										
General	-	1,774	2,210	2,324	2,269	2,334	2,096	2,033	2,197	2,150
Safety	-	152	156	156	148	152	154	114	107	167
Non-Service Connected Disability Continuance [1]										
General	-	923	1,000	1,070	1,118	1,188	1,276	1,383	1,421	1,705
Safety	-	129	133	135	139	138	139	155	162	248
Service Connected Disability Continuance [1]										
General	-	136	141	142	126	183	408	496	583	593
Safety	-	317	327	335	357	442	602	839	903	1,117
Active Death Benefits [2]	1,255	310	171	186	188	300	215	92	134	61
Total Benefits	**$ 120,993**	**$ 131,480**	**$ 143,072**	**$ 155,783**	**$ 169,526**	**$ 180,363**	**$ 193,535**	**$210,745**	**$222,289**	**$229,115**
Type of Refund [3]										
Death	$ -	$ 205	$ 345	$ 304	$ 338	$ 339	$ 425	$ 135	$ 134	$ 133
Miscellaneous - UAAL [4]	-	-	4,140	13	1	-	-	-	-	-
Separation	1,185	1,909	1,587	1,760	1,576	1,705	1,361	2,076	1,969	2,149
Total refunds	**$ 1,185**	**$ 2,114**	**$ 6,072**	**$ 2,077**	**$ 1,915**	**$ 2,044**	**$ 1,786**	**$ 2,211**	**$ 2,103**	**$ 2,282**

[1] Prior to fiscal year 2007, all Disability Benefits were reported with Service Benefits.

[2] 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.

[3] Prior to fiscal year 2007, data was not available to categorize refunds.

[4] UAAL means Unfunded Actuarial Accrued Liability.