

**FRESNO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2004 AND 2003**
(amounts in thousands)

	<u>2004</u>	<u>2003</u>
ASSETS:		
Cash and cash equivalents with fiscal agents	\$ 86,671	\$ 62,365
Securities lending short-term investment pool	241,768	287,708
Total cash and cash equivalents	<u>328,439</u>	<u>350,073</u>
Receivables:		
Investment trades receivable	219,201	61,427
Interest and dividends receivable	6,475	5,656
Contributions and other receivables	4,993	4,135
Securities lending receivable	283	366
Note receivable	-	809
Total receivables	<u>230,952</u>	<u>72,393</u>
Investments, at fair value:		
Commercial paper	63,898	-
U.S. Government and agencies bonds	360,486	218,188
Domestic bond index fund	96,622	-
Domestic equity index fund	137,235	-
Global bond index fund	48,803	44,844
Domestic bonds	171,521	158,687
Domestic stocks	721,731	633,876
International stocks	341,667	269,953
Foreign bonds	1,179	-
Mortgages	2,459	2,137
Private markets	188,003	173,209
Real estate (station building)	1,793	1,793
Total investments	<u>2,135,397</u>	<u>1,502,687</u>
Prepaid expenses	140	39
Capital assets		
Nondepreciable	-	111
Depreciable, net	2,746	516
Total capital assets, net of accumulated depreciation of \$238 and \$230, respectively	<u>2,746</u>	<u>627</u>
Total assets	<u>2,697,674</u>	<u>1,925,819</u>
LIABILITIES:		
Investment trades payable	309,100	84,391
Cash collateral payable for securities lending	241,768	287,709
Accounts payable	5,863	2,766
Securities lending bank and broker fees	231	313
Total liabilities	<u>556,962</u>	<u>375,179</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 2,140,712</u>	<u>\$ 1,550,640</u>

**FRESNO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN PLAN NET ASSETS
JUNE 30, 2004 AND 2003**
(amounts in thousands)

	<u>2004</u>	<u>2003</u>
ADDITIONS:		
Contributions:		
Employers	\$ 442,949	\$ 33,583
Employees	18,240	19,974
Total contributions	<u>461,189</u>	<u>53,557</u>
Investment income:		
From investment activities		
Net appreciation/(depreciation) in fair value of investments	184,760	(19,837)
Interest	20,614	25,141
Dividends	18,770	16,216
Private markets	20,268	9,450
Net income from investment activities	<u>244,412</u>	<u>30,970</u>
From securities lending activities		
Securities lending income	3,851	4,957
Securities lending expenses:		
Borrower rebate expenses	(2,939)	(4,153)
Securities lending management fees	(228)	(216)
Net income from securities lending activities	<u>684</u>	<u>588</u>
Miscellaneous income	418	1,335
Investment expense	(6,637)	(5,503)
Net investment income	<u>238,877</u>	<u>27,390</u>
Total additions	<u>700,066</u>	<u>80,947</u>
DEDUCTIONS:		
Benefits paid to participants	107,052	92,887
Refunds of prior contributions	941	904
Administrative expenses	2,001	2,058
Total deductions	<u>109,994</u>	<u>95,849</u>
NET INCREASE(DECREASE)	<u>590,072</u>	<u>(14,902)</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF THE YEAR	<u>1,550,640</u>	<u>1,565,542</u>
END OF YEAR	<u>\$ 2,140,712</u>	<u>\$ 1,550,640</u>

ANNUAL REPORT of the FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

For the Year Ending June 30, 2004



FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

JOHN P. SOUZA, Chair

VERA DOMINGUEZ, Vice Chair

MICHAEL CARDENAS, Member

BILL CASAREZ, Member

VICKI CROW, Member

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PHIL LARSON, Member

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MICHAEL THOBE, Member

GERRY SWAN, Alternate Retired Member

ROBERTO L. PEÑA
Retirement Administrator

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DENNIS A. MARSHALL
Interim County Counsel

BARBARA BOOTH GRUNWALD
Deputy County Counsel

Meetings of the Board of Retirement are normally held on the first and third Wednesday of each month at 9:00 a.m. Members of the Retirement Association are invited to attend these meetings.

As a member of the Retirement Association, you are encouraged to contact the Retirement Office at 1111 H Street, (559) 457-0681, regarding these financial statements or other information concerning the Retirement System.

TO THE MEMBERS OF THE FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

I have submitted the financial report of the Fresno County Employees' Retirement Association for the year ending June 30, 2004. Please become familiar with the following benefits which are provided by the Retirement System:

BENEFICIARY – When you enter the Retirement Association, you designate your beneficiary on the Enrollment Card. You may change your beneficiary by notifying the Retirement Office in writing. It is very important that your beneficiary designation be kept up to date.

SERVICE RETIREMENT – As a general member, you may retire with ten (10) years of service if you are at least fifty (50) years old, or with thirty (30) years of service regardless of age. As a safety member, you may retire with ten (10) years of service if you are at least fifty (50) years old, or with twenty (20) years of service regardless of age.

TEMPORARY ANNUITY OPTION – If you are covered by Social Security and retire from County or Special District service before age 62, you may receive additional income from the Retirement Association until you reach age 62 and become eligible for Social Security. This temporary annuity is an advance on the amount Social Security estimates you will be entitled to receive from them at age 62. The purpose of the temporary annuity is to provide you with a uniform retirement income for life.

DISABILITY RETIREMENT – If you have at least five (5) years of service and become permanently disabled and unable to perform your specific job duties, you are eligible for a non-service connected disability retirement. If you become permanently disabled and unable to perform your specific job duties as a result of injury or disease arising out of or in the course of your employment, you are eligible for a service connected disability retirement regardless of your years of service.

DEFERRED RETIREMENT – To be eligible to defer your retirement benefits to a later date, you must have at least five (5) years of service and apply in writing to the Retirement Office within six months of your termination date.

TRANSFER TO ANOTHER SYSTEM – You will have reciprocal rights and obligations if you terminate your employment, leave your contributions on deposit with our Retirement System, and within six months of termination, become a member of a retirement system covered by the County Employees Retirement Law of 1937, the Public Employees' Retirement System (PERS), the State Teachers' Retirement System (STRS), or the Judges Retirement System I or II, or any other reciprocal system.

GOVERNMENT CODE 31629.5 – Allows you to leave your contributions on deposit in an interest bearing account when you have less than five years of service credit and do not qualify for reciprocity. You may withdraw your contributions and interest from the fund at any time, provided you have not reestablished membership in this association or a reciprocal system. If you establish membership in a reciprocal system even without qualifying for reciprocity, you may qualify for a retirement benefit from both systems after meeting the minimum retirement qualifications.

DEATH BENEFIT – A death benefit is payable to your beneficiary upon your death before retirement. The Basic Death Benefit consists of: (a) your accumulated contributions plus interest and (b) your final compensation multiplied by your completed years of service, not to exceed six (6) months of final compensation. If you have completed at least five (5) years of service, your surviving spouse or dependent child may elect to receive, in lieu of the Basic Death Benefit, a continuing benefit equal to 60% of the retirement allowance to which you would have been entitled had you retired on the day of your death. If your death is as a result of an on-the-job injury, your spouse or minor child would be eligible for a continuing benefit equal to 100% of the retirement allowance to which you would have been entitled had you retired on the day of your death.

INTEREST ON CONTRIBUTIONS – The contributions of active and deferred members of the Retirement Association are credited interest at a rate determined by the Board. The current rate is based on the cost of living granted to the most recent eligible retirees.

CREDIT FOR PREVIOUS SERVICE – You may redeposit, any time prior to receiving retirement benefits, contributions previously withdrawn plus interest, and receive service credit for such time. You may also buy back service credit for time worked prior to becoming a member of the Retirement Association (Extra Help with the County or a Special District member) by depositing the contributions that you would have made had you been a member during such time plus interest if you return to work for the same employer. Special redeposit rules are available for current or former Safety members as a result of Government Code Section 31629.5.

HIGHLIGHTS FOR 2003-2004

Total membership in the Association increased by 1.54% to 13,165. The total number of current employees decreased by 0.45% to 7,553, while the retired membership increased by 5.76% to 4,234. Deferred membership increased by 0.15% to 1,378.

Benefit payments during the fiscal year totaled \$107,993,000. This includes monthly benefit payments of \$107,052,000 and refunds at termination of \$941,000. Administrative expenses for the year totaled \$2,001,000 which amounts to 0.07% of total assets.

FINANCIAL HIGHLIGHTS FOR 2003-2004

During the period from July 1, 2003 through June 30, 2004, Pension Trust assets increased to \$2,140,712,000 which represents a 38.1% increase in assets. The increase included \$398,141,000 from the proceeds of a Pension Obligation Bond issued by the County of Fresno. The average rate of return on the market value basis of the investment portfolio over the past year, was 16.6% gross of fees. The investment portfolio is comprised of fixed income securities, equities, real estate, alternative investments, and cash.

For the fiscal year ended June 30, 2004, the Macias, Gini & Company, L.L.P. audited the financial statements of the Retirement Association and issued an unqualified opinion.



John P. Souza, Chairperson
Board of Retirement



Roberto L. Peña
Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION MEMBERSHIP JUNE 30, 2004 AND 2003

The Association membership at June 30, 2004 and 2003 is as follows:

	2004	2003
Retirees and beneficiaries receiving benefits	4,234	4,003
Terminated employees entitled to benefits but not yet receiving them	1,378	1,376
Current employees:		
Vested:		
General	3,385	3,600
Safety	581	605
Nonvested:		
General	3,242	3,054
Safety	345	328
Total current employees	7,553	7,587
Total membership	13,165	12,966