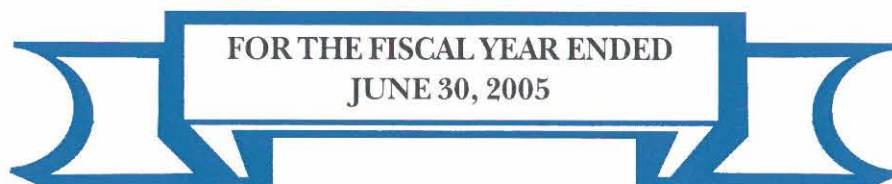




**FRESNO COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION**

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



**Fresno County, California**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2005

ISSUED BY

ROBERTO L. PEÑA  
RETIREMENT ADMINISTRATOR

BECKY VAN WYK, CPA  
CHIEF ACCOUNTANT

## **FCERA**

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
1111 H STREET  
FRESNO, CALIFORNIA 93721

A COMPONENT UNIT OF THE COUNTY OF FRESNO

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## INTRODUCTORY SECTION



Roberto L. Peña  
Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT

John P. Souza, Chair  
Vera Dominguez, Vice Chair  
Michael Cardenas  
Vicki Crow  
Steven J. Jolly  
Phil Larson  
A. Papaleo  
Stephanie Savrnoch  
Michael Thobe  
Ronald S. Frve, Alternate

September 30, 2005

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

Dear Board Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Fresno County Employees' Retirement Association (FCERA) for the fiscal years ended June 30, 2005 and 2004. Information contained in this report is designed to provide a comprehensive and accurate review of the year's operations and is the responsibility of the Association's management.

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

The required financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, 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.

## STRUCTURE OF THE REPORT

FCERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures. The CAFR is presented in five sections:

- The **Introductory Section** includes the Letter of Transmittal, a description of FCERA's Board Members and organizational structure, a listing of professional services used and the Certificate of Achievement.
- The **Financial Section** contains the opinion of the independent certified public accountants, Macias, Gini & Company LLP, the Management's Discussion and Analysis, the financial statements and notes and other required supplementary financial information.
- The **Investment Section** contains the investment consultant's statement produced by Wurts & Associates, FCERA'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, Public Pension Professionals, 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.

## FCERA AND ITS SERVICES

FCERA was established on January 1, 1945, to provide retirement allowances and other benefits to the safety and general members employed by Fresno County. Currently, Fresno County (including Superior Court of California – County of Fresno) and 5 other participating agencies are members of FCERA. The participating agencies include:

Clovis Memorial District  
 Fresno-Madera Area Agency on Aging  
 Fresno County Office of Education (limited membership)  
 Fresno Mosquito and Vector Control  
 North Central Fire Protection District

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

The plan is administered by the Fresno County Board of Retirement (Board) which consists of nine members and a retiree alternate. The Board is responsible for establishing policies governing the administration of the retirement plan, determining



benefit allowances, and managing the investments of the system's assets. The Board oversees the Retirement Administrator and the FCERA staff in the performance of their duties in accordance with the County Employees Retirement Law of 1937 and the bylaws, procedures, and policies adopted by the FCERA Board.

## **MAJOR INITIATIVES**

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

In November 2004, the FCERA initiated the final compensation recalculation project, which includes recalculating the final compensation and retirement benefit of about 4,260 retirees and beneficiaries. The project was divided into three phases; the first phase is comprised of about 1,200 members that retired since the implementation of the Ventura Settlement agreement in Fresno covering the period January 1, 2001 through October 31, 2004 when the new method of calculating final compensation using 365 consecutive days was implemented for active members. The second phase includes about 500 members that retired between October 5, 1997 (the date of the California Supreme Court's decision on the Ventura Litigation) and December 31, 2000. The third phase includes about 2,560 members that retired prior to October 5, 1997.

As of this writing, the project is into its second phase and is approximately 35% complete with about 1,500 final compensation and retirement benefit recalculations prepared and a monthly retirement benefit payroll decrease of about \$85,000. The project is scheduled for completion by Fall of 2006. A more detailed discussion is provided in the Notes to the Financials Statements.

## **INVESTMENTS**

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

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

During the fiscal year, the Board performed investment searches for two asset classes, fixed income and international equities. In October 2004, the Board terminated Weiss, Peck & Greer (WPG) in favor of Western Asset Management (WAMCO) to manage a \$200 million core plus fixed mandate. In Spring 2005, the Board also terminated Marvin & Palmer's International Equity and Emerging Markets strategies in favor of Mondrian Investment Partners for a \$100 million Emerging Markets mandate and Oeschle International Advisors for a \$150 million International Equity mandate.

The Board also initiated a due diligence process for the purpose of selecting three transition managers to provide FCERA with future transition management services.

## **ACTUARIAL FUNDING STATUS**

Pursuant to provisions in the County Employees Retirement Law of 1937, FCERA engages an independent actuarial firm to perform an actuarial valuation of the system annually. Economic assumptions are reviewed annually. Additionally, every 3 years, an experience study of the members of FCERA is completed. The non-economic assumptions may be updated at the time each triennial experience study is performed. The most recent triennial experience study, which was completed by Public Pension Professionals (P<sup>3</sup>) was performed as of June 30, 2003. The P<sup>3</sup> actuarial valuation as of June 30, 2004 determined the funding status (the ratio of system assets to system liabilities) to be 98.6%, using approved assumptions. A more detailed discussion of funding is provided in the Actuarial Section of this report.

## **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, 2004. This was the eighth consecutive year that the system has achieved this prestigious award.

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

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet to the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.



## ACKNOWLEDGMENTS

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

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

Respectfully submitted,

A handwritten signature in black ink, reading "Roberto L. Peña". The signature is fluid and cursive, with the first name "Roberto" being the most prominent part.

Roberto L. Peña  
Retirement Administrator

RLP:bvw



# 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, 2004

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.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

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

**ADMINISTRATOR**

ROBERTO L. PEÑA  
Retirement Administrator

**CHAIRMAN**

JOHN SOUZA  
Retired Member - Elected by Retirees  
Present term expires December 31, 2007

**VICE CHAIRPERSON**

VERA DOMINGUEZ  
General Member - Elected by General Members  
Present term expires December 31, 2006

**MEMBER**

MICHAEL CARDENAS  
Qualified Elector - Appointed by Board of Supervisors  
Present term expires December 31, 2005

**MEMBER**

VICKI CROW, CPA  
Statutory Requirement - Auditor-Controller/Treasurer-Tax Collector  
Present term expires December 31, 2006

**MEMBER**

STEVEN JOLLY  
Qualified Elector - Appointed by Board of Supervisors  
Present term expires December 31, 2006

**MEMBER**

PHIL LARSON  
Qualified Elector - Appointed by Board of Supervisors  
Present term expires December 31, 2007

**MEMBER**

A. PAPALEO  
Qualified Elector - Appointed by Board of Supervisors  
Present term expires December 31, 2005

**MEMBER**

STEPHANIE SAVRNOCH  
General Member - Elected by General Members  
Present term expires December 31, 2007

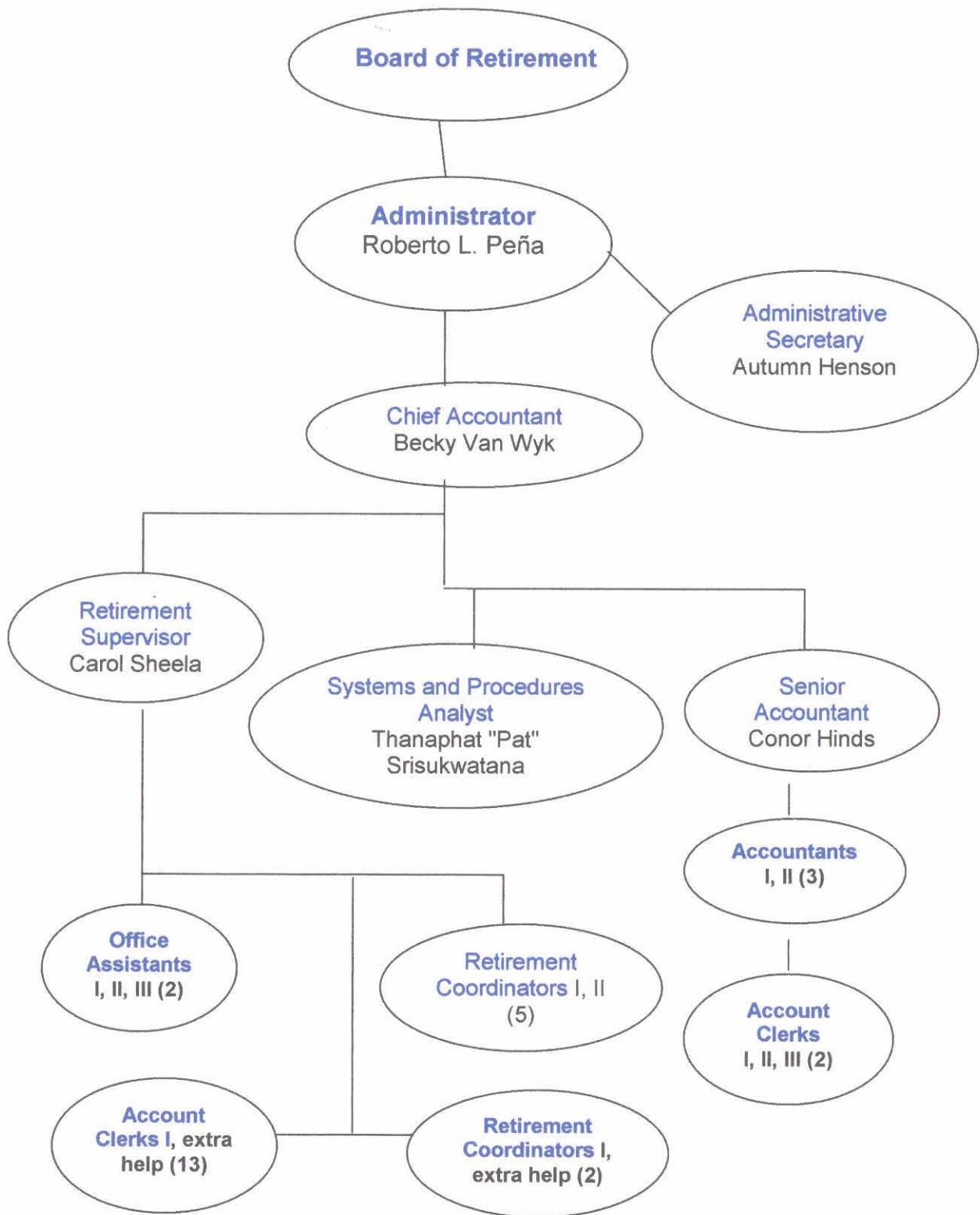
**MEMBER**

MICHAEL THOBE  
Safety Member - Elected by Safety Members  
Present term expires December 31, 2005

**ALTERNATE RETIRED MEMBER**

RONALD S. FRYE  
Alternate Retired Member - Elected by Retirees  
Present term expires December 31, 2007

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



Total number of positions authorized - 22

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

**CONSULTING SERVICES**

**ACTUARY**

Public Pension Professionals

**AUDITOR**

Macias, Gini and Company, LLP  
Price Waterhouse Coopers

**COMMISSION RECAPTURE SERVICES**

Lynch, Jones & Ryan  
BNY Brokerage Services

**CUSTODIAN BANK**

Fifth Third Bank

**INVESTMENT CONSULTANT**

Wurts and Associates

**LEGAL COUNSEL**

Richard H. Chasen  
Bob Blum, Hanson Bridgett Marcus  
Vlahos Rudy LLP  
Harvey Leiderman, Steefel Levitt & Weiss  
Joseph J. Tabacco, Jr., Berman,  
Devalerio, Pease, Tabacco, Burt &  
Pucillo  
Mitch Whitehead, Seyfarth Shaw LLP  
County Counsel

**SECURITIES LENDING**

Marshall & Ilsley Trust Company  
Credit Suisse First Boston

**INVESTMENT MANAGERS**

**DOMESTIC BONDS**

BlackRock Financial Management Inc.  
Bradford & Marzec, Inc.  
Loomis Sayles  
State Street Global Advisors  
Weiss, Peck & Greer  
Western Asset Management Company

**GLOBAL BONDS**

Grantham, Mayo, Van Otterloo & Co.

**DOMESTIC STOCKS**

Artisan Management  
Aronson, Johnson & Ortiz, LP  
Brandywine Asset Management, Inc.  
Intech S & P Barra  
Kalmar Management  
State Street Global Advisors  
TCW Concentrated Core  
Wellington Management Company, LLP.

**INTERNATIONAL STOCKS**

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

**PRIVATE MARKETS INVESTMENT**

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

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## FINANCIAL SECTION





## MACIAS GINI & COMPANY<sub>LLP</sub>

3000 S Street, Ste. 300  
Sacramento, California 95816

916.928.4600 PHONE  
916.928.2755 FAX

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of plan net assets of the Fresno County Employees' Retirement Association (Association), a component unit of the County of Fresno, California, as of June 30, 2005 and 2004, and the related statements of changes in plan net assets for the fiscal 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial position of the Association as of June 30, 2005 and 2004, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, effective July 1, 2004, the Association implemented the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules designated as other supplementary information in the table of contents are presented for purposes of additional analysis and are 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 Introductory, 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.

*Macdonald & Company LLP*

Certified Public Accountants

Sacramento, California  
September 30, 2005



## Management's Discussion and Analysis

Our discussion and analysis of the financial performance of the Association provides an overview of the financial activities for the fiscal years ended June 30, 2005 and 2004. Please read it in conjunction with the Letter of Transmittal in the Introductory Section of the Association's Comprehensive Annual Financial Report, and the Financial Statements, which follow this discussion.

### Financial Highlights

- Net assets held in trust by the Association, as reported on the *Statement of Plan Net Assets*, totaled \$2,337,706,000 as of June 30, 2005. Net assets increased by \$196,994,000 or 9.2%, consistent with economic and market conditions through out the year. Net assets totaled \$2,140,712,000 as of June 30, 2004, which was a net increase of \$590,072,000 (38.1%) from June 30, 2003. The increase was primarily due to the proceeds of a Pension Obligation Bond issued by the County of Fresno. Financial and economic factors are also discussed in the Letter of Transmittal from the Retirement Administrator and in the Investment Section of this report.
- The *Statement of Changes in Plan Net Assets* reflects \$316,010,000 in additions to plan net assets. Of this amount, \$168,581,000 represents appreciation in the fair value of investments (53.3% of the total additions), interest of \$27,829,000 (8.8% of the total additions) and employer and employee contributions of \$80,604,000 (34.2% of the total additions). For June 30, 2004, a net increase of \$590,072,000 in additions to plan net assets is reported. The net increase was comprised of \$184,760,000 appreciation in the fair value of investments, (26.4% of the total additions) interest and other investment income of \$59,652,000 (8.5% of the total additions) and employer and employee contributions of \$461,189,000 (65.9% of the total additions).
- The *Statement of Changes in Plan Net Assets* for June 30, 2005 reflects total deductions from plan net assets of \$119,016,000, an increase of 8.2% over prior year deductions of \$109,994,000. Total deductions from plan net assets for June 30, 2004 totaled \$109,994,000, an increase of 14.8% over the prior year deductions of \$95,849,000. The majority of the increases represent increased benefits paid.
- The *Statement of Changes in Plan Net Assets* for June 30, 2004 includes receipt of \$398,141,000 in employer contributions received from the proceeds of Pension Obligation Bonds (POB) issued by the County of Fresno to fund a portion of the estimated Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2003.
- The Association invests the retirement funds through a variety of investment managers and private markets. Investment profits and/or losses are allocated semi-annually based upon the fund balance at the end of the prior six-month period.

### Using this Comprehensive Annual Financial Report and Financial Statements

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

Both statements are in compliance with Governmental Accounting Standard Board (GASB) Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*; GASB Statement 34, *Basic Financial Statements – and*



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

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

The most important question asked about the Association's financial condition is, "Do we have sufficient assets to pay the benefits that have been promised to the membership?" The financial statements report information about the Association's activities in a way that helps answer this question. The actuarial valuation prepared for the one year period ended June 30, 2004 reported the funding ratio as 98.0%, an increase of 19.5% from the funding ratio included in the valuation report as of June 30, 2003. With the receipt of \$398,141,000 proceeds from the County's issuance of the POB, the funding ratio increased to 98.0%. The funding ratio indicates that at June 30, 2004 we have \$0.98 for each \$1.00 of liability. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid and all investment gains and losses are shown at transaction date, not settlement date. Further, both realized and unrealized gains and losses on investments are presented and all capital assets (property and equipment) are depreciated over their estimated useful lives.

These two financial statements report the Association's net assets – the difference between assets and liabilities – as one way to measure the Plan's financial position. Over time, increases and decreases in the Association's net assets are one indicator of whether its financial health is improving or deteriorating. Positive net plan assets indicate that there are sufficient assets to pay benefits to the members and members' beneficiaries for their expected lifetimes. While negative net plan assets indicate an insufficiency of resources to pay the agreed upon benefits. You will need to consider other factors, such as market conditions, to assess the Association's overall health.

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

FCERA's net assets increased 9.2% in 2005, from a beginning value of \$2,140,712,000 to \$2,337,706,000. The increase was primarily due to increases in the contributions received from employers and net appreciation in the fair value of investments. The net assets for June 30, 2004 increased \$590,072,000 (38.1%) from the June 30, 2003 balance of \$1,550,640,000 due to increases in the net appreciation in the fair value of investments during that period and receipt of the proceeds of a Pension Obligation Bond issued by the County of Fresno. Investment trades receivable and payable at June 30, 2005 decreased \$47,685,000 (121.7%) and \$88,550,000 (28.6%), respectively, over the June 30, 2004 balances of \$219,201,000 and \$309,100,000 due to trades that did not settle until after the end of the fiscal year. The cash collateral payable for securities lending increased \$93,416,000 (38.6%) to \$335,185,000 from the June 30, 2004 balance of \$241,768,000. The June 30, 2004 balance of cash collateral payable for securities lending had decreased \$45,941,000 from the June 30, 2003 balance of \$287,709,000. This was a 16.0% decrease in this account. (The following table presents the net assets amounts in thousands).

	2005	2004	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Current and other assets	\$ 2,896,148	\$ 2,694,928	\$ 201,220	7.5%
Capital assets	2,673	2,746	(73)	-2.7%
Total assets	\$ 2,898,821	\$ 2,697,674	201,147	7.5%
Other liabilities				
Total liabilities	561,115	556,962	4,153	0.7%
Net assets	\$ 2,337,706	\$ 2,140,712	\$ 196,994	9.2%

During fiscal year 2004, FCERA completed construction of its new Administration Building. Construction costs of \$2,102,901 were capitalized to be recovered over 30 years.

### Additions to Plan Net Assets

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

During the year ended June 30, 2005, total additions to plan net assets decreased by \$384,056,000 (54.9%) from the prior year primarily due to the receipt of \$398,141,000 in employer contributions from the proceeds of a POB issued by the County of Fresno in the prior year. During the year ended June 30, 2004, total additions to plan net assets increased by 764.8% from the prior year, again due to the receipt of the proceeds of a POB issued by the County of Fresno. Net investment income increased by 772.1%, while total contributions increased by 761.1%, for the year ended June 30, 2004. Net investment income decreased 1.5% and total contributions decreased 82.5% for the year ended June 30, 2005. The decreases were the result of the proceeds of the POB received during the prior year.

Employer contributions reported in the table (presented in thousands) below include retirement funds received from the County of Fresno and its member employers.

	2005	2004	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Additions:				
Contributions	\$ 80,604	\$ 461,189	\$ (380,585)	-82.5%
Net Investment Income	235,406	238,877	(3,471)	-1.5%
Total Additions	316,010	700,066	(384,056)	-54.9%
Deductions:				
Benefits paid	116,532	107,993	8,539	7.9%
Administrative Costs	2,484	2,001	483	24.1%
Total Deductions	119,016	109,994	9,022	8.2%
Increase/decrease in net assets	196,994	590,072	(393,078)	-66.6%
Net assets, beginning of year	2,140,712	1,550,640	590,072	38.1%
Net assets, end of year	\$ 2,337,706	\$ 2,140,712	\$ 196,994	9.2%



## **Deductions From Plan Net Assets**

The primary deductions of the Plan include the payment of benefits to members and member beneficiaries, the refund of contributions to former members, and the cost of administering the retirement plan. Deductions for fiscal year 2005 totaled \$119,016,000, an increase of 8.2% over 2004. Deductions for fiscal year 2004 totaled \$109,994,000, an increase of 14.8% over the 2003 amount of \$95,849,000. The increase in benefits paid resulted primarily from an increase in the number of benefits paid, and an increase in the average benefit amount.

Administrative expenses are approved in an annual budget by the Association's Board and represented 0.08% and 0.07% of total assets in 2005 and 2004, respectively. Under the California State Government Code, Section 31580.2, administration expenses incurred in any given year shall not exceed 0.18% of the total assets of the retirement system. The Association has consistently met its budgets and continues to expect to do so.

The deductions in plan net assets of \$119 million during 2005 combined with the contributions to plan net assets of \$81 million and net investment income of \$235 million, which are depicted on the previous page, accounts for the net increase in plan assets of \$197 million in 2005.

## **Reporting the Association's Fiduciary Responsibilities**

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

## **The Retirement Fund As A Whole**

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

## **Contacting the Association's Financial Management**

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

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

FCERA  
1111 H Street  
Fresno, CA 93721

Respectfully submitted,

  
Becky Van Wyk, CPA, CGFM



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**STATEMENTS OF PLAN NET ASSETS**  
**JUNE 30, 2005 AND 2004**

(Amounts expressed in thousands)

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and cash equivalents with fiscal agents (Note 3)	\$ 110,761	\$ 86,671
Securities lending investment pool:		
Short term investments	162,229	241,768
Long term investments	172,956	-
Total securities lending investments	<u>335,185</u>	<u>241,768</u>
Receivables:		
Investment trades receivable (Note 4)	171,516	219,201
Interest and dividends receivable	7,526	6,475
Contributions and other receivables	8,028	4,993
Securities lending receivable	595	283
Total receivables	<u>187,665</u>	<u>230,952</u>
Investments, at fair value (Note 3):		
U.S. Government and agencies fixed income	321,093	360,486
Domestic equity index fund	146,150	137,235
Domestic fixed income	352,375	332,041
Domestic equity	785,689	721,731
International equity	389,578	341,667
Foreign fixed income	71,355	49,982
Mortgages	15,095	2,459
Private markets and alternative investments	181,076	189,796
Total investments	<u>2,262,411</u>	<u>2,135,397</u>
Prepaid expenses	<u>127</u>	<u>140</u>
Capital assets (Note 6)		
Depreciable, net	<u>2,673</u>	<u>2,746</u>
Total capital assets, net	<u>2,673</u>	<u>2,746</u>
Total assets	<u>2,898,822</u>	<u>2,697,674</u>
LIABILITIES:		
Investment trades payable (Note 4)	220,550	309,100
Cash collateral payable for securities lending (Note 3)	335,185	241,768
Accounts payable	4,892	5,863
Securities lending bank and broker fees	489	231
Total liabilities	<u>561,116</u>	<u>556,962</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (Note 7)	<u>\$ 2,337,706</u>	<u>\$ 2,140,712</u>

(A schedule of funding progress appears on page 36).

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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**STATEMENTS OF CHANGES IN PLAN NET ASSETS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
(Amounts expressed in thousands)

	<u>2005</u>	<u>2004</u>
ADDITIONS:		
Contributions:		
Employers	\$ 56,343	\$ 442,949
Plan members	24,261	18,240
Total contributions	<u>80,604</u>	<u>461,189</u>
Investment income:		
From investment activities		
Net appreciation in fair value of investments	168,581	184,760
Interest	27,829	20,614
Dividends	22,644	18,770
Private markets	23,763	20,268
Net income from investment activities	<u>242,817</u>	<u>244,412</u>
From securities lending activities		
Securities lending income	5,879	3,851
Securities lending expenses		
Borrower rebate expenses	(4,677)	(2,939)
Security lending management fees	(300)	(228)
Net income from securities lending activities	<u>902</u>	<u>684</u>
Miscellaneous income	570	418
Investment expense	(8,883)	(6,637)
Net investment income	<u>235,406</u>	<u>238,877</u>
Total additions	<u>316,010</u>	<u>700,066</u>
DEDUCTIONS:		
Benefits and refunds paid to plan members and beneficiaries	116,532	107,993
Administrative expenses	2,484	2,001
Total deductions	<u>119,016</u>	<u>109,994</u>
NET INCREASE	196,994	590,072
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
BEGINNING OF YEAR	<u>2,140,712</u>	<u>1,550,640</u>
END OF YEAR	<u>\$ 2,337,706</u>	<u>\$ 2,140,712</u>

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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 1 - DESCRIPTION OF THE PLAN**

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

**General**

The Association is a contributory defined benefit plan initially organized under the provisions of the 1937 Act on January 1, 1945. It provides benefits upon retirement, death or disability of members. The Association is a cost-sharing, multiple-employer plan that includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County of Fresno, including Superior Court of California-County of Fresno, (County), Clovis Memorial, Fresno Mosquito and Vector Control, North Central Fire Protection Districts, Fresno-Madera Area Agency on Aging and certain employees of the Fresno County Office of Education (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 membership at June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Retirees and beneficiaries receiving benefits	4,401	4,234
Terminated employees entitled to benefits but not yet receiving them	1,464	1,378
Current employees:		
Vested:		
General	4,203	3,385
Safety	664	581
Nonvested:		
General	2,537	3,242
Safety	303	345
Total current employees	<u>7,707</u>	<u>7,553</u>
Total membership	<u><u>13,572</u></u>	<u><u>13,165</u></u>



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

**Benefit Provisions**

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

1. County Treasurer,
2. Two members of the Association elected by the general members,
3. One member of the Association elected by the safety members,
4. One retired member of the Association elected by the retired members, and
5. Four members appointed by the County Board of Supervisors. These members shall be qualified electors of the County who are not connected with County government in any capacity, except one may be a County Supervisor.
6. One alternate member of the Association from the safety members who represents one of the other safety classifications not represented by the Board member who received the highest number of votes during the election, and
7. One alternate member of the Association elected by the retired members.

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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

**Reporting Entity**

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

**Basis of Accounting**

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

**Implementation of GASB Statement No. 40**

Effective July 1, 2004 the Association implemented the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*, the provisions of which are reflected in the Association's financial statements.

**Deposits and Investments**

Cash and cash equivalents with fiscal agent include deposits in the County Treasurer's commingled cash and investment pool and investments held by the custodian bank. Investments with the custodian bank are comprised of foreign currencies, cash held in a short-term investment fund and other short-term, highly liquid investments. Short-term investments considered cash equivalents are recorded at cost, which approximates fair value. The County Treasurer's commingled cash and investment pool operates in accordance with appropriate state laws and regulations and is governed by an investment policy formally adopted by the County. (Please refer to the Comprehensive Annual Financial Report prepared by the County of Fresno for additional information on the County Treasurer's commingled cash and investment pool.)

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



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

**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, twelve years for office remodeling, fifteen years for Wyatt Software (pensions system) and thirty years for buildings. Depreciation expense is reported as part of administrative expenses.

**Use of Estimates**

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

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

*Custodial credit risk - deposits.* *Custodial credit risk – deposits* is the risk that in the event of a failure in a depository financial institution, a government will not be able to recover its deposits or recover collateral securities that are in the possession of an outside party. The Association does not have policy for managing custodial credit risk. As of June 30, 2005, all domestic deposits were insured, registered and held by the custodian bank in the Plan's name. The Association held foreign currencies deposits at June 30, 2005 with a United States Dollar value of \$916, of which \$583, is subject to custodial credit risk since the deposits were uncollateralized and not registered or held in the Association's name.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

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

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

The credit ratings disclosed below were obtained from Moody's rating agencies as of June 30, 2005.

Investment Type		Minimum Policy Rating	Exempt from Disclosure	Rating at Year End			
				Aaa/ P1	Baa	Caa	Not Rated
Securities lending - investments							
Asset backed security	\$ 14,456	Aaa/ P1	\$ -	\$ 14,456	\$ -	\$ -	\$ -
Corporate fixed income	223,534	Aaa/ P1	-	213,534	-	-	10,000
Repurchase agreements	97,195	Aaa/ P1	-	97,195	-	-	-
Subtotal	335,185		-	325,185	-	-	10,000
US Government and agencies							
US treasury notes	158,510	N/A	158,510	-	-	-	-
Federal agency securities	162,583	B3	-	145,144	1,642	-	15,797
Subtotal	321,093		158,510	145,144	1,642	-	15,797
Domestic fixed income	352,375	B3	-	145,618	109,903	356	96,498
Mortgages	15,095	B3	-	14,226	869	-	-
Foreign fixed income	4,186	B3	-	1,494	1,350	-	1,342
	\$1,027,934		\$ 158,510	\$ 631,667	\$ 113,764	\$ 356	\$ 123,637

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

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

Investment Type	Remaining Maturity in Months			
	Less than 12 months	13 to 60 months	61 to 120 months	More than 120 months
Securities lending - investments				
Asset backed securities	\$ 14,456	\$ -	\$ 14,456	\$ -
Corporate fixed income	223,534	91,171	132,363	-
Repurchase agreements	97,195	97,195	-	-
Subtotal	335,185	188,366	146,819	-
US Government and agencies				
US Treasury notes	158,510	4,188	86,552	18,546
Federal agency securities	162,583	7,909	21,458	8,361
Subtotal	321,093	12,097	108,010	26,907
Domestic fixed income	352,375	86,521	116,539	69,863
Mortgages	15,095	-	2,896	-
Foreign fixed income	4,186	-	822	-
Total Investments	\$ 1,027,934	\$ 286,984	\$ 375,086	\$ 96,770
				\$ 269,094

The Association has \$21,131 invested in the County of Fresno external investment pool, which has a dollar weighted average maturity of 431 days.

The Association has \$67,169 invested in a global bond fund, which has a weighted average maturity of 6.65 years.

*Concentration of credit risk.* This is the risk of loss attributed to the concentration of the government's investment in a single issuer. FCERA's investment policy does not permit any one manager to invest more than five percent of the market value of its portion of the portfolio in any one issue, with the exception of investments issued by the US Government and its agencies. As of June 30, 2005 no investments in any one issuer is greater than five percent of total investments. Investment managers authorized to invest in below investment grade securities are limited to holding no more than 20% of their portfolio market value in such securities.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

*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. As of June 30, 2005, FCERA's investment in foreign currency was as follows:

<u>Currency</u>	<u>Fair Market Value (US Dollars)</u>
Czech Koruna	84
Euro	178
Hong Kong Dollar	60
Hungary Forint	118
Japanese Yen	233
Mexican Peso	27
New Taiwan Dollar	215
Other Foreign Currency <sup>2</sup>	1
Total foreign currency	<u>\$916</u>

<sup>2</sup> Other foreign currency consists of Australia, Brazil, Britain, Canada, Sweden and Thailand.

**Deposit and Investments Custodial Credit Risk (For 2004 Only)**

Custodial credit risk categories have been established by Governmental Accounting Standards Board (GASB) Statement No. 3. Risk classifications for cash and cash equivalents held with fiscal agent are categorized in the following manner. Category 1 includes cash and cash equivalents that are insured or collateralized with securities held by the Association or its fiscal agent in the Association's name. Book value of deposits does not differ materially from the bank balance of deposits.

In accordance with GASB Statement No. 3 disclosure requirements, cash held in the County investment pool, securities lending short-term investment pool, mortgages, global and domestic bond index funds, domestic equity index funds, private markets and securities on loan, collateralized with cash are not categorized.

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, 2004.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

June 30, 2004	Category 1	Fair Value
Cash and cash equivalents with fiscal agent	\$ 72,586	\$ 72,586
Investments:		
Commercial paper	63,898	63,898
Domestic stocks	615,514	615,514
Domestic bonds	169,759	169,759
Foreign bonds	1,179	1,179
U S government agencies and bonds	250,139	250,139
International stocks	325,625	325,625
Total investments	<u>1,426,114</u>	<u>1,426,114</u>
Investments not considered securities for the purposes of custodial risk classification:		
Cash held in County investment pool	14,085	14,085
Securities lending short-term investment pool	241,768	241,768
Mortgages	2,459	2,459
Domestic equity index fund	137,235	137,235
Domestic bond index fund	96,622	96,622
Global bond index fund	48,803	48,803
Private markets (investments in limited partnerships, hedge fund, real estate, and executive office operations)	189,796	189,796
Securities on loan, collateralized with cash	234,368	234,368
Total deposits and investments	<u>\$ 2,463,836</u>	<u>\$ 2,463,836</u>

*Derivatives.* The Association, through its external investment managers, enters into forward foreign currency contracts to hedge against changes in the fair values of foreign bonds and equity securities, primarily denominated in European and Asian currencies. It is possible that, due to foreign exchange fluctuations, the Association may be exposed to a potential loss. At June 30, 2005, the Association has approximately \$118 million of its \$390 million international equity portfolio hedged through the use of such forward foreign currency contracts. At June 30, 2004, approximately \$28 million of the Association's \$342 million foreign equity portfolio was hedged through the use of such forward foreign currency contracts.

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, 2005 and 2004, the Association had approximately \$59,729 and \$15,139 in these investments, respectively.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

**NOTE 3 – DEPOSITS 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 domestic and international stocks, US government agency and domestic bonds. Securities on loan must be collateralized at 102% of the market value of the loaned securities. Collateral may take the form of cash, commercial paper, certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements, obligations issued or guaranteed as to interest and principal by the United States Government (or agencies or instrumentalities thereof), bank time deposits, variable rate demand notes, Marshall & Ilsley Trust Company's money market mutual fund through December 5, 2004, Credit Suisse First Boston's money market mutual fund effective December 6, 2004 and any common trust fund maintained by a bank or other financial institution or any commingled or pooled trust.

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

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, 2005 and 2004. Income from these transactions is reported on the statement of changes in plan net assets. Securities on loan are reported at fair value on the statement of plan net assets. The fair values of securities on loan were as follows:

	<u><b>June 30, 2005</b></u>	<u><b>June 30, 2004</b></u>
Domestic equity	\$ 167,419	\$ 106,217
International equity	17,380	16,042
Total equity on loan	184,799	122,259
U S government and agencies	131,503	110,347
Domestic bonds	10,392	1,762
Total bonds on loan	141,895	112,109
Total stocks and bonds on loan	\$ <u>326,694</u>	\$ <u>234,368</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

**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, 2005, forward foreign currency contracts receivable and payable totaled \$118,085 and \$117,164 respectively. At June 30, 2004, forward foreign currency contracts receivable and payable totaled \$28,085 and \$28,321 respectively. The remaining investment trades receivable and payable balances represent investment sales and investment purchases outstanding, respectively.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

**NOTE 5 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the fiscal years ended June 30, 2005 and 2004:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2005</u>
Capital assets, depreciated:				
Computer hardware/software	657	59	-	716
Furniture and fixtures	167	9	-	176
Equipment	57	11	-	68
Building	2,103	-	-	2,103
Total capital assets, depreciable	<u>2,984</u>	<u>79</u>	<u>-</u>	<u>3,063</u>
Less accumulated depreciation for:				
Computer hardware/software	(219)	(51)	-	(270)
Furniture and fixtures	(7)	(14)	-	(21)
Equipment	(6)	(17)	-	(23)
Building	(6)	(70)	-	(76)
Total accumulated depreciation	<u>(238)</u>	<u>(152)</u>	<u>-</u>	<u>(390)</u>
Total capital assets, depreciated, net	<u>2,746</u>	<u>(73)</u>	<u>-</u>	<u>2,673</u>
Total capital assets, net	<u>\$ 2,746</u>	<u>\$ (73)</u>	<u>\$ -</u>	<u>\$ 2,673</u>
Depreciation charged for the current year totaled:		<u>\$ 152</u>		

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2004</u>
Capital assets, not depreciable:				
Construction in progress	\$ 111	\$ -	\$ (111)	\$ -
Capital assets, depreciated:				
Computer hardware/software	654	3	-	657
Furniture and fixtures	92	136	(61)	167
Equipment	-	57	-	57
Building	-	2,103	-	2,103
Total capital assets, depreciable	<u>746</u>	<u>2,299</u>	<u>(61)</u>	<u>2,984</u>
Less accumulated depreciation for:				
Computer hardware/software	(173)	(46)	-	(219)
Furniture and fixtures	(57)	(9)	59	(7)
Equipment	-	(6)	-	(6)
Building	-	(6)	-	(6)
Total accumulated depreciation	<u>(230)</u>	<u>(67)</u>	<u>59</u>	<u>(238)</u>
Total capital assets, depreciated, net	<u>516</u>	<u>2,232</u>	<u>(2)</u>	<u>2,746</u>
Total capital assets, net	<u>\$ 627</u>	<u>\$ 2,232</u>	<u>\$ (113)</u>	<u>\$ 2,746</u>
Depreciation charged for the current year totaled:		<u>\$ 67</u>		



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

**NOTE 6 - CONTRIBUTIONS AND RESERVES**

**Contributions**

Contributions are made by the members and the employers at rates recommended by the Association's independent actuary and approved by the Board and the County Board of Supervisors. Employee contribution rates vary according to age 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 5.4% and 20.5% 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. Effective January 1, 2003, member contributions are no longer forfeited to the Association if the member does not request a refund within five years of terminating membership. New state laws allow nonvested members to leave their contributions on deposit with the Association without establishing reciprocity. These members receive interest on their contributions and may withdraw their contributions and interest at any time.

Contributions 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. Effective with the valuation completed for June 30, 2002, the amortization period has been modified to allow a 30 year amortization period for changes in the unfunded actuarial accrued liability that result from plan amendments and a fifteen year amortization period for all other changes in the unfunded actuarial accrued liability. Details of funding progress, annual required contributions and percentage of contributions made by the employers, and the latest actuarial valuation methods are presented in the required supplementary information schedules on pages 36 and 37.

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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

**Contributions** (Continued)

benefit was extended to 30 years (from 15 years). This amortization period is consistent with the amortization period used for the employers' portion of the unfunded accrued actuarial liability. In addition, the Board of Retirement adopted a policy to limit any increase in employees' retirement contribution to 50% of the current rate. The purpose was to alleviate the impact of a rate increase that occurred as a result of changes to the economic and demographic assumptions included in the Analysis of Plan Experience for three years ended June 30, 2003 and implementation of the Settlement Agreement entered into by the County of Fresno and the employee unions in December 2000. Employers' contributions do not become vested until completion of five years of credited service at which time they become 100% vested. A member may receive a regular retirement allowance after attaining age 50 for safety members or age 55 for general members provided that such member has attained at least 10 years of credited service; or at any age after 30 years of service for a general member and 20 years of service for a safety member.

**Reserves and Designations**

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



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

**Contributions (Continued)**

The amounts and changes in reserves and designations for the year ended June 30, 2005 consist of the following:

	<u>Balance July 1 2004</u>	<u>Increase (Decrease) In Plan Net Assets</u>	<u>Net Transfers</u>	<u>Balance June 30, 2005</u>
Reserves:				
Members' accumulated contributions	\$ 213,962	\$ 22,857	\$ 48,756 <sup>2</sup>	\$ 285,575
Current service reserve	591,919	48,438	(24,719)	615,638
Annuity pension reserve	94,541	(13,729)	14,129	94,941
Current service pension reserve	528,789	(51,946)	63,173	540,016
Supplemental annuity reserve	214,241	(8,833)	25,483	230,891
Supplemental benefit reserve	108,925	(9,069)	4,684	104,540
Cost of living adjustment reserve	453,779	(12,701)	(34,655) <sup>2</sup>	406,423
Supplemental cost of living reserve	2,183	(1,982)	5,071	5,272
Survivors' death benefit reserve	3,715	(752)	154	3,117
Retiree health benefit reserve <sup>1</sup>	74,482	(5,426)	(1,787)	67,269
Retiree health benefit reserve (VS) <sup>1</sup>	34,110	(2,785)	1,467	32,792
Contingency reserve	(55,258)	-	6,094	(49,164)
Designated for market stabilization	(124,676)	-	125,072	396
Undistributed earnings	-	232,922	(232,922)	-
Net assets held in trust for				
Pension benefits	\$ 2,140,712	\$ 196,994	\$ -	\$ 2,337,706

<sup>1</sup> At the recommendation of the actuary, effective July 1, 2003 the Retiree health benefit reserve was apportioned between the benefit provided by the Board of Retirement and the benefit provided by the settlement agreement between the County of Fresno and the employee unions.

<sup>2</sup> At December 31, 2004 corrective transfers to the Member's accumulated contributions were made from the Cost of living reserve.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

**Contributions (Continued)**

The amounts and changes in reserves and designations for the year ended June 30, 2004 consist of the following (in thousands):

	<u>Balance</u> <u>July 1</u> <u>2003</u>	<u>Increase</u> <u>(Decrease)</u> <u>In Plan</u> <u>Net Assets</u>	<u>Net</u> <u>Transfers</u>	<u>Balance</u> <u>June 30,</u> <u>2004</u>
Reserves:				
Members' accumulated contributions	\$ 266,798	\$ 17,299	\$ (70,135)	\$ 213,962
Current service reserve	284,658	362,290	(55,029)	591,919
Annuity pension reserve	89,220	(12,826)	18,147	94,541
Current service pension reserve	489,720	(48,506)	87,575	528,789
Supplemental annuity reserve	191,333	(7,085)	29,993	214,241
Supplemental benefit reserve	104,054	(1,056)	5,927	108,925
Cost of living adjustment reserve	328,436	40,857	84,486	453,779
Supplemental cost of living reserve	4,166	(2,204)	221	2,183
Survivors' death benefit reserve	4,164	(683)	234	3,715
Retiree health benefit reserve	97,897	2,127	(25,542)	74,482
Retiree health benefit reserve (VS)	-	2,983	31,127	34,110
Contingency reserve	(86,556)	-	31,298	(55,258)
Designated for market stabilization	(223,250)	-	98,574	(124,676)
Undistributed earnings	-	236,876	(236,876)	-
Net assets held in trust for				
Pension benefits	\$ 1,550,640	\$ 590,072	\$ -	\$ 2,140,712

*Members' accumulated contributions* include all member contributions net of refunds and benefits paid to members. At retirement, member balances are transferred to the *annuity pension reserve* and the *cost of living adjustment reserve*. Employers' contributions are paid into the *current service reserve* (includes the contributions for the supplemental annuity) and *cost of living adjustment reserve*. When an employee retires, applicable balances are transferred from the *current service reserve* to the *current service pension reserve (and supplemental annuity reserve)*. *Undistributed earnings* are credited with all investment income and charged with investment and other fees. Transfers from undistributed earnings to other reserves are made twice a year. Historically, the Board has authorized that an annual rate equal to the actuarial rate of return be apportioned as the interest. However, during the fiscal year ended June 30, 2003, the Board adopted a new interest crediting policy that limits the amount available to apportion in lean years to the amount required to keep the non-valuation reserve accounts within an established floor of 1% of net plan assets and ceiling of 3% of net plan assets. This policy resulted in interest apportionments of \$43,607 for the December 31, 2004 interest-crediting period and \$58,150 for the June 30, 2005 interest-crediting period. The semi-annual rates of interest for the two periods were 1.8791% and 2.4783%, respectively. Any additional transfers out of undistributed earnings are made in accordance with the authorization of the Board.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

**Reserves and Designations (Continued)**

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

Both the *retiree health benefit* and the *supplemental cost of living reserves* are approved annually by the Board. The *retiree health benefit reserve* was initiated in 1987 to establish funds for payment of supplemental benefits which would provide retirees additional money to offset the cost of health insurance premiums purchased through any source. Effective with the actuarial valuation completed for the year ended June 30, 2003, the retiree health benefit reserve was apportioned to two reserves, retiree health benefit reserve and retiree health benefit reserve (VS) to more clearly account for the liability associated with additional health benefits granted as part of the Settlement Agreement negotiated between the County of Fresno and the employee unions in December 2000. The retiree health benefit reserve balances reflect Board approved transfers through June 30, 2005. These transfers result from the actuarial report completed for the period ended June 30, 2003 and a subsequent transfer of \$5,000,000 to the supplemental cost of living reserve authorized by the Board on May 18, 2005.

The *supplemental cost of living reserve* was established in 1990 to provide additional benefits for eligible members who retired on or before April 1, 1981. The benefit is adopted annually under Government Code Section 31874.3 to provide purchasing power protection to those retirees whose accumulated excess cost of living credits exceeds 25%, therefore the affected members changes each year. The *supplemental cost of living reserve* balance reflects Board approved transfers from *undistributed earnings*. Analysis of the expenditures of this reserve indicated that insufficient funding was available to continue the benefit past August 2005. Therefore, as noted in the preceding paragraph, a transfer was authorized in order to provide sufficient funds to continue the benefit through June 30, 2006 and to allow the Board time to look at options for continued funding for both the health benefit and supplemental cost of living benefit.

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



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

**Reserves and Designations (Continued)**

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.

On March 23, 2004, the County of Fresno issued \$402,898 in Pension Obligation Bonds, of which \$398,141 was transferred to the Association to fund the Unfunded Actuarial Accrued Liability (UAAL), and \$4,757 was used to pay issuance costs.

**NOTE 7 – COMMITMENTS**

The Association committed to invest in, and has partially funded, various private market investment funds. At June 30, 2005, the remaining commitments totaled \$56,856.

**NOTE 8 – FUTURE GASB PRONOUNCEMENTS**

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans other Than Pension Plans*, which is effective for the financial statements for periods beginning after December 15, 2005. This statement establishes uniform financial reporting standards for Other Postemployment Benefit plans.

**NOTE 9 - FINAL COMPENSATION LITIGATION**

On May 7, 2003, the County of Fresno (County) brought suit against the FCERA and its Board of Retirement (County of Fresno vs. Board of Retirement of the County of Fresno [sic], Fresno County Employees Retirement Association, et al., Case No. 03-CE-CG-01569. The complaint alleges that the method by which the FCERA calculates its members' final compensation for purposes of establishing their retirement allowances (sometimes referred to as the "Fresno Method") violates the law. The County seeks a declaration that the Fresno Method is unlawful and a writ of mandate requiring the Board to change to another method of calculating retirement allowances. Two public employee unions filed complaints seeking to intervene in the case to contest the County's allegations; however, one of the unions subsequently withdrew its complaint in intervention. The remaining union, the Fresno Deputy Sheriffs' Association (FDSA) contends through its complaint in intervention and an additional cross-complaint against the FCERA and its Board, inter alia, that the Board of FCERA has the statutory authority to adopt the Fresno Method; that the County is estopped from challenging the Board's use of that method; and that the Board of FCERA is legally estopped from changing its practice as to all current active, deferred and retired members of the retirement system.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**  
**(Amounts expressed in thousands)**

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

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

On March 2, 2004, the Superior Court issued a Tentative Decision declaring that the Fresno Method did not comply with the statute. Thereafter, the Board of FCERA resolved to (a) immediately change its method of calculating retirement allowances for all future members of the retirement system, (b) recalculate all retirement allowances for all current retirees, effective September 1, 2004 and (c) recalculate all retirement allowances for current employees retiring after March 1, 2004 as of the date of their retirement.

Following a trial in the action (Phase 2A) on September 3, 2004, the Superior Court denied FDSA's request for a preliminary injunction preventing the FCERA Board from implementing its planned changes to its method of calculating retirement allowances during the pendency of the litigation. On October 18, 2004, the Court issued its second Tentative Decision, ruling against the FDSA on all three issues presented during Phase 2A of the trial. The Court ruled: (a) that the members of the retirement system do not have vested, contractual rights to continuance of the Fresno Method of calculating their benefits; (b) that a previous settlement agreement in earlier litigation did not preclude the County from challenging the "Fresno Method"; and (c) that the Board of Retirement did not have discretionary authority to adopt a calculation method not permitted by statute.

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

By stipulation of the parties and order dated August 25, 2005, the Court vacated all further proceedings in the action. The parties have further stipulated to allow the Court (a) to enter a final judgment as to the County's claim for declaratory relief, consistent with the court's previous Tentative Rulings; (b) to dismiss, without prejudice, all remaining claims of the County; and (c) to hold in abeyance FDSA's cross-complaint against the FCERA -- which seeks either to enjoin the FCERA from making changes to retirement allowances and/or to recover damages for such changes -- until the judgment on the County's claim for declaratory relief becomes final and all appeals from that judgment are exhausted. If the Court accepts the parties' stipulation and enters final judgment accordingly, any aggrieved party may appeal from that judgment.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**SCHEDULE OF FUNDING PROGRESS**

(Amounts expressed in thousands)

<b>Actuarial Valuation Date</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL)</b>	<b>(3) Unfunded (Overfunded) AAL (2) - (1)</b>	<b>(4) Funded Ratio (1)/(2)</b>	<b>(5) Covered Payroll</b>	<b>(6) Unfunded (Overfunded) AAL Percentage of Covered Payroll (3)/(5)</b>
6/30/98	\$1,647,935	\$ 1,549,166	\$ (98,769)	106.4%	\$219,398	(45.0%)
6/30/00	1,698,282	1,719,905	21,623	98.7%	273,426	7.9%
6/30/02	1,674,900	1,932,300	257,400	86.7%	326,975	78.7%
6/30/03	1,922,149 <sup>2</sup>	1,953,490 <sup>2</sup>	30,841	98.4%	341,981	9.0%
6/30/04	1,977,097	2,017,971	40,874	98.0%	337,614	12.1%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Amounts expressed in thousands)

<b>Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
2000	-- <sup>1</sup>	100.00%
2001	-- <sup>1</sup>	100.00%
2002	7,780	100.00%
2003	33,583	100.00%
2004	44,939	985.67% <sup>2</sup>
2005	56,296	100.00%

Actuarial reviews are performed annually effective with the year ended June 30, 2003.

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

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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**LATEST ACTUARIAL VALUATION METHODS**

Valuation date	June 30, 2004
Actuarial cost method	Entry age normal funding method
Amortization method	Level percent - closed
Remaining amortization period	27 years for plan amendments 6 years for all other adjustments to the unfunded actuarial accrued liability
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0% (Compounded semi-annually, 4.0% real return, 4.0% inflation)
Projected salary increases	Rates vary by service type:
- General Members:	Salary increases range from 9.0% to 4.75% (merit of 5.0% per year for the first five years of service and 0.75% thereafter; 4.0% inflation).
- Safety Members:	Salary increases range from 6.0% to 5.0% (merit of 2.0% per year for the first eight years of service and 1.0% thereafter; 4.0% inflation).
Cost of living adjustments	0 – 3% (tied to the change in Consumer Price Index)



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<b>2005</b>	<b>2004</b>
<b>Personnel Services</b>		
Salaries and Benefits	\$ 1,287,710	\$ 1,077,080
Total Personnel Services	<u>1,287,710</u>	<u>1,077,080</u>
<b>Office Expenses</b>	<u>107,015</u>	<u>41,889</u>
<b>Other Services and Charges</b>		
Telephone Charges	13,876	2,377
Interest Refunded - Overpayment Policy	9,342	<sup>1</sup> -
Insurance Other	161,116	113,378
Maintenance	32,759	3,428
Memberships	-	-
Postage	32,051	25,001
Professional and Specialized Services	450,651	386,705
Disability Expenses	92,741	85,026
Gain/Loss on Sale of Fixed Assets	-	1,369
Data Processing Services	105,454	143,826
Transportation, Travel, and Education	12,766	18,168
Transportation, Travel - Commissions & Advisory Board	<u>25,631</u>	<u>35,913</u>
Total Other Services and Charges	<u>936,386</u>	<u>815,191</u>
<b>Depreciation</b>	<u>152,947</u>	<u>66,957</u>
Total Administrative Expenses	<u>\$ 2,484,059</u>	<u>\$ 2,001,117</u>

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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
ADMINISTRATIVE BUDGET ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Approved Budget	Amended Budget	Fiscal Year Expenditures	Percentage Expended
<b>Personnel Services</b>				
Salaries	\$ 955,889	\$ 986,999	\$ 959,952	97.26%
Benefits	289,677	289,016	327,758	113.40%
Total Personnel Services	<u>1,245,566</u>	<u>1,276,015</u>	<u>1,287,710</u>	100.92%
<b>Professional Services</b>				
Actuarial <sup>1</sup>	185,000	185,000	102,200	55.24%
Legal Counsel	260,000	260,000	276,994	106.54%
Professional Services - Disability	98,453	98,453	92,741	94.20%
Miscellaneous Professional Services	244,744	244,744	31,467	12.86%
Total Professional Services	<u>788,197</u>	<u>788,197</u>	<u>503,402</u>	63.87%
<b>Travel, Transportation, and Education</b>				
Transportation, Travel, and Education - Board	25,000	25,000	11,531	46.12%
Transportation, Travel, and Education - Staff	25,000	25,000	12,766	51.06%
Total Travel, Transportation, and Education	<u>50,000</u>	<u>50,000</u>	<u>24,297</u>	48.59%
<b>Other</b>				
Board Fees - Per Diem Payments	24,000	24,000	14,100	58.75%
Data Processing	50,000	50,000	105,454	210.91%
Depreciation	-	-	152,947	0.00%
Insurance	163,654	163,654	161,116	98.45%
Interest Paid - Overpayment Policy	-	-	9,342	0.00%
Maintenance	58,344	58,344	32,759	56.15%
Office	89,091	89,091	130,454	146.43%
Pensions System Maintenance	173,612	173,612	62,478	35.99%
Total Other	<u>558,701</u>	<u>558,701</u>	<u>668,650</u>	119.68%
<b>Fixed Assets <sup>2</sup></b>	<u>64,100</u>	<u>64,100</u>	<u>-</u>	0.00%
<b>Total Administrative Expenses</b>	<u>\$ 2,706,564</u>	<u>\$ 2,737,013</u>	<u>\$ 2,484,059</u>	90.76%

<sup>1</sup> Excludes annual valuation costs which are included as part of investment expenses.

<sup>2</sup> Fixed Assets are included in the adopted Administrative Budget when purchased. However, the costs are recognized as a result of the depreciation process.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
SCHEDULE OF INVESTMENT EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<b>2005</b>	<b>2004</b>
Investment Manager Fees	\$ 7,754,115	\$ 5,632,879
Custodial Service Fees	449,590	419,140
Actuarial Valuation Fees <sup>1</sup>	37,600	32,325
Executive Office Operation	251,840	274,859
Due Diligence Travel	9,977 <sup>2</sup>	-
Consulting Fees	379,791	277,557
	<u>\$ 8,882,913</u>	<u>\$ 6,636,760</u>

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

<sup>2</sup> Effective with fiscal year ended June 30, 2005, the Due Diligence Travel is reported as an itemized investment expense.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
SCHEDULE OF PAYMENTS TO CONSULTANTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<b>2005</b>	<b>2004</b>
Disability Attorney Fees	\$ 25,388	\$ 13,748 <sup>1</sup>
Retirement Board Attorney Fees	276,994	199,192
New Construction Legal Fees	-	3,000 <sup>2</sup>
Disability Medical and Copying Fees	67,354	71,278
Architects/Contractor/Public Work Professionals	-	133,000 <sup>2</sup>
Communications Specialist	747	969
External Audit Fees	11,324 <sup>4</sup>	26,856 <sup>3</sup>
Actuarial Consulting Fees (non-actuary study costs)	102,200	75,850
Actuarial Consulting Fees	37,600	32,325
Securities Legal Fees	45,617 <sup>4</sup>	28,201 <sup>3</sup>
Custodial Fees	449,590	419,140
Investment Consultant	279,554 <sup>4</sup>	222,500 <sup>3</sup>
Data Processing Fees	105,454	143,826
Total Payments to Consultants	<u>\$ 1,401,822</u>	<u>\$ 1,369,885</u>

Refer to page 51 for information on fees paid to investment managers.

<sup>1</sup> FCERA improved tax reporting to members receiving a disability retirement benefit during Fiscal Year 2002-03 that required extensive legal review.

<sup>2</sup> At June 30, 2004, FCERA capitalized \$136,000 of payments to the architect, contractor, Public Works and attorney fees associated with construction of the new Administrative building.

<sup>3</sup> Included on Schedule of Investment Expense as Consulting Fees for Fiscal Year Ended June 30, 2004.

<sup>4</sup> Included on Schedule of Investment Expense as Consulting Fees.

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## INVESTMENT SECTION



August 30, 2005

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

After a 16.6% gain for the fiscal year ending June 30, 2004, Fresno County Employees' Retirement Association ("FCERA") investment portfolio continued to post strong gains. FCERA's investment portfolio gained 12.1% (*fiscal year ending June 30, 2005*) and outperformed a vast majority of other public funds. Most major domestic equities and fixed income indices experienced modest gains, while international equities posted double-digit returns. Since establishing a record high close of 1,527.46 on March 24, 2000, the S&P 500 Index of large capitalization US stocks fell by almost 50% to a low of 776.76 on October 9, 2002. Since then, the S&P 500 has risen 53% to 1191.33 on June 30, 2005.

As detailed earlier, the FCERA investment portfolio gained 12.1% for the year ending June 30, 2005. This exceeded both the Fund's Policy benchmark and the Median Public Fund in the Independent Consultants Cooperative Universe. Specifically, the investment portfolio outperformed the Policy benchmark return of 9.1% by 3.0% and the Median Public Fund return of 9.0% by 3.1%. This one-year return ranked the Fund in the 5<sup>th</sup> percentile. The outperformance was largely due to FCERA's relatively higher allocation to international equity. As U.S. equities, measured by the S&P 500 Index (+6.3%), have experienced modest gains, international equities, measured by the MSCI EAFE Index (+14.1%), continued to experience strong gains.

For the last three years ending June 30, 2005, the FCERA investment portfolio averaged 10.5% annually and outperformed the Policy benchmark by 0.6% and the Median Public Fund by 1.1%. These results ranked FCERA's investment portfolio in the 21<sup>st</sup> percentile. This relative outperformance over other public funds was partly due to FCERA's allocation to global bonds and real estate. Longer-term results have also been impressive as the portfolio returned 4.9% and 5.7% for the five- and seven- year periods, respectively. In both cases, these returns exceeded the Median Public Fund and the Policy benchmark. All of these returns were calculated in accordance with the Association for Investment Management and Research performance presentation standards.

During the 2005 fiscal year, several managers were terminated due to underperformance and organizational changes. Marvin & Palmer's International Equity and Emerging Markets Equity strategies were terminated due to poor long-term performance while Weiss Peck & Greer was terminated due to organizational changes. As a result, Mondrian Investment Partners and Oechsle International Advisors were selected to manage the emerging markets equity and the

international equity mandates, respectively. Western Asset Management Company replaced Weiss Peck & Greer to manage the core plus fixed income mandate. In addition, Artisan Partners and Kalmar Investments were hired to manage the small cap growth mandate.

The past year's results have been outstanding for FCERA, which has outperformed the Policy benchmark, as well as the Median Public Fund. The long-term results have also been superior to that of the Median Public Fund and the Policy benchmark. Wurts & Associates has worked with the FCERA Board of Retirement on an ongoing basis to provide opportunities for improving performance and processes. We commend the Board of Retirement and the staff for their hard work over this past year. All of us at Wurts and Associates value the experience we have shared with FCERA and look forward to our continued service. Thank you.

Sincerely,



Jeffrey MacLean  
President

## FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION GENERAL INFORMATION

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

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

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

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

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

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



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

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

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

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

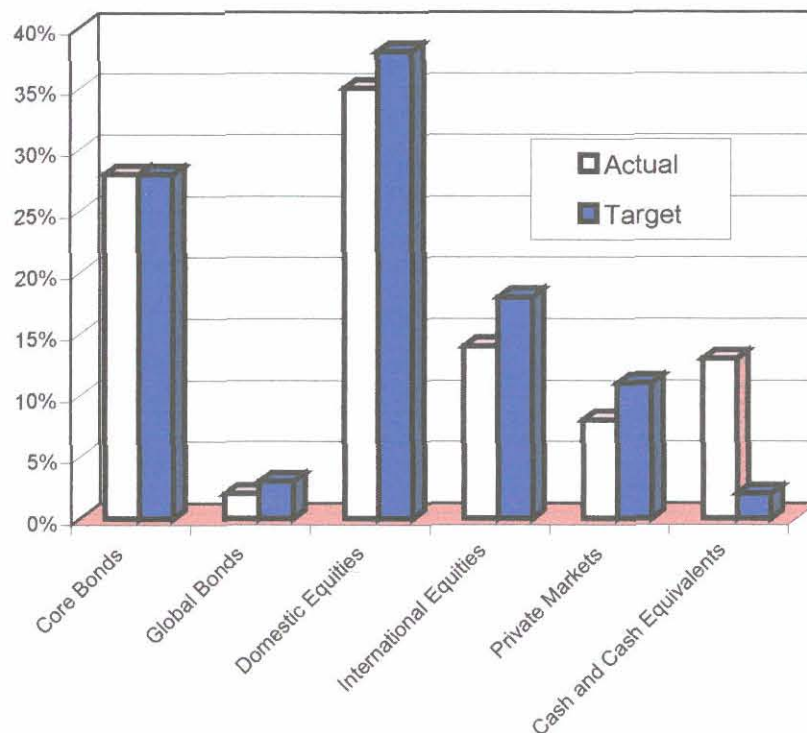
The schedules that follow reflect investment results based on time-weighted rate of return using fair value.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
TARGET AND ACTUAL ASSET ALLOCATIONS  
AS OF JUNE 30, 2005**

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.

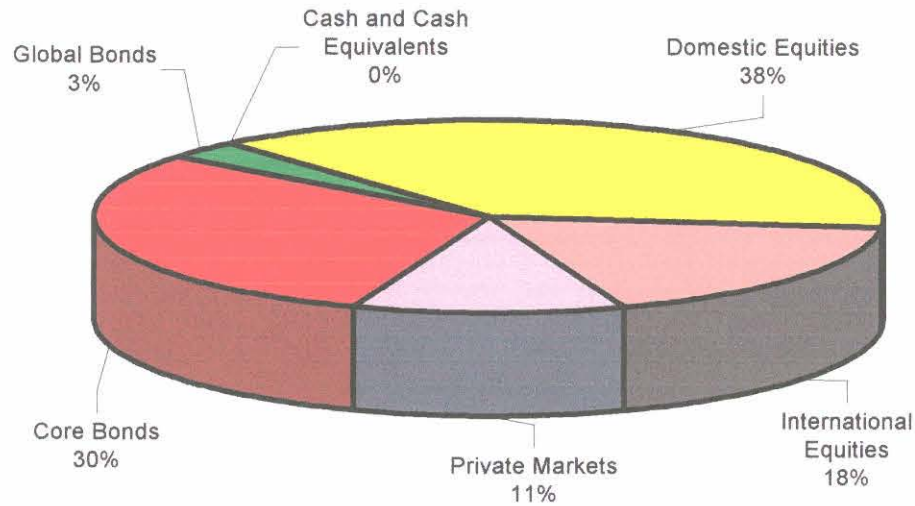
One keystone of asset allocation is diversification among asset classes. Diversification helps to maintain risk at a tolerable level. Therefore, the Board reviews the investment performance and volatility of each asset class on a regular basis over various time periods (quarterly, annually, multi-years) 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 2004-05 target and actual asset allocations are presented in the following graphs:

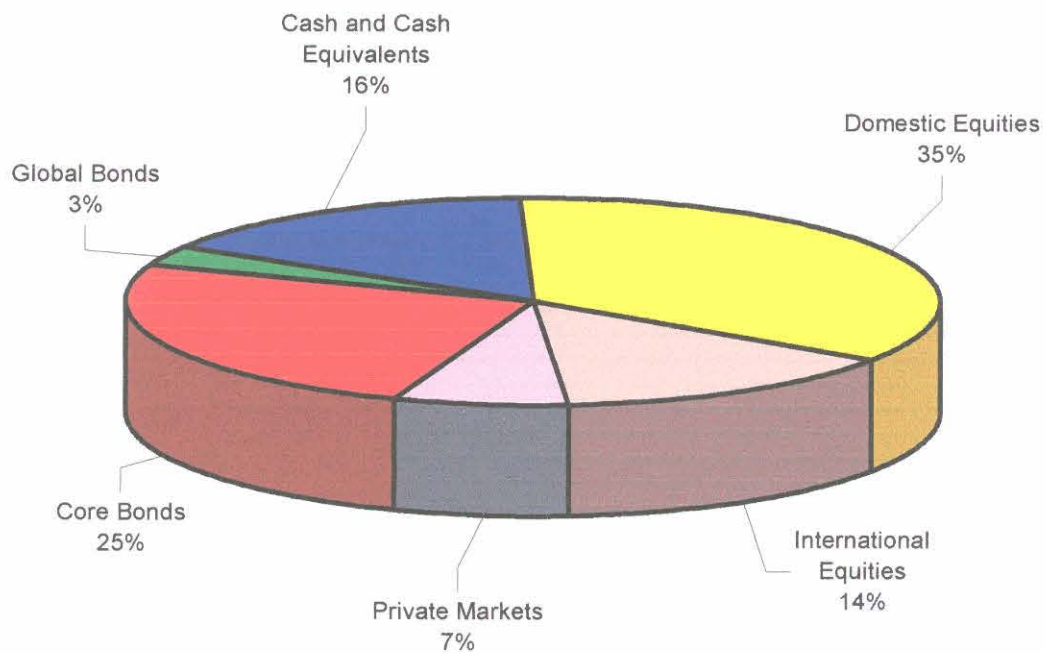


**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
TARGET AND ACTUAL ASSET ALLOCATIONS (Continued)  
AS OF JUNE 30, 2005**

**Target Percentages**



**Actual Percentages**





**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
INVESTMENT SUMMARY  
AS OF JUNE 30, 2005**

<b>Total Funds</b>	<b>Current Year</b>	<b>3-Year Return</b>	<b>5-year Return</b>
<b>Bonds</b>			
Domestic	7.0%	6.4%	6.5%
Benchmark : LB Aggregate Index	6.8%	5.8%	7.4%
Global	9.0%	10.2%	8.9%
Benchmark : JPM Global GBI T/U	7.8%	9.8%	8.0%
<b>Equities</b>			
Domestic Large Capital Value	17.4%	13.1%	10.7%
Benchmark: Russell 1000 Value	14.1%	11.0%	6.6%
Domestic Large Capital	6.5%	0.0% <sup>1</sup>	0.0% <sup>1</sup>
Benchmark: S & P 500 Index	6.3%	8.3%	-2.4%
Domestic Large Capital Growth			
Intech S&P Barra	5.3%	0.0%	0.0%
Benchmark: S&P Growth Index	1.6%	6.4%	-7.9%
TCW Core	-0.2%	0.0%	0.0%
Benchmark: Russell 1000 Growth	1.7%	7.3%	-10.4%
Equity Small Capital Growth	0.0%	0.0% <sup>2</sup>	0.0% <sup>2</sup>
Benchmark: Russell 2000 Growth	4.3%	11.4%	-4.5%
Domestic Small Capital Value	16.5%	15.4%	21.6%
Benchmark : Russell 2000 Value	14.4%	14.2%	16.1%
Emerging Markets Equity	31.3%	20.0%	8.1%
Benchmark: MSCI Emerging Markets Free	34.9%	24.4%	7.7%
International	10.7%	5.30%	-3.5%
Benchmark : MSCI EAFE	14.1%	12.5%	-0.2%
<b>Private Markets</b>			
Real Estate	18.9%	13.0%	12.5%
Benchmark : NCREIF Classic Property	14.9%	10.0%	9.2%
Alternative Investments	23.0%	11.7%	6.1%
Benchmark : S&P 500 + 4.47%	11.0%	13.0%	2.0%
<b>Cash, Custodial and Investment Pool</b>			
Cash	2.2%	1.6%	2.4%
Benchmark: 90-Day Treasury Bill	2.2%	1.6%	2.6%
<b>Total</b>	<b>12.1%</b>	<b>10.5%</b>	<b>4.9%</b>

**Notes:**

Realty is net of fees and lagged one quarter.

Securities Lending and Alternative Investments are lagged one quarter.

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

<sup>1</sup> There were no 3-year or 5-year results for Domestic Large Capital because it was funded on June 23, 2004.

<sup>2</sup> There were no current 3-year or 5-year results for Equity Small Capital Growth, because they were funded in November 2004.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
INVESTMENT SUMMARY  
AS OF JUNE 30, 2005**

	Fair Value	Actual Percentages	Target Percentages
<b>Investments</b>			
Domestic Bonds <sup>1</sup>	\$ 367,470	13.57%	30.00%
Global Bonds <sup>3</sup>	71,355	2.63%	3.00%
US Government and Agencies	321,093	11.86%	0.00%
Total Bonds	<u>759,918</u>	<u>28.06%</u>	<u>33.00%</u>
Domestic Stocks	931,839	34.41%	38.00%
International Stocks	389,578	14.38%	18.00%
Total Stocks	<u>1,321,417</u>	<u>48.79%</u>	<u>56.00%</u>
Real Estate (Station Building)	1,792	0.07%	0.00%
Private Markets <sup>2</sup>	179,284	6.62%	11.00%
Total Investments	<u>2,262,411</u>	<u>83.54%</u>	<u>100.00%</u>
<b>Cash and Cash Equivalents</b>			
Cash Held in County Investment Pool	21,131	0.78%	0.00%
Cash Held by Property Manager	91	0.00%	0.00%
Short Term Investment with Fiscal Agent	424,724	15.68%	0.00%
Total Cash and Cash Equivalents	<u>445,946</u>	<u>16.46%</u>	<u>0.00%</u>
<b>Total Investment, Cash and Cash Equivalents</b>	<u><u>\$ 2,708,357</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

<sup>1</sup> Includes mortgages and commercial paper.

<sup>2</sup> Includes real estate, futures, and alternative investments.

<sup>3</sup> Includes foreign bonds.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
LARGEST BOND HOLDINGS  
AS OF JUNE 30, 2005**

<b>Par</b>		<b>Name</b>			<b>Fair Value</b>	
\$	18,256,000	U.S. T-Bond	5.375%	02/15/31	\$	21,542,080
	17,530,000	VI T-Note	3.75%	03/31/07		17,556,698
	14,100,000	FN TBA	6.00%	08/11/35		14,439,274
	11,451,000	U.S. T-Note	4.125%	05/15/15		11,618,288
	10,845,000	U.S. T-Note	3.375%	02/28/07		10,797,553
	9,400,000	U.S. T-Note	3.50%	05/31/07		9,371,358
	8,395,000	U.S. T-Note	2.375%	08/15/06		8,288,098
	7,540,000	F.H.L.M.C.	2.50%	03/15/06		7,475,820
	7,083,000	U.S. T-Note	2.75%	08/15/07		6,952,404
	6,254,308	U.S. Inflt-Note	0.875%	04/15/10		6,099,902
		<b>Total</b>				
\$	<u>110,854,308</u>				\$	<u>114,141,475</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
LARGEST STOCK HOLDINGS  
AS OF JUNE 30, 2005**

<b>Shares</b>		<b>Name</b>		<b>Fair Value</b>	
352,800	Exxon Corporation			\$	20,275,416
375,166	Citigroup, Inc.				17,343,924
303,300	Bank of America				13,833,513
114,900	Progressive Co.				11,353,269
297,000	General Electric Co.				10,291,050
335,700	Pfizer, Inc.				9,258,606
355,400	Microsoft Corp.				8,828,136
98,300	Genentech Inc.				7,891,524
215,600	Yahoo! Inc.				7,470,540
126,696	Conoco Phillips				7,283,753
		<b>Total</b>			
<u>2,574,862</u>				\$	<u>113,829,731</u>

A complete list of portfolio holdings is available upon request.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**SCHEDULE OF FEES**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
<b>Investment Managers' Fees</b>		
Domestic Equity Managers:		
Aronson, Johnson and Ortiz	\$ 541,069	\$ 600,731
Artisan Partners	321,141	-
Brandywine Asset Management	636,945	756,861
Intech S&P Barra Growth	632,741	-
Kalmar Management	376,399	-
John A. Levin and Company	-	386,742
Provident Investment Counsel	-	158,992
State Street Global Advisors	35,859	72,889
TCW Concentrated Core	674,786	-
Wellington Management Company	502,149	529,375
Total Domestic Equity Managers	<u>3,721,089</u>	<u>2,505,589</u>
International Equity Managers:		
Marvin and Palmer International	828,439	789,631
Marvin and Palmer Emerging	680,503	574,606
Templeton Investments	806,312	712,378
Total International Equity Managers	<u>2,315,254</u>	<u>2,076,616</u>
Domestic Fixed Income Managers:		
BlackRock Financial Management, Inc.	424,484	6,566
Boston Partners Asset Management, LP	-	273,564
Bradford and Marzec, Inc.	392,678	373,745
Loomis Sayles	328,476	220,296
State Street Global Advisors	12,834	2,800
Weiss, Peck & Greer	286,452	-
Western Asset Management	70,173	-
Total Domestic Fixed Income Managers	<u>1,515,097</u>	<u>876,971</u>
Private Market Managers:		
Blackstone Capital Partners	15,909	173,703
New Mountain Investments	186,766	-
Total Private Market Managers	<u>202,675</u>	<u>173,703</u>
<b>Total Investment Managers' Fees</b>	<b>\$ <u>7,754,115</u></b>	<b>\$ <u>5,632,879</u></b>
<b>Other Investment Expenses</b>		
Securities Lending Expense	\$ 4,977,430	\$ 3,167,453
Due Diligence Travel	9,977	-
Custodial Service Fees	449,590	419,140
Actuarial Valuation Fees	37,600	32,325
Executive Office Operation	251,840	274,859
Consulting Fees	379,791	277,557
<b>Total Other Investment Expenses</b>	<b>\$ <u>6,106,228</u></b>	<b>\$ <u>4,171,334</u></b>

<sup>1</sup> The majority of the private markets and alternative investment managers report earnings net of fees, thus there are few manager fees to report.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**SCHEDULE OF COMMISSIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
ABN Amro	4,820,300	\$ 5,808	\$ 0.0012	0.24%
Alex Brown	2,440,000	-	0.0000	0.00%
Amherst Securities	16,253,369	-	0.0000	0.00%
BA Securities	3,180,000	-	0.0000	0.00%
Banc Of America Sec	33,534,704	8,154	0.0002	0.33%
Bank Of America NT & SA	104,056,946	1,355	0.0000	0.06%
Bank Of New York	14,350,651	5,666	0.0004	0.23%
Barclays Capital, INC	2,339,240,894	-	0.0000	0.00%
Bear, Stearns & Co.	482,179,989	70,003	0.0001	2.87%
Bestinver	4,260,000	-	0.0000	0.00%
Blaylock	238,290,000	-	0.0000	0.00%
Bloomberg	1,321,952	22,928	0.0173	0.94%
BNP Paribas/Prime Peregrine	13,502,100	7,867	0.0006	0.32%
BNY Direct Exec	21,475,261	10,264	0.0005	0.42%
Boston Financial/ Institutional	46,046,100	4,045	0.0001	0.17%
Brockhouse And Cooper	1,204,651	31,981	0.0265	1.31%
Cantor Fitzgerald	34,791,305	22,387	0.0006	0.92%
Capital Institution	979,575	21,967	0.0224	0.90%
CCM	1,750,000	-	0.0000	0.00%
Chase Securities	56,300,000	-	0.0000	0.00%
CIBC World Markets	543,100	6,118	0.0113	0.25%
Citicorp/Citigroup Global	819,344,603	91,016	0.0001	3.73%
Countrywide	92,623,218	-	0.0000	0.00%
Credit Lyonnais Sec	8,404,952	37,930	0.0045	1.56%
Credit Suisse	62,333,316	62,493	0.0010	2.56%
CS First Boston	2,444,456	3,191	0.0013	0.13%
CSFB Europe London	133,342,985	21,360	0.0002	0.88%
Dain Bosworth	610,000	-	0.0000	0.00%
Deutsche Bank	483,550,462	107,671	0.0002	4.41%
Euroclear	6,800,000	-	0.0000	0.00%
Federal Home Loan Mortgage	12,800,000	-	0.0000	0.00%
Fidelity Capital Markets	2,820,800	5,691	0.0020	0.23%
Fifth Third Securit	43,436,741	2,660	0.0001	0.11%
First Boston Corpor	11,006,323	33,023	0.0030	1.35%
First Tennessee	159,280,000	-	0.0000	0.00%
First Union Capital/Securities	128,259,230	275	0.0000	0.01%
Freddie Mac	1,662,070	-	0.0000	0.00%
Goldman Sachs	598,418,322	191,841	0.0003	7.87%
Green Street	131,914,059	-	0.0000	0.00%
Greenwich Capital Markets	75,573,260	-	0.0000	0.00%
Guzman & Company	786,800	15,736	0.0200	0.65%
HSBC Securities	191,248,557	24,670	0.0001	1.01%

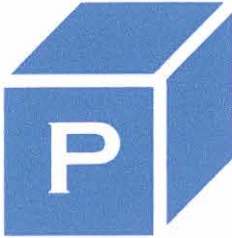
**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**SCHEDULE OF COMMISSIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
IMI Bank	798,200	\$ 11,356	\$ 0.0142	0.47%
ING Securities	877,834	8,512	0.0097	0.35%
Instinet	1,315,000	25,847	0.0197	1.06%
Investment Technology	671,335	12,733	0.0190	0.52%
ISI Group	11,837,625	4,381	0.0004	0.18%
ITG Group	1,607,152	24,865	0.0155	1.02%
Jeffries	951,814	19,864	0.0209	0.81%
JP Morgan Securities	371,200,418	49,186	0.0001	2.02%
Lehman Brothers	2,074,584,920	79,289	0.0000	3.25%
Liquidnet	1,449,610	29,442	0.0203	1.21%
Loop Capital	22,100,000	-	0.0000	0.00%
Lynch, Jones & Ryan	893,654	42,017	0.0470	1.72%
Merrill Lynch, Pierce	445,415,817	292,475	0.0007	11.99%
Mizuho Corporate Bank Ltd	101,064,148	2,247	0.0000	0.09%
MLPF&S Fixed Income	26,060,000	-	0.0000	0.00%
Morgan Stanley & Co	748,593,318	116,926	0.0002	4.79%
Nationsbanc Montgomery	1,154,300	1,055	0.0009	0.04%
Nomura Securities	10,289,194	10,060	0.0010	0.41%
Paribas Corporation	2,266,442	-	0.0000	0.00%
Pershing	586,090	53,399	0.0911	2.19%
RBC Dominion	1,292,850	4,994	0.0039	0.20%
Rosenblatt	1,642,933	32,859	0.0200	1.35%
Salomon Smith Barney	257,215,505	21,306	0.0001	0.87%
Santander Investment	11,380,000	-	0.0000	0.00%
Scotia Capital Markets	1,033,600	383	0.0004	0.02%
Spear Leeds Kellogg	1,494,018	1,362	0.0009	0.06%
Susquehanna Brokerage	1,278,500	18,022	0.0141	0.74%
Toronto Dominion Securities	2,575,000	-	0.0000	0.00%
UBS Securities	371,681,036	275,405	0.0007	11.29%
Wachovia Corporation	50,982,108	10,784	0.0002	0.44%
Warburg Dillon Read Japan	1,380,000	-	0.0000	0.00%
Warburg Securities	33,937,237	14,127	0.0004	0.58%
Washington Mutual	5,309,121	-	0.0000	0.00%
Weeden & Co.	731,792	16,605	0.0227	0.68%
Williams Capital Group	898,720	522	0.0006	0.02%
Other Broker	34,215,092	442,841	0.0129	18.17%
Total Investment Trade Commissions	10,987,945,434	\$ 2,438,964	\$ 0.4516	100.00%

The Association has established a Directed Commission Recapture Program generated by equity and fixed income transactions. The Association communicates to its managers that best execution and best price are the primary considerations when a transaction is made.



## ACTUARIAL SECTION



**Public Pension  
Professionals, Inc.**

121 MacKinnon Place  
Oakland, CA 94610  
510-652-8420 (telephone)  
510-652-8421 (facsimile)  
irasummer@pensioncube.com (email)

October 20, 2005

Board of Retirement  
Fresno County Employees' Retirement Association  
1111 H Street  
Fresno, CA 93721  
(559) 457-0681 (Telephone)  
(559) 457-0318 (Facsimile)

**Members of the Board:**

The annual actuarial valuation required for the Fresno County Employees Retirement Association (FCERA) has been prepared as of June 30, 2004 by Public Pension Professionals, Incorporated. In preparing this valuation, we have employed generally accepted actuarial assumptions and methods to determine a sound value for the FCERA's assets, liabilities and future contribution requirements. The actuarial assumptions employed in the development of the recommended contribution rates were selected to be individually reasonable (taking into account the experience of the Plan and reasonable expectations) and which, in combination, offer the actuary's best estimate of anticipated experience under the Plan. In our opinion, these methodologies and assumptions meet the parameters required under Government Accounting Standards Board (GASB) Statement 25.

The financing objective of the system has been to reduce the unfunded actuarial accrued liability (UAAL) to zero over a 30-year period (15-year period for future gains and losses or changes in assumptions or methods), while maintaining contribution rates that remain relatively level, as a percentage of payroll, from generation to generation.

We assisted in the preparation of several schedules included in the actuarial, statistical and financial sections of FCERA's Comprehensive Annual Financial Report. These include:

1. Schedule of Active Member Valuation Data
2. Schedule of Retirants and Beneficiaries Added to and Removed from Payroll
3. Solvency Test
4. Actuarial Analysis of Financial Experience
5. Schedule of Funding Progress

We supplied the current year information for these schedules through the preparation of our annual valuation report and through additional reports prepared for FCERA staff. Data for years prior to the June 30, 2000 actuarial valuation were prepared by the prior actuary for FCERA.

Our calculations are based upon the member data and financial information supplied to us by FCERA staff. This data has not been audited, but has been reviewed and found to be internally consistent and consistent with the prior year's data.

I am a Fellow of the Society of Actuaries, an Enrolled Actuary under ERISA, a Fellow in the Conference of Consulting Actuaries, a Member of the American Academy of Actuaries, and have experience in performing actuarial valuations for public retirement systems. As such, I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

A handwritten signature in black ink, appearing to read "Ira M. Summer".

Ira M. Summer, FSA, EA, FCA, MAAA  
President



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

The Entry Age Normal Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The UAAL is being funded over 15 years from the June 30, 2003 valuation date. The following interest rate assumptions along with the post retirement and pre-retirement demographic experiences are based on the plan's actuarial experience through June 30, 2004. The actuarial valuation report was approved and adopted by the Fresno County Board of Retirement on April 20, 2005.

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

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

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

Note: Information compiled from Actuarial Report prepared by Public Pension Professionals dated June 30, 2004.

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

<b>Valuation Date</b>		<b>Plan Type</b>	<b>Number</b>	<b>Annual Payroll</b>	<b>Average Monthly Salary</b>	<b>% Increase in Average Salary</b>
June 30, 1998	<sup>1</sup>	General	5,200	\$ 181,813,000	\$ 2,914	7.1%
		Safety	857	37,585,000	3,655	11.4%
		Total	<u>6,057</u>	<u>\$ 219,398,000</u>	<u>\$ 3,019</u>	7.7%
June 30, 2000	<sup>1</sup>	General	6,195	\$ 227,910,000	\$ 3,066	5.2%
		Safety	904	45,516,000	4,196	14.8%
		Total	<u>7,099</u>	<u>\$ 273,426,000</u>	<u>\$ 3,210</u>	6.3%
June 30, 2002	<sup>2</sup>	General	6,811	\$ 275,646,000	\$ 3,373	10.0%
		Safety	923	51,329,403	4,634	10.4%
		Total	<u>7,734</u>	<u>\$ 326,975,000</u>	<u>\$ 3,523</u>	9.8%
June 30, 2003	<sup>3</sup>	General	6,660	\$ 286,278,925	\$ 3,582	6.2%
		Safety	939	55,702,460	4,943	6.7%
		Total	<u>7,599</u>	<u>\$ 341,981,385</u>	<u>\$ 3,750</u>	6.4%
June 30, 2004	<sup>3</sup>	General	6,534	\$ 283,135,520	\$ 3,611	1.0%
		Safety	911	54,478,246	4,983	1.0%
		Total	<u>7,454</u>	<u>\$ 337,613,766</u>	<u>\$ 3,774</u>	1.0%

<sup>1</sup> Information compiled from biennial Actuarial Reports prepared by Buck Consultants dated June 30, 1998 and 2000.

<sup>2</sup> Information compiled from biennial Actuarial Report prepared by Public Pension Professionals dated June 30, 2002.

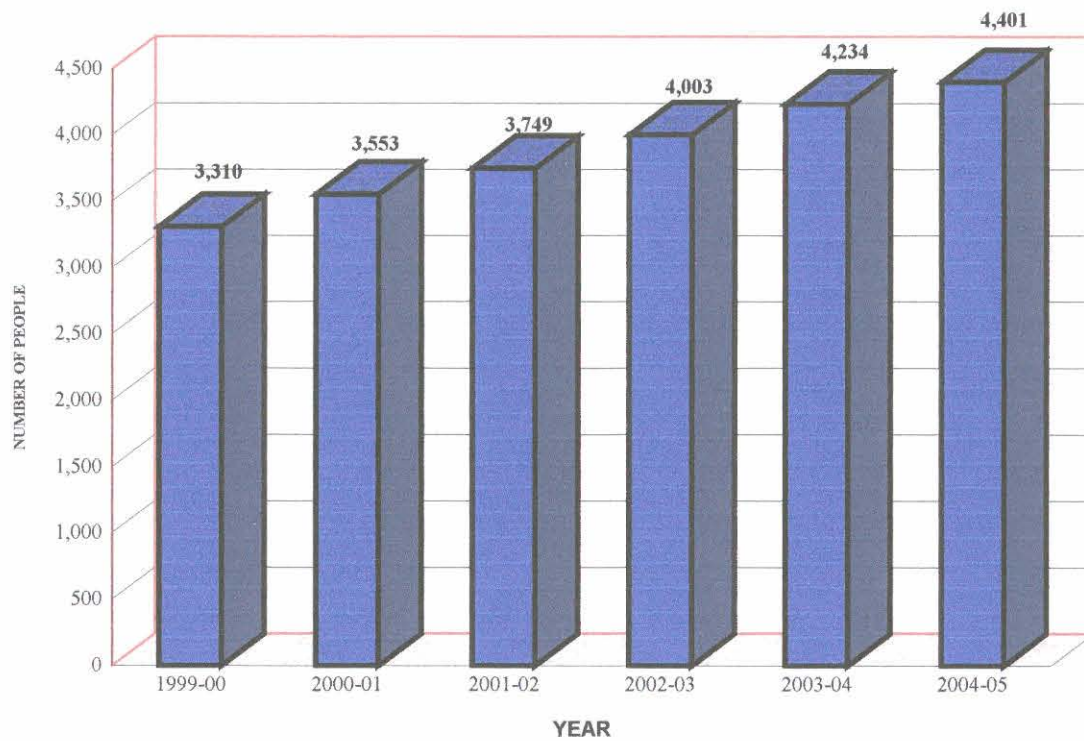
<sup>3</sup> Information compiled from annual Actuarial Reports prepared by Public Pension Professionals dated June 30, 2003 and 2004.



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

Year	Number at Beginning of Year	Number Added to Rolls	Number Removed From Rolls	Number at End of Year	Annual Allowance	Percent Increase in Annual Allowances	Average Annual Allowance	Percent Increase in Average Annual Allowance
1999-00	3,204	203	97	3,310	\$ 51,601,000	10.77%	\$ 15,589	7.22%
2000-01	3,310	339	96	3,553	63,242,000	22.56%	17,800	14.18%
2001-02	3,553	284	88	3,749	81,022,000	28.11%	21,612	21.42%
2002-03	3,749	347	93	4,003	92,729,000	14.45%	23,165	7.19%
2003-04	4,003	335	104	4,234	106,247,000	14.58%	25,094	8.33%
2004-05	4,234	285	118	4,401	114,376,000	7.65%	25,989	3.57%

**RETIRANTS AND BENEFICIARIES AT THE END OF THE YEAR**



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

(Amounts expressed in thousands)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Overfunded) AAL		Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL Percentage of Covered Payroll
June 30, 1994	\$ 795,748	\$ 1,008,658	\$ 212,910		78.90%	\$ 217,439	97.90%
June 30, 1996	1,296,256	1,470,331	174,075		88.20%	191,114	91.10%
June 30, 1998	1,647,935	1,549,166	(98,769)		106.4%	219,398	(45.0%)
June 30, 2000	1,698,282	1,719,905	21,623		98.7%	273,426	7.9%
June 30, 2002	1,674,900	1,932,300	257,400		86.7%	326,975	78.7%
June 30, 2003	1,922,149	1,953,490	30,841	<sup>5</sup>	98.9%	341,981	9.0%
June 30, 2004	1,977,097	2,017,971	40,874		98.0%	337,614	12.1%

**The required employer contributions**

Fiscal Year Ended	Required Contributions	Percentage Contribution
June 30, 1996	\$ 21,468	100.00%
June 30, 1998	202,550 <sup>1</sup>	100.00%
June 30, 2000	- <sup>2</sup>	N/A
June 30, 2002	110,996 <sup>3</sup>	100.00%
June 30, 2003	44,939	985.67% <sup>4</sup>
June 30, 2004	56,296	100.00%

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

<sup>2</sup> No Annual Required Contributions due to transfers of Undistributed Earnings resulting from receipt of the proceeds of the Pension Obligation Bonds.

<sup>3</sup> Includes transfers from Undistributed Earnings.

<sup>4</sup> On March 23, 2004, the County of Fresno issued Pension Obligation Bonds, which paid off a portion of the estimated

<sup>5</sup> Includes a correction to amount reported at June 30, 2004

Note: Information compiled from Actuarial Report prepared by Public Pension Professionals dated June 30, 2004, and additional data supplied by the actuary after the receipt of proceeds of the Pension Obligation Bonds.

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

(Amounts expressed in thousands)

<b>Changes to UAAL</b>	<b>2002</b>	<b>2003</b>
Prior Valuation Unfunded Actuarial Accrued Liability	\$ 21,623	\$ 257,387
Expected Increase from Prior Valuation	(24,661)	(73,194)
Salary Increase Greater (Less) than Expected	66,330	31,634
Asset Return Less (Greater) than Expected	100,658	108,487
Proceeds from Pension Obligation Bond	-	(388,630)
Other Experience	68,109	78,123
Benefit Improvements	-	-
Asset Transfers for Benefit Improvements	-	-
Actuarial Assumptions Changes	32,787	17,034
Actuarial Value of Assets Method Change	18,097	-
Methodology Refinements from Prior Actuary	(25,556)	-
Ending Unfunded Actuarial Accrued Liability (Surplus)	<u>\$ 257,387</u>	<u>\$ 30,841</u>

Note: Information prepared by Public Pensions Professionals.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
SOLVENCY TEST**

(Amounts expressed in thousands)

Valuation Date	Actuarial Accrued Liabilities for			Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	Active Member Contributions (1)	Vested, Retirants and Beneficiaries (2)	Active Members Employer Financed (3)		Active Member Contributions (1)	Vested, Retirants and Beneficiaries (2)	Active Members Employer Financed (3)
June 30, 1994	\$ 162,315	\$ 338,652	\$ 507,691	\$ 795,748 <sup>1</sup>	100%	100%	79%
June 30, 1996	\$ 190,456	\$ 439,643	\$ 840,232	\$ 1,296,256	100%	100%	79%
June 30, 1998	\$ 211,171	\$ 456,118	\$ 881,877	\$ 1,647,935	100%	100%	111%
June 30, 2000	\$ 251,943	\$ 622,130	\$ 845,832	\$ 1,698,282	100%	100%	97%
June 30, 2002	\$ 263,170	\$ 985,447	\$ 683,692	\$ 1,674,900 <sup>1</sup>	100%	100%	84%
June 30, 2003	\$ 266,798	\$ 1,217,965	\$ 728,912	\$ 1,922,149	100%	100%	44%
June 30, 2004	\$ 271,654	\$ 1,254,674	\$ 754,480	\$ 2,265,388	100%	100%	98%

<sup>1</sup> Correction to Actuarial Value of Assets as reported for period ending June 30, 2003.

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

<b>Age</b>	<b>Total Terminations *</b>	<b>Ordinary Death</b>	<b>Ordinary Disability</b>	<b>Service</b>	<b>Duty Death</b>	<b>Duty Disability</b>
------------	-----------------------------	-----------------------	----------------------------	----------------	-------------------	------------------------

**General Members - Male**

20	0.07500	0.00100	0.00010	0.00000	0.00000	0.00000
30	0.06300	0.00120	0.00010	0.00000	0.00000	0.00010
40	0.05300	0.00300	0.00030	0.00000	0.00000	0.00020
50	0.04300	0.00600	0.00110	0.05000	0.00000	0.00060
60	0.03300	0.00660	0.00260	0.30000	0.00000	0.00130
70	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000

**General Members - Female**

20	0.08400	0.00030	0.00010	0.00000	0.00000	0.00000
30	0.06960	0.00040	0.00010	0.00000	0.00000	0.00010
40	0.05760	0.00100	0.00030	0.00000	0.00000	0.00020
50	0.04560	0.00240	0.00090	0.04000	0.00000	0.00050
60	0.03360	0.00560	0.02100	0.20000	0.00000	0.00100
70	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000

**Safety Members**

20	0.07010	0.00100	0.00000	0.00000	0.00100	0.00060
30	0.05930	0.00120	0.00000	0.00000	0.00100	0.00160
40	0.02070	0.00300	0.00000	0.00000	0.00100	0.00490
50	0.00330	0.00600	0.00000	0.06000	0.00100	0.10760
60	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000

Note: Information compiled from Actuarial Report prepared by Public Pension Professionals dated June 30, 2004.

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

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

Note: Probability of refunds by age are not available. Refunds are more closely associated with years of service.

Information compiled from Actuarial Report prepared by  
Public Pension Professionals dated June 30, 2004.



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

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

Note: Information compiled from Actuarial Report prepared by Public Pension Professionals dated June 30, 2004.

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

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

**General and Safety Members - Male**

20	30.81
30	27.47
40	23.27
50	18.25
60	13.86
70	9.81
80	6.43
90	3.90
100	2.29
110	2.03

**General and Safety Members - Female**

20	46.81
30	40.06
40	32.78
50	25.15
60	18.62
70	12.98
80	8.42
90	5.12
100	3.33
110	2.18

Note: Information compiled from Actuarial Report prepared by Public Pension Professionals dated June 30, 2004.

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

### **1. ELIGIBILITY**

First of day of pay period following date of employment.

### **2. DEFINITION OF SALARY**

Highest 365 consecutive days of compensation earnable.

### **3. SERVICE RETIREMENT**

- Normal retirement age - 52 and 50 for the General and Safety 2.5% benefit formulas respectively.

- Early retirement

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

- Benefit

2.5% times final average salary per year of service.

- Benefit Adjustments

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

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

### **4. DISABILITY RETIREMENT**

- Non-service connected

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

- Service-connected

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



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

**5. DEATH BEFORE RETIREMENT**

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

**6. DEATH AFTER RETIREMENT**

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

**7. VESTING**

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

**8. MEMBERS' CONTRIBUTIONS**

Based on entry age.

**9. COST-OF-LIVING**

Maximum 3% COLA for all members.

Note: Information compiled from Actuarial Report prepared by Public Pension Professionals dated June 30, 2004.

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## STATISTICAL SECTION



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**TABLE OF REVENUE BY SOURCE AND EXPENSES BY TYPE**  
**Fiscal Years Ended 2000 through 2005**  
(Amounts expressed in thousands)

**REVENUES BY SOURCE**

<b>Fiscal Year Ended June 30</b>	<b>Contributions Member</b>	<b>Employer</b>	<b>Net Investment Income</b>	<b>Total</b>	<b>Employer Contributions as a Percentage of Annual Covered Payroll</b>
2000	9,198	-	133,170	142,368	0.0%
2001	9,973	-	(33,930)	(23,957)	0.0%
2002	14,434	7,780	(63,285)	(41,071)	2.6% <sup>1</sup>
2003	19,974	33,583 <sup>2</sup>	27,390 <sup>2</sup>	80,947 <sup>2</sup>	10.3%
2004	18,239	442,950 <sup>3</sup>	238,877	700,066	129.5% <sup>4</sup>
2005	24,261	56,343	235,406	316,010	16.7%

<sup>1</sup> Includes change to prior year (2002) percentage of Annual Covered Payroll

<sup>2</sup> Amounts revised from prior year (2003) Comprehensive Annual Financial Report

<sup>3</sup> Includes proceeds from Pension Obligation Bonds

<sup>4</sup> Percentage corrected from prior year (2004) Comprehensive Annual Financial Report

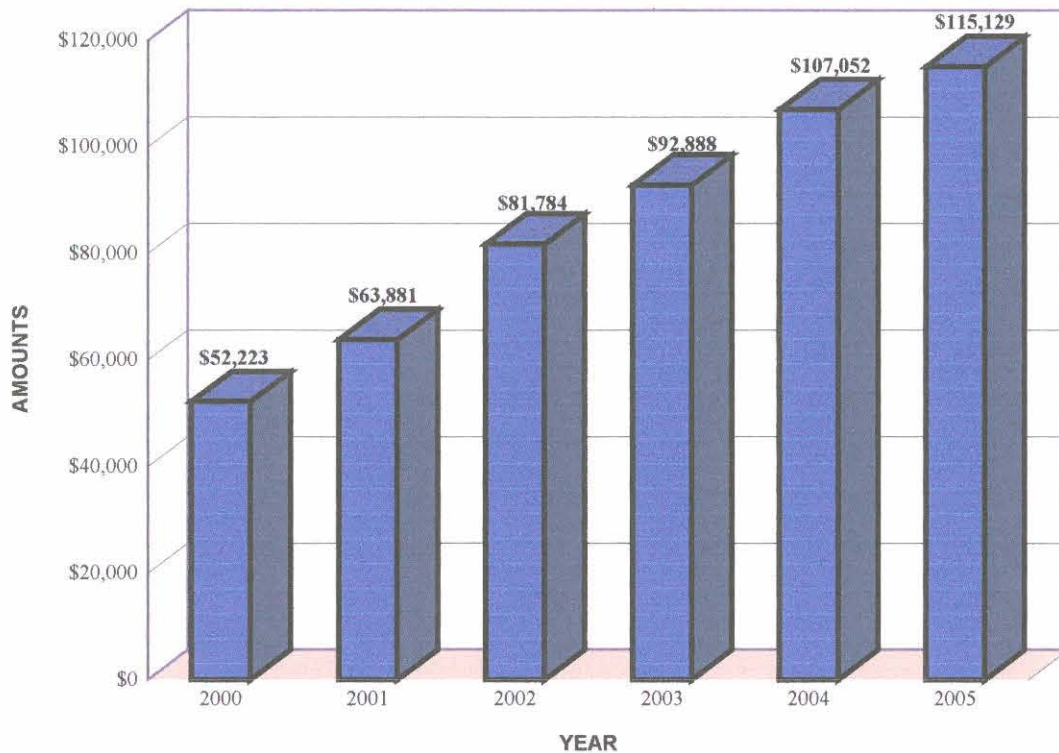
**EXPENSES BY TYPE**

<b>Fiscal Year Ended June 30</b>	<b>Benefits</b>	<b>Administrative Expenses</b>	<b>Refunds</b>	<b>Total</b>
2000	\$ 52,223	\$ 867	\$ 2,275	\$ 55,365
2001	63,881	2,235	1,146	67,262
2002	81,784	1,544	870	84,198
2003	92,887	2,059	904	95,850
2004	107,052	2,001	941	109,994
2005	115,129	2,484	1,403	119,016

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

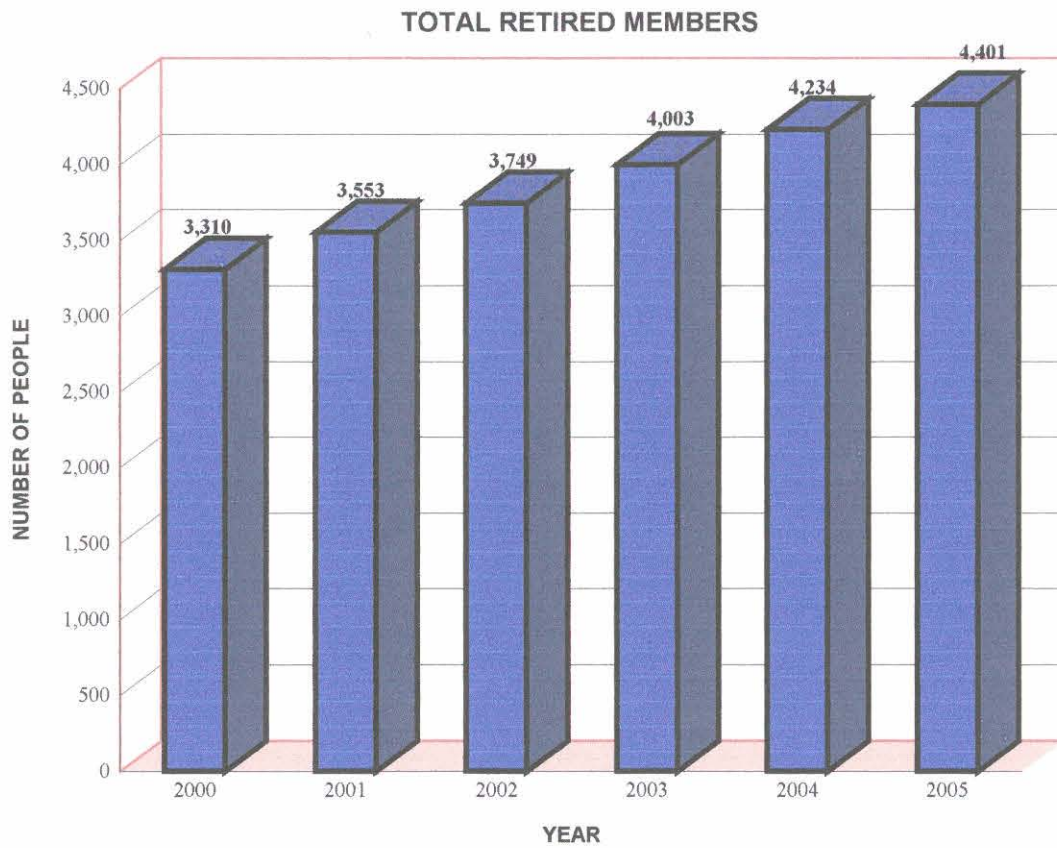
<b>MEMBERS</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
GENERAL	\$ 42,909	\$ 52,480	\$ 65,113	\$ 72,875	\$ 83,795	\$ 90,517
SAFETY	8,530	10,529	15,378	18,710	22,012	23,233
SURVIVOR	784	872	1,293	1,303	1,245	1,379
<b>TOTAL</b>	<b>\$ 52,223</b>	<b>\$ 63,881</b>	<b>\$ 81,784</b>	<b>\$ 92,888</b>	<b>\$ 107,052</b>	<b>\$ 115,129</b>

**BENEFIT EXPENSES**  
(amounts expressed in thousands)



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

<b>MEMBERS</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
GENERAL	2,897	3,089	3,235	3,435	3,635	3,770
SAFETY	338	390	435	488	516	543
SURVIVOR	75	74	79	80	83	88
<b>TOTAL</b>	<b>3,310</b>	<b>3,553</b>	<b>3,749</b>	<b>4,003</b>	<b>4,234</b>	<b>4,401</b>





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

<b>Valuation Date</b>	<b>Plan type</b>	<b>Annual Number</b>	<b>Annual Benefits</b>	<b>Annual Average Benefits</b>	<b>% Increase in Average Benefits</b>
6/30/1996	General	2,721	\$ 32,505,087	\$ 11,946	13.7%
	Safety	280	5,327,290	19,026	6.2%
	Total	<u>3,001</u>	<u>\$ 37,832,377</u>	<u>\$ 30,972</u>	9.0%
6/30/1998	General	2,746	\$ 34,052,681	\$ 12,401	3.8%
	Safety	298	5,919,878	19,865	4.4%
	Total	<u>3,044</u>	<u>\$ 39,972,559</u>	<u>\$ 32,266</u>	4.2%
6/30/2000	General	2,901	\$ 38,686,107	\$ 13,335	7.5%
	Safety	330	7,581,842	22,975	15.7%
	Total	<u>3,231</u>	<u>\$ 46,267,949</u>	<u>\$ 36,310</u>	12.5%
6/30/2002	General	3,287	\$ 66,423,696	\$ 20,208	51.5%
	Safety	426	16,261,272	38,172	66.1%
	Total	<u>3,713</u>	<u>\$ 82,684,968</u>	<u>\$ 58,380</u>	60.8%
6/30/2003	General	3,549	\$ 76,488,048	\$ 21,552	6.7%
	Safety	476	17,638,656	37,056	-2.9%
	Total	<u>4,025</u>	<u>\$ 94,126,704</u>	<u>\$ 58,608</u>	0.4%
6/30/2004	General	3,848	\$ 87,041,760	\$ 22,620	5.0%
	Safety	483	21,677,040	44,880	21.1%
	Total	<u>4,331</u>	<u>\$ 108,718,800</u>	<u>\$ 67,500</u>	15.2%

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

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

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

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Active Vested</b>						
General	3,674	3,466	3,566	3,600	3,385	4,203
Safety	614	641	630	605	581	664
Total	4,288	4,107	4,196	4,205	3,966	4,867
<b>Active Nonvested</b>						
General	2,691	3,083	3,299	3,054	3,242	2,537
Safety	304	301	293	328	345	303
Total	2,995	3,384	3,592	3,382	3,587	2,840
<b>Total Active Members</b>						
General	6,365	6,549	6,865	6,654	6,627	6,740
Safety	918	942	923	933	926	967
TOTAL	7,283	7,491	7,788	7,587	7,553	7,707
<b>Deferred Members</b>	1,326	1,353	1,467	1,376	1,378	1,464
TOTAL	1,326	1,353	1,467	1,376	1,378	1,464

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

	2000	2001	2002	2003	2004	2005
<b>County of Fresno</b>						
General Members	6,312	6,494	6,807	6,596	6,571	6,684
Safety Members	877	902	884	893	889	927
Total	7,189	7,396	7,691	7,489	7,460	7,611
<b>Participating Agencies (General Members)</b>						
Clovis Memorial	4	4	3	4	3	4
Fresno County Office of Education	3	1	1	1	1	1
Fresno Mosquito and Vector Control	10	10	10	10	9	9
Fresno-Madera Area Agency on Aging	29	34	37	36	36	36
North Central Fire Protection	7	6	7	7	7	6
Total	53	55	58	58	56	56
<b>Participating Agencies (Safety Members)</b>						
North Central Fire Protection	41	40	39	40	37	40
Total	41	40	39	40	37	40
<b>Total Active Members</b>						
General Members	6,365	6,549	6,865	6,654	6,627	6,740
Safety Members	918	942	923	933	926	967
TOTAL	7,283	7,491	7,788	7,587	7,553	7,707



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

<b>EFFECTIVE DATES</b>			<b>GENERAL</b>	<b>SAFETY</b>
July 1, 2004	to	June 30, 2005	15.71%	21.23%
July 1, 2003	to	June 30, 2004	15.38%	20.75%
July 1, 2002	to	June 30, 2003	7.20%	24.88%
October 1, 2001	to	June 30, 2002	0.00% (2)	21.87% (1) (2)
July 1, 2000	to	September 30, 2001	0.00% (2)	0.00% (2)
June 28, 1999	to	June 30, 2000	0.00% (2)	0.00% (2)

(1) The employer contribution rates reflect the aggregate rates.

(2) Employer rates were reduced through the use of undistributed earnings.

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