

FRESNO COUNTY EMPLOYEES RETIREMENT SYSTEM

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT-
A COMPONENT UNIT OF THE COUNTY OF FRESNO**



Fresno County
Employees Retirement System

Fresno County, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 1998

ISSUED BY

GARY W. PETERSON
AUDITOR - CONTROLLER / TREASURER - TAX COLLECTOR

FCERA

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
2281 TULARE STREET
FRESNO, CALIFORNIA 93721

A COMPONENT UNIT OF THE COUNTY OF FRESNO

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INFORMATION



Employees Retirement Association

Gary W. Peterson
Auditor-Controller/Treasurer-Tax Collector

October 23, 1998

Board of Retirement
Fresno County Employees' Retirement Association
2281 Tulare Street
Fresno, California 93715

Dear Board Members:

It is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) of the Fresno County Employees' Retirement Association ("Association") for the fiscal year ended June 30, 1998. Information contained in this report is designed to provide a complete and accurate review of the year's operations and is the responsibility of the Association's management. The required financial statements have been prepared in accordance with generally accepted accounting principles, the reporting guidelines for government entities, and the County Employees' Retirement Law of 1937. Macias, Gini & Company LLP, independent auditors, have audited the financial statements. The Board of Retirement (Board) adopts a budget each fiscal year to facilitate the oversight of the Retirement Office's administrative functions. Management believes that internal control is adequate and that the accompanying statements, schedules and tables are fairly presented.

The Association is a contributory defined benefit plan initially organized on January 1, 1945. The Association is a cost-sharing, multiple-employer plan that includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County of Fresno, Clovis Memorial District, Fresno Mosquito Abatement, North Central Fire District, Fresno-Madera Area Agency on Aging, and certain employees of the Fresno County Superintendent of Schools. The Association provides normal service retirement benefits for members who attain the age and service requirements or thirty years of service, regardless of age. Early service retirement benefits are also provided for members who attain the minimum age and years of service requirements.

Structure of the Report

This report is presented in five sections:

- The Introductory Section describes the Association's management and organizational structure and a listing of the professional services used.
- The Financial Section contains the opinion of the independent auditor, Macias, Gini & Company LLP, and the financial statements and notes of the Association.

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- The Investment Section contains the investment consultant's statement produced by Pension Consulting Alliance, Inc., the Association's investment consulting firm, along with graphs and schedules regarding asset allocation, asset diversification, and history of performance.
- The Actuarial Section includes the certification letter produced by the independent actuary, Buck Consultants, along with supporting schedules and information.
- The Statistical Section contains graphs and schedules with comparative data related to revenues and expenses, active and deferred membership, retired membership, benefit expenses by type, average monthly benefits, participating employers, and employer contribution rates.

Investments

The investments of the Association are governed primarily by an investment authority known as the "prudent person rule". The prudent person rule establishes a standard for all fiduciaries, which includes anyone that has authority with respect to the fund. The prudent person rule states that fiduciaries shall discharge their duties of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. By permitting further diversification of investments within a fund, the prudent person standard may enable a fund to reduce overall risk and increase returns.

The prudent person rule permits the fund to establish an investment policy based upon certain investment criteria and allows for the delegation of investment authority to professional investment advisors. The investment policy outlines the responsibility for the investment of the fund and the degree of risk that is deemed appropriate for the fund. Investment advisors are to execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, but are to use full discretion within the policy and guidelines.

The Association turned in a solid performance during the fiscal year ended June 30, 1998. For the year, the portfolio earned a total return of 20.4%. Over long-term periods, the portfolio has earned total annualize returns of 18.3% over the past three years and 14.4% over the past five years. These earnings have significantly outperformed the prior actuarial assumed rate of 8.5% and the current rate of 8.25%. On a fair value basis, the total net assets available for benefits grew from \$1,213,201,000 to \$1,625,611,000.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. The Association's funding objective is to meet long-term obligations through contributions and investment income. During fiscal 1997/98, the County of Fresno issued Pension Obligation Bonds, in the amount of \$184,910,000, to fully fund its portion of the Unfunded Actuarial Accrued Liability. Therefore, as of June 30, 1998, the Association is fully funded.

Revenues

The following schedule recaps the revenues of the Association for the last two fiscal years:

Contributions and Investment Earnings (amounts in thousands)

	1998	1997	Increased/ (Decreased) Amount	Increased/ (Decreased) Percentage
Employers Contributions	\$202,550	\$ 31,666	\$170,884	539.65%
Employees Contributions	7,168	7,087	81	1.14%
Net Investment Income	<u>250,001</u>	<u>204,115</u>	<u>45,886</u>	22.48%
TOTAL	<u>\$459,719</u>	<u>\$242,868</u>	<u>\$216,851</u>	89.29%

Expenses

The following schedule recaps the expenses of the Association for the last two fiscal years:

Benefits and Other Expenses (amounts in thousands)

	1998	1997	Increased/ (Decreased) Amount	Increased/ (Decreased) Percentage
Benefits Paid to Participants	\$44,816	\$41,688	\$ 3,128	7.50%
Refunds of Prior Contributions	1,772	5,346	(3,574)	(66.85%)
Administrative Expenses	<u>721</u>	<u>757</u>	<u>(36)</u>	(4.76%)
TOTAL	<u>\$47,309</u>	<u>\$47,791</u>	<u>\$ (482)</u>	(1.01%)

For the fiscal year 1997/98, overall revenue increased 89.3% due primarily to the issuance of Pension Obligation Bonds. The Association's investments continued to perform admirably. Refunds for the fiscal year 1997/98 decreased significantly and are now consistent with fiscal years prior to fiscal 1996/97. The amount of refunds for fiscal 1996/97 were approximately three times what the Association normally experiences due to the merger of the county hospital with Community Hospitals of Central California in the fall of 1996.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Association for its Comprehensive Annual Financial

Report (CAFR) for the fiscal year ended June 30, 1997. Last year's annual report was the inaugural CAFR for the Association. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, of which the contents conform to the program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

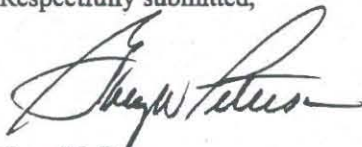
A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to the GFOA.

Acknowledgments

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

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

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Gary W. Peterson", with a stylized flourish at the end.

Gary W. Peterson
Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fresno County Employees
Retirement System,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
THE BOARD OF RETIREMENT**

ADMINISTRATOR

GARY W. PETERSON

Auditor-Controller/Treasurer-Tax Collector
Statutory required.

CHAIRMAN

JAMES LONG

Retired Member - Elected by Retirees
Present term expires December 31, 1998.

SECRETARY

AMERICO PAPALEO

Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 1999.

MEMBER

PAUL KALPAKOFF

Safety Member - Elected by Safety Members
Present term expires December 31, 1999.

MEMBER

BILL CASAREZ

General Member - Elected by General Members
Present term expires December 31, 1998.

MEMBER

ALAN PETERS

General Member - Elected by General Members
Present term expires December 31, 2000.

MEMBER

HIROSHI KUSAKAI

Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 1999.

MEMBER

JO JOHNSON

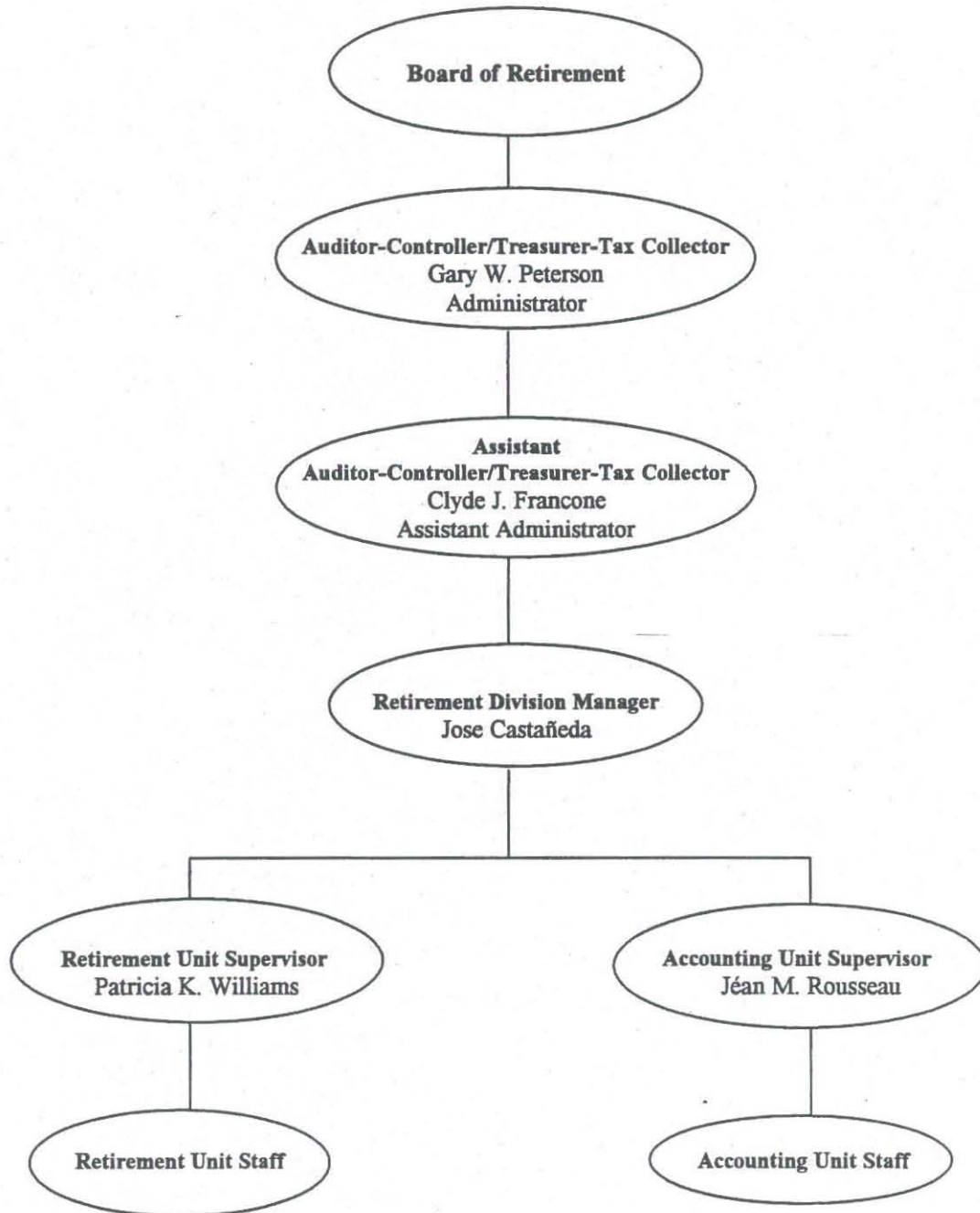
Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 2000.

MEMBER

CHARLES ROPER

Qualified Elector - Appointed by Board of Supervisors
Present term expires December 31, 1998.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ORGANIZATION CHART**



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
LIST OF PROFESSIONAL CONSULTANTS**

CONSULTING SERVICES

ACTUARY

Buck Consultants

AUDITOR

Macias, Gini & Company, LLP

COMMISSION RECAPTURE SERVICES

Pension Fund Evaluations, Inc.

CUSTODIAN BANK

Mellon Trust

INVESTMENT CONSULTANT

Pension Consulting Alliance, Inc.

LEGAL COUNSEL

Stroup & de Goede

SHAREHOLDER VOTING SERVICES

Institutional Shareholder Services, Inc.

INVESTMENT MANAGERS

DOMESTIC BONDS

ARM Capital Advisors, Inc.
Boston Partners Asset Management, LP
Bradford & Marzec, Inc.

GLOBAL BONDS

Strategic Fixed Income, LP

DOMESTIC STOCKS

Aronson & Partners
Boston Partners Asset Management, LP
Brandywine Asset Management, Inc.
Independence Investment Associates, Inc.
Provident Investment Counsel

INTERNATIONAL STOCKS

Marvin & Palmer Associates, Inc.
Templeton Investment Counsel, Inc.

PRIVATE MARKETS INVESTMENT

The Blackstone Group
Glenborough Institutional, Inc.
Heitman/JMB Advisory Corporation
JE Robert Company, Inc.
MIG Realty Advisors, Inc.
Sentinel Real Estate Corporation
TA Associates Realty
CB Richard Ellis Investors, LLC
Warburg, Pincus and Co.

FINANCIAL SECTION



Macias, Gini & Company LLP
Certified Public Accountants

Partners

Kenneth A. Macias
Ernest J. Gini
Kevin J. O'Connell

3927 Lennane Drive
Suite 200
Sacramento, CA 95834
916-928-4600
916-928-2755 FAX
www.maciasgini.com

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of plan net assets of Fresno County Employees' Retirement Association (Association), a component unit of the County of Fresno, California, as of June 30, 1998 and 1997, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Association as of June 30, 1998 and 1997, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

The schedules designated as required supplementary information in the table of contents are not required parts of the basic financial statements but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The data designated as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in this report, designated as the investment, actuarial and statistical sections in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on such data.

Macias, Gini & Company LLP

Certified Public Accountants

Sacramento, California
September 16, 1998

OFFICE LOCATIONS

Sacramento • Los Angeles • San Francisco Bay Area

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 1998 AND 1997
(amounts expressed in thousands)

	<u>1998</u>	<u>1997</u>
ASSETS:		
Cash and cash equivalents	\$ 71,527	\$ 71,912
Securities lending short-term investment pool	22	125,711
Total cash and cash equivalents (Note 3)	<u>71,549</u>	<u>197,623</u>
Receivables:		
Investment trades receivable (Note 4)	226,498	133,192
Interest and dividends receivable	8,255	6,746
Note receivable (Note 5)	544	3,211
Contributions and other receivables	3,645	2,763
Securities lending receivable	30	588
Total receivables	<u>238,972</u>	<u>146,500</u>
Investments, at fair value (Note 3):		
Domestic stocks	698,831	575,633
Domestic bonds	329,080	192,180
International stocks	280,427	146,476
Mortgage backed securities	122,567	112,723
Private markets	77,696	66,821
Global bonds	61,169	68,861
Total investments	<u>1,569,770</u>	<u>1,162,694</u>
Fixed assets, net of accumulated depreciation of \$53 and \$44, respectively	290	243
Other assets	<u>--</u>	<u>21</u>
Total assets	<u>1,880,581</u>	<u>1,507,081</u>
LIABILITIES:		
Investment trades payable (Note 4)	250,168	165,566
Cash collateral payable for securities lending (Note 3)	22	125,711
Accounts payable	4,755	2,074
Securities lending bank and broker fees	25	529
Total liabilities	<u>254,970</u>	<u>293,880</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress is presented on page 22)	<u>\$ 1,625,611</u>	<u>\$ 1,213,201</u>

See accompanying notes to financial statements.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997
(amounts expressed in thousands)

	<u>1998</u>	<u>1997</u>
ADDITIONS:		
Contributions:		
Employers	\$ 202,550	\$ 31,666
Employees	7,168	7,087
Total contributions	<u>209,718</u>	<u>38,753</u>
Investment income:		
Net appreciation in fair value of investments	200,262	157,687
Interest	32,250	27,734
Dividends	14,227	13,181
Real estate income	7,332	8,392
Securities lending	6,317	5,275
Miscellaneous income	418	520
Investment expense	<u>(10,805)</u>	<u>(8,674)</u>
Net investment income	<u>250,001</u>	<u>204,115</u>
Total additions	<u>459,719</u>	<u>242,868</u>
DEDUCTIONS:		
Benefits paid to participants	44,816	41,688
Refunds of prior contributions	1,772	5,346
Administrative expenses	<u>721</u>	<u>757</u>
Total deductions	<u>47,309</u>	<u>47,791</u>
NET INCREASE	<u>412,410</u>	<u>195,077</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>1,213,201</u>	<u>1,018,124</u>
END OF YEAR	<u>\$ 1,625,611</u>	<u>\$ 1,213,201</u>

See accompanying notes to financial statements.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 1 - DESCRIPTION OF THE PLAN

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

General

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

The Association is considered part of the County of Fresno financial reporting entity and is included in the County's general-purpose financial statements as a pension trust fund.

The Association membership at June 30, 1998 and 1997 is as follows :

	<u>1998</u>	<u>1997</u>
Retirees and beneficiaries receiving benefits	3,087	3,039
Terminated employees entitled to benefits but not yet receiving them	1,289	1,182
Current employees:		
Vested:		
General	3,588	3,368
Safety	488	513
Nonvested:		
General	1,551	1,580
Safety	385	329
Total current employees	<u>6,012</u>	<u>5,790</u>
Total membership	<u><u>10,388</u></u>	<u><u>10,011</u></u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

NOTE 1 - DESCRIPTION OF THE PLAN (CONTINUED)

Benefit Provisions

Benefit provisions are established by the Board under the provisions of the 1937 Act. Benefits are based upon a combination of age, years of service, average monthly salary for the highest paid year of employment, the option selected by the participant, and whether the participant was employed as a safety member in law enforcement or fire suppression, or as a general member. Disability and death benefits are additionally based upon whether the disability was service connected and whether the death occurred before or after retirement. Retirement benefit payments consist of regular retirement benefits, cost of living benefits, supplemental cost of living benefits and health care benefits. The supplemental cost of living and health care benefits are subject to annual approval by the Board.

Administration

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

1. County Treasurer,
2. Two members of the Association elected by the general members,
3. One member of the Association elected by the safety members,
4. One retired member of the Association elected by the retired members, and
5. Four members appointed by the County Board of Supervisors. These members shall be qualified electors of the County who are not connected with County government in any capacity, except one may be a County Supervisor.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association's financial statements are prepared using the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized in the period in which they are incurred. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds of prior contributions are recognized when due and payable under the provisions of the plan.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

Cash and cash equivalents include deposits in the County of Fresno Treasurer's commingled cash 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.

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 and alternative investment managers (see Note 3). All investment purchases and sales are recorded on the trade date.

Fixed Assets

Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of five years for equipment and ten years for furniture, structures and leasehold improvements.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment Custodial Credit Risk

For financial reporting purposes, the Association's investments are categorized below to provide an indication of the level of custodial credit risk assumed by the Association at June 30, 1998 and 1997 (in thousands).

June 30, 1998					
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Non Categorized</u>	<u>Fair Value</u>
Short-term investments classified as cash and cash equivalents:					
Cash held in county investment pool	\$ 2,859	--	--	--	\$ 2,859
Short-term investments with fiscal agent	18,343	--	--	\$ 50,325	68,668
Securities lending short-term investment pool	--	--	--	22	22
Total cash and cash equivalents	<u>\$ 21,202</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 50,347</u>	<u>\$ 71,549</u>
Investments:					
Domestic stocks	\$ 698,809	--	--	--	\$ 698,809
Domestic bonds	329,080	--	--	--	329,080
International stocks	280,427	--	--	--	280,427
Mortgage backed securities	122,567	--	--	--	122,567
Private markets	--	--	--	\$ 77,696	77,696
Global bonds	54,828	--	\$ 6,341	--	61,169
Securities on loan, collateralized with cash	--	--	--	22	22
Total investments	<u>\$ 1,485,711</u>	<u>\$ --</u>	<u>\$ 6,341</u>	<u>\$ 77,718</u>	<u>\$ 1,569,770</u>
June 30, 1997					
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Non Categorized</u>	<u>Fair Value</u>
Short-term investments classified as cash and cash equivalents:					
Cash held in county investment pool	\$ 969	--	--	--	\$ 969
Short-term investments with fiscal agent	9,412	\$ 1,600	--	\$ 59,931	70,943
Securities lending short-term investment pool	--	--	--	125,711	125,711
Total cash and cash equivalents	<u>\$ 10,381</u>	<u>\$ 1,600</u>	<u>\$ --</u>	<u>\$ 185,642</u>	<u>\$ 197,623</u>
Investments:					
Domestic stocks	\$ 558,950	--	--	--	\$ 558,950
Domestic bonds	152,486	--	--	--	152,486
International stocks	124,697	--	--	--	124,697
Mortgage backed securities	89,441	--	--	--	89,441
Private markets	--	--	--	\$ 66,821	66,821
Global bonds	40,475	--	\$ 7,876	--	48,351
Securities on loan, collateralized with cash	--	--	--	121,948	121,948
Total investments	<u>\$ 966,049</u>	<u>\$ --</u>	<u>\$ 7,876</u>	<u>\$ 188,769</u>	<u>\$ 1,162,694</u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment Custodial Credit Risk (Continued)

Custodial credit risk categories have been established by GASB Statement No. 3. Category 1 includes investments that are insured or registered or for which the securities are held by the Association or its agents in the Association's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Association's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Association's name. In accordance with GASB Statement No. 3 disclosure requirements, private market investments are not categorized.

Deposits in the County investment pool are insured or collateralized with securities held by the Association or its agent in the Association's name.

Derivatives

The Association, through its external investment managers, enters into forward foreign currency contracts to hedge against changes in the fair values of foreign bonds and equity securities, primarily denominated in European and Asian currencies. It is possible that, due to foreign exchange fluctuations, the Association may be exposed to a potential loss.

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

The Association's investment portfolio also contains certain variable rate notes and collateralized mortgage obligations. At June 30, 1998 and 1997, the Association had approximately \$109,172,000 and \$77,600,000 in these investments, respectively.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Securities Lending

The Board authorized the Association, through its custodian bank, to enter into securities lending transactions, whereby securities owned by the Association are loaned on a short-term basis to various banks and brokers. Securities on loan include international and domestic stocks as well as global and domestic bonds. Securities on loan must be collateralized at 102% of the market value of domestic securities and at 105% of the market value of international securities. Collateral may take the form of cash, irrevocable letters of credit, tri-party repurchase agreements, or securities issued or guaranteed by the government. The lending agreement places no restriction on the amount of loans that can be made. The Association's lending agent is authorized to invest and reinvest cash collateral, but it is not expressly permitted to pledge or sell securities collateral without borrower default. Cash collateral is invested in the lending agent's short-term investment pool. The relationship between the maturities of the investment pool and the Association's loans is affected by the securities loans of other entities that use the agent's pool, which the Association cannot determine. At year end, the Association has no credit risk exposure to borrowers as the amounts the Association owes the borrowers exceed the amounts the borrowers owe the Association. Furthermore, the lending agreement with the custodian requires the custodian to indemnify the Association if the borrower fails to return the securities.

There were no losses associated with securities lending transactions during the years ended June 30, 1998 or 1997. Income from these transactions is reported on the statement of changes in plan assets. Securities on loan are reported at fair value on the statement of plan net assets. The fair values of securities on loan were as follows (in thousands):

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
Domestic stocks	\$ 22	\$ 16,683
International stocks	—	25,232
Total stocks on loan	<u>22</u>	<u>41,915</u>
Domestic bonds	—	70,556
Global bonds	—	21,179
Total bonds on loan	<u>—</u>	<u>91,735</u>
Total stocks and bonds on loan	<u>\$ 22</u>	<u>\$ 133,650</u>

NOTE 4 - INVESTMENT TRADES RECEIVABLE AND PAYABLE

Investment trades receivable and payable include forward foreign currency contracts of \$212,579,000 and \$124,226,000 at June 30, 1998 and 1997, respectively. The remaining receivable and payable balances represent investment sales and investment purchases outstanding, respectively.

NOTE 5 - NOTE RECEIVABLE

During the year ended June 30, 1997, the Association's investment in TCW Realty Fund VIA was redeemed by the fund manager. Accordingly, the Association was issued an interest bearing promissory note. At June 30, 1998, the note had a principal balance of \$544,000, which is scheduled to be fully satisfied in the year 2001.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 6 - CONTRIBUTIONS AND RESERVES

Contributions

Contributions are made by the members and the employers at rates recommended by the Association's independent actuary and approved by the Board and the Fresno County Board of Supervisors. Employee contribution rates vary according to age and classification (safety or general), and are designed to provide funding for approximately one-fourth of the regular retirement benefits and one-half of all cost of living benefits. Members are required to contribute between 2% and 5% of their annual covered salary. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act.

Interest is credited to member contributions every six months based on the prior six months ending balance. No member may borrow or withdraw their member contributions until retiring or terminating employment with the Employers, at which time they may request a refund of accumulated contributions and interest. Member contributions are forfeited to the Association if the member does not request a refund within five years of terminating membership.

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

Contribution rates are actuarially determined using the entry age normal method and consist of normal cost (the estimated amount necessary to finance benefits earned by employees during the current year) and amortization of the unfunded actuarial accrued liability beginning in 1980, over a 30 year period. Details of funding progress, annual required contributions and contributions made by the employers, and the latest actuarial valuation methods are presented in the required supplementary information schedules on pages 22 and 23.

Members' contributions, including interest, are 100% vested at all times. Employers' contributions do not become vested until completion of five years of credited service when they become 100% vested. A member may receive a regular retirement allowance after attaining age 50 provided that such member has attained at least 10 years of credited service; or at any age after 30 years of service for a general member and 20 years of service for a safety member.

Reserves and Designations

Net assets held in trust for pension benefits are segregated into members' 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 a reserve for market stabilization. The reserves are generally based on actuarially determined amounts.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 6 - CONTRIBUTIONS AND RESERVES (CONTINUED)

The amounts and changes in reserves and designations for the year ended June 30, 1998 consist of the following (in thousands):

	Balance July 1, 1997	Increase (Decrease) In Plan Net Assets	Net Transfers	Balance June 30, 1998
Reserves:				
Members' accumulated contributions	\$ 198,114	\$ 5,396	\$ 7,661	\$ 211,171
Current service reserve	193,570	202,378	3,642	399,590 X
Annuity pension reserve	50,777	(6,603)	7,817	51,991
Current service pension reserve	244,053	(23,935)	32,735	252,853
Survivors' death benefit reserve	2,644	(177)	831	3,298
Cost of living adjustment reserve	240,306	(9,459)	21,599	252,446
Supplemental cost of living reserve	11,939	(1,841)	967	11,065
Contingency reserve	12,132	--	4,124	16,256
Retiree health insurance reserve	39,022	(2,629)	3,232	39,625
Designated for market stabilization	144,864	--	135,128	279,992 X
Undistributed earnings	75,780	249,280	(217,736)	107,324 X
Net assets held in trust for pension benefits	\$ <u>1,213,201</u>	\$ <u>412,410</u>	\$ <u>--</u>	\$ <u>1,625,611</u>

The amounts and changes in reserves and designations for the year ended June 30, 1997 consist of the following (in thousands):

	Balance July 1, 1996	Increase (Decrease) In Plan Net Assets	Net Transfers	Balance June 30, 1997
Reserves:				
Members' accumulated contributions	\$ 190,456	\$ 1,741	\$ 5,917	\$ 198,114
Current service reserve	172,373	31,573	(10,376)	193,570
Annuity pension reserve	41,724	(5,936)	14,989	50,777
Current service pension reserve	208,122	(22,488)	58,419	244,053
Survivors' death benefit reserve	2,746	(331)	229	2,644
Cost of living adjustment reserve	197,669	(8,570)	51,207	240,306
Supplemental cost of living reserve	9,428	(1,890)	4,401	11,939
Contingency reserve	10,181	--	1,951	12,132
Retiree health insurance reserve	33,214	(2,379)	8,187	39,022
Designated for market stabilization	69,023	75,841	--	144,864
Undistributed earnings	83,188	127,516	(134,924)	75,780
Net assets held in trust for pension benefits	\$ <u>1,018,124</u>	\$ <u>195,077</u>	\$ <u>--</u>	\$ <u>1,213,201</u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 6 - CONTRIBUTIONS AND RESERVES (CONTINUED)

Members' accumulated contributions include all contributions of current members. At retirement or disability, balances are transferred to the annuity pension reserve and the cost of living adjustment reserve. Employers' contributions are paid into the current service reserve and cost of living adjustment reserve. When an employee retires, applicable balances are transferred from the current service reserve to the current service pension reserve. 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 at an annual rate of 8.25% of the balance in the transferee reserve. Any additional transfers out of undistributed earnings are made in accordance with the authorization of the Board.

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

The retiree health insurance reserve was established during 1987 to provide funds for payment of supplemental benefits. The supplemental cost of living reserve was established in 1990 to provide additional benefits for eligible members who retired before April 1, 1981. The supplemental cost of living reserve balance reflects Board approved transfers from undistributed earnings.

The designation for market stabilization serves to spread unanticipated market gains and losses over a five year period and represents a portion of net investment earnings in excess of actuarial expectations.

On March 19, 1998, the County of Fresno issued \$184,910,000 in Pension Obligation Bonds (POBs), of which \$183,632,000 was transferred to the Association to fund the Unfunded Actuarial Accrued Liability (UAAL), and \$1,278,000, was used to pay the issuance costs.

NOTE 7 - COMMITMENTS

The Association committed to invest in, and has partially funded, various real estate investment funds. At June 30, 1998, the remaining commitments totaled \$40,644,000.

NOTE 8 - CALIFORNIA SUPREME COURT DECISION

On August 14, 1997, the Supreme Court of the state of California issued a decision in a case entitled Ventura County Deputy Sheriff's Association vs. Board of Retirement of Ventura County Employees' Retirement Association Case No. S055682. On October 1, 1997, the decision of the California Supreme Court became final. The Supreme Court held that a County Retirement System operating under provisions of the County Employees Retirement Law of 1937 must include certain types of cash incentive payments and additional pay elements received by an employee, within the employee's "compensation earnable" and "final compensation" when calculating the employee's retirement benefits.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

NOTE 8 – CALIFORNIA SUPREME COURT DECISION (CONTINUED)

The Association, in conjunction with legal counsel, has worked toward implementing this court decision. The Board of Retirement voted to implement the changes as of October 1, 1997, the date the decision became final. Currently, there is litigation pending against the Association seeking retroactive application of the decision and the inclusion of additional compensation items in the calculation of retirement benefits. The final outcome of the matter is not known at this time.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

SCHEDULE OF FUNDING PROGRESS

(amounts in thousands)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) UAAL As A Percentage of Covered Payroll (3)/(5)
6/30/92	\$ 669,215	\$ 831,356	\$ 162,141	80.5%	\$ 194,641	83.3%
6/30/94	795,748	1,008,658	212,910	78.9%	217,439	97.9%
6/30/96	1,296,256	1,470,331	174,075	88.2%	191,114	91.1%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(amounts in thousands)

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
1992	\$ 18,771	100.00%
1993	19,995	100.00%
1994	21,428	100.00%
1995	22,707	100.00%
1996	26,468	100.00%
1997	31,666	100.00%
1998	18,918	100.00%

Actuarial reviews are performed biennially.

The actuarial value of assets was based on historical cost for the years ended June 30, 1992 and 1994. For the year ended June 30, 1996 and thereafter, the actuarial value of assets was based on a 3 year smoothed market method.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

LATEST ACTUARIAL VALUATION METHODS

Valuation date	June 30, 1996
Actuarial cost method	Entry age normal funding method
Amortization method	Level percent - closed
Remaining amortization period	14 years
Asset valuation method	3 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25% (3.5% real return, 4.75% inflation)
Projected salary increases	5.75% (1.0% merit increase, 4.75% inflation)
Cost of living adjustments	0-3% (tied to the change in Consumer Price Index)

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	1998	1997
Personnel Services		
Salaries and Benefits	\$ 436,580	\$ 435,791
Total Personnel Services	<u>436,580</u>	<u>435,791</u>
Office Expenses		
Office Expense	5,342	5,578
Office Service/Word Processing	-	254
Total Office Expenses	<u>5,342</u>	<u>5,832</u>
Other Services and Charges		
Telephone Charges	4,148	3,221
Insurance Other	409	754
Maintenance - Equipment	506	708
Memberships	2,450	1,950
Miscellaneous	178	7,865
Postage	5,664	6,865
Professional and Specialized Services	130,763	124,851
Disability Expenses	65,115	91,994
Data Processing Services	52,302	52,518
Small Tools and Instruments	140	-
Transportation, Travel, and Education	257	2,239
Transportation, Travel - Commissions & Advisory Board	<u>8,828</u>	<u>12,249</u>
Total Other Services and Charges	<u>270,760</u>	<u>305,214</u>
Depreciation	8,503	10,102
TOTAL ADMINISTRATIVE EXPENSES	<u><u>\$ 721,185</u></u>	<u><u>\$ 756,939</u></u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEAR ENDED JUNE 30, 1998 AND 1997

	1998	1997
Investment Manager Fees	\$ 4,748,323	\$ 3,423,840
Securities Lending Fees	5,864,460	4,822,753
Fiduciary Insurance Premium	25,331	25,232
Custodial Service Fees	64,233	242,419
Actuarial Service Fees	3,500	62,500
Consulting Fees	90,000	35,030
Miscellaneous Expense	9,404	62,270
TOTAL INVESTMENT EXPENSES	\$ 10,805,251	\$ 8,674,044

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	1998	1997
Disability Attorney Fees	\$ 54,103	\$ 62,076
Retirement Board Attorney Fees	25,058	24,019
External Audit Fees	10,210	9,913
Actuarial Consulting Fees	3,500	62,500
Investment Consulting Fees	90,000	35,030
Custodial Fees	64,233	242,419
Data Processing Fees	<u>52,303</u>	<u>52,518</u>
TOTAL PAYMENTS TO CONSULTANTS	<u>\$ 299,407</u>	<u>\$ 488,475</u>

Refer to page 34 for information on fees paid to investment professionals.

INVESTMENT SECTION

The FCERA investment portfolio grew by \$413.8 million over the past year reaching a value of \$1.62 billion on June 30, 1998. The FCERA portfolio is broadly diversified, holding investments ranging from publicly-traded bonds to privately-held partnerships. Clearly, the scale and breadth of investments make the management and oversight of these assets highly complex.

Investment Allocation

The most critical factor influencing overall investment performance is the allocation of the FCERA portfolio across major asset classes. The current policy reflects asset allocation guidelines adopted by FCERA in October of 1997. The portfolio's actual allocation as of June 30, 1998 was modestly different from policy. Private markets and foreign fixed income were underweighted while domestic equities were overweighted.

Investment Results

Over the last year, the FCERA investment portfolio produced an overall return of 20.4%. This result exceeded the FCERA policy benchmark by 430 basis points.¹ Value was added within the broad equity asset class (consisting of domestic and foreign equities) while the domestic debt portfolio lagged its benchmark by a slight margin.

During the last three years, FCERA's portfolio generated an 18.3% return versus 14.9% for the policy benchmark. Over the last five years, the FCERA investment portfolio produced an average annual return of 14.4%, exceeding the policy benchmark by 210 basis points. FCERA's performance has improved in recent periods. This result is due, in part, to FCERA overweighting domestic equity during a period of strong performance.

Pension Consulting Alliance, Inc.

¹ The policy benchmark consists of passive managed asset class portfolios weighted by FCERAs' policy allocations. The difference between actual results and the benchmark are due to two factors: i) deviations from policy and ii) active decisions on the part of FCERA and its investment managers.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION GENERAL INFORMATION

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

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

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

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

- The Board will act solely in the interest of and for exclusive purposes of providing benefits to participants and their beneficiaries. The Board will keep employer contributions to the Association at a minimum level. The Board will also pay reasonable expenses required to administer the plan.
- The Board will act like a prudent person under equivalent circumstances and having similar goals. Attention to care, skill, prudence, and diligence is of upmost 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 following is the diversification of Association's portfolio:

<u>Association's Portfolio</u>	<u>Target Allocations</u>	<u>Actual Allocations</u>
Domestic Bonds	25%	27.52%
Global Bonds	9%	3.73%
Domestic Stocks	35%	42.58%
International Stocks	20%	17.08%
Private Markets*	10%	4.73%
Cash and Cash Equivalents	1%	4.36%

* Includes Real Estate and Alternative Investments

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

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION SUMMARY OF INVESTMENT OBJECTIVES

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

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

The policy drives the investment actions of the Association. This policy considers various mixes of different investment asset class risk and return expectations for each mixed-class portfolio current and projected plan liabilities. In addition, the Board has established proxy voting policies for its equity investments. The Board retains a firm to vote its own proxy voting fulfilling compliance with California law.

The following schedules reflecting investment results were based on time-weighted rate of return using fair value.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT RESULTS BASED ON FAIR VALUE
AS OF JUNE 30, 1998

TOTAL FUNDS	Current Year	Annualized Rates of Return for the Preceding	
		3 - Years	5 - Years
Bonds			
Domestic	10.2%	8.1%	6.7%
Benchmark : Lehman Aggregate	10.5%	7.9%	6.9%
Global	4.2%	N/A	N/A
Benchmark : Salomon World Government	4.3%	N/A	N/A
Stocks			
Domestic Value	27.9%	27.5%	21.9%
Weighted composite of three indices *	26.7%	27.2%	21.2%
Domestic Growth	34.5%	29.6%	23.0%
Benchmark : S&P 500	31.4%	30.2%	23.4%
Domestic Small Capital	24.9%	N/A	N/A
Benchmark : Russell 2000	16.5%	N/A	N/A
International	20.0%	21.1%	N/A
Benchmark : MSCI EAFE	6.4%	11.0%	N/A
Private Markets			
Realty	12.2%	8.9%	7.6%
Benchmark : NCREIF	15.6%	11.2%	8.5%
Alternative Investments	N/A	N/A	N/A
Benchmark : S&P 500 + 4.47%	N/A	N/A	N/A
Cash, Custodial and Investment Pool			
90-Day Treasury Bill	7.4%	6.4%	5.2%
Benchmark Return at Actual Allocation	5.2%	5.3%	4.9%
TOTAL	20.4%	18.3%	14.4%

Notes:

Realty is net of fees and lagged one quarter.

Transition to accrual accounting entries are outstanding in October 1992.

Investment results were prepared using a time-weighted rate of return based on the market rate of return in accordance with AIMR's performance presentation standards.

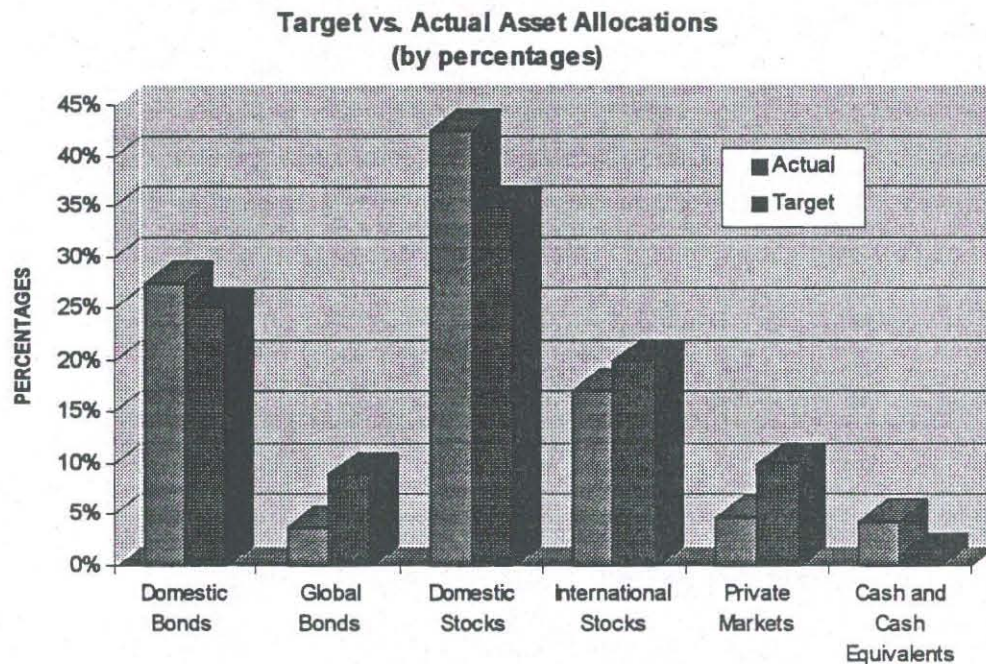
* Weighted composite of three indices: 60 Mid Val/40 Top 200 Val, S&P/Barra Value, and Russell 1000 Growth.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TARGET AND ACTUAL ASSET ALLOCATIONS
AS OF JUNE 30, 1998**

The Board reviews the Association's Investment Policy every two years, 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.

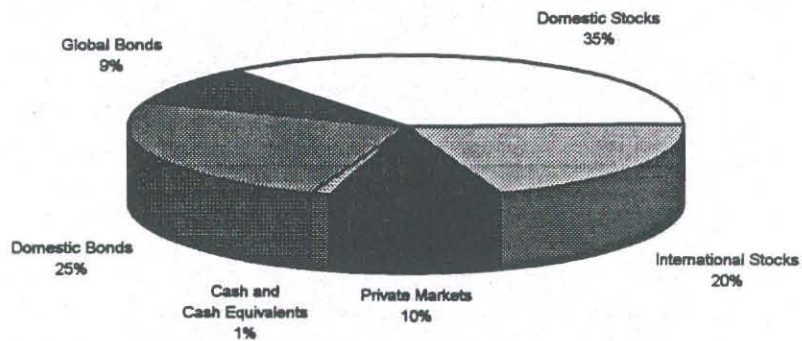
One keystone of asset allocation is diversification among asset classes. Diversification helps to maintain risk at a tolerable level. Therefore, the Board reviews the investment performance and volatility of each asset class on a regular basis over various time periods (quarterly, annually, multi-years) 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 1997/98 target and actual asset allocations are presented in the following graphs:

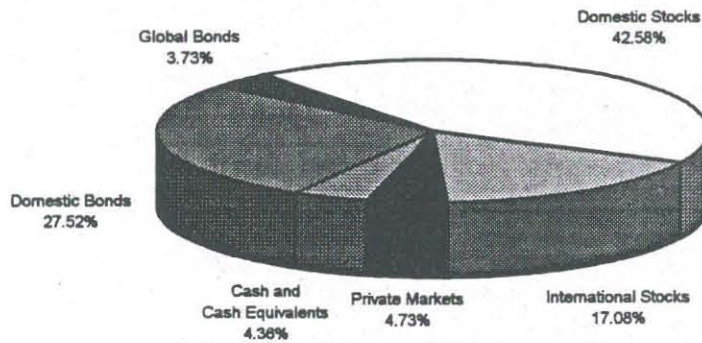


**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TARGET AND ACTUAL ASSET ALLOCATIONS (CONTINUED)
AS OF JUNE 30, 1998**

Target Percentages



Actual Percentages



* Cash and Cash Equivalents does not include Securities Lending short-term investment pool monies.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
LARGEST BOND HOLDINGS
AS OF JUNE 30, 1998**

PAR	NAME	FAIR VALUE
\$ 9,680,000	US TREASURY BOND 6.375% due 3/31/2001	\$ 9,849,425
8,925,000	US TREASURY NOTES 6.625% due 5/15/2007	9,501,966
7,705,000	US TREASURY NOTES 7.125% due 2/15/2023	8,874,719
7,861,240	GNMA #0354566 7.500% due 4/15/2023	8,114,274
7,957,461	GNMA #4449517 7.500% due 3/15/2028	8,081,800
7,640,745	FHLMC GROUP #D6-9677 7.500% due 3/1/2026	7,640,702
7,243,645	FNMA 30-YR #0313694 7.000% due 8/1/2027	7,329,663
6,878,000	US TREASURY NOTES 6.500% due 11/15/2006	7,252,420
5,760,000	US TREASURY NOTES 6.250% due 2/15/2027	6,229,767
6,033,165	GNMA #780685 6.500% due 12/15/2027	6,006,770
	TOTAL	\$ 78,881,506

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
LARGEST STOCK HOLDINGS
AS OF JUNE 30, 1998**

SHARES	NAME	FAIR VALUE
91,300	SCHERING PLOUGH CORP COM	\$ 6,914,643
165,300	WARNER LAMBERT CO	6,376,479
165,800	LOWES COS INC COM	6,082,752
155,400	CEDANT CORP	5,536,107
64,200	LOEWS CORP	5,467,599
160,000	WORLD COM INC GA	5,419,236
109,200	PHILLIP MORRIS COS INC	4,045,782
55,200	DEUTCHE BANK AG NPV	3,979,242
86,900	TRAVELERS GROUP	3,770,625
13,200	ALLIANZ AG DEM 5 REGD	3,531,116
	TOTAL	\$ 51,123,581

A complete list of portfolio holdings is available upon request.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FEES AND COMMISSIONS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997
Investment Manager Fees		
Domestic Stocks	\$ 2,393,015	\$ 1,543,214
International Stocks	1,251,746	868,353
Domestic Bonds	833,624	743,291
Global Bonds	269,938	268,982
Total Investment Manager Fees	<u>\$ 4,748,323</u>	<u>\$ 3,423,840</u>
Other Investment Expenses		
Securities Lending Fees	\$ 5,864,460	\$ 4,822,753
Fiduciary Insurance Premium	25,331	25,232
Custodial Service Fees	64,233	242,419
Actuarial Service Fees	3,500	62,500
Investment Expense	9,404	62,270
Consulting Fees	90,000	35,030
Total Other Investment Expenses	<u>\$ 6,056,928</u>	<u>\$ 5,250,204</u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FEES AND COMMISSIONS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998 AND 1997

Brokerage Firm	Number of Shares	Total Commissions	Commissions per Share	Percentage of Commissions
Investment Trade Commissions				
ABN AMRO Bank	668,107	\$ 15,882	\$ 0.0238	1.43%
Bear Stearns & Co Inc.	212,400	15,423	0.0726	1.39%
Broadcourt Corp.	545,750	32,745	0.0600	2.95%
Brockhouse & Cooper Inc.	218,398	24,218	0.1109	2.18%
Capital International Investors	228,200	17,168	0.0752	1.55%
Donaldson, Lufkin & Jenrette	334,600	19,231	0.0575	1.74%
Everen Securities Inc.	1,763,700	88,071	0.0499	7.94%
Goldman Sachs & Co.	1,023,260	43,739	0.0427	3.95%
Instinet Corporation	1,434,897	47,998	0.0335	4.33%
James Capel Securities	1,733,936	103,693	0.0598	9.35%
Lehman Brothers	1,684,120	34,113	0.0203	3.08%
Merrill Lynch, Pierce, Fenner, Smith Inc.	2,530,761	65,021	0.0257	5.87%
Morgan Stanley & Co. Inc.	1,119,837	68,651	0.0613	6.19%
Pension Fund Evaluation Inc.	2,212,807	119,563	0.0540	10.79%
Salomon Brothers Inc.	509,340	13,563	0.0266	1.22%
Smith Barney Inc.	388,756	22,151	0.0570	2.00%
UBS Securities Inc.	1,222,800	29,398	0.0240	2.65%
Wertheim Schroder & Co.	336,760	13,698	0.0407	1.24%
Other	20,919,484	334,277	0.0160	30.15%
Total Investment Trade Commissions	<u>39,087,913</u>	<u>\$ 1,108,603</u>	<u>\$ 0.0284</u>	<u>100.00%</u>

The Association has established a Directed Commission Recapture Program generated by equity and fixed income transactions. The Association provides each manager with a target amount of commissions that they will direct annually based on specific investment and trading styles. However, the Association communicates to its managers that best execution and best price are still the primary considerations when a transaction is made.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT SUMMARY
JUNE 30, 1998
(amounts in thousands)

	Fair Value	Actual Percentages	Target Percentages
Investments			
Domestic Bonds*	\$ 451,647	27.52%	25.00%
Global Bonds	61,169	3.73%	9.00%
Total Bonds	<u>512,816</u>	<u>31.25%</u>	<u>34.00%</u>
Domestic Stocks	698,831	42.58%	35.00%
International Stocks	280,427	17.08%	20.00%
Total Stocks	<u>979,258</u>	<u>59.66%</u>	<u>55.00%</u>
Private Markets**	77,696	4.73%	10.00%
Total Investments	<u>1,569,770</u>	<u>95.64%</u>	<u>99.00%</u>
Cash and Cash Equivalents			
Cash held in County Investment Pool	2,859	0.17%	***
Short term investment with fiscal agent	68,690	4.19%	***
Total Cash and Cash Equivalents	<u>71,549</u>	<u>4.36%</u>	<u>1.00%</u>
TOTAL INVESTMENTS, CASH AND CASH EQUIVALENTS	<u>\$ 1,641,319</u>	<u>100.00%</u>	<u>100.00%</u>

* Includes mortgage securities.

** Includes real estate and alternative investments.

*** The overall target allocation for Cash and Cash equivalents is 3% and is not broken down by the type of investment.

ACTUARIAL SECTION

**ACTUARY'S
CERTIFICATION
LETTER**

**BUCK
CONSULTANTS**

100 California Street Suite 1300
San Francisco, California 94111

October 19, 1998

Board of Retirement
Fresno County
Employees' Retirement Association
P.O. Box 1247
Fresno, California 93715-1247

Members of the Board:

Re: *Actuarial Certification of the
Fresno County
Employees' Retirement Association*

Buck Consultants, Inc. is the Consulting
Actuary for the Fresno County Employees'
Retirement Association.

The funding objective of the Plan is to establish contribution rates which, over time, will remain as a level percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL). As of June 30, 1996, the remaining amortization period for the UAAL was 14 years. The progress being made towards the realization of the funding objective through June 30, 1996 is shown in the attached Exhibits.

Actuarial valuations and experience analyses are performed bi-annually. The date of the most recent actuarial valuation and experience analysis was June 30, 1996. At

that time an analysis was made as to the appropriateness of all economic and non-economic assumptions. Recommendations were presented to, and adopted by, the Board. The next biennial study will be performed as of June 30, 1998 and a gain and loss analysis will be included at that time.

For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by spreading all gains and losses over three years.

Our firm has prepared and/or reviewed all of the schedules presented in the actuarial section. All actuarial assumptions shown in the schedules were determined by us and adopted by the Board. These assumptions produce results which, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The employee census data and asset information were provided by the Retirement Office. The census data was reviewed, compared against the prior years and deemed reasonable. The asset information was accepted without further audit.

We certify that the Retirement Association is in sound financial condition and that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

Respectfully submitted,



Krystyna H. Upstill, E.A., M.A.A.A.
Principal and Consulting Actuary

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

The Entry Age Normal Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The UAAL is being funded over 14 years from the June 30, 1996 valuation date. The following assumptions and methods were recommended by the Association's actuary and approved by the Board of Retirement :

1. Interest: 8.25% per annum. (3.5% real, 4.75% inflation)
2. Interest Credited to Employee Accounts: ✓ 8.25% per annum.
3. Inflation: 4.75% per annum.
4. Salary Scale: ✓ 5.75% per annum. (1% merit increase, 4.75% inflation)
5. Asset Valuation: Smoothed market value.
6. Spouses and Dependents: 90% of male employees and 50% of female employees assumed married at retirement, with wives assumed three years younger than husbands.
7. Rates of Termination of Employment: 0% to 17%
8. Years of Life Expectancy After Retirement: 1983 Group Annuity Mortality
9. Years of Life Expectancy After Disability: 1981 Group Annuity Mortality
10. Life Expectancy After Retirement for Employee Contribution Rate Purposes
 - General Members: 1983 Group Annuity Table for Males, set back four years.
 - Safety Members: 1983 Group Annuity Table for Males, set back one year.
11. Reciprocity Assumption: 50% of members who terminate with a vested benefit are assumed to enter a reciprocal system.
12. Deferral Age for Vested Terminations: 63 for General Members; 55 for Safety.
13. Sex: All Safety members are assumed to be male.

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 1996.

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

Valuation Date	Plan Type	Number **	Annual Payroll	Average Monthly Salary	% Increase in Average Salary
June 30, 1992 *	General	5,871	\$ 170,183,000	\$ 2,416	11.0%
	Safety	<u>716</u>	<u>24,458,000</u>	<u>2,847</u>	<u>6.0%</u>
	Total	<u>6,587</u>	<u>\$ 194,641,000</u>	<u>\$ 2,462</u>	<u>10.0%</u>
June 30, 1994	General	6,091	\$ 189,354,000	\$ 2,591	7.2%
	Safety	<u>743</u>	<u>28,085,000</u>	<u>3,150</u>	<u>10.6%</u>
	Total	<u>6,834</u>	<u>\$ 217,439,000</u>	<u>\$ 2,651</u>	<u>7.7%</u>
June 30, 1996 ***	General	4,856	\$ 158,601,000	\$ 2,722	5.1%
	Safety	<u>826</u>	<u>32,513,000</u>	<u>3,280</u>	<u>4.1%</u>
	Total	<u>5,682</u>	<u>\$ 191,114,000</u>	<u>\$ 2,803</u>	<u>5.7%</u>

* Actuarial study prepared by W.F. Corroon for fiscal year ending June 30, 1992.

** Difference in membership balances for actuary purposes and financial statement schedule on page 11 reflects adjustments to actuary information made after the financial statements were prepared.

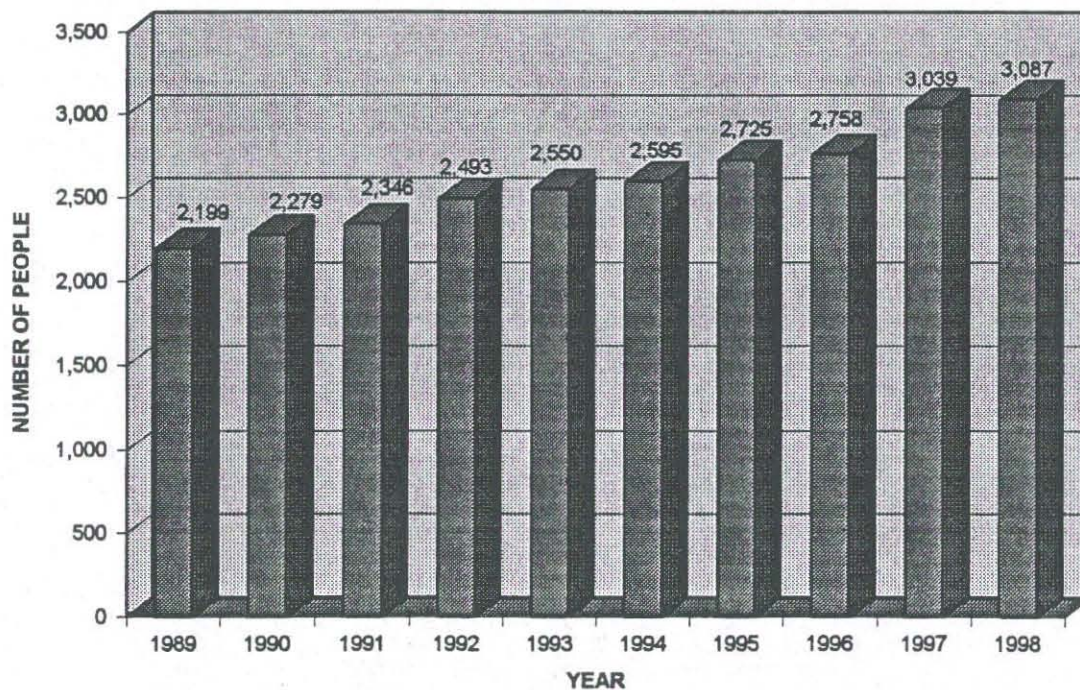
*** The actuary study performed at June 30, 1996 included a prospective adjustment for members who terminated membership in the Association due to the merger of Valley Medical Center with Community Hospitals of Central California in October 1996.

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 1996.

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

Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year
1989	2,146	105	52	2,199
1990	2,199	127	47	2,279
1991	2,279	118	51	2,346
1992	2,346	209	62	2,493
1993	2,493	130	73	2,550
1994	2,550	110	65	2,595
1995	2,595	223	93	2,725
1996	2,725	124	91	2,758
1997	2,758	367	86	3,039
1998	3,039	130	82	3,087

RETIRANTS AND BENEFICIARIES AT THE END OF THE YEAR



FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARY SOLVENCY TEST
(amounts in thousands)

Valuation Date	Actuarial Accrued Liability (AAL)			Actuarial Value of Assets**	Percentage of AAL Covered by Assets		
	Active Members	Retired / Vested Members	Employer Financed Portion		Active	Retired	Employer
June 30, 1992	\$ 134,117	\$ 314,102	\$ 212,919	\$ 669,215	100%	100%	100%
June 30, 1994 *	124,131	370,452	331,080	795,748	100%	100%	91%
June 30, 1996	114,994	514,322	321,143	1,296,256	100%	100%	100%

* Interest rate assumption decreased from 8.5% to 8.25%.

** The actuarial value of assets was based on historical cost for the years ended June 30, 1992 and 1994.
For the year ended June 30, 1996, the actuarial value assets was based on a 3 year smoothed market method.

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 1996.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE
(Current Assumptions)

Age	Withdrawal	Ordinary Death	Ordinary Disability	Service	Death While Eligible	Duty Death	Duty Disability	Terminated Vested
-----	------------	-------------------	------------------------	---------	-------------------------	---------------	--------------------	----------------------

General Members - Male

20	0.16000	0.00020	0.00000	0.00000	0.00000	0.00010	0.00005	0.00045
30	0.13500	0.00040	0.00007	0.00000	0.00013	0.00010	0.00010	0.00630
40	0.03900	0.00060	0.00035	0.00000	0.00039	0.00010	0.00020	0.02070
50	0.01000	0.00130	0.00147	0.03500	0.00104	0.00010	0.00055	0.01080
60	0.01000	0.00240	0.00308	0.15000	0.00234	0.00030	0.00155	0.00540
70	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000

General Members - Female

20	0.17000	0.00010	0.00000	0.00000	0.00000	0.00000	0.00010	0.00270
30	0.15000	0.00030	0.00010	0.00000	0.00008	0.00000	0.00020	0.00450
40	0.05500	0.00060	0.00030	0.00000	0.00008	0.00000	0.00030	0.01665
50	0.02600	0.00100	0.00110	0.04000	0.00022	0.00000	0.00060	0.01170
60	0.01300	0.00180	0.00230	0.14000	0.00045	0.00000	0.00170	0.00450
70	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000

Safety Members

20	0.13000	0.00015	0.00000	0.00000	0.00000	0.00015	0.00048	0.00100
30	0.06400	0.00030	0.00030	0.00000	0.00015	0.00030	0.00104	0.02500
40	0.02200	0.00045	0.00100	0.00000	0.00022	0.00045	0.00312	0.01200
50	0.00500	0.00075	0.00160	0.07000	0.00060	0.00075	0.00848	0.00000
60	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 1996.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
YEARS OF LIFE EXPECTANCY AFTER SERVICE RETIREMENT
(Current Assumptions)**

Age	Years of Life Expectancy
-----	--------------------------

General Members - Male

50	29.18
60	20.64
70	13.18
80	7.64
90	4.28
100	2.28
110	0.50

General Members - Female

50	34.92
60	25.67
70	17.13
80	10.20
90	5.41
100	2.36
110	0.50

Safety Members

50	30.08
60	21.46
70	13.84
80	8.10
90	4.54
100	2.45
110	0.74

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 1996.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
YEARS OF LIFE EXPECTANCY AFTER DISABILITY RETIREMENT
(Current Assumptions)**

Age	Years of Life Expectancy
-----	--------------------------

General Members

20	38.73
30	31.98
40	26.21
50	21.08
60	16.37
70	11.70
80	7.00
90	4.09
100	2.20
110	0.50

Safety Members

20	49.29
30	40.36
40	31.77
50	23.59
60	16.64
70	11.70
80	7.00
90	4.09
100	2.20
110	0.50

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 1996.

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

1. ELIGIBILITY

First of pay period following pay period employed.

2. DEFINITION OF SALARY

Highest 12 consecutive months of compensation earnable.

3. SERVICE RETIREMENT

- Normal retirement age - 57 and 50 for Section 31676.12 and Section 31664, respectively.

- Early retirement

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

- Benefit

1/50 times final average salary per year of service.

- Benefit Adjustments

Reduced for retirement before 57 and 50 for Section 31676.12 and Section 31664, respectively.

Increased for retirement after 57 and 50 for Section 31676.12 and Section 31664, respectively.

4. DISABILITY RETIREMENT

- Non-service connected

1.8% of final average salary per year of service, with a maximum of 33-1/3% if projected service is used (age 62 for General, age 55 for Safety), or 90% of the accrued service retirement benefit without a benefit adjustment, or service retirement benefit (if eligible).

- Service-connected

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

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

5. DEATH BEFORE RETIREMENT

- Refund of contributions plus 1/12 of salary per year of service up to 6 years.
- If eligible for disability or service retirement
 - 60% of member's accrued allowance.
- If service-connected
 - 50% of salary.

6. DEATH AFTER RETIREMENT

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

7. VESTING

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

8. MEMBERS' CONTRIBUTIONS

Based on entry age.

9. COST-OF-LIVING

"Automatic" 3% COLA for all members.

Note: Information compiled from Actuarial Report prepared by Buck Consultants dated June 30, 1996.

STATISTICAL SECTION

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE**

(amounts in thousands)

REVENUES BY SOURCE

Fiscal Year Ended June 30,	EMPLOYER CONTRIBUTIONS				
	Member Contributions	Dollars Amounts	% of Annual Covered Payroll	Investment Income	Total
1989	\$ 8,319	\$ 18,581	13.14%	\$ 36,031	\$ 62,931
1990	7,590	18,824	10.90%	50,448	76,862
1991	8,162	20,635	12.56%	46,689	75,486
1992	5,579	18,771	10.19%	67,911	92,261
1993	6,056	19,995	10.10%	88,960	115,011
1994	6,374	21,428	9.67%	82,378	110,180
1995	6,723	22,707	9.73%	75,072	104,502
1996	8,038	26,468	11.34%	125,679	160,185
1997	7,087	31,666	11.03%	204,115	242,868
1998	7,168	202,550	93.44%	250,001	459,719

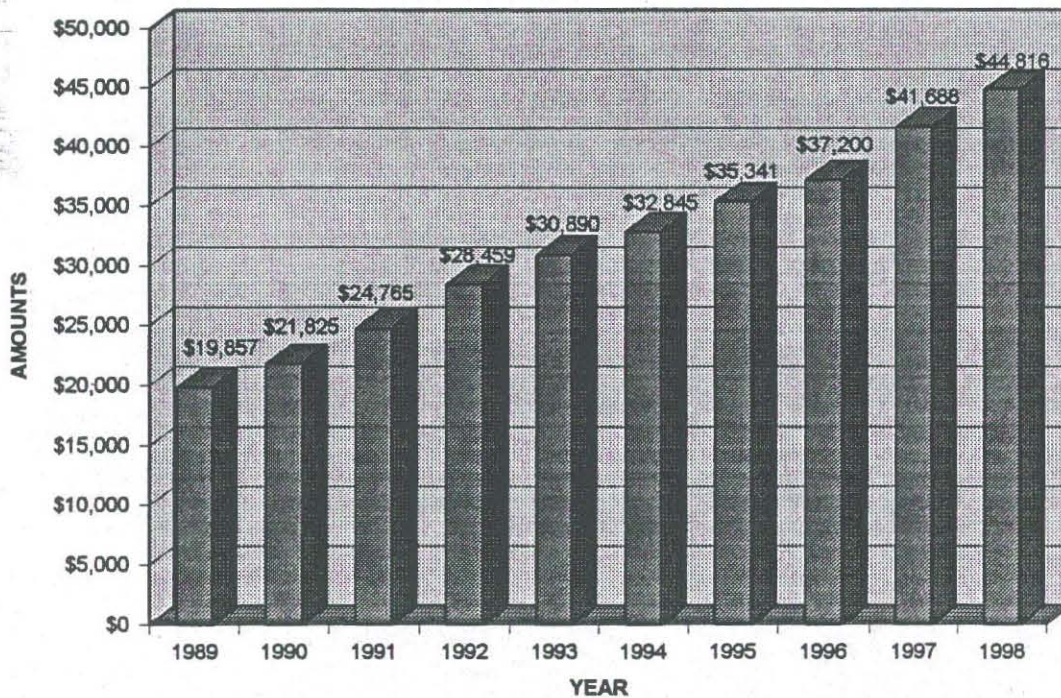
EXPENSES BY TYPE

Fiscal Year Ended June 30,	Benefits	Administrative Expenses	Refunds	Total
1989	\$ 19,857	\$ 310	\$ 2,458	\$ 22,625
1990	21,825	356	2,386	24,567
1991	24,765	343	1,976	27,084
1992	28,459	421	1,726	30,606
1993	30,890	552	1,514	32,956
1994	32,845	520	1,478	34,843
1995	35,341	660	1,298	37,299
1996	37,200	787	1,678	39,665
1997	41,688	757	5,346	47,791
1998	44,816	721	1,772	47,309

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

MEMBERS	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
GENERAL	\$16,665	\$18,303	\$20,590	\$23,875	\$26,024	\$27,455	\$29,231	\$31,043	\$35,082	\$37,715
SAFETY	2,944	3,252	3,821	4,179	4,487	4,969	5,642	5,659	6,074	6,587
SURVIVOR	248	270	354	405	379	421	468	498	532	.514
TOTAL	\$19,857	\$21,825	\$24,765	\$28,459	\$30,890	\$32,845	\$35,341	\$37,200	\$41,688	\$44,816

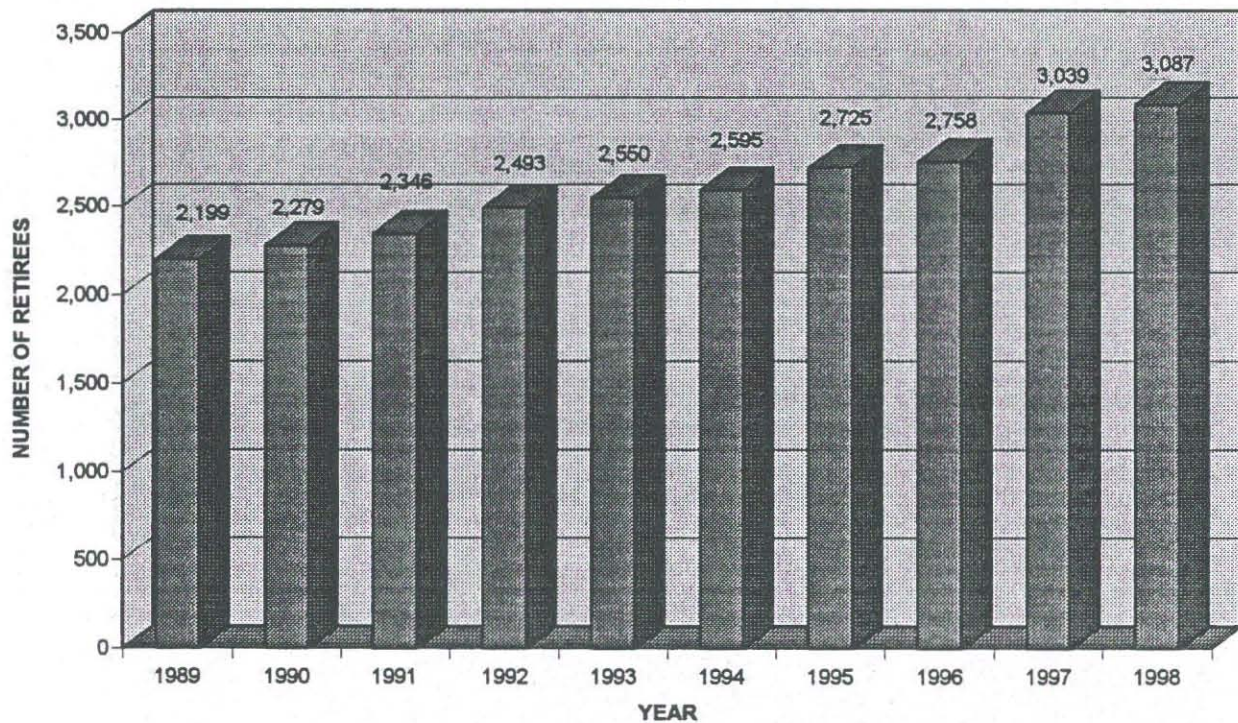
BENEFIT EXPENSES
(amounts in thousands)



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

MEMBERS	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
GENERAL	1,983	2,044	2,098	2,231	2,276	2,299	2,412	2,429	2,697	2,732
SAFETY	177	194	206	217	227	247	261	272	284	292
SURVIVOR	39	41	42	45	47	49	52	57	58	63
TOTAL	2,199	2,279	2,346	2,493	2,550	2,595	2,725	2,758	3,039	3,087

TOTAL RETIRED MEMBERS



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AVERAGE ANNUAL BENEFIT AND MEMBERSHIP DISTRIBUTION
OF RETIRED GENERAL MEMBERS*
AS OF JUNE 30, 1996**

**MALES
YEARS OF RETIREMENT**

CURRENT AGE	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	TOTAL
Below 45	5	4	0	0	0	0	0	9
	7,437	7,236	0	0	0	0	0	7,348
45-49	2	2	0	1	0	0	0	5
	11,275	9,230	0	8,185	0	0	0	9,839
50-54	60	2	2	2	1	0	0	67
	12,176	10,493	7,543	9,634	8,401	0	0	11,855
55-59	70	24	3	0	1	0	0	98
	20,721	6,894	11,917	0	4,105	0	0	16,896
60-64	115	69	38	2	1	0	0	225
	24,885	13,834	9,766	7,266	1,620	0	0	18,683
65-69	44	76	44	24	0	0	2	190
	20,240	21,261	12,861	8,934	0	0	3,697	17,337
70-74	10	39	85	36	12	1	3	186
	15,711	18,816	16,915	12,404	4,217	4,137	4,542	15,288
75-79	0	14	41	69	20	2	1	147
	0	15,088	15,806	14,711	5,894	4,067	1,551	13,618
80-84	0	0	5	39	23	3	1	71
	0	0	10,949	11,385	8,569	3,859	4,333	10,025
85 & Over	0	1	0	9	12	7	4	33
	0	1,162	0	15,681	7,844	5,898	2,570	8,727
TOTAL	306	231	218	182	70	13	11	1,031
	20,099	16,236	14,350	12,655	6,769	5,010	3,380	15,430

* Includes VMC and ERO

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AVERAGE ANNUAL BENEFIT AND MEMBERSHIP DISTRIBUTION
OF RETIRED GENERAL MEMBERS* (CONTINUED)
AS OF JUNE 30, 1996**

**FEMALES
YEARS OF RETIREMENT**

CURRENT AGE	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	TOTAL
Below 45	4	5	1	1	0	0	0	11
	6,318	14,041	9,500	6,203	0	0	0	10,107
45-49	8	1	1	0	1	0	0	11
	11,130	6,450	26,857	0	10,685	0	0	12,094
50-54	117	4	3	3	1	1	0	129
	10,101	7,695	9,052	4,386	5,575	8,617	0	9,823
55-59	122	39	4	5	0	0	0	170
	13,687	7,876	4,154	9,981	0	0	0	12,021
60-64	162	55	31	5	6	1	0	260
	15,766	9,293	6,146	8,025	6,607	4,730	0	12,847
65-69	85	99	60	40	6	2	1	293
	12,551	11,693	8,875	4,797	5,306	5,124	2,104	10,215
70-74	24	67	110	65	24	6	0	296
	13,720	10,910	12,062	6,719	4,481	4,637	0	9,997
75-79	5	10	66	94	48	7	0	230
	15,020	10,430	12,735	8,328	4,876	5,756	0	9,031
80-84	0	2	11	62	67	17	3	162
	0	3,741	11,264	8,157	5,447	4,692	2,774	6,729
85 & Over	0	0	0	10	58	41	19	128
	0	0	0	4,251	5,354	3,795	3,878	4,549
TOTAL	527	282	287	285	211	75	23	1,690
	13,266	10,376	10,782	7,260	5,236	4,361	3,657	9,821

* Includes VMC and ERO

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AVERAGE ANNUAL BENEFIT AND MEMBERSHIP DISTRIBUTION
OF RETIRED SAFETY MEMBERS
AS OF JUNE 30, 1996**

CURRENT AGE	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	TOTAL
Below 45	5	4	2	0	0	0	0	11
	16,351	17,227	19,320	0	0	0	0	17,209
45-49	13	11	2	0	1	0	0	27
	16,957	18,225	12,466	0	12,389	0	0	16,972
50-54	23	16	1	1	0	0	0	41
	17,916	15,003	6,974	4,990	0	0	0	16,197
55-59	19	6	8	1	1	0	0	35
	25,530	21,532	13,243	22,037	10,496	0	0	21,507
60-64	8	18	12	4	1	0	0	43
	33,322	28,667	15,265	10,083	20,787	0	0	23,881
65-69	1	10	18	18	0	1	0	48
	7,330	28,647	27,890	15,262	0	5,435	0	22,416
70-74	0	1	3	23	12	1	0	40
	0	67,469	25,174	20,680	10,147	1,313	0	18,543
75-79	0	0	0	5	8	2	0	15
	0	0	0	17,628	12,607	4,941	0	13,259
80-84	0	0	0	1	11	2	0	14
	0	0	0	5,659	12,059	12,299	0	11,636
85 & Over	0	0	0	0	1	5	0	6
	0	0	0	0	4,563	10,406	0	9,432
TOTAL	69	66	46	53	35	11	0	280
	21,351	22,857	20,374	17,198	11,529	8,478	0	19,026

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

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Active Vested										
General	2,771	2,779	2,963	2,868	2,803	3,537	4,318	3,627	3,368	3,588
Safety	367	381	354	294	464	466	451	551	513	488
Total	3,138	3,160	3,317	3,162	3,267	4,003	4,769	4,178	3,881	4,076
Active Nonvested										
General	2,724	2,973	2,864	3,017	3,153	2,527	1,973	2,614	1,580	1,551
Safety	175	221	312	429	258	280	331	275	329	385
Total	2,899	3,194	3,176	3,446	3,411	2,807	2,304	2,889	1,909	1,936
Total Active Members										
General	5,495	5,752	5,827	5,885	5,956	6,064	6,291	6,241	4,948	5,139
Safety	542	602	666	723	722	746	782	826	842	873
TOTAL	6,037	6,354	6,493	6,608	6,678	6,810	7,073	7,067	5,790	6,012
Deferred Members	516	563	624	665	708	722	745	792	1,182	1,289
TOTAL	516	563	624	665	708	722	745	792	1,182	1,289

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

	1992	1993	1994	1995	1996	1997	1998
County of Fresno							
General Members	5,858	5,929	6,039	6,266	6,218	4,926	5,098
Safety Members	678	682	707	743	788	803	833
Total	6,536	6,611	6,746	7,009	7,006	5,729	5,931
Participating Agencies (General Members)							
Clovis Memorial	4	4	4	4	3	3	3
Fresno County Unified Schools	4	3	3	3	3	3	2
Fresno Mosquito Abatement	10	11	10	10	10	9	9
Fresno-Madera Area Agency on Aging	-	-	-	-	-	-	20
North Central Fire	9	9	8	8	7	7	7
Total	27	27	25	25	23	22	41
Participating Agencies (Safety Members)							
North Central Fire	45	40	39	39	38	39	40
Total	45	40	39	39	38	39	40
Total Active Members							
General Members	5,885	5,956	6,064	6,291	6,241	4,948	5,139
Safety Members	723	722	746	782	826	842	873
TOTAL	6,608	6,678	6,810	7,073	7,067	5,790	6,012

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

EFFECTIVE DATES			GENERAL	SAFETY
June 19, 1995	to	Present	10.81%	14.95%
June 20, 1993	to	June 18, 1995	9.73%	13.59%
June 10, 1991	to	June 19, 1993	9.47%	13.59%
June 25, 1989	to	June 9, 1991	10.97%	17.28%
June 29, 1987	to	June 24, 1989	12.11%	17.32%
July 1, 1985	to	June 28, 1987	12.58%	16.72%
July 1, 1983	to	June 30, 1985	13.17%	17.00%
July 3, 1981	to	June 30, 1983	15.44%	24.50%

The employer contribution rates above reflect the aggregate rates.

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