

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2013 and 2012

2012 - 2013

Fresno County Employees' Retirement Association

A Component Unit of the County of Fresno

Fresno, California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

ISSUED BY

PHILLIP KAPLER
RETIREMENT ADMINISTRATOR

and

BECKY VAN WYK, CPA
ASSISTANT RETIREMENT ADMINISTRATOR

FCERA

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
1111 H STREET
FRESNO, CALIFORNIA 93721-2515
www.FCERA.org

A COMPONENT UNIT OF THE COUNTY OF FRESNO

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INTRODUCTORY SECTION



Phillip Kapler
Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
Dr. Rod Coburn, III, Chair
Alan Cade, Jr., Vice Chair
Marion Austin
Laura P. Basua
Judith G. Case
Vicki Crow
Robert Dowell
Eulalio Gomez
Steven J. Jolly

December 4, 2013

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

Dear Board Members:

I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the Fresno County Employees' Retirement Association (FCERA), the System, for the fiscal years ended June 30, 2013 and 2012.

The CAFR provides policymakers, members, employers, regulatory and other users with a comprehensive and accurate review of the year's operations. In addition, it serves as a source of reliable information for making responsible management decisions, determining compliance with legal requirements and demonstrating the stewardship of the Board of Retirement of the Fresno County Employees' Retirement Association (Board), staff and key consultants who serve the members of FCERA. The management of FCERA is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures.

Generally Accepted Accounting Principles (GAAP) requires 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 lends broader context to the MD&A, and the two should be read in tandem. The MD&A can be found immediately following the Independent Auditor's Report.

FCERA MISSION STATEMENT AND CORE VALUES

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

In carrying out this mission, we endeavor to:

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

FCERA AND ITS SERVICES

FCERA is a cost-sharing multiple employer public retirement system established by the County Board of Supervisors on January 1, 1945 to provide retirement, disability, death and survivor benefits for its members under the California State Government Code, Section 31450 *et. seq.*, (the County Employees Retirement Law of 1937, hereinafter "CERL"). The Plan is administered by the Board, which consists of nine voting members and a retiree alternate.

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

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

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

FINANCIAL INFORMATION

Management is responsible for the accuracy, completeness, fair presentation of information and all disclosures in this Report. In addition, management is also responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that FCERA's financial reporting is accurate and reliable.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of the cost and benefits requires estimates and judgments by management.

Brown Armstrong Accountancy Corporation (the Auditor) provides financial statement independent audit services to FCERA. The Auditor attests that these financial statements are presented in accordance with generally accepted accounting principles and that the financial statements are free of any material misstatement. Management is responsible for assuring that internal accounting controls are sufficient to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules. Controls have inherent limitations and do rely on human diligence. Because of these inherent limitations, the internal controls are not exact in their nature, which may lead to the risk that errors or misstatements may occur but may not be identified immediately. FCERA's management believes it has prudent controls in place to reduce the inherent risk within its financial reporting and accounting systems.

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

GENERAL OPERATIONS

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

Three positions on the Board changed during the year, which always implies significant investment of time and effort in orientation and learning. No structural changes were undertaken with respect to the organization chart, but staff turnover required a number of position searches over the course of the year. At such times we are reminded quite directly how vital the contributions are from every member of FCERA's administrative team. Thankfully, there was no turnover within the management team. Considerable effort was invested in the redesign of position classifications and refinement of professional progression criteria, especially for the Retirement Coordinator group, which should result in better retention and promotion opportunities for that group.

Significant progress was achieved in the development of systems that will enhance records management and benefits management. Major projects also included the implementation of a major reform bill enacted by the Legislature, which led to the adoption of a new Tier V benefit class. In addition to changes in several specific investment mandates, an overall Asset-Liability Study was undertaken, and a change in custodial and securities lending service providers occurred, effective April 1, 2013.

ASSET MANAGEMENT AND INVESTING

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

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

Under this policy the Board operates under a standard of fiduciary care in California commonly known as the "prudent person rule" which requires that the Board discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims. When the Board contracts with professional investment advisors their discretion is defined by our Investment Policy and the discretion provided by contract and guidelines prescribed by the Board. In exercising discretion when managing assets, such service providers become co-fiduciaries to the members.

The 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. As of June 30, 2013, the categorical targets were as follows:

i	Equities.....	53 %
i	Fixed Income	26 %
i	Real Assets	10 %
i	Alternatives and Private Equity.....	7 %
i	Hedge Strategies.....	4 %

During the 2012-13 fiscal year FCERA rebalanced the investment portfolio, reallocating funds among accounts to conform with asset and separate portfolio targets under the policy. The Board terminated an international growth equity manager agreement for performance purposes and reallocated that \$110 million to Artisan Partners International in the same international equity growth allocation.

A good portion of the Board's work was dedicated to long-term actuarial and investment issues. "Stress testing" for potential adverse markets led to a consensus that our strategy should optimize the twin goals of return maximization and downside risk management. Wurts & Associates led FCERA in the effort to design an asset and strategy mix that anticipates a low-return market environment for the next 5 to 10 years,

and reduces our vulnerability to any general market downturn similar to those witnessed in 2000 and 2008. The next annual report issued by FCERA is expected to show a substantially different investment strategy as a direct result of efforts undertaken in the most recent year.

ACTUARIAL FUNDING STATUS

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

The actuarial valuation as of June 30, 2012 completed by The Segal Company, determined that the ratio of plan assets to plan liabilities was 76.1%, which represented an improvement over the same ratio on June 30, 2011 of 73.5%. Our funding policy employs a "smoothing" methodology to dampen the "noise" of short-term investment market volatility. In addition, the policy imposes an absolute "corridor" of +/- 30% to the actuarial value of assets (AVA) relative to the market value of assets (MVA). This constrains effect of any variance between these two different but related measures on required annual contributions. These techniques are used to produce reliable, stable and serially manageable changes to required contributions for participating employers.

BUDGET

Our mission is to *administer the retirement benefits for the members and beneficiaries in a prudent, accurate, timely and cost-effective manner*

Each year in April, the Administrator provides the Board with a proposed budget for the coming year. The Budget is considered, modified and approved for implementation on July 1 of the succeeding fiscal year. The California State Government Code Section 31580.2 limits expenses to the greater of either **(a)** 0.21 percent of the accrued actuarial liability of the plan, or **(b)** two million dollars, as adjusted annually by the computed cost-of-living adjustment. For fiscal year end June 30, 2013, administrative expenses represented 0.09% of the accrued actuarial liability of the plan. Administrative expenses have historically been well below the statutory limitation.

CERTIFICATE OF ACHIEVEMENT

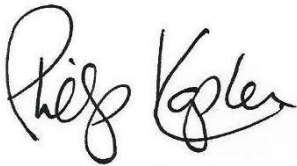
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FCERA for its CAFR for the fiscal year ended June 30, 2012, which marks sixteen consecutive years that FCERA has achieved this prestigious award. FCERA also received the GFOA award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR). The PAFR provides FCERA's membership with condensed and concise information in an easier to read format than presented in the CAFR.

ACKNOWLEDGMENTS

The compilation of this report reflects the combined effort of the FCERA 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 to assess our stewardship of the members' assets, entrusted to the care of the Board, staff and dedicated consultants.

FCERA is a large and complex enterprise. For their commitment to FCERA and for their diligent work to assure FCERA's continued successful operation, sincere thanks are owed to the Board members, FCERA staff, our expert consultants and investment advisors.

Respectfully,

A handwritten signature in black ink, appearing to read "Phillip Kapler". The signature is fluid and cursive, with the first name "Phillip" and last name "Kapler" clearly distinguishable.

Phillip Kapler
Retirement Administrator



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Fresno County
Employees' Retirement Association
California**

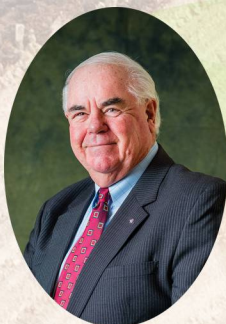
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012



Executive Director/CEO

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
THE BOARD OF RETIREMENT
As of June 30, 2013



CHAIRMAN
DR. ROD COBURN, III
Appointed by Board of Supervisors
Present term expires December 31, 2014



VICE CHAIRPERSON
ALAN CADE, JR.
Elected by General Members
Present term expires December 31, 2015



MEMBER
MARION AUSTIN
Appointed by Board of Supervisors
Present term expires December 31, 2014



MEMBER
LAURA BASUA
Elected by General Members
Present term expires December 31, 2014



MEMBER
JUDY CASE
Appointed by Board of Supervisors
Present term expires December 31, 2014



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



MEMBER
EULALIO GOMEZ
Elected by Safety Members
Present term expires December 31, 2014



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



MEMBER
REGINA WHEELER *
Elected by Retirees
Present term expires December 31, 2013

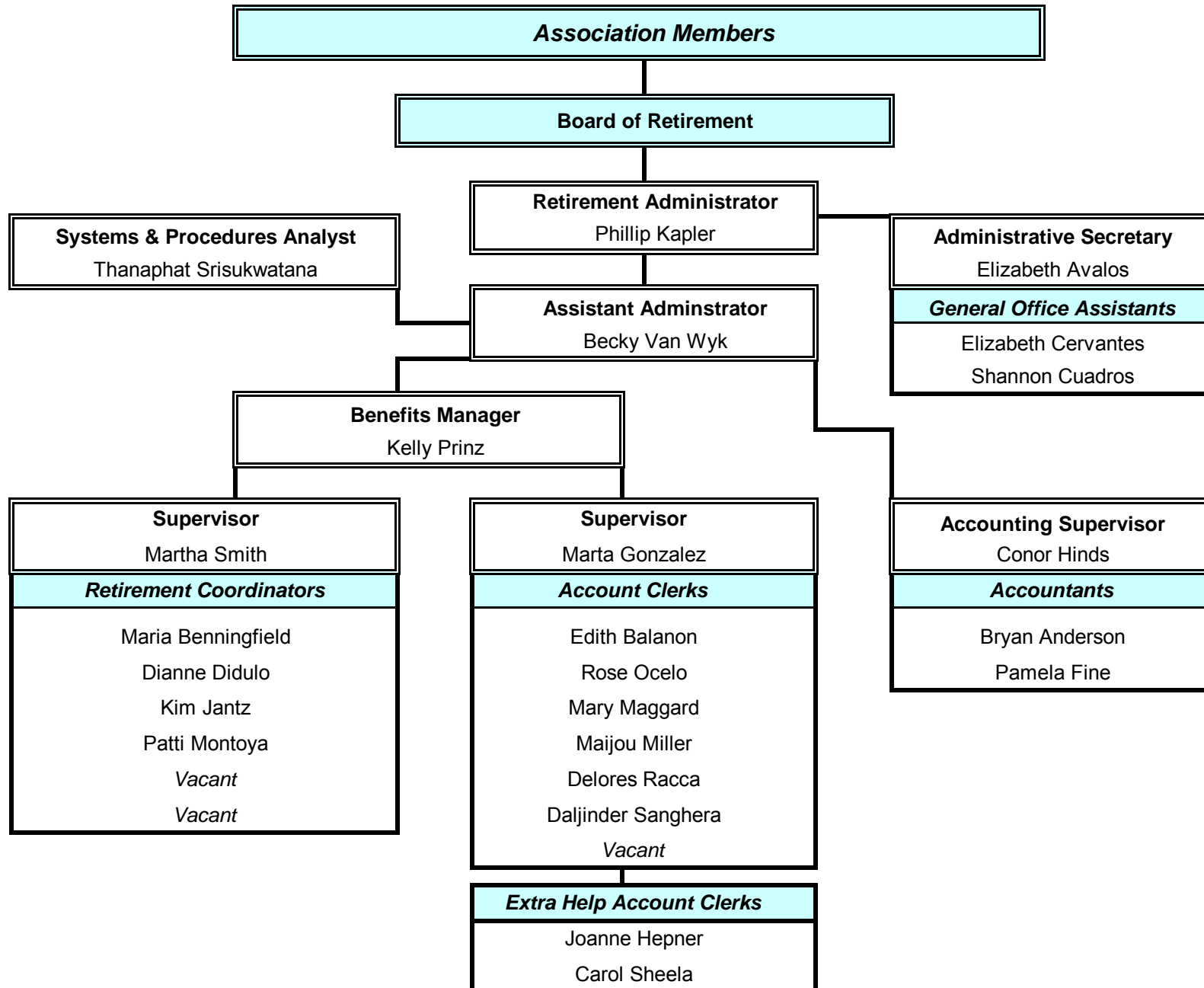


ALTERNATE RETIRED MEMBER
ROBERT DOWELL
Alternate Retired Member - Elected by Retirees
Present term expires December 31, 2013

* Regina Wheeler replaced John Souza who resigned from the Board on April 30, 2013

ADMINISTRATIVE ORGANIZATION CHART

at June 30, 2013



List of Professional Consultants

CONSULTING SERVICES

Actuary

The Segal Company

Auditor

Brown Armstrong Accountancy Corporation

Commission Recapture Services

BNY ConvergeEx

Custodian Bank

State Street Bank & Trust (Through March 31, 2013)

Northern Trust (As of April 1, 2013)

Investment Consultant

Wurts & Associates

Legal Counsel

Bernstein Litowitz Berger & Grossmann LP

Cohen Milstein

Harvey Leiderman, Reed Smith LLP

Joseph J. Tabacco, Jr., Berman Devalerio

Rafael Stone, Foster Pepper PLLC

Fresno County Counsel

Securities Lending

State Street Global Advisors

Northern Trust

Technical and Pension System Design

Linea Solutions, Inc.

Tegrit Group

Peter Stalder

INVESTMENT MANAGERS

Domestic Bonds

BlackRock Financial Management, Inc.

Loomis Sayles

MetWest TALF (Closed February 28, 2013)

Standish Mellon Asset Management

Company, LLC

State Street TIPS Index Fund

Western Asset Management Company

Global Bonds

Grantham, Mayo, Van Otterloo & Company

(Closed May 15, 2013)

INVESTMENT MANAGERS

(continued)

Domestic Stocks

Aronson, Johnson & Ortiz, LP

Kalmar Investments

State Street Global Advisors

Systematic Financial Management

Waddell & Reed Investment Management

Wellington Management Company, LLP

Winslow Capital Management

International Stocks

Artisan Partners International

Mondrian Investment Partners

Oechsle International (Closed February 22, 2013)

Research Affiliates

Private Markets Investment

Angelo Gordon

BCI Growth V, LP

BlackRock Institutional Trust Company

Common Sense Investment Management

Grosvenor Capital Management

Hamilton Lane

Kohlberg Kravis Robert (KKR)

Landmark Partners, Inc.

Lone Star Management Company. IV, Ltd.

New Mountain Capital, LLC

Oaktree

TCW Shop III/IV

The Blackstone Group

Warburg, Pincus and Company

Real Estate Investments

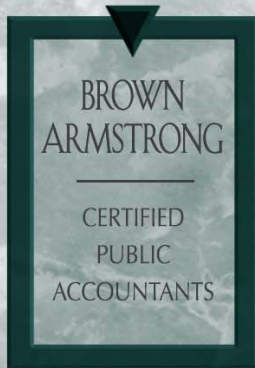
Colony Capital

Invesco Core Real Estate

JMB Advisory Corporation

TA Associates Realty

FINANCIAL SECTION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the Fresno County Employees' Retirement Association (FCERA) as of June 30, 2013 and 2012, and the related Statement of Changes in Fiduciary Net Position for the years then ended, and the related notes to the financial statements, which collectively comprise FCERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to FCERA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FCERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of FCERA as of June 30, 2013 and 2012, and the changes in fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MAIN OFFICE

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SHAFTER, CALIFORNIA 93263

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FAX 661.746.1218

7673 N. INGRAM AVENUE

SUITE 101

FRESNO, CALIFORNIA 93711

TEL 559.476.3592

FAX 559.476.3593

221 E. WALNUT STREET

SUITE 260

PASADENA, CALIFORNIA 91101

TEL 626.204.6542

FAX 626.204.6547

5250 CLAREMONT AVENUE

SUITE 237

STOCKTON, CA 95207

TEL 209.451.4833



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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended June 30, 2013, FCERA implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, on our consideration of FCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FCERA's internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 4, 2013

Management's Discussion and Analysis

We are pleased to provide this overview and analysis of the financial activities of the Fresno County Employees' Retirement Association (FCERA) for the years ended June 30, 2013 and 2012. We encourage readers to take into account the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal, as well as the Financial Statements.

Financial Highlights

- FCERA's net position at the close of fiscal year 2013 totaled \$3.5 billion (net position restricted for pension benefits), an increase of \$351 million, or 11.1% from 2012, primarily as a result of the net appreciation in the Fair Value of Investments. The June 30, 2012 net position of \$3.1 billion represented a decrease of \$19 million over the \$3.2 billion balance as of June 30, 2011.
- Total additions, as reflected in the Statement of Changes in Fiduciary Net Position, for the year ended June 30, 2013, were \$567.6 million, which includes employer and employee contributions of \$189.1 million, an investment gain of \$377.2 million, and net securities lending income of \$1.2 million. Fiscal year 2012 investment income and gains were down from 2011. These losses totaled \$10.2 million for the year ended June 30, 2012, compared to gains of \$605.4 million in 2011.
- Employer contributions increased from \$157.9 million in 2012 to \$158.6 million in 2013 primarily as the result of an increase in contribution rates attributed to the decrease in the actuarial interest assumption from 8.0% to 7.75% and past losses recognized. Contribution rates are applied on a July through June fiscal year basis and increased as of July 1, 2012.
- Plan member contributions decreased for 2013 when compared to 2012, mainly due to layoffs and lower salaries. For 2013, 2012, and 2011, plan member contributions were \$30.5 million, \$32.6 million, and \$31.3 million, respectively.
- Total deductions, as reflected in the Statement of Changes in Fiduciary Net Position, increased from \$198.9 million to \$216.6 million over the prior year,

or approximately 9%, mainly attributed to the pension payroll. Benefits paid to retirees and beneficiaries increased from \$193.5 million in 2012 to \$210.7 million in 2013, or approximately 8.9%. This increase can be attributed to an increase in the number of new retirees and an annual cost-of-living (COLA) increase. The increase in the Pension Benefits from 2012 over 2011 was approximately 7.3%, primarily attributed to new retirees and the cost-of living increase.

FCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2012, the date of FCERA's last actuarial valuation, the funded ratio for FCERA was 76.1%. In general, this indicates that for every dollar of projected benefits due FCERA has approximately \$0.76 to cover its obligation.

- The main drivers of performance for the fiscal year were domestic and international equity markets, which rallied in the third quarter of 2012 and first quarter of 2013, largely as a result of quantitative easing by the Federal Reserve. The total investment portfolio finished the fiscal year with a strong return of 11.9%, net of fees, compared to a -0.5% return, net of fees, in 2012.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information as of the latest actuarial valuation concerning FCERA's progress in funding its obligations to provide pension benefits to members. The Schedule of Funding Progress, a required supplementary schedule, includes historical trend information for the past six years about the actuarially funded status of the plan, and the progress made in accumulating sufficient assets to pay benefits when due. The other required supplementary schedule, the Schedule of Employer Contributions, presents historical trend information about annual required contributions of the employer and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funded status of the plan over time.

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

Financial Analysis

As of June 30, 2013, FCERA has \$3.5 billion in net position restricted for pension benefits, which means that assets of \$4.1 billion exceed liabilities of \$0.6 billion. At June 30, 2012 and 2011, FCERA's net position restricted for pension benefits totaled \$3.1 billion and \$3.2 billion, respectively. The net position restricted for pension benefits is available to meet FCERA's ongoing obligation to plan participants and their beneficiaries.

As of June 30, 2013, the net position restricted for pension benefits increased by 11.1% over 2012, and increased by 10.5% over 2011, primarily due to the changes in the fair value of investments. Current assets and current liabilities also change by offsetting amounts due to the recording of the securities lending cash collateral.

Capital Assets

FCERA's investment in capital assets increased from \$3.8 million to \$5.0 million (net of accumulated depreciation and amortization). The investment in capital assets includes servers, equipment, and furniture. The total increase in FCERA's investment in capital assets from 2012 to 2013 was 32.5%. The increase of 50.1% from 2011 to 2012 is primarily because of the work completed on the new pension administration system.

Starting in fiscal year 2012, FCERA follows Government Code Section 31580.3, which allows expensing of software, hardware, and computer technology consulting services in support of the software or hardware used in the administration of the retirement system. During fiscal years 2013 and 2012, FCERA expensed \$1,378,799 and \$1,397,498 of software, hardware, and computer technology consulting services, respectively.

FIDUCIARY NET POSITION (Dollars in Thousands)

	2013	2012	2011	% Change 2013-2012	% Change 2012-2011
Current Assets	\$ 654,790	\$ 479,222	\$ 438,411	36.6%	9.3%
Investments	3,438,193	3,054,990	3,074,617	12.5%	-0.6%
Capital Assets, net	5,035	3,801	2,533	32.5%	50.1%
Total Assets	4,098,018	3,538,013	3,515,561	15.8%	0.6%
Total Liabilities	598,566	389,500	348,384	53.7%	11.8%
Total net position	\$ 3,499,452	\$ 3,148,513	\$ 3,167,177	11.1%	-0.6%

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

FCERA's Activities

CHANGES IN FCERA's FIDUCIARY NET POSITION (Dollars in Thousands)

Additions	2013	2012	2011	% Change 2013-2012	% Change 2012-2011
Employer Contributions	\$ 158,572	\$ 157,869	\$ 130,290	0.4%	21.2%
Plan Member Contributions	30,516	32,627	31,293	-6.5%	4.3%
Net Investment Income(Loss)	377,235	(11,304)	604,207	3437.2%	-101.8%
Net Securities Lending Income	1,248	1,062	1,215	17.5%	-12.6%
Total	\$ 567,571	\$ 180,254	\$ 767,005	214.9%	-76.5%

Deductions	2013	2012	2011	% Change 2013-2012	% Change 2012-2011
Pension Benefits	\$ 210,745	\$ 193,535	\$ 180,363	8.9%	7.3%
Refunds	2,211	1,786	2,044	23.8%	-12.6%
Administrative	3,676	3,597	4,108	2.2%	-12.4%
Total	\$ 216,632	\$ 198,918	\$ 186,515	8.9%	6.6%

Change in net position	\$ 350,939	\$ (18,664)	\$ 580,490	1980.3%	-103.2%
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Additions to Plan Net Position

The primary sources to finance the benefits that FCERA provides to its members are accumulated through the collection of member (employee) and employer contributions and through the earnings on investments (net of investment expenses). The Net Investment Income or Loss for the years ended June 30, 2013, 2012, and 2011 totaled \$377.2 million, \$-11.3 million, and \$618.8 million, respectively.

By year-end, total additions had increased by \$387 million over 2012, or 214.9%, due primarily to investment gains being higher than in the previous year. For 2012, total additions had decreased by \$586.7 million over 2011, or -76.5%. The Investment Section of this report reviews the result of investment activity for the year ended June 30, 2013.

Deductions from Plan Net Position

The primary uses of FCERA's assets include the payment of benefits to retirees and their beneficiaries, refund of contributions to terminated employees, and the cost of administering the system. Deductions in the year ended June 30, 2013 totaled \$216.6 million, an increase of 8.9% over June 30, 2012. 2012 had an increase of \$12.4 million or a 6.6% change from June 30, 2011. The increases are mostly attributed to the additional benefit payments for retirees as well as the growth in the number and average amount of benefits paid to retirees year over year.

The Board of Retirement approves the annual budget for FCERA. The California Government Code Section 31580.2(a) limits the annual administrative expense to not exceed the greater of either of the following: (1) twenty-one hundredths of one percent (0.21%) of the accrued actuarial liability of the retirement system; (2) two million dollars (\$2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment computed in accordance with Article 16.5. Expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products are not considered a cost of administration of the retirement system. FCERA has consistently met its administrative expense budget for the current year and prior years.

FCERA's Fiduciary Responsibilities

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

Requests for Information

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

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

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

Respectfully submitted,



Becky Van Wyk, CPA
Assistant Retirement Administrator
December 4, 2013

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash and cash equivalents with fiscal agents	\$ 147,321	\$ 109,955
Securities lending investments pool:		
Short term investments	333,988	227,952
	<u>333,988</u>	<u>227,952</u>
Receivables:		
Investment income receivables	162,184	130,743
Administrative receivables	50	47
Contributions receivables	10,984	10,140
Securities lending receivables	157	191
Total receivables	<u>173,375</u>	<u>141,121</u>
Investments, at fair value:		
U.S. Government and agencies fixed income	347,291	331,486
Domestic fixed income	404,589	459,270
Foreign fixed income	130,040	98,054
Domestic equity	1,054,009	851,320
International equity	799,797	699,704
Mortgages	36,896	30,177
Options/Credit default/interest rate swaps	1,482	(215)
Foreign exchange forward contracts	(14)	263
Rights - international equity	27	22
Real Estate Investment Trust's	31,659	16,102
Private markets and alternative investments	632,417	568,807
Total investments	<u>3,438,193</u>	<u>3,054,990</u>
Prepaid expenses	106	194
Capital assets		
Nondepreciable	3,343	1,939
Depreciable, net of accumulated depreciation	1,692	1,862
Total capital assets, net	<u>5,035</u>	<u>3,801</u>
Total assets	<u>4,098,018</u>	<u>3,538,013</u>
LIABILITIES:		
Investment accounts payable	261,484	158,551
Cash collateral payable for securities lending	333,988	227,952
Administrative accounts payable	3,056	2,933
Securities lending bank and broker fees	38	64
Total liabilities	<u>598,566</u>	<u>389,500</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u><u>\$ 3,499,452</u></u>	<u><u>\$ 3,148,513</u></u>

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

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>
ADDITIONS:		
Contributions:		
Employers	\$ 158,572	\$ 157,869
Plan members	30,516	32,627
Total contributions	<u>189,088</u>	<u>190,496</u>
Investment income:		
From investment activities		
Net appreciation/(depreciation) in fair value of investments	308,870	(98,040)
Interest	21,953	26,807
Dividends	41,925	32,148
Private markets	19,096	42,441
Investment expenses	(15,154)	(14,817)
Miscellaneous income	545	157
Net investment income/(loss), before securities lending	<u>377,235</u>	<u>(11,304)</u>
From securities lending activities		
Securities lending income	2,018	1,381
Securities lending expenses		
Borrower rebate expenses	(195)	(67)
Security lending management fees	(575)	(252)
Net income from securities lending activities	<u>1,248</u>	<u>1,062</u>
Net investment income/(loss)	<u>378,483</u>	<u>(10,242)</u>
Total additions	<u>567,571</u>	<u>180,254</u>
DEDUCTIONS:		
Benefits paid to plan members and beneficiaries	210,745	193,535
Refunds of member contributions	2,211	1,786
Administrative expenses	3,676	3,597
Total deductions	<u>216,632</u>	<u>198,918</u>
CHANGE IN NET POSITION	350,939	(18,664)
NET POSITION RESTRICTED FOR PENSION BENEFITS		
BEGINNING OF YEAR	<u>3,148,513</u>	<u>3,167,177</u>
END OF YEAR	<u>\$ 3,499,452</u>	<u>\$ 3,148,513</u>

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

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 1 - DESCRIPTION OF THE RETIREMENT PLAN (THE PLAN)

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

General

FCERA is a contributory defined benefit plan initially organized under the provisions of the 1937 Act on January 1, 1945. It provides benefits upon retirement, death or disability of members. FCERA is a cost-sharing, multiple-employer plan that includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County of Fresno (County), the Superior Court of California-County of Fresno, Clovis Veterans Memorial District, Fresno-Madera Area Agency on Aging and Fresno Mosquito & Vector Control. An employee becomes eligible for membership commencing with the pay period following the date of employment in a permanent position.

FCERA membership at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Retirees and beneficiaries receiving benefits	6,403	6,148
Terminated employees entitled to benefits but not yet receiving them (Deferred Members)	1,263	1,415
Current employees:		
Vested:		
General Tier 1	4,160	4,383
General Tier 2	78	47
General Tier 3	415	174
General Tier 4	-	1
Safety Tier 1	658	695
Safety Tier 2	33	14
Nonvested:		
General Tier 1	153	223
General Tier 2	123	167
General Tier 3	505	819
General Tier 4	305	50
General Tier 5	260	-
Safety Tier 1	6	6
Safety Tier 2	36	55
Safety Tier 4	67	10
Safety Tier 5	42	-
Total current employees	<u>6,841</u>	<u>6,644</u>
Total membership	<u><u>14,507</u></u>	<u><u>14,207</u></u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(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 adopted by the Plan Sponsors. Benefits are based upon a combination of age, years of service, final average salary for the highest year (or average three one-year periods) of employment, benefit tier (including membership classification) and the payment option selected by the member. Disability and death benefits are additionally based upon whether the disability was service connected or not and whether the death occurred before or after retirement. Retirement benefit payments consist of regular retirement benefits and depending on date of retirement may include cost of living benefits, supplemental benefits, supplemental annuity benefits, and vested health benefits. Benefits may also include a supplemental cost of living and a nonvested health benefit if approved by the Board of Retirement. General members enrolled in Tiers 1, 2, 3, or 4 may retire at age 50 with 10 years of service, at any age with 30 years of service, or at age 70 with any years of service. General members enrolled in Tier 5 may retire at age 52 with 5 years of service. Safety members enrolled in Tiers 1, 2, or 4 may retire at age 50 with 10 years of service or at any age with 20 years of service. Safety members enrolled in Tier 5 may retire at age 50 with 5 years of service.

At June 30, 2013, there were five tiers for general members and four tiers for safety members. Safety and General Tiers 1, 2, 3 and 4 are closed to new members unless they meet the requirements under Government Code Section 7522 et al. Safety includes members in active law enforcement or certain other "Safety" classifications as designated by the Retirement Board.

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

On September 12, 2012, the California Public Employees' Pension Reform Act (PEPRA) was signed into law by Governor Jerry Brown, establishing a new tier for General and Safety employees entering FCERA membership on or after January 1, 2013. The benefit formula for General members is 2.5% at age 67 and the Safety formula is 2.5% at age 57. Benefits under the new PEPRA tiers are based on a consecutive three-year final average compensation period. Additionally, PEPRA limits the amount of compensation FCERA can use to calculate a retirement benefit. The 2013 compensation limits are \$113,700 for members covered by Social Security and \$136,440 for members not covered by Social Security and will be adjusted in future years for changes in the Consumer price Index. Most FCERA members are covered by Social Security.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

Benefit Provisions (continued)

The tiers and their basic provisions are listed below:

Tier Name	Governing Code	Effective Date	Basic Provisions	Vested Health Benefit	Final Average Salary Period	Plan Sponsors
Pre-Ventura General	GC 31676.12	Various	2.0% at 57; maximum 3% cost of living benefit	No	Highest 1 – year	All
General Tier 1	GC 31676.14 and the Settlement Agreement	January 1, 2001	2.5% at 55; maximum 3% cost of living benefit	Yes	Highest 1 - year	All
General Tier 2	GC31676.16	September 12, 2005	2.0% at 55; maximum 3% cost of living benefit	Yes	Highest 1 - year	County FMAAA ¹
General Tier 3	GC 31676.15	December 17, 2007	2.0% at 55; maximum 3% cost of living benefit	Yes	3 Highest Years	County
General Tier 4	GC 31676.1	June 11, 2012	2.0% at 61; no cost of living benefit	No	3 Highest Years	County
General Tier 5	GC 7522.20	January 1, 2013	2.5% at 67; no cost of living benefit	No	Highest 3 Consecutive Years	All
Pre-Ventura Safety	GC 31664	Various	2.0% at 50; maximum 3% cost of living benefit	No	Highest 1 – year	All
Safety Tier 1	GC 31664 and the Settlement Agreement	January 1, 2001	2.5% at 50; maximum 3% cost of living benefit	Yes	Highest 1 - year	County NCFPD ²
Safety Tier 2	GC 31664.2	September 12, 2005	3.0% at 55; maximum 3% cost of living benefit	Yes	Highest 1 - year	County
Safety Tier 4	GC 31664	June 11, 2012	2.0% at 50; no cost of living benefit	Yes	3 Highest Years	County
Safety Tier 5	GC 7522.25(c)	January 1, 2013	2.5% at 57; no cost of living benefit	No	Highest 3 Consecutive Years	All

¹ FMAAA – Fresno-Madera Area Agency on Aging

² NCFPD – North Central Fire Protection District

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

Administration

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

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

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Assets

Capital assets are valued at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of three years for computer equipment, five years for office equipment, ten years for furniture, fifteen years for Wyatt Software (pensions system) and thirty years for buildings. Depreciation expense is reported as part of administrative expenses.

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Administrative Expenses

FCERA's Board of Retirement annually approves the budget for administrative expenses. Under the California State Government Code Section 31580.2 administrative expenses are limited to 0.21% of the accrued actuarial liability of the Plan. Previously, administrative expenses were limited to 23 basis points of total assets. As a result of the change in basis points, the information technology expenses are no longer included in the administrative expenses. The Schedule of Information Technology Expenses includes computer software, hardware, computer maintenance and equipment. With the exclusion of the information technology costs, FCERA's administrative expenses totaled 0.08% of the accrued actuarial liability of the Plan.

Implementation of New Accounting Pronouncements

For the year ended June 30, 2013, FCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The primary change as a result of implementing this statement was renaming as net position what was previously reported as net assets. FCERA does not have any deferred Inflows or Outflows to report.

On June 25, 2012, GASB approved new accounting and reporting standards for pensions. GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces Statement No. 25 for Plan reporting and GASB Statement No. 68, *Accounting for Financial Reporting for Pension Plans*, replaces Statement No. 27 for Employer reporting. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

For FCERA, the new standards build upon the existing framework for financial reports, enhance the note disclosures and required supplementary information, and require the presentation of new information about annual money-weighted rates of return in the notes to the basic financial statements. FCERA is currently planning for the implementation of GASB No. 67, *Financial reporting for Pension Plans*, for its June 30, 2014 year-end.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New Accounting Pronouncements (Continued)

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

FCERA will establish a Task Force comprised of key stakeholders from the County, outside Districts, and external professional service providers to discuss the requirements for implementation of the new accounting standards, GASB Statements 67 & 68. The Task Force will work toward establishing timelines and a framework for preliminary implementation decisions.

GASB issued the Implementation Guide for GASB Statement No. 67 in late June 2013. Limited guidance has been available for GASB Statement No. 68 thus far. However, GASB anticipates releasing the GASB Statement No. 68 Implementation Guide in the first quarter of 2014.

NOTE 3 - DEPOSITS AND INVESTMENTS

Except as otherwise expressly restricted by the California Constitution and by law, the Board may, at its discretion, invest, or delegate FCERA to invest the assets of FCERA through the purchase, holding, or sale of any form or type of instrument, or financial transaction when prudent in the informed opinion of the Board. In addition, the Board has established an investment policy that places limits on the compositional mix of cash, fixed income and equity securities, alternative investments, and real estate investments. FCERA currently employs external investment managers to manage its assets subject to the guidelines of the investment policy. Governmental Accounting Standards Board (GASB) Statement No. 40 and Statement No. 53 detail the disclosure requirements associated with FCERA's deposits, investments and derivatives. The statements identify the following risks: investment risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Rather than creating an across the board policy addressing limitations on credit ratings of certain debt securities, FCERA, has chosen to manage the investment risks detailed in GASB Statements No. 40 and No. 53 by requiring each investment manager responsible for a separately held portfolio to follow specific agreed upon investment guidelines that meet the requirements of FCERA for the individual

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

investment mandate. FCERA's investment guidelines do not govern control over commingled portfolios and therefore only apply to separately held portfolios.

Custodial credit risk - deposits. This type of risk associated with deposits is the risk that, in the event of a failure in a depository financial institution, a government will not be able to recover its deposits or recover collateral securities that are in the possession of an outside party. FCERA does not have a policy for managing custodial credit risk. As of June 30, 2013, all domestic deposits were insured, registered and held by the custodian bank in FCERA's name. FCERA held foreign currencies deposits at June 30, 2013 with a United States Dollar value of \$2,558, of which \$0 is subject to custodial credit risk since the deposits were registered or held in FCERA's name.

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

Credit risk. Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This risk is measured by the assignment of ratings by nationally recognized statistical rating organizations. FCERA has adopted policies specific to each investment manager to manage credit risk. In general, fixed income securities should be well diversified to avoid undue exposure to any single economic sector, industry or individual security. The County of Fresno's external investment pool is unrated for credit risk purposes. The credit ratings disclosed on page 28 were obtained from Moody's rating agency as of June 30, 2013.

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FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

		<u>Rating at Year End June 30, 2013</u>					
Investment Type		Minimum Policy Rating	Exempt from Disclosure	Aaa/ P1	Baa	Caa	Not Rated
Securities lending - investments							
Quality D Investment Fund	\$ 333,988	Aaa/ P1	\$ -	\$ 333,988	\$ -	\$ -	\$ -
Subtotal	<u>333,988</u>		<u>-</u>	<u>333,988</u>	<u>-</u>	<u>-</u>	<u>-</u>
US Government and agencies							
US treasury notes	143,568	N/A	143,568	-	-	-	-
Federal agency securities	203,723	B3	149,120	27,877	14,886	-	11,840
Subtotal	<u>347,291</u>		<u>292,688</u>	<u>27,877</u>	<u>14,886</u>	<u>-</u>	<u>11,840</u>
Domestic fixed income	302,510	B3	-	123,406	117,071	744	61,289
Mortgages	36,896	B3	-	21,744	7,473	-	7,679
Foreign fixed income	130,026	B3	-	13,646	61,188	15,733	39,459
Opportunistic Fixed Income Fund	103,561	AA	-	-	-	-	103,561
	<u>\$ 1,254,272</u>		<u>\$ 292,688</u>	<u>\$ 520,661</u>	<u>\$ 200,618</u>	<u>\$ 16,477</u>	<u>\$ 223,828</u>

Interest rate risk. Interest rate risk is the risk that changes in the interest rate will adversely affect the fair value of an investment. FCERA has not adopted a policy to manage interest rate risk. FCERA selected the segmented time distribution method for the following investments subject to interest rate risk at June 30, 2012.

		<u>Remaining Maturity in Months at June 30, 2013</u>			
Investment Type		Less than 12 months	13 to 60 months	61 to 120 months	More than 120 months
Securities lending - investments					
Quality D Investment Fund	\$ 333,988	\$ 333,988	\$ -	\$ -	\$ -
Subtotal	<u>333,988</u>	<u>333,988</u>	<u>-</u>	<u>-</u>	<u>-</u>
US Government and agencies					
US Treasury notes	143,568	-	62,183	30,447	50,938
Federal agency securities	203,723	944	6,816	2,310	193,653
Subtotal	<u>347,291</u>	<u>944</u>	<u>68,999</u>	<u>32,757</u>	<u>244,591</u>
Domestic fixed income	302,510	13,895	46,717	60,294	181,604
Mortgages	36,896	-	-	-	36,896
Foreign fixed income	130,026	528	13,592	64,866	51,040
Opportunistic Fixed Income Fund	103,561	8,658	33,212	51,356	10,335
Total Investments	<u>\$ 1,254,272</u>	<u>\$ 358,013</u>	<u>\$ 162,520</u>	<u>\$ 209,273</u>	<u>\$ 524,466</u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2013 FCERA has \$27,799 invested in the County of Fresno external investment pool, which has a dollar weighted average maturity of 2.4 years, compared to \$27,249 and a dollar weighted average maturity of 2.8 years at June 30, 2012.

Concentration of credit risk. This is the risk of loss attributed to the concentration of the FCERA's investment in a single issuer. FCERA's investment policy does not permit any one manager to invest more than five percent of the market value of its portion of the portfolio in any one issue, with the exception of investments issued by the US Government and its agencies. As of June 30, 2013, no investments in any one issuer are greater than five percent of total investments. Investment managers authorized to invest in below investment grade securities are limited to holding no more than 20% of their portfolio market value in such securities.

Foreign currency risk. This is the risk that FCERA will not be able to recover the value of its investment in local currency when the exchange value of the currency lowers. FCERA has not adopted a policy to manage the foreign currency risk. As of June 30, 2013, FCERA's investment in foreign currency was as follows:

<u>Currency</u>		<u>Fair Market Value</u>
Australian Dollar	\$	63
Canadian Dollar		82
Euro Currency		967
Hong Kong Dollar		61
Japanese Yen		1,029
Norwegian Krone		78
Other Foreign Currencies		51
Pound Sterling		227
Total Foreign Currency	\$	<u>2,558</u>

Foreign currency table expressed in US dollars and thousands

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Derivatives. The investment derivatives schedule below reports the fair value and notional value of the derivatives held by FCERA at June 30, 2013. For reporting purposes, FCERA's derivatives are classified as investment derivatives. FCERA, through its external investment managers, enters into forward foreign currency contracts as well as equity rights to hedge against changes in the fair values of foreign bonds and equity securities, primarily denominated in European and Asian currencies. It is possible that, due to foreign exchange fluctuations, FCERA may be exposed to a potential loss. At June 30, 2013, FCERA has approximately \$13 of its \$799,797 international equity portfolio hedged through the use of such forward foreign currency and equity rights contracts. At June 30, 2012, approximately \$16,792 of FCERA's \$699,704 international equity portfolio was hedged through the use of such forward foreign currency contracts.

Investment Derivatives

Investment Derivatives	June 30, 2013		Changes in Fair Value for 2013	
	<u>Notional Value</u>		<u>Fair Value</u>	<u>Fair Value</u>
Credit Default Swaps	\$	-	\$ (28)	\$ 34
Fixed Income Futures		64,211	-	(663)
Forward Foreign Currency		(14)	(14)	27
Interest Rate Swaps		-	1,108	641
Options		-	402	231
Rights		-	27	97
Grand Totals	\$	64,197	\$ 1,495	\$ 367

FCERA could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. FCERA anticipates that counterparties will be able to satisfy their obligations under the contracts. FCERA's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures, including requirements for collateral at certain defined levels. At June 30, 2013, FCERA did not hold any collateral to offset potential risks it may encounter through counterparty transactions.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

Counterparty Credit Risk

Counterparty Credit Ratings

	Aa	A	Exchange Traded	Not Rated	Total
Futures	\$ -	\$ -	\$ -	\$ -	\$ -
Options	15	392	(5)		402
Rights/Warrants				27	27
Swaps	(42)	749			707
Forwards				(14)	(14)
	<u>\$ (27)</u>	<u>\$ 1,141</u>	<u>\$ (5)</u>	<u>\$ 13</u>	<u>\$ 1,122</u>

At June 30, 2013, FCERA was exposed to Foreign Currency Risk related to its investments in equity rights and forward contracts denominated in foreign currencies.

Foreign Currency Risks at Fair Value

Currency Name	Equities	Forward Currency Contracts		Total Exposure
		Net Receivables	Net Payables	
Canadian Dollar	\$ -	\$ 59	\$ (44)	\$ 15
Euro	27	16	(33)	10
Swiss Franc	-	-	(1)	(1)
Pound Sterling		98	(93)	5
Japanese Yen	-	43	(59)	(16)
Total	<u>\$ 27</u>	<u>\$ 216</u>	<u>\$ (230)</u>	<u>\$ 13</u>

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

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk applies to derivatives such as Fixed Income Options, Credit Default Swaps, Interest Rate Swaps, Forward Foreign Currency and Rights. At June 30, 2013, FCERA was exposed to the following interest rate risk on its investments in these securities. The table below displays the maturity periods of these derivative investments.

Interest Rate Risk for Derivatives

Investment Types	Fair Value	Investment Maturities (in months)				Total
		Less than 12	13 to 60	61 to 120	More than 120	
Credit Default Swaps	\$ (28)	\$ -	\$ (37)	\$ 19	\$ (10)	\$ (28)
Fixed Income Futures	-	-	-	-	-	-
Forward Currency Contracts	(14)	(14)	-	-	-	(14)
Interest Rate Swaps	1,108			494	614	1,108
Options	402	138	264	-	-	402
Rights	27	27				27
Total	\$ 1,495	\$ 151	\$ 227	\$ 513	\$ 604	\$ 1,495

Securities Lending. The Board authorized FCERA, through its custodian bank, to enter into securities lending transactions, whereby securities owned by FCERA are loaned on a short-term basis to various banks and brokers. Securities on loan include domestic and international stocks, US government agency and domestic bonds. All securities on loan must be collateralized at 102% of the market value of the loaned securities, except for non-United States based equities which are initially collateralized at 105%. Collateral may take the form of cash, commercial paper, certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements, obligations issued or guaranteed as to interest and principal by the United States Government (or agencies or instrumentalities thereof), bank time deposits, variable rate demand notes, State Street Bank and Trust Company money market mutual fund and any common trust fund maintained by a bank or other financial institution or any commingled or pooled trust.

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

Securities on Loan - At year-end, FCERA had no credit risk exposure to borrowers because the collateral received exceeded the amount owed to borrowers. As of June 30, 2013, there were no violations of the securities lending provisions and no losses resulted within the securities lending program due to borrower default.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Reinvestment of Collateral - FCERA is subject to credit risk through the reinvestment of collateral cash which FCERA received at the time securities were placed on loan. The risk can include the devaluation of the underlying securities where the collateral has been reinvested. As of June 30, 2013, FCERA believes that if a borrower of a loaned security called on its collateral that it would be reasonably possible that devaluation would be experienced and due to market conditions FCERA would encounter difficulty finding a buyer to take on the reinvested security and thus making it uncertain when the collateral would become available.

FCERA is unable to quantify the dollar devaluation that would have existed if collateral had been called upon. Income from these transactions is reported on the Statement of Changes in Fiduciary Net Position. Securities on loan are reported at fair value on the statement of Fiduciary Net Position. The carrying values of the securities lending investment pool for 2013 and 2012 were \$333,988 and \$227,952, respectively. The fair values of loaned securities were as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Domestic equity	\$ 153,686	\$ 89,508
International equity	35,233	31,413
Total equity on loan	<u>188,919</u>	<u>120,921</u>
US Government and agencies	109,465	48,119
Domestic bonds	26,471	56,876
Total bonds on loan	<u>135,936</u>	<u>104,995</u>
Total equities and bonds on loan	<u>\$ 324,855</u>	<u>\$ 225,916</u>

Highly Sensitive Investments. FCERA utilizes investments that are highly sensitive to interest rate changes in its actively managed fixed income portfolio. Highly sensitive investments include mortgage-backed securities, asset-backed securities and collateralized mortgage obligations. FCERA's investment portfolio contains certain variable rate notes and collateralized mortgage obligations. At June 30, 2013 and 2012, FCERA had approximately \$73,714 and \$62,385 in these investments, respectively.

<u>Investment Type</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Asset - Backed / Variable Rate Notes	\$ 36,818	\$ 34,768
Collateralized Mortgage Obligations	36,896	27,617
Forward Foreign Currency	(14)	16,881
Total	<u>\$ 73,700</u>	<u>\$ 79,266</u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(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, 2013, forward foreign currency contracts receivable and payable totaled \$27,093 and \$27,108, respectively. At June 30, 2012, forward foreign currency contracts receivable and payable totaled \$16,881 and \$14,282, respectively.

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FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012

(Amounts expressed in thousands)

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in depreciable capital assets for the fiscal years ended June 30, 2013 and 2012:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Dispositions/ Reclassifications</u>	<u>Balance June 30, 2013</u>
Capital assets, depreciated:				
Computer hardware/software	\$ 926	\$ -	\$ -	\$ 926
Furniture and fixtures	164	-	-	164
Equipment	81	-	-	81
Building	2,103	-	-	2,103
Total capital assets, depreciable	<u>3,274</u>	<u>-</u>	<u>-</u>	<u>3,274</u>
Less accumulated depreciation for:				
Computer hardware/software	(659)	(79)		(738)
Furniture and fixtures	(118)	(16)		(134)
Equipment	(69)	(5)		(74)
Building	(566)	(70)		(636)
Total accumulated depreciation	<u>(1,412)</u>	<u>(170)</u>	<u>-</u>	<u>(1,582)</u>
Total capital assets, depreciated, net	<u>1,862</u>	<u>(170)</u>	<u>-</u>	<u>1,692</u>
Total capital assets, net	<u>\$ 1,862</u>	<u>\$ (170)</u>	<u>\$ -</u>	<u>\$ 1,692</u>
Depreciation charged for the current year and included in administrative expenses totalled:		<u>\$ 170</u>		
	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Dispositions/ Reclassifications</u>	<u>Balance June 30, 2012</u>
Capital assets, depreciated:				
Computer hardware/software	\$ 938	\$ -	\$ (12)	\$ 926
Furniture and fixtures	164	-	-	164
Equipment	81	-	-	81
Building	2,103	-	-	2,103
Total capital assets, depreciable	<u>3,286</u>	<u>-</u>	<u>(12)</u>	<u>3,274</u>
Less accumulated depreciation for:				
Computer hardware/software	(593)	(78)	12	(659)
Furniture and fixtures	(102)	(16)	-	(118)
Equipment	(64)	(5)	-	(69)
Building	(496)	(70)	-	(566)
Total accumulated depreciation	<u>(1,255)</u>	<u>(169)</u>	<u>12</u>	<u>(1,412)</u>
Total capital assets, depreciated, net	<u>2,031</u>	<u>(169)</u>	<u>-</u>	<u>1,862</u>
Total capital assets, net	<u>\$ 2,031</u>	<u>\$ (169)</u>	<u>\$ -</u>	<u>\$ 1,862</u>
Depreciation charged for the current year and included in administrative expenses totalled:		<u>\$ 169</u>		

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 6 - CONTRIBUTIONS AND RESERVES

Contributions

Contributions are made by the members and the employers at rates recommended by FCERA's independent actuary and approved by the Board and the County Board of Supervisors. Employee contribution rates vary according to age, classification (safety or general), and benefit tier and are designed to provide funding for approximately one-fourth of the regular retirement benefits and one-half of all cost of living benefits. Members are required to contribute between 3.79% and 12.58% of their annual covered salary. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act.

Interest is credited to member contributions every six months based on the prior six months ending balance. Members are not permitted to borrow against their contributions. Upon termination of employment, members may withdraw their contributions by requesting a refund of their accumulated contributions and interest. Non-vested members may leave their contributions on deposit with FCERA without establishing reciprocity. These members receive interest on their contributions and may withdraw their contributions and interest at any time.

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

Contribution rates are actuarially determined using the entry age normal method and consist of normal cost (the estimated amount necessary to finance benefits earned by employees during the current year) and, beginning in 1980, the unfunded actuarial accrued liability was amortized over a 30 year period. Effective with the valuation completed for June 30, 2002, the amortization period was modified to allow a 30 year amortization period for changes in the unfunded actuarial accrued liability that result from plan amendments and a fifteen year amortization period for all other changes in the unfunded actuarial accrued liability. Details of funding progress, annual required contributions and percentage of contributions made by the employers are presented in the required supplementary information schedules on page 44.

Benefits attributable to employers' contributions do not become vested until completion of five years of credited service. A member may receive a regular retirement allowance after attaining age 50 provided that such member has attained at least 10 years of credited service; or at any age after 30 years of service for a general member and 20 years of service for a safety member.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 6 - CONTRIBUTIONS AND RESERVES (Continued)

Reserved and Designated Accounts of Net Position Restricted for Pension Benefits

Net Position Restricted for Pension Benefits is segregated into members' and employers' accumulated contributions reserves established by the Board and undistributed earnings. The Board has established reserves for various benefit payments pursuant to the 1937 Act, and it has designated an account for market stabilization. Effective as of fiscal year end June 30, 2009, the Contra Tracking Account was added to represent the amount of interest credited to reserve accounts that had not been paid for out of current or excess earnings.

The amounts and changes in reserves and designations for the year ended June 30, 2013 consist of the following:

	Balance July 1, 2012	Increase (Decrease) In Plan Net Position	Net Transfers	Balance June 30, 2013
Reserves:				
Members' accumulated contributions	\$ 385,537	\$ 28,305	\$ (14,953)	\$ 398,889
Current service reserve	898,779	118,520	(39,477)	977,822
Annuity pension reserve	145,405	(22,490)	28,575	151,490
Current service pension reserve	999,266	(100,043)	173,855	1,073,078
Settlement annuity pension reserve	473,182	(26,110)	65,076	512,148
Settlement benefit reserve	103,218	(7,020)	8,016	104,214
Cost of living adjustment reserve	787,712	(785)	78,093	865,020
Supplemental cost of living reserve	3,021	(890)	-	2,131
Survivors' death benefit reserve	2,345	(1,123)	314	1,536
Retiree health benefit reserve	25,790	(7,536)	-	18,254
Retiree health benefit reserve (VS)	25,854	(4,696)	1,941	23,099
Contingency reserve	-	-	-	-
Designated for market stabilization	(185,343)	-	145,427	(39,916)
Undistributed earnings	-	374,807	(374,807)	-
Contra Tracking Account	(516,253)	-	(72,060)	(588,313)
Net Position Restricted for Pension Benefits	\$ <u>3,148,513</u>	\$ <u>350,939</u>	\$ <u>-</u>	\$ <u>3,499,452</u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 6 - CONTRIBUTIONS AND RESERVES (Continued)

Reserved and Designated Accounts of Net Position Restricted for Pension Benefits (Continued)

The amounts and changes in reserves and designations for the year ended June 30, 2012 consist of the following:

	Balance July 1, 2011	Increase (Decrease) In Plan Net Position	Net Transfers	Balance June 30, 2012
Reserves:				
Members' accumulated contributions	\$ 378,666	\$ 30,841	\$ (23,970)	\$ 385,537
Current service reserve	861,744	117,510	(80,475)	898,779
Annuity pension reserve	133,573	(21,199)	33,031	145,405
Current service pension reserve	895,053	(91,804)	196,017	999,266
Settlement annuity pension reserve	425,969	(23,314)	70,527	473,182
Settlement benefit reserve	102,528	(7,268)	7,958	103,218
Cost of living adjustment reserve	709,959	3,560	74,193	787,712
Supplemental cost of living reserve	4,076	(1,055)	-	3,021
Survivors' death benefit reserve	3,006	(1,077)	416	2,345
Retiree health benefit reserve	32,985	(7,195)	-	25,790
Retiree health benefit reserve (VS)	27,572	(3,824)	2,106	25,854
Contingency reserve	-	-	-	-
Designated for market stabilization	15,635	-	(200,978)	(185,343)
Undistributed earnings	-	(13,839)	13,839	-
Contra Tracking Account	(423,589)	-	(92,664)	(516,253)
Net Position Restricted for Pension Benefits	<u>\$ 3,167,177</u>	<u>\$ (18,664)</u>	<u>\$ -</u>	<u>\$ 3,148,513</u>

Members' accumulated contributions include all member contributions net of refunds and benefits paid to members. At retirement, member balances are transferred to the *annuity* and *settlement annuity pension reserves* and the *cost of living adjustment reserve*. Employers' contributions are paid into *current service reserve*, *settlement annuity reserve* and *cost of living reserve*. The employer current service and settlement annuity contributions are combined in the *current service reserve*, although tracked separately within the *current service reserve* balance. When an employee retires, the employer portion of their accumulated contributions for current service and settlement annuity are transferred from the *current service reserve* into the *current service pension reserve* and the *settlement annuity pension reserve*. *Undistributed earnings* are credited with all investment income and charged with investment and other fees. Transfers from undistributed earnings to other reserves are made twice a year.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 6 - CONTRIBUTIONS AND RESERVES (Continued)

Reserved and Designated Accounts of Net Position Restricted for Pension Benefits (Continued)

Historically, the Board has authorized that an annual rate equal to the actuarial rate of return be apportioned as the interest. Effective July 1, 2007, the Board adopted a new interest crediting policy which implemented the following objectives: 1) maintain consistency between the reserving structure accounts and the actuarial funding policies of FCERA, 2) assure that the reserve values track the market value of assets over the long-term and 3) to the extent possible, maintain reasonable stability in both the interest crediting and contribution rates by avoiding charging short-term losses to reserves. This policy resulted in interest apportionments of \$148,075 for the December 31, 2012 interest-crediting period and \$153,364 for the June 30, 2013 interest-crediting period. The semi-annual rates of interest for the two periods were 3.875% and 3.875%, respectively. Any additional transfers out of undistributed earnings are made in accordance with the authorization of the Board. No additional transfers were made in the fiscal year ended June 30, 2013.

The *survivors' death benefit reserve* is credited with balances transferred from *members' accumulated contributions* and the employer *current service reserve*, in those instances where the survivor of an active deceased member is entitled to continuation benefits. The *current service reserve* consists of current service and settlement annuity contributions (which are tracked separately within the *current service reserve*). Lump sum survivor benefits are paid directly from *members' accumulated contributions* and the *current service reserve*. Pension and disability benefits are paid from the *annuity pension reserve*, *current service* and *settlement annuity pension reserves* and *cost of living adjustment reserve*.

Both the *retiree health benefit* and the *supplemental cost of living reserves* are non-valuation reserves approved annually by the Board. Non-valuation reserves are under the control of the Board of Retirement and are not available to fund vested benefits of the Plan. The *retiree health benefit reserve* was initiated in 1987 to establish funds for payment of supplemental benefits which would provide retirees additional monies with the expectation (but not the requirement) that the funds be used to offset the cost of health insurance premiums. Effective with the actuarial valuation completed for the year ended June 30, 2003, the retiree health benefit reserve was apportioned into two reserves, the *retiree health benefit reserve* and the *retiree health benefit reserve (VS)* to more clearly account for the liability associated with additional health benefits granted as part of the Settlement Agreement negotiated between the County of Fresno and certified employee organizations in December 2000.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
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NOTE 6 - CONTRIBUTIONS AND RESERVES (Continued)

Reserved and Designated Accounts of Net Position Restricted for Pension Benefits (Continued)

The *supplemental cost of living reserve* was established in 1990 to provide additional benefits for eligible members. The benefit was adopted annually under Government Code Section 31874.3 to provide purchasing power protection to those retirees whose accumulated excess cost of living credits exceeds 25%, therefore the affected members changed each year. The *supplemental cost of living reserve* balance reflects Board approved transfers from *undistributed earnings*. Analysis of the expenditures of this reserve indicated that sufficient funding was unavailable to continue the benefit past August 2005. Thus, the Board of Retirement authorized transfers sufficient to provide funds to continue the benefit at levels in existence at June 30, 2006.

The *supplemental benefit reserve* was established to account for the benefit increase given to retirees or the beneficiaries of retirees who retired prior to January 1, 2001, as part of the Settlement Agreement approved in December 2000.

The *supplemental annuity benefit* reserve was established to account for the benefit increase given to members who retired on or after January 1, 2001, as part of the Settlement Agreement approved in December 2000.

The designation for market stabilization serves to spread unanticipated market gains and losses over a five-year period and represents a portion of the variance between net investment earnings and actuarial expectations based on the assumed rate of returns.

FCERA maintains a Statutory Contingency Reserve based on 1% of the total valuation account reserve balances. As part of the Interest Credit policy modified by the Board in September 2008, the Board established an additional Board Contingency Reserve of up to 2% of the total Plan Net Position. Funding of this additional reserve is subject to Board approval.

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

NOTE 7 - ACTUARIAL VALUATIONS

Pursuant to provisions in the County Employees Retirement Law of 1937, FCERA engages an independent actuarial firm to perform an annual actuarial valuation. An experience study is performed every three years (triennial experience study).

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
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NOTE 7 - ACTUARIAL VALUATIONS (Continued)

The economic and non-economic assumptions are updated at the time each triennial experience study is performed. Triennial experience studies serve as the basis for assumptions required in developing employer and member contribution rates necessary to properly fund the system. FCERA periodically hires an independent actuarial firm to audit the results of the valuations. New assumptions were adopted by the Board of Retirement for the June 30, 2010 actuarial valuation based on the results of the June 30, 2009 triennial non-economic Experience Study and the June 30, 2010 Economic Assumptions Study.

Funded Status as of the Most Recent Actuarial Valuation Date

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Unfunded AAL Percentage of Covered Payroll
June 30, 2012	\$3,305,045	\$4,345,402	\$1,040,357	76.1%	\$365,596	284.6%

Additional Funding Progress data is provided in the Required Supplementary Information section which presents multi-year trend data about the Actuarial Value of Assets to Actuarial Accrued Liabilities is located on page 44.

- | | |
|--------------------------------------|---|
| 1. Actuarial Cost Method: | Entry Age Normal Cost Funding Method |
| 2. Actuarial Asset Valuation Method: | Five-year smoothed method based on the difference between expected and actual return on the market value of assets for the 10 six-month periods as of the valuation date. The smoothing method was adopted effective for the June 30, 1998 valuation. |
| 3. Inflation: | 3.50% per annum |
| 4. Investment Rate of Return: | 7.75% effective annual interest rate, net of both investment and administrative expenses. This rate was originally adopted for the June 30, 2010 valuation and remain unchanged for the June 30, 2012 valuation. |

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 7 - ACTUARIAL VALUATIONS (Continued)

5. Projected Salary Increases: General Members: Salary increases range from 5.00% to 11.00% based on years of service (merit ranges from 1.00% to 7.00%; plus 3.50% inflation plus 0.50% "across the board" salary increase).
- Safety Members: Salary increases range from 5.50% to 11.00% based on years of service (merit ranges from 1.50% to 7.00%; plus 3.50% inflation plus 0.50% "across the board" salary increase).
- These rates were originally adopted for the June 30, 2010 valuation and remained unchanged for the June 30, 2012 valuation.
6. Post-Retirement Benefit Increases: The Cost of Living Adjustment (COLA) is applied in accordance with changes to the Consumer Price Index but limited to a maximum of 3% per year. A supplemental COLA may be provided to certain members to limit the loss of purchasing power to no more than 25%. The COLA is available to General tiers 1, 2 & 3 and Safety tiers 1 & 2.
- Post-retirement benefit increase of 3% per year is assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index, are assumed payable each year in the future as they are equal to the expected increase in the Consumer Price Index of 3.0% per year. This rate was adopted for the June 30, 1978 valuation.
7. Amortization Method and Period: 21 years (declining) for UAAL established as of June 30, 2003 plus 15 years (declining) for UAAL and change in actuarial assumptions established on each subsequent valuation. The increase in UAAL due to benefit improvements is amortized over 30 years. The Plan selects a closed method.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012
(Amounts expressed in thousands)

NOTE 7 - ACTUARIAL VALUATIONS (Continued)

The latest actuarial valuation decreased the County normal cost rate from 19.32% to 19.24% of payroll primarily due to assumption changes. The County's required contribution rate to finance the UAAL increased from 26.73% to 28.80% of payroll. There is an increase in the total required contribution rate from the prior valuation of 1.99%, from 46.05% to 48.04% of payroll.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

FCERA invests in real estate and private equity partnerships. Each partnership's investment activity is controlled by a general partner and defined in the prospectus and Commitment Agreement. The Commitment Agreement defines the period of the investment which is typically five to ten years and the capital commitment. The Board of Retirement approves the capital commitment at the time the partnership agreement is approved.

As of June 30, 2013, outstanding capital commitments to the various partnerships, as approved by the Board, totaled \$923,500. Subsequent to June 30, 2013, FCERA funded \$880,098 of these capital commitments.

NOTE 9 - SUBSEQUENT EVENTS

Management has reviewed and evaluated events subsequent to June 30, 2013 and through December 4, 2013, the date of the Independent Auditor's Report, and has not identified any subsequent events requiring disclosure other than the following. In September 2013 the Board voted to reduce the actuarial assumed investment rate of return from the existing 7.75% to 7.25%. This reduction in assumed investment rate of return will cost the employer plan sponsors approximately \$30,000,000 in the form of increased employer contributions as the expectations for higher long term investment returns diminishes.

REQUIRED SUPPLEMENTARY INFORMATION

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts expressed in thousands)**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(1) Actuarial Value of Assets (AVA)	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3)/(5)
6/30/07	\$2,610,269	\$ 3,149,570	\$ 539,301	82.9%	\$404,277	133.4%
6/30/08	2,812,423	3,429,990	617,567	82.0%	424,083	145.6%
6/30/09	2,864,956	3,644,743	779,787	78.6%	422,519	184.6%
6/30/10	2,983,044	4,092,464	1,109,420	72.9%	408,861	271.3%
6/30/11	3,114,483	4,237,961	1,123,478	73.5%	398,976	281.6%
6/30/12	3,305,045	4,345,402	1,040,357	76.1%	365,596	284.6%

At June 30, 2007, the actuarial value of assets (AVA) decreased by \$3,169 for a net overpayment of member contributions discounted to June 30, 2007. The schedule of Funding Progress was prepared by FCERA's current actuary, The Segal Company.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2008	\$97,305	100.00%
2009	113,959	100.00%
2010	126,138	100.00%
2011	130,290	100.00%
2012	157,869	100.00%
2013	158,572	100.00%

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

LATEST ACTUARIAL VALUATION METHODS

Valuation date	June 30, 2012
Actuarial cost method	Entry age normal funding method
Amortization method	Level percent of payroll for total unfunded liability – The plan selects a closed method.
Remaining amortization period	22 years for plan amendments 15 years for all other adjustments to the unfunded actuarial accrued liability
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75% (includes inflation at 3.50%)
Projected salary increases	Rates vary by service type:
- General Members:	Salary increases range from 5.00% to 11.00% (merit ranges from 1.00% to 7.00%; plus 3.50% inflation plus 0.50% “across the board” salary increase).
- Safety Members:	Salary increases range from 5.50% to 11.00% (merit ranges from 1.50% to 7.00%; plus 3.50% inflation plus 0.50% “across the board” salary increase).
Cost of living adjustments	0 – 3% (tied to the change in Consumer Price Index)

OTHER SUPPLEMENTARY INFORMATION

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Personnel Services		
Salaries and Benefits	\$ 2,262,222	\$ 2,212,250
Total Personnel Services	<u>2,262,222</u>	<u>2,212,250</u>
Office Expenses		
Election Expenses	12,892	14,894
Office Supplies	62,456	57,831
Postage	18,580	25,698
Telephone	9,145	6,335
Utilities	24,520	24,493
Total Office Expenses	<u>127,593</u>	<u>129,251</u>
Other Services and Charges		
Equipment	9,349	32,015
Insurance Other	116,975	110,338
Maintenance	35,188	34,028
Professional and Specialized Services	542,769	548,153
Disability Expenses	159,007	176,420
Data Processing Services	167,293	125,327
Transportation, Travel, and Education - Staff	31,676	23,698
Transportation, Travel, and Education - Board	53,860	37,314
Total Other Services and Charges	<u>1,116,117</u>	<u>1,087,293</u>
Depreciation	169,872	168,929
Total Administrative Expenses	<u>\$ 3,675,804</u>	<u>\$ 3,597,723</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ADMINISTRATIVE BUDGET ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Approved Budget</u>	<u>Final Budget</u>	<u>Fiscal Year Expenditures</u>	<u>Percentage Expended</u>
Personnel Services				
Salaries	\$ 1,450,320	\$ 1,450,320	\$ 1,386,203	95.58%
Benefits	957,577	957,577	876,019	91.48%
Total Personnel Services	<u>2,407,897</u>	<u>2,407,897</u>	<u>2,262,222</u>	93.95%
Professional Services				
Actuarial ¹	75,000	75,000	80,361	107.15%
Legal Counsel	300,000	300,000	200,525	66.84%
Professional Services - Disability	95,000	95,000	159,007	167.38%
Other Professional Services	232,903	247,565	274,775	110.99%
Total Professional Services	<u>702,903</u>	<u>717,565</u>	<u>714,668</u>	99.60%
Travel, Transportation, and Education				
Transportation, Travel, and Education - Board	43,494	43,494	53,860	123.83%
Transportation, Travel, and Education - Staff	45,800	45,800	31,676	69.16%
Total Travel, Transportation, and Education	<u>89,294</u>	<u>89,294</u>	<u>85,536</u>	95.79%
Other				
Data Processing	109,891	109,891	167,293	152.24%
Depreciation	158,928	158,928	169,872	106.89%
Insurance	124,278	124,278	116,975	94.12%
Maintenance	52,736	52,736	35,188	66.72%
Office Supplies	138,187	138,187	114,701	83.00%
Total Other	<u>584,020</u>	<u>584,020</u>	<u>604,029</u>	103.43%
Capital Assets ^{2 3}	<u>10,000</u>	<u>10,000</u>	<u>9,349</u>	93.49%
Total Administrative Expenditures ⁴	<u>\$ 3,794,114</u>	<u>\$ 3,808,776</u>	<u>\$ 3,675,804</u>	96.51%

¹ Excludes annual valuation costs which are included as part of investment expenses.

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

³ Computer Equipment is included in Information Technology (IT) Infrastructure page 49.

⁴ As defined in Government Code Section 31580.2, excludes Information Technology expenses.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ADMINISTRATIVE BUDGET ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Schedule of Information Technology Expenses

	2013	2012
Property and Equipment	\$ 7,066	\$ 9,745
IT Infrastructure	<u>1,371,733</u>	<u>1,387,753</u>
Total Information Technology Expense	<u><u>\$ 1,378,799</u></u>	<u><u>\$ 1,397,498</u></u>

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Investment Manager Fees	\$ 14,624,628	\$ 14,110,342
Custodian Service Fees ²	114,087	116,903
Actuarial Valuation Fees ^{1, 2}	-	165,000
Executive Office Operation	-	24,997
Due Diligence Travel	7,853	-
Futures Commission Expense	6,119	4,480
Investment Legal Fees ²	37,867	53,582
Investment Consultant Fees ²	363,192	341,679
Subtotal Investment Expenses ²	<u>15,153,746</u>	<u>14,816,983</u>
Securities Lending Expenses	770,035	319,003
Total Investment Expenses	<u>\$ 15,923,781</u>	<u>\$ 15,135,986</u>

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

² Investment Legal Fees, Investment Consultant Fees, Custodian Service Fees, and Actuarial Valuation Fees can also be found on page 50 as Payments to Consultants.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Disability Attorney Fees	\$ 71,574	\$ 75,529
Retirement Board Attorney Fees	200,525	210,120
Disability Medical, Investigation, and Copying Fees	87,433	100,891
Other Professional Expenses	201,383	231,403
Audit Fees	60,500	54,820
Actuarial Consulting Fees (non-actuary study costs)	80,361	66,704
Actuarial Valuation Fees ¹	-	165,000
Investment Legal Fees ¹	37,867	53,582
Custodian Service Fees ¹	114,087	116,903
Investment Consultant Fees ¹	363,192	341,679
Data Processing Fees	<u>167,293</u>	<u>125,327</u>
Total Payments to Consultants	<u>\$ 1,384,215</u>	<u>\$ 1,541,958</u>

Refer to page 58 for information on fees paid to investment managers.

¹ Investment Legal Fees, Investment Consultant Fees, Custodian Service Fees, and Actuarial Valuation Fees can also be found on page 49 as Investment Expenses.

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INVESTMENT SECTION

October 15, 2013

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

Performance Summary

The FCERA investment portfolio ("the Portfolio") had a strong year, generating an 11.9% return net of fees for the fiscal year ending June 30, 2013.

The main drivers of performance for the fiscal year were domestic and international equity markets, which rallied significantly in the third quarter of 2012 and first quarter of 2013. Largely attributable to continued quantitative easing by the Federal Reserve, and to a lesser extent a recovery in the housing market, U.S. stocks as proxied by the Russell 3000, were up 21.5% for the year ending June 30th 2013. Quantitative easing has had a similar effect globally, as the MSCI All Country World Index (ex-U.S.) was up 14.1% over the same period. Conversely quantitative easing negatively impacted fixed income markets, most notably in the second quarter of 2013, when rates rose abruptly and most inflation-hedging assets sold off. Active management proved most beneficial within the fixed income space, as all four managers beat their respective benchmarks, in aggregate by 3.1% before fees.

The Portfolio outperformed the Fund's Policy Index by 0.3%. Active management within equities and fixed income contributed to outperformance versus policy. The Portfolio's investments in real estate and private equity underperformed their respective benchmarks. In aggregate, real estate investments appreciated 11.1% (gross), while the benchmark index was up 12.2%. The private equity program trailed its benchmark for the fiscal year, returning 11.8% versus the policy benchmark of 24.5%. This discrepancy is partially explained by the inherent challenges in benchmarking this asset class as well as the lack of deal volume in private markets during the previous periods, causing a more prolonged J-Curve. The allocation to U.S. equities returned 22.3%, outperforming the benchmark by 0.8%, in large part due to the Portfolio's value-oriented strategies. Manager outperformance within emerging markets explains a large portion of the Portfolio's international equities beating their benchmark by 3.4% gross. The Plan's worst performing investment was the allocation to commodities, which lost 7.5% for the year.

For the last three years ending June 30, 2013, the Portfolio returned 10.9% net of fees on an annualized basis, underperforming the Policy benchmark by 0.2%. Over the five-year period ending June 30, 2013, the Portfolio returned 5.7% net of fees, outperforming the Policy benchmark by 0.9%. For the trailing ten year period, the Portfolio returned 7.9% net, outperforming the Policy by 1.1%. In computing individual manager returns Wurts & Associates employs the industry standard approach of computing a time-weighted rate of return based on the market rate of return.

Plan Activity

Over the past fiscal year FCERA conducted prudent rebalancing to align the allocation with policy targets. In response to credit spreads tightening significantly from their late 2008/2009 levels, the Portfolio's dedicated opportunistic fixed income allocation was reallocated. The portion managed by Loomis Sayles was collapsed into the core plus allocation while the portion managed by Standish Mellon was re-allocated to fund a new investment in local currency emerging markets debt; PIMCO was awarded the mandate. In March of 2013, FCERA replaced the Portfolio's international developed growth equity manager, Oechsle International Advisors, with Artisan Partners. In April 2013 FCERA undertook an Asset Liability Study which is expected to be concluded by the end of calendar 2013.

Below is the policy asset allocation versus the actual allocation as of June 30, 2013.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Actual Allocation</u>
Cash	0%	1.3%
Fixed Income	26%	25.8%
Large Cap Equity	24%	25.3%
Small Cap Equity	5%	6.0%
International Equity	24%	23.5%
Real Estate	6%	4.9%
Commodities	4%	3.5%
Private Equity	7%	5.6%
Hedge Funds	4%	4.1%

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

Sincerely,



Jeffrey MacLean
Chief Executive Officer

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION GENERAL INFORMATION

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

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

The Board has exclusive control of the investments of the Association's retirement fund. The assets of the Association are trust funds and shall be held for the exclusive purposes of providing benefits to its members in the pension or retirement system and their beneficiaries and defraying reasonable 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:

- i 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.
- i 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.
- i 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
AS OF JUNE 30, 2013**

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

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

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

The Investment Results on page 59 are based on time-weighted rate of return using fair value and are annualized for three and five years. All other information is reported at fair value.

**TARGET AND ACTUAL ASSET ALLOCATIONS
AS OF JUNE 30, 2013**

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

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

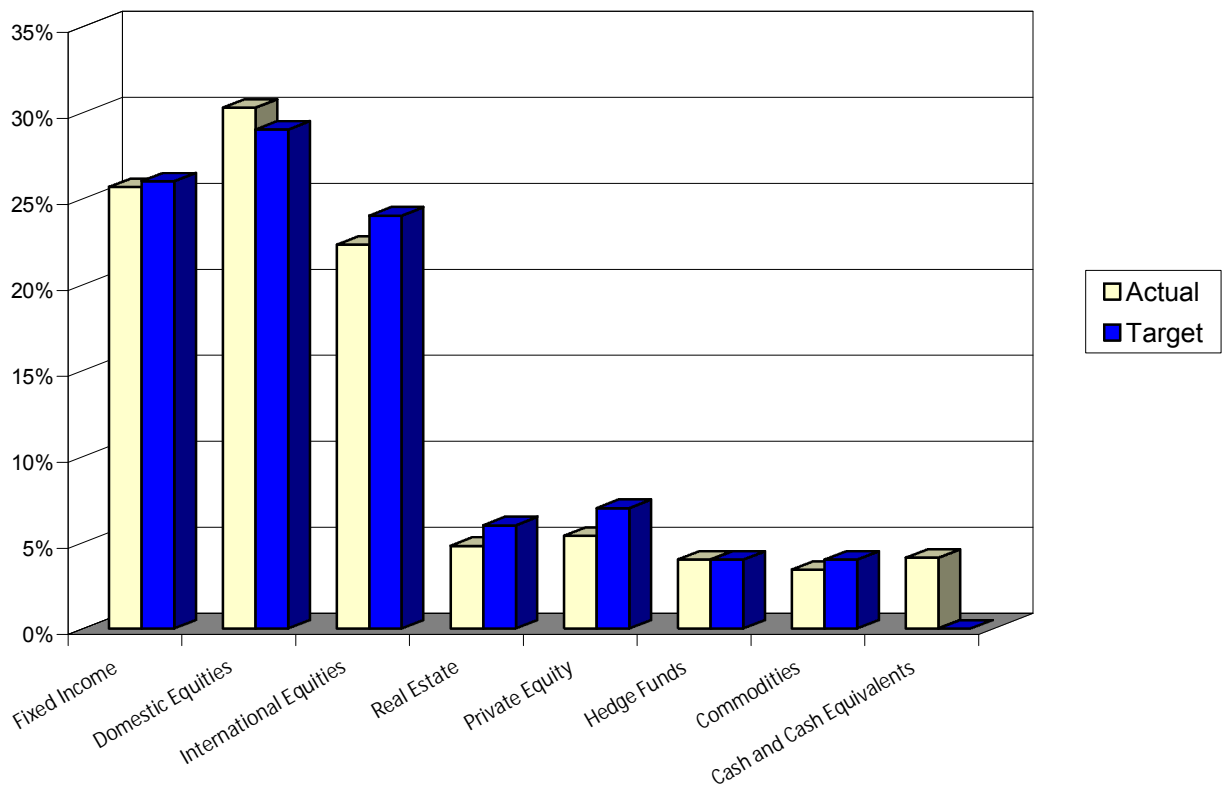
Over time, the Board implements the asset allocation plan by hiring investment managers to invest assets on behalf of the Association, subject to investment guidelines incorporated into each firm's investment management contract.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TARGET AND ACTUAL ASSET ALLOCATIONS (Continued)
AS OF JUNE 30, 2013**

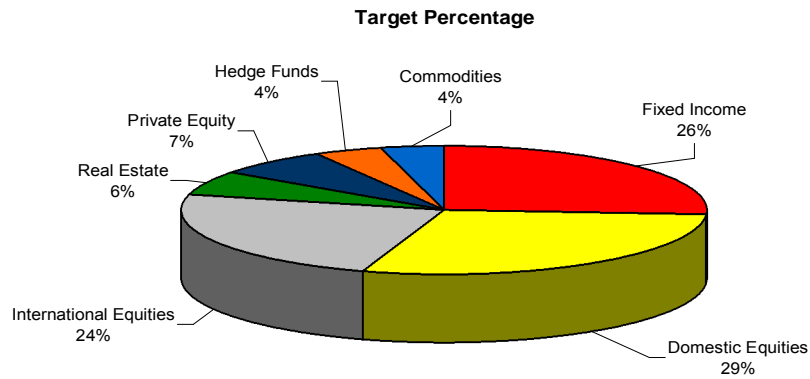
The information provided below and on subsequent pages is a representation of the Association's financial statements. Individually, they may not tie to the investment consultant's report on pages 53 to 54 of this Comprehensive Annual Financial Report (CAFR) due to the different reporting methodologies used by the investment consultant and the Association.

For example, the investment consultant reports cash held with investment managers as part of the investment manager's investment portfolio not as cash and cash equivalents as reported on the Investment Summary. Also, the target asset allocation calls for all cash requirements of the Association to be classified as Fixed Income. However, the Association's actual operating cash is reported separately the Financial Statements and on the Investment Summary.

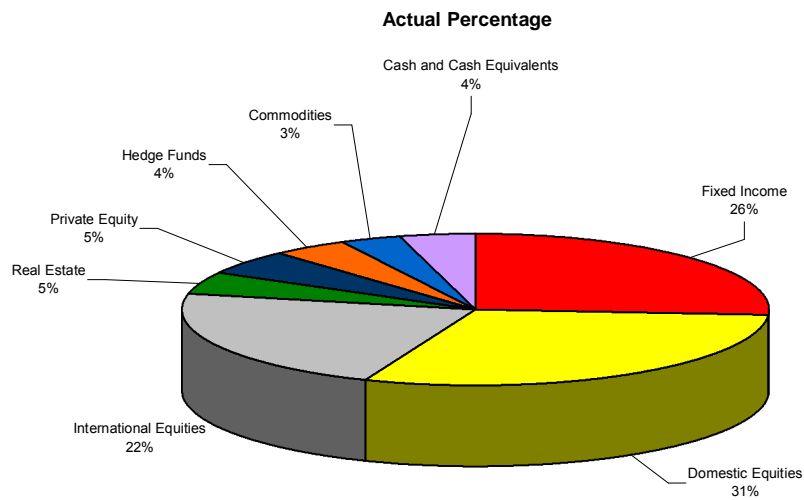
The 2012 – 2013 target and actual asset allocations are presented in the following graphs and charts.



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TARGET AND ACTUAL ASSET ALLOCATIONS (Continued)
AS OF JUNE 30, 2013**



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



**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT RESULTS
AS OF JUNE 30, 2013**

Investments	Current Year	3-Year Return	5-year Return
Fixed Income			
Domestic	1.0%	5.7%	7.4%
Benchmark : BC Aggregate Index	-0.7%	3.5%	5.2%
Domestic Opportunistic	15.6%	10.1%	0.0% ²
Benchmark : BC Aggregate + 300 BPS	2.3%	6.6%	0.0% ²
TIPS Index Fund	-4.8%	4.6%	0.0% ²
BC US TIPS	-4.8%	4.6%	0.0% ²
Equities			
Domestic Large Capital Value	27.2%	20.2%	7.6%
Benchmark: Russell 1000 Value	25.3%	18.5%	6.7%
Domestic Large Capital	20.6%	18.5%	7.1%
Benchmark: S & P 500 Index	20.6%	18.5%	7.0%
Domestic Large Capital Growth	16.5%	0.0% ¹	0.0% ¹
Benchmark: Russell 1000 Growth	17.1%	0.0% ¹	0.0% ¹
Domestic Small Capital Growth	24.3%	22.6%	11.7%
Benchmark: Russell 2000 Growth	23.7%	20.0%	8.9%
Domestic Small/Mid Capital Value	25.9%	0.0% ¹	0.0% ¹
Benchmark : Russell 2500 Value	26.9%	0.0% ¹	0.0% ¹
Emerging Markets Equity	8.2%	8.1%	3.5%
Benchmark: MSCI Emerging Markets Free	3.2%	3.7%	-0.1%
International Equity	24.2%	11.1%	0.5%
Benchmark : MSCI EAFE	19.1%	10.5%	-0.2%
International Equity Small Cap	17.5%	14.9%	0.0% ²
Benchmark : S&P Developed ex US SC Index	18.5%	11.3%	0.0% ²
Private Markets			
Real Estate	11.1%	11.2%	-0.3%
Benchmark : NCREIF Classic Property	10.7%	13.1%	2.8%
Hedge Funds	6.2%	2.8%	0.5%
Benchmark : HFRI FOF Composite Index	7.4%	3.0%	-0.6%
Private Equity	11.8%	9.8%	4.9%
Benchmark : RUSS 3000 + 250 BP	24.5%	21.5%	9.9%
Commodities	-7.8%	-0.1%	0.0% ²
Benchmark : DJ UBS Commodity TR Index	-8.0%	-0.3%	0.0% ²
Cash, Custodial and Investment Pool			
Cash	0.4%	0.8%	1.0%
Benchmark: 90-Day Treasury Bill	0.1%	0.1%	0.2%
Total Fund	12.3%	11.2%	6.0%

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

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

¹ There were no 3-year or 5-year results available due to managers' mandates were funded between fiscal years 2008 to 2013.

² There were no 5-year results available due to managers' mandates were funded between fiscal years 2008 to 2013.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT SUMMARY
AS OF JUNE 30, 2013
(Amounts expressed in thousands)

	Fair Value	Actual Percentages	Target Percentages
Investments			
Domestic Fixed Income	\$ 442,967	12.35%	22.00%
Foreign Fixed Income	130,026	3.63%	0.00%
U.S. Government and Agencies ¹	347,291	9.69%	4.00%
Total Fixed Income	<u>920,284</u>	<u>25.67%</u>	<u>26.00%</u>
Domestic Equities	1,054,009	29.39%	29.00%
International Equities	799,824	22.30%	24.00%
Real Estate Investment Trusts	31,659	0.88%	0.00%
Total Equities	<u>1,885,492</u>	<u>52.57%</u>	<u>53.00%</u>
Private Markets and Alternatives			
Real Estate	172,342	4.81%	6.00%
Private Equity	193,500	5.40%	7.00%
Hedge Funds	144,053	4.02%	4.00%
Commodities	122,522	3.42%	4.00%
Total Investments	<u>3,438,193</u>	<u>95.89%</u>	<u>100.00%</u>
Cash and Cash Equivalents			
Cash Held in County Investment Pool	27,799	0.78%	0.00%
Cash Held in Checking Account	-	0.00%	0.00%
Short - Term Investment with Fiscal Agent	119,522	3.33%	0.00%
Total Cash and Cash Equivalents	<u>147,321</u>	<u>4.11%</u>	<u>0.00%</u>
Total Investment, Cash and Cash Equivalents	<u><u>\$ 3,585,514</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

¹ Includes TIPS.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
LARGEST BOND AND STOCK HOLDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

LARGEST FIXED INCOME HOLDINGS (By Fair Value)

Par	Name	Yield	Maturity Date	Fair Value
\$ 2,709,060	WA MORTGAGE BACKED	3.74%	N/A	\$ 45,113,968
11,165,000	FNMA MORTGAGE	3.45%	01/01/2040	11,334,217
6,300,000	FNMA MORTGAGE	2.99%	01/01/2040	6,317,703
221,893	CF WA OPPORTUNISTIC US	6.77%	N/A	5,992,444
3,670,000	FNMA DTD	4.88%	11/15/2030	4,980,285
4,160,967	GNMAII POOL #MA0852	3.40%	01/20/2043	4,278,332
4,200,000	FNMA MORTGAGE	3.46%	01/01/2040	4,252,500
3,686,974	FEDERAL NATL MTG ASSN GTD	3.83%	09/01/2042	3,854,030
3,600,000	FNMA MORTGAGE	2.49%	01/01/2040	3,612,938
195,432	CF WESTN AST FLOATING RATE	5.88%	N/A	3,522,862
<u>\$ 39,909,326</u>	Total			<u>\$ 93,259,279</u>

LARGEST EQUITY HOLDINGS (By Fair Value)

Shares	Name	Fair Value
177,328	EXXON MOBIL CORP COM	\$ 16,021,585
82,400	VISA INC COM CL A STK	15,058,600
117,800	JPMORGAN CHASE & CO COM	15,007,669
82,100	UNION PAC CORP COM	12,666,388
190,793	NESTLE SA CHF0.10(REGD)	12,492,339
31,090	APPLE INC COM STK	12,314,127
254,530	CITIGROUP INC COM NEW COM NEW	12,209,804
13,530	GOOGLE INC CL A CL A	11,911,406
62,722	LINDE AG NPV	11,687,210
1,089,468	HSBC HLDGS ORD USD0.50(UK REG)	11,269,341
<u>2,101,761</u>	Total	<u>\$ 130,638,469</u>

A complete list of portfolio holdings is available upon request.

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FEES
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Investment Managers' Fees		
Domestic Equity Managers:		
Aronson, Johnson & Ortiz, LP	\$ 491,959	\$ 451,827
Kalmar Management	609,741	651,466
State Street Global Advisors	47,589	44,219
Systematic Financial Management	293,584	258,660
Waddell & Reed Investment Management	406,153	407,168
Wellington Management Company, LLP	528,104	464,975
Winslow Capital Management	400,669	404,364
Total Domestic Equity Managers	<u>2,777,799</u>	<u>2,682,679</u>
International Equity Managers:		
Artisan International	302,137	-
Mondrian Investment Partners	2,019,118	1,796,996
Oechsle International	823,047	1,279,567
Research Affiliates	458,470	140,515
Total International Equity Managers	<u>3,602,772</u>	<u>3,217,078</u>
Domestic Fixed Income Managers:		
BlackRock Financial Management Inc.	631,434	432,283
Loomis Sayles	764,704	757,220
MetWest TALF	56,351	210,600
Standish Mellon Asset Management Company, LLC	384,390	350,927
State Street TIPS Index Fund	13,295	30,740
Western Asset Management Company	586,852	239,850
Total Domestic Fixed Income Managers	<u>2,437,026</u>	<u>2,021,620</u>
Private Market Managers:		
Alternative Investments	2,590,349	3,086,738
Real Estate	1,903,516	1,829,390
Hedge Funds	1,313,166	1,272,837
Total Private Market Managers	<u>5,807,031</u>	<u>6,188,965</u>
Total Investment Manager Fees	<u>\$ 14,624,628</u>	<u>\$ 14,110,342</u>
Other Investment Expenses		
Securities Lending	\$ 770,035	\$ 319,003
Due Diligence Travel	7,853	-
Custodian Service Fees	114,087	116,903
Actuarial Valuation Fees	-	165,000
Executive Office Operation	-	24,997
Futures Commission Expense	6,119	4,480
Consulting and Legal Fees	401,059	395,261
Total Other Investment Expenses	<u>\$ 1,299,153</u>	<u>\$ 1,025,644</u>

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Brokerage Firm	Rank	Number of Shares Traded	Total Commissions	Commissions per Share	Percentage of Commissions
Goldman Sachs and Co	1	27,041,574.00	\$177,219.63	\$0.0066	15.94%
BNY Convergenx LJR	2	1,860,746.00	58,277.87	0.0313	5.25%
Morgan Stanley Co Incorporated	3	2,055,699.00	47,359.15	0.0230	4.26%
Investment Technology Group Inc.	4	3,386,316.00	44,103.03	0.0130	3.96%
Deutsche Bank Securities Inc	5	2,580,437.00	33,541.19	0.0130	3.01%
UBS Securities Llc	6	972,848.00	30,687.36	0.0315	2.76%
Merrill Lynch International	7	9,771,010.00	28,642.26	0.0029	2.57%
Credit Suisse Securities (USA) LLC	8	1,447,243.00	26,558.90	0.0184	2.39%
J.P. Morgan Clearing Corp.	9	3,453,907.00	24,543.46	0.0071	2.21%
J.P. Morgan Securities Inc.	10	677,388.00	20,851.93	0.0308	1.87%
Deutsche Bank Securities Inc.	11	429,940,903.60	19,843.69	0.0000	1.78%
Merrill Lynch Pierce Fenner & Smith Inc	12	737,705.00	17,928.14	0.0243	1.61%
SG Americas Securities LLC	13	1,750,800.00	17,508.00	0.0100	1.57%
Lynch, Jones and Ryan	14	569,720.00	17,297.69	0.0304	1.55%
Goldman, Sachs and Co.	15	218,766,036.31	17,191.38	0.0001	1.54%
Barclays Capital LE	16	1,077,425.00	17,019.00	0.0158	1.53%
Merrill Lynch Pierce Fenner and S	17	4,229,156.00	14,961.84	0.0035	1.34%
UBS AG	18	3,634,697.00	14,498.61	0.0040	1.30%
Morgan Stanley and Co., LLC	19	142,746,620.60	13,969.97	0.0001	1.26%
Citigroupglobal Markets Inc	20	445,881.00	13,962.68	0.0313	1.25%
Top 20 Firms by Commission Dollars		857,146,112.51	655,965.78	0.0008	58.95%
All Other Brokerage Firms		1,194,407,264.71	456,843.59	0.0004	41.05%
Total Brokerage Commissions		<u>2,051,553,377.22</u>	<u>\$1,112,809.37</u>	<u>\$0.0005</u>	<u>100.00%</u>

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ACTUARIAL SECTION



THE SEGAL COMPANY
100 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

August 6, 2013

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

Re: Actuarial Valuation for the Fresno County Employees' Retirement Association

Dear Members of the Board:

The Segal Company prepared the June 30, 2012 actuarial valuation of the Fresno County Employees' Retirement Association. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No 25.

Our calculations are based upon member data and financial information provided to us by the Association's staff. As part of the June 30, 2012 actuarial valuation, The Segal Company (Segal) conducted an examination of these data and found them to be reasonably consistent and comparable with data used for other purposes. However, the scope of this examination does not qualify as an audit. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period. Net deferred investment gains as of June 30, 2011 have been combined and will be recognized in equal amounts over nine six-month periods from that date. That amount plus any deferred gains and losses after June 30, 2011 are further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.

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



The UAAL is amortized as a level percentage of payroll over a declining 21-year period for the outstanding balance of the UAAL established as of the June 30, 2003 valuation and a separate 15-year period is used for new UAAL established on each subsequent valuation. Effective April 2011, any increase in UAAL due to benefit improvements is amortized over 15 years. The progress being made towards meeting the funding objective through June 30, 2012 is illustrated in the Schedule of Funding Progress.

For the Financial Section of the Comprehensive Annual Financial Report, Segal provided the Schedule of Funding Progress as shown in the Required Supplementary Information. A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the Association's CAFR is provided below:

1. Solvency test;
2. Actuarial Analysis of Financial Experience;
3. Schedule of Funding Progress;
4. Average Benefit Payments; and
5. Years of Life Expectancy After Service and Disability Retirement.

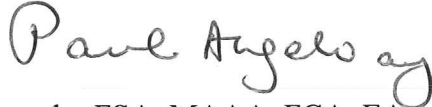
The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2009 Experience Analysis or in conjunction with the June 30, 2010 actuarial valuation. Note that the investment return assumption was developed without taking into consideration the impact of the Board's policy of utilizing excess earnings to provide contribution offsets and additional settlement and non-statutory benefits. It is our opinion that the assumptions used in the June 30, 2012 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2012.

In the June 30, 2012 valuation, the ratio of the valuation assets to actuarial accrued liabilities increased from 73.5% to 76.1%. The employer's rate has increased from 46.05% of payroll to 48.04% of payroll, while the employee's rate has decreased from 8.74% of payroll to 8.68% of payroll.

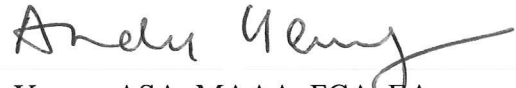
In the June 30, 2012 valuation, the actuarial value of assets included \$185.3 million in unrecognized deferred investment losses, which represented 6% of the market value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 76.1% to 71.8% and the aggregate employer contribution rate, expressed as a percentage of payroll, would increase from 48.04% to 52.5%.

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

Sincerely,

Handwritten signature of Paul Angelo in cursive script.

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

Handwritten signature of Andy Yeung in cursive script.

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

MYM/kek
Enclosures

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

The Entry Age Normal Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The Unfunded Actuarial Accrued Liability (UAAL) established as of the June 30, 2003 valuation is being amortized over a declining 30-year period with 21 years remaining as of June 30, 2012. Any new UAAL established on each subsequent valuation after June 30, 2003 as a result of actuarial gains or losses and changes in actuarial assumptions is amortized over a separate 15-year declining period. The increase in UAAL due to benefit improvements is amortized over 30 years. The following interest rate assumptions along with the post retirement and pre-retirement demographic experiences are based on the plan's actuarial experience through June 30, 2009. The actuarial valuation report as of June 30, 2012 was approved and adopted by the Fresno County Employees' Retirement Association Board of Retirement on February 6, 2013.

1. Investment Rate of Return: 7.75% per annum
2. Interest Credited to Employee Accounts: Nominal rate of 3.00% per annum, compounded semiannually
3. Inflation: 3.50% per annum
4. Salary Scale:
 - General Members: Salary increases range from 5.00% to 11.00% based on years of service (merit ranges from 1.00% to 7.00%; plus 3.50% inflation plus 0.50% "across the board" salary increase).
 - Safety Members: Salary increases range from 5.50% to 11.00% based on years of service (merit ranges from 1.50% to 7.00%; plus 3.50% inflation plus 0.50% "across the board" salary increase).
5. Asset Valuation: Smoothed market value
6. Spouses and Dependents: 80% of male active members and 55% of female active members assumed married at retirement, with wives assumed three years younger than husbands
7. Rates of Termination of Employment: 0.00% to 17.00%, depending on age, gender and service classification

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

8. Years of Life Expectancy After Retirement:
 - General Members: RP – 2000 Healthy Annuitant Mortality with adjustment for white collar workers set back two years
 - Safety Members: RP – 2000 Healthy Annuitant Mortality with adjustment for blue collar workers set back three years
9. Years of Life Expectancy After Disability: RP - 2000 Healthy Annuitant Mortality set forward four years for General members and back three years for Safety members
10. Life Expectancy After Retirement for Employee Contribution Rate Purposes:
 - General Members: RP - 2000 Healthy Annuitant Mortality with adjustment for white collar workers weighted 35% male and 65% female
 - Safety Members: RP - 2000 Healthy Annuitant Mortality with adjustment for blue collar workers weighted 80% male and 20% female
11. Reciprocity Assumption: 40% of General members and 60% of Safety members who terminate with a vested benefit are assumed to enter a reciprocal system
12. Vested Terminations: Varies by age and years of service
13. Service and Disability Retirements: Varies by tier of membership and by age
14. Gains & Losses: 21 years (declining) for UAAL established as of June 30, 2003 plus 15 years (declining) for UAAL and change in actuarial assumptions established on each subsequent valuation. The increase in UAAL due to benefit improvements is amortized over 30 years.

Note: Information compiled from Actuarial Report prepared by The Segal Company as of June 30, 2012. Please refer to page 46 for the latest actuarial valuation methods.

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

Valuation Date	Plan Type	Number	Annual Payroll (in thousands)	Average Monthly Salary	% Increase in Average Salary
6/30/2007	General Tier 1	6,537	\$ 328,403	\$ 4,186	6.3%
	General Tier 2	300	10,965	3,046	1.9%
	Safety Tier 1	934	63,392	5,656	8.9%
	Safety Tier 2	31	1,516	4,075	18.5%
	Total	7,802	\$ 404,276	4,318	5.8%
6/30/2008	General Tier 1	6,117	\$ 329,751	4,492	7.3%
	General Tier 2	123	6,640	4,499	47.7%
	General Tier 3 ¹	547	19,601	2,986	100.0%
	Safety Tier 1	888	64,592	6,062	7.2%
	Safety Tier 2	65	3,499	4,486	10.0%
	Total	7,740	\$ 424,083	4,566	5.7%
6/30/2009	General Tier 1	5,723	\$ 318,409	4,636	3.2%
	General Tier 2	136	8,270	5,067	12.7%
	General Tier 3 ¹	630	24,554	3,248	8.7%
	Safety Tier 1	856	67,334	6,555	8.2%
	Safety Tier 2	62	3,952	5,312	18.4%
	Total	7,407	\$ 422,519	4,754	4.1%
6/30/2010	General Tier 1	5,371	\$ 308,147	4,781	3.1%
	General Tier 2	138	8,537	5,155	1.7%
	General Tier 3 ¹	625	26,057	3,474	7.0%
	Safety Tier 1	772	63,304	6,833	4.2%
	Safety Tier 2	40	2,816	5,867	10.5%
	Total	6,946	\$ 408,861	4,905	3.2%
6/30/2011	General Tier 1	5,079	\$ 295,831	4,854	1.5%
	General Tier 2	166	10,127	5,084	-1.4%
	General Tier 3 ¹	751	31,688	3,516	1.2%
	Safety Tier 1	729	58,645	6,703	-1.9%
	Safety Tier 2	38	2,685	5,888	0.3%
	Total	6,763	\$ 398,976	4,916	0.2%
6/30/2012	General Tier 1	4,642	\$ 255,858	4,593	-5.4%
	General Tier 2	213	12,631	4,942	-2.8%
	General Tier 3 ¹	994	37,184	3,117	-11.3%
	General Tier 4 ²	51	1,743	2,848	N/A
	Safety Tier 1	698	53,729	6,415	-4.3%
	Safety Tier 2	69	4,054	4,897	-16.8%
	Safety Tier 4 ²	10	397	3,309	N/A
	Total	6,677	\$ 365,596	4,563	-7.2%

¹ New benefit tier effective December 2007.

² New benefit tier effective June 2012.

Source: The Segal Company.

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

Year	Number at Beginning of Year	Number Added to Rolls	Allowances Added	Number Removed From Rolls	Allowances Removed	Number at End of Year	Annual Allowance (in thousands)	Percent Increase in Annual Allowance	Average Annual Allowance (in thousands)	Percent Increase in Average Annual Allowance
2007-08	4,779	400	N/A	149	N/A	5,030	\$ 142,136	8.86%	\$ 28	3.44%
2008-09	5,030	393	\$ 7,370	140	\$ 1,051	5,283	154,794	8.91%	29	3.68%
2009-10	5,283	378	8,182	152	1,356	5,509	169,338	9.40%	31	4.91%
2010-11	5,509	414	9,022	154	1,827	5,769	180,063	6.33%	31	1.53%
2011-12	5,769	524	10,794	146	2,033	6,148	193,320	7.36%	31	0.74%
2012-13	6,148	397	8,249	142	2,132	6,403	210,654	8.97%	33	4.64%

N/A = Data not available

Source: Schedule provided by FCERA

SCHEDULE OF FUNDING PROGRESS
(Amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Unfunded AAL Percentage of Covered Payroll
2006-07	\$ 2,610,269 ¹	\$ 3,149,570	\$ 539,301	82.9%	\$ 404,277	133.4%
2007-08	2,812,423	3,429,990	617,567	82.0%	424,083	145.6%
2008-09	2,864,956	3,644,743	779,787	78.6%	422,519	184.6%
2009-10	2,983,044	4,092,464	1,109,420	72.9%	408,861	271.3%
2010-11	3,114,483	4,237,961	1,123,478	73.5%	398,976	281.6%
2011-12	3,305,045	4,345,402	1,040,357	76.1%	365,596	284.6%

¹ Assets decreased by \$3,169 for the net overpayment of member contributions discounted to June 30, 2007.

Source: Schedule provided by The Segal Company.

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

(Amounts expressed in thousands)

Changes to UAAL		2012
1	Unfunded actuarial accrued liability at beginning of year	\$ 1,123,478
2	Total Normal Cost payable at middle of year	107,623
3	Actual employer and member contributions	(190,496)
4	Interest (full year on (1) plus half year on (2)+(3))	<u>83,858</u>
5	Expected unfunded actuarial accrued liability at end of year	1,124,463
6	Actuarial (gain)/loss due to all changes:	
	<u>Experience (gain)/loss</u>	
	a. Loss from investment return	54,368
	b. Lower than expected salary increases	(151,076)
	c. Other experience (gain)/loss	<u>12,602</u>
	d. Subtotal	(84,106)
7	Actual unfunded actuarial accrued liability at end of year (5)+(6d).	<u><u>\$ 1,040,357</u></u>

Note: Information provided by The Segal Company.

Changes to UAAL		2011
1	Unfunded actuarial accrued liability at beginning of year	\$ 1,109,420
2	Gross Normal Cost payable at middle of year	109,946
3	Actual employer and member contributions	(161,583)
4	Interest (full year on (1) plus half year on (2)+(3))	<u>83,979</u>
5	Expected unfunded actuarial accrued liability at end of year	1,141,762
6	Actuarial (gain)/loss due to all changes:	
	<u>Experience (gain)/loss</u>	
	a. Loss from investment return	86,508
	b. Lower than expected salary increases	(72,369)
	c. Lower than expected COLA increases	(42,861)
	d. Higher than expected liability for new retirees	9,792
	e. Reclassification of certain retirees to beneficiaries by the Association	(1,610)
	f. Other experience (gain)/loss	<u>2,256</u>
	g. Subtotal	(18,284)
7	Actual unfunded actuarial accrued liability at end of year (5)+(6g).	<u><u>\$ 1,123,478</u></u>

Note: Information provided by The Segal Company.

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

(Amounts expressed in thousands)

Actuarial Accrued Liabilities (AAL) for					Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions ^(a) (1)	Vested, Retirants and Beneficiaries (2)	Active Members Employer Financed (3)	Actuarial Value of Assets (AVA)	Active Member Contributions (1)	Vested, Retirants and Beneficiaries (2)	Active Members Employer Financed (3)
June 30, 2007	\$ 330,610	\$ 1,710,524	\$ 1,108,436	\$ 2,610,269 (b)	100%	100%	51%
June 30, 2008	335,820	1,895,024	1,199,146	2,812,423	100%	100%	48%
June 30, 2009	356,159	2,055,024	1,233,560	2,864,956	100%	100%	37%
June 30, 2010	370,623	2,365,220	1,356,621	2,983,044	100%	100%	18%
June 30, 2011	379,029	2,486,960	1,371,972	3,114,483	100%	100%	18%
June 30, 2012	385,537	2,731,606	1,228,259	3,305,045	100%	100%	15%

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

(b) Assets decreased by \$3,169 for the net overpayment of member contributions discounted to June 30, 2007.

Source: Information provided by The Segal Company.

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

Age	Total Terminations	Ordinary Death ¹	Total Disability ²
General Members - Male			
20	0.06000	0.00000	0.00010
30	0.05400	0.00040	0.00020
40	0.04350	0.00080	0.00050
50	0.03700	0.00170	0.00280
60	0.03000	0.00450	0.00760
General Members - Female			
20	0.07500	0.00000	0.00010
30	0.07200	0.00020	0.00020
40	0.04700	0.00060	0.00100
50	0.03700	0.00130	0.00190
60	0.03000	0.00370	0.00420
Safety Members - Male			
20	0.04000	0.00000	0.00010
30	0.03700	0.00040	0.00240
40	0.02700	0.00120	0.00560
50	0.01000	0.00200	0.00940
60	0.00000	0.00560	0.01200
Safety Members - Female			
20	0.04000	0.00000	0.00010
30	0.03700	0.00020	0.00240
40	0.02700	0.00060	0.00560
50	0.01000	0.00160	0.00940
60	0.00000	0.00340	0.01200

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

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

Note: Information compiled from Actuarial Report prepared by The Segal Company dated June 30, 2012. Assumptions for separation from active service are based on combined tiers with the exception of service retirement.

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

Age	Service Retirement
General Tier 1 - Male	
50	0.03000
55	0.09000
60	0.30000
65	0.40000
70	1.00000
General Tier 1 - Female	
50	0.04000
55	0.10000
60	0.18000
65	0.35000
70	1.00000
General Tier 2 - Male and Female	
50	0.03000
55	0.08400
60	0.15000
65	0.35000
70	1.00000
General Tier 3 - Male and Female	
50	0.03000
55	0.08400
60	0.19200
65	0.43300
70	1.00000
General Tier 4 - Male and Female	
50	0.02000
55	0.04000
60	0.09000
65	0.25000
70	1.00000
Safety Tiers 1 and 2 - Male and Female	
50	0.05000
55	0.35000
60	1.00000
65	1.00000
70	1.00000
Safety Tier 4 - Male and Female	
50	0.04000
55	0.20000
60	0.56000
65	1.00000
70	1.00000

Note: Information compiled from Actuarial Report prepared by The Segal Company dated June 30, 2012. Assumptions for separation from active service are based on combined tiers with the exception of service retirement.

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

Years of Service	Refunds	Deferred Vested
0	90.00%	10.00%
1	90.00%	10.00%
2	90.00%	10.00%
3	90.00%	10.00%
4	90.00%	10.00%
5	30.00%	70.00%
6	30.00%	70.00%
7	30.00%	70.00%
8	30.00%	70.00%
9	30.00%	70.00%
10	30.00%	70.00%
11	30.00%	70.00%
12	30.00%	70.00%
13	30.00%	70.00%
14	30.00%	70.00%
15	30.00%	70.00%
16	30.00%	70.00%

Note: Probability of refunds by age are not available. Refunds are more closely associated with years of service. Information compiled from Actuarial Report prepared by The Segal Company dated June 30, 2012.

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

Age	Years of Life Expectancy
General Members - Male	
50	33.00
60	23.80
70	15.40
80	8.60
90	4.00
100	1.90
110	1.50
General Members - Female	
50	35.60
60	26.30
70	17.70
80	10.60
90	5.50
100	3.00
110	1.80
Safety Members - Male	
50	32.00
60	22.80
70	14.80
80	8.60
90	4.30
100	2.10
110	1.50
Safety Members - Female	
50	35.30
60	26.00
70	17.50
80	10.60
90	5.60
100	3.20
110	1.90

Note: Information provided by The Segal Company.

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

Age		Years of Life Expectancy	
General Members		Male	Female
20		56.30	59.00
30		46.50	49.20
40		36.80	39.40
50		27.40	29.90
60		18.60	21.00
70		11.10	13.30
80		5.60	7.30
90		2.50	3.70
100		1.50	2.30
110		1.40	1.40
Safety Members		Male	Female
20		60.90	64.60
30		51.10	54.70
40		41.50	44.90
50		32.00	35.30
60		22.80	26.00
70		14.80	17.50
80		8.60	10.60
90		4.30	5.60
100		2.10	3.20
110		1.50	1.90

Note: Information provided by The Segal Company.

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

1. ELIGIBILITY

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

2. DEFINITION OF SALARY

- i Tiers 1 and 2
Highest 365 consecutive days of compensation earnable
- i Tiers 3 and 4
Highest three-year average compensation earnable
- i Tier 5
Highest average annual consecutive three-years of pensionable compensation

3. SERVICE RETIREMENT

Benefit Level

- i Tier 1
 - o General offers 2.5% at age 55, Government Code § 31676.14 and 31627.
 - o Safety offers 2.5% at age 50, Government Code § 31664 and 31627.
- i Tier 2
 - o General offers 2% at age 55, Government Code § 31676.16.
 - o Safety offers 2.29% at age 50, Government Code § 31664.2.
- i Tier 3
 - o General offers 2% at age 55, Government Code § 31676.15.
- i Tier 4
 - o General offers 1.49% at age 55, Government Code § 31676.1.
 - o Safety offers 2% at age 50, Government Code § 31664.
- i Tier 5
 - o General offers 1% at age 52, Government Code § 7522.20.
 - o Safety offers 2% at age 50, Government Code § 7522.25(c).

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

Eligibility

i Early retirement

- Tiers 1, 2, 3, and 4 - Age 50 with 10 years of service, or any age with 30 years of service for General, or any age with 20 years of service for Safety.
- Tier 5 – Age 52 with 5 years of service for General or age 50 with 5 years of service for Safety

i Benefit Adjustments

- General and Safety Tier 1
 - i Reduced for retirement before age 55 and age 50, respectively.
 - i Increased for retirement after age 55 and age 50, respectively.
 - i Maximum benefit for retirement at or after age 60 and age 55, respectively.
- General Tiers 2 and 3
 - i Reduced for retirement before age 55
 - i Increased for retirement after age 55
 - i Maximum benefit for retirement at or after age 62 or age 65, respectively.
- Safety Tier 2
 - i Reduced for retirement before age 50
 - i Increased for retirement after age 50
 - i Maximum benefit for retirement at or after age 55
- General and Safety Tier 4
 - i Reduced for retirement before age 61 $\frac{1}{4}$, General only.
 - i Increased for retirement after age 61 $\frac{1}{4}$ and age 50, respectively
 - i Maximum benefit for retirement at or after age 65 or age 55, respectively.
- General and Safety Tier 5
 - i Reduced for retirement before age 62
 - i Maximum benefit for retirement at or after age 67 or age 57, respectively.

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

4. DISABILITY RETIREMENT

i Non-service connected

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

i Service-connected

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

5. DEATH BEFORE RETIREMENT

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

6. DEATH AFTER RETIREMENT

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

7. VESTING

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

8. MEMBERS' CONTRIBUTIONS

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

9. COST OF LIVING

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

Note: Information for the Summary of Major Plan Provisions was compiled from the Actuarial Report prepared by The Segal Company dated June 30, 2012.

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STATISTICAL SECTION

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TABLE OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Years Ended 2004 through 2013
(Amounts expressed in thousands)

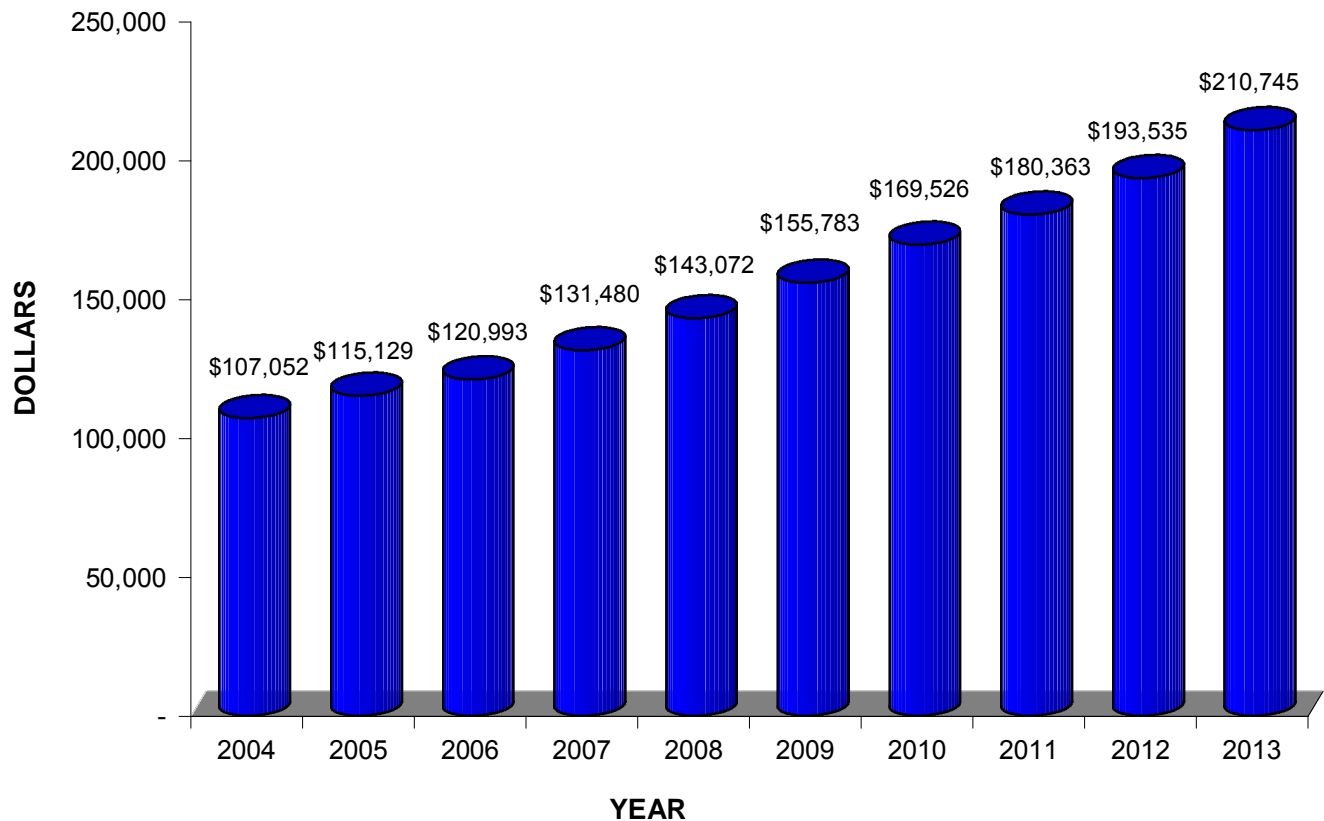
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Additions										
Employer Contributions	\$ 442,950 ¹	\$ 56,343	\$ 56,664	\$ 69,997	\$ 97,305	\$ 113,959	\$ 126,138	\$ 130,290	\$ 157,869	\$ 158,572
Member Contributions	18,239	24,261	30,570	33,528	30,272	34,562	32,209	31,293	32,627	30,516
Net Investment Income/(Loss)	238,877	235,406	229,767	442,355	(186,911)	(451,499)	341,439	605,422	(10,242)	378,483
Total Additions	700,066	316,010	317,001	545,880	(59,334)	(302,978)	499,786	767,005	180,254	567,571
Deductions ²										
Total Benefit Expense	107,052	115,129	120,993	131,480	143,072	155,783	169,526	180,363	193,535	210,745
Administrative Expense	2,001	2,484	2,865	3,298	3,569	3,855	3,570	4,108	3,597	3,676
Refunds	941	1,403	1,185	2,114	6,072	2,077	1,915	2,044	1,786	2,211
Total Deductions	109,994	119,016	125,043	136,892	152,713	161,715	175,011	186,515	198,918	216,632
Change in Fiduciary Net Position	\$ 590,072	\$ 196,994	\$ 191,958	\$ 408,988	\$ (212,047)	\$ (464,693)	\$ 324,775	\$ 580,490	\$ (18,664)	\$ 350,939

¹ Includes proceeds from Pension Obligation Bonds.

² See page 93 for detailed information on Benefit and Refund deductions by type.

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

YEAR-END	SERVICE		SURVIVOR		DISABILITIES		TOTAL ¹
	GENERAL	SAFETY	GENERAL	SAFETY	GENERAL	SAFETY	
2004	\$ 83,795	\$ 22,012		\$ 1,245			\$ 107,052
2005	90,517	23,233		1,379			115,129
2006	96,590	23,148		1,255			120,993
2007	100,807	20,542	\$ 1,369	446	\$ 3,952 ²	\$ 4,364 ²	131,480
2008	110,819	21,074	1,312	459	4,489	4,919	143,072
2009	120,975	23,014	1,398	470	4,771	5,155	155,783
2010	131,465	24,758	1,392	536	5,015	6,360	169,526
2011	139,412	26,584	1,548	703	5,655	6,461	180,363
2012	151,022	28,698	1,899	741	4,883	6,292	193,535
2013	165,066	31,343	1,971	994	5,241	6,130	210,745



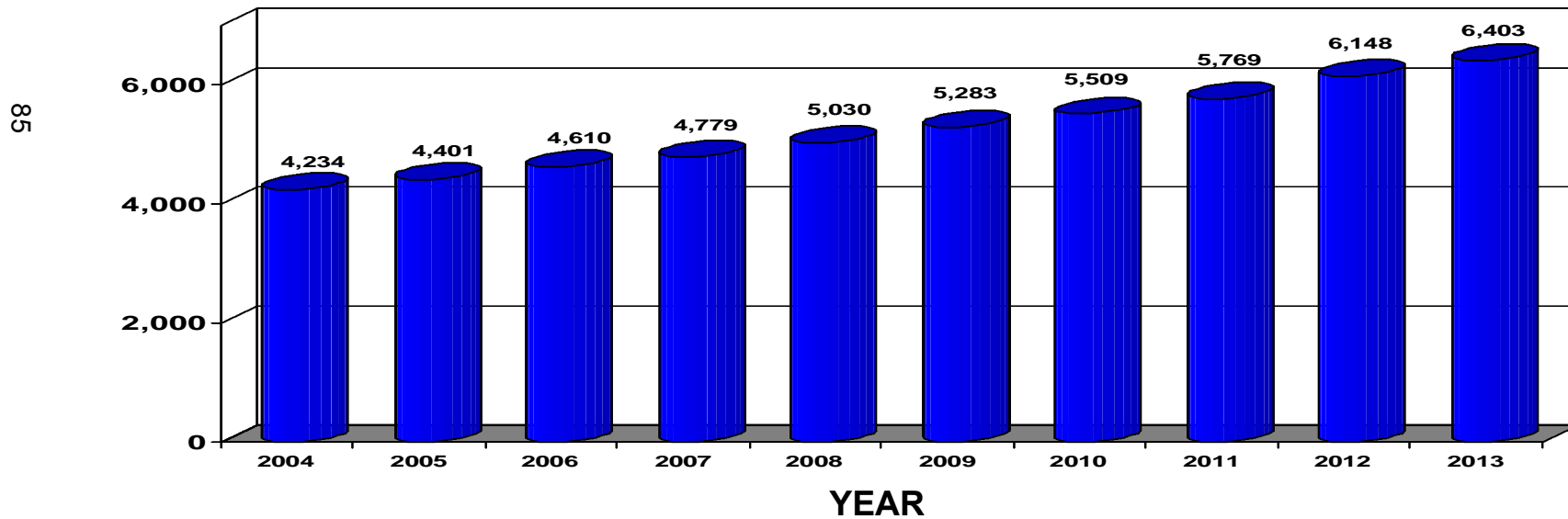
¹ Total Benefit Expenses are the actual expenses paid and will not equal Total Average Annual Benefits reported on page 86.

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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF RETIRED MEMBERS BY TYPE OF RETIREMENT**
(Amount expressed in thousands)

YEAR-END	GENERAL	SAFETY	SURVIVOR	TOTAL
2004	3,635	516	83	4,234
2005	3,770	543	88	4,401
2006	3,956	565	89	4,610
2007	4,094	591	94	4,779
2008	4,303	631	96	5,030
2009	4,519	663	101	5,283
2010	4,705	702	102	5,509
2011	4,937	733	99	5,769
2012	5,276	772	100	6,148
2013	5,498	805	100	6,403

TOTAL RETIREES



Source: Schedule provided by FCERA

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

Valuation Date	Plan Type	Annual ³ Number	Total Average ² Annual Benefits	Annual Average Benefits	Average Monthly Benefits	% Change in Average Benefits
6/30/2003 ¹	General	3,549	\$ 76,488,048	\$ 21,552	\$ 1,796.00	6.7%
	Safety	476	17,638,656	37,056	3,088.00	-2.9%
	Total	<u>4,025</u>	<u>\$ 94,126,704</u>	<u>\$ 23,386</u>	<u>\$ 1,948.79</u>	5.0%
6/30/2004	General	3,848	\$ 87,041,760	\$ 22,620	\$ 1,885.00	5.0%
	Safety	483	21,677,040	44,880	3,740.00	21.1%
	Total	<u>4,331</u>	<u>\$ 108,718,800</u>	<u>\$ 25,102</u>	<u>\$ 2,091.87</u>	7.3%
6/30/2005	General	3,929	\$ 91,278,528	\$ 23,232	\$ 1,936.00	2.7%
	Safety	489	19,182,492	39,228	3,269.00	-12.6%
	Total	<u>4,418</u>	<u>\$ 110,461,020</u>	<u>\$ 25,002</u>	<u>\$ 2,083.54</u>	-0.4%
6/30/2006	General	4,020	\$ 97,474,788	\$ 24,247	\$ 2,020.62	4.4%
	Safety	559	21,225,900	37,971	3,164.25	-3.2%
	Total	<u>4,579</u>	<u>\$ 118,700,688</u>	<u>\$ 25,923</u>	<u>\$ 2,160.24</u>	3.7%
6/30/2007	General Tier 1	4,224	\$ 106,296,432	\$ 25,165	\$ 2,097.07	3.8%
	General Tier 2	2	69,984	34,992	2,916.00	N/A
	Safety Tier 1	605	23,674,392	39,131	3,260.94	3.1%
	Total	<u>4,831</u>	<u>\$ 130,040,808</u>	<u>\$ 26,918</u>	<u>\$ 2,243.17</u>	3.8%
6/30/2008	General Tier 1	4,405	\$ 116,801,232	\$ 26,516	\$ 2,209.63	5.4%
	General Tier 2	2	72,600	36,300	3,025.00	3.7%
	Safety Tier 1	639	26,198,856	41,000	3,416.65	4.8%
	Total	<u>5,046</u>	<u>\$ 143,072,688</u>	<u>\$ 28,354</u>	<u>\$ 2,362.81</u>	5.3%
6/30/2009	General Tier 1	4,481	\$ 128,267,304	\$ 28,625	\$ 2,385.39	7.9%
	General Tier 2	-	-	-	-	N/A
	Safety Tier 1	672	28,448,568	42,334	3,527.85	3.3%
	Total	<u>5,153</u>	<u>\$ 156,715,872</u>	<u>\$ 30,413</u>	<u>\$ 2,534.38</u>	7.3%
6/30/2010	General Tier 1	4,908	\$ 137,157,624	\$ 27,946	\$ 2,328.81	-2.4%
	General Tier 2	5	151,680	30,336	2,528.00	N/A
	General Tier 3	1	39,480	39,480	3,290.00	N/A
	Safety Tier 1	722	31,247,496	43,279	3,606.59	2.2%
	Total	<u>5,636</u>	<u>\$ 168,596,280</u>	<u>\$ 29,914</u>	<u>\$ 2,492.85</u>	-1.6%
6/30/2011	General Tier 1	5,118	\$ 145,020,096	\$ 28,335	\$ 2,361.28	1.4%
	General Tier 2	5	124,080	24,816	2,068.00	-18.2%
	General Tier 3	2	42,960	21,480	1,790.00	-45.6%
	Safety Tier 1	762	33,218,904	43,594	3,632.86	0.7%
	Total	<u>5,887</u>	<u>\$ 178,406,040</u>	<u>\$ 30,305</u>	<u>\$ 2,525.42</u>	1.3%
6/30/2012	General Tier 1	5,425	\$ 160,482,984	\$ 29,582	\$ 2,465.18	4.4%
	General Tier 2	5	127,740	25,548	2,129.00	2.9%
	General Tier 3	2	44,208	22,104	1,842.00	2.9%
	Safety Tier 1	803	36,393,984	45,323	3,776.88	4.0%
	Total	<u>6,235</u>	<u>\$ 197,048,916</u>	<u>\$ 31,604</u>	<u>\$ 2,633.64</u>	4.3%

¹ Source: Annual actuary reports commencing June 30, 2003.

² Total Average Annual Benefits will not equal the Actual Total Benefit Expense reported on page 84.

³ Total Annual Membership provided by the Actuary will not equal the Actual Membership reported on page 85.

Note: See page 87 for information organized by years of credited service in five year increments.

Note: Effective with fiscal year ended June 30, 2007 the schedule has been expanded to display membership by benefit tier.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY YEARS OF CREDITED SERVICE**

Retirement Effective Date	Years of Credited Service						
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30 and over</u>
Period 7/1/2011 to 6/30/2012							
Average monthly benefit	\$331	\$1,327	\$1,972	\$2,795	\$3,605	\$5,141	\$6,031
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	7	47	89	60	90	50	65
Period 7/1/2010 to 6/30/2011							
Average monthly benefit	\$699	\$1,489	\$1,847	\$2,881	\$3,140	\$5,237	\$5,703
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	16	47	63	57	58	29	40
Period 7/1/2009 to 6/30/2010							
Average monthly benefit	\$706	\$1,144	\$1,860	\$2,996	\$3,793	\$4,692	\$5,674
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	18	44	69	46	54	39	58
Period 7/1/2008 to 6/30/2009							
Average monthly benefit	\$539	\$1,116	\$1,772	\$2,643	\$3,746	\$4,489	\$5,937
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	11	51	75	59	50	34	54
Period 7/1/2007 to 6/30/2008							
Average monthly benefit	\$502	\$1,365	\$1,865	\$2,668	\$3,280	\$4,657	\$6,170
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	15	27	52	62	42	41	54
Period 7/1/2006 to 6/30/2007							
Average monthly benefit	\$332	\$967	\$1,525	\$2,235	\$2,642	\$4,266	\$5,325
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	7	26	58	47	33	33	51
Period 7/1/2005 to 6/30/2006							
Average monthly benefit	\$474	\$846	\$1,754	\$2,531	\$2,518	\$4,146	\$4,841
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	10	34	59	65	31	28	40
Period 7/1/2004 to 6/30/2005							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Period 7/1/2003 to 6/30/2004							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Period 7/1/2002 to 6/30/2003							
Average monthly benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes: N/A means that information is not available.

Data for average monthly benefit and number of retired members is available for years beginning July 1, 2005.

Average final average salary is not available at this time due to system constraints.

Source: Information provided by The Segal Company.

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

Date	Plan Type	Active Vested	Active Nonvested	Total Active Members	Deferred Members
6/30/2004	General	3,385	3,242	6,627	
	Safety	581	345	926	
	Total	<u>3,966</u>	<u>3,587</u>	<u>7,553</u>	<u>1,378</u>
6/30/2005	General	4,203	2,537	6,740	
	Safety	664	303	967	
	Total	<u>4,867</u>	<u>2,840</u>	<u>7,707</u>	<u>1,464</u>
6/30/2006	General	4,535	2,144	6,679	
	Safety	710	287	997	
	Total	<u>5,245</u>	<u>2,431</u>	<u>7,676</u>	<u>1,514</u>
6/30/2007	General	4,707	2,108	6,815	1,465
	Safety	723	284	1,007	133
	Total	<u>5,430</u>	<u>2,392</u>	<u>7,822</u>	<u>1,598</u>
6/30/2008	General	4,596	2,133	6,729	1,466
	Safety	725	232	957	139
	Total	<u>5,321</u>	<u>2,365</u>	<u>7,686</u>	<u>1,605</u>
6/30/2009	General	4,476	1,967	6,443	1,403
	Safety	718	204	922	130
	Total	<u>5,194</u>	<u>2,171</u>	<u>7,365</u>	<u>1,533</u>
6/30/2010	General	4,536	1,568	6,104	1,379
	Safety	733	79	812	136
	Total	<u>5,269</u>	<u>1,647</u>	<u>6,916</u>	<u>1,515</u>
6/30/2011	General	4,581	1,374	5,955	1,325
	Safety	732	37	769	126
	Total	<u>5,313</u>	<u>1,411</u>	<u>6,724</u>	<u>1,451</u>
6/30/2012	General	4,605	1,259	5,864	1,289
	Safety	709	71	780	126
	Total	<u>5,314</u>	<u>1,330</u>	<u>6,644</u>	<u>1,415</u>
6/30/2013	General	4,653	1,346	5,999	1,131
	Safety	691	151	842	132
	Total	<u>5,344</u>	<u>1,497</u>	<u>6,841</u>	<u>1,263</u>

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

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PRINCIPAL PARTICIPATING EMPLOYERS
Current Year and Nine Years Ago

<u>Participating Employers</u>	<u>2013</u>			<u>2004</u>		
	<u>Covered Employees</u>	<u>Rank</u>	<u>Percent of Total System</u>	<u>Covered Employees</u>	<u>Rank</u>	<u>Percent of Total System</u>
County of Fresno	6,375	1	93.19%	7,460	1	98.77%
Superior Court County of Fresno ¹	426	2	6.23%	-		0.00%
Fresno-Madera Area Agency on Aging	26	3	0.38%	36	3	0.48%
Clovis Veterans Memorial District	9	4	0.13%	3	5	0.04%
Fresno Mosquito and Vector Control	5	5	0.07%	9	4	0.12%
Fresno County Office of Education	-	-	0.00%	1	6	0.01%
North Central Fire Protection District	-	-	0.00%	44	2	0.58%
Total	<u>6,841</u>		<u>100.00%</u>	<u>7,553</u>		<u>100.00%</u>

Note: See page 88 Schedule of Participating Employers and Active Members for covered employees from 2004 through 2013.

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
County of Fresno										
General Members	5,533	5,376	5,912	6,059	6,395	6,681	6,762	6,623	6,684	6,571
Safety Members	842	780	769	812	922	957	968	957	927	889
Total	6,375	6,156	6,681	6,871	7,317	7,638	7,730	7,580	7,611	7,460
Participating Agencies (General Members)										
Clovis Veterans Memorial District	9	8	8	8	9	8	5	6	4	3
Fresno County Office of Education	-	-	-	-	-	-	-	-	1	1
Fresno Mosquito and Vector Control	5	5	5	6	8	7	8	8	9	9
Fresno-Madera Area Agency on Aging	26	28	30	31	31	33	35	37	36	36
North Central Fire Protection	-	-	-	-	-	-	5	5	6	7
Superior Court County of Fresno ¹	426	447	-	-	-	-	-	-	-	-
Total	466	488	43	45	48	48	53	56	56	56
Participating Agencies (Safety Members)										
North Central Fire Protection	-	-	-	-	-	-	39	40	40	37
Total	0	0	0	0	0	0	39	40	40	37
Total Active Members										
General Members	5,999	5,864	5,955	6,104	6,443	6,729	6,815	6,679	6,740	6,627
Safety Members	842	780	769	812	922	957	1,007	997	967	926
Total	6,841	6,644	6,724	6,916	7,365	7,686	7,822	7,676	7,707	7,553

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

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

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYERS' CONTRIBUTIONS RATES**

Effective Dates			General					Safety				Actuarial Report for Year Ended
			Tier 1	Tier 2 ¹	Tier 3 ²	Tier 4 ⁴	Tier 5 ⁵	Tier 1	Tier 2 ¹	Tier 4 ⁴	Tier 5 ⁵	
July 1, 2012	to	June 30, 2013	44.99%	42.86%	41.64%	33.88%	32.70%	67.17%	67.21%	54.15%	51.76%	06/30/11
July 1, 2011	to	June 30, 2012	41.03%	38.78%	37.42%	N/A	N/A	61.25%	60.26%	N/A	N/A	06/30/10
July 1, 2010	to	June 30, 2011	31.47%	29.48%	28.08%	N/A	N/A	47.40%	46.24%	N/A	N/A	06/30/09
July 1, 2009	to	June 30, 2010	27.82%	25.64%	24.36%	N/A	N/A	42.19%	41.21%	N/A	N/A	06/30/08
July 1, 2008	to	June 30, 2009	26.71%	24.86%	22.86%	N/A	N/A	38.56%	35.84%	N/A	N/A	06/30/07
July 1, 2007	to	June 30, 2008	23.36%	21.15% ³	21.80%	N/A	N/A	31.34%	29.37%	N/A	N/A	06/30/06
July 1, 2006	to	June 30, 2007	18.37%	N/A	N/A	N/A	N/A	20.76%	N/A	N/A	N/A	06/30/05
July 1, 2005	to	June 30, 2006	14.14%	N/A	N/A	N/A	N/A	25.02%	N/A	N/A	N/A	06/30/04
July 1, 2004	to	June 30, 2005	15.71%	N/A	N/A	N/A	N/A	21.23%	N/A	N/A	N/A	06/30/03
July 1, 2003	to	June 30, 2004	15.38%	N/A	N/A	N/A	N/A	20.75%	N/A	N/A	N/A	06/30/02

¹ New benefit tier effective September 2005.

² New benefit tier effective December 2007.

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

⁴ New benefit tier effective June 2012.

⁵ New benefit tier effective January 1, 2013

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

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

Monthly Benefit Amount	Members Receiving a Benefit	Type of Retirement ¹							Option Selected ²				
		1	2	3	4	5	6	7	U	1	2	3	D
\$1 - 500	318	261	4	3	19	6	-	25	199	17	91	5	6
501 - 1,000	765	613	32	5	48	28	2	37	543	33	152	22	15
1,001 - 1,500	962	775	41	22	64	27	2	31	740	47	120	42	13
1,501 - 2,000	766	644	26	26	45	9	2	14	607	39	97	18	5
2,001 - 3,000	1,294	1,082	20	107	58	10	4	13	1,054	74	124	32	10
3,001 - 4,000	849	712	5	80	43	3	2	4	714	53	62	17	3
4,001 - 5,000	514	480	-	17	13	2	2	-	428	20	49	15	2
5,001 - 6,000	367	353	1	5	8	-	-	-	315	18	32	2	-
Over 6,000	568	545	-	14	8	-	-	1	509	13	40	4	2
Totals	6,403	5,465	129	279	306	85	14	125	5,109	314	767	157	56

Notes:

¹ Type of Retirement

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

² Option Selected:

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

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF BENEFITS AND REFUND DEDUCTIONS FROM PENSION PLAN NET POSITION BY TYPE
Last Ten Fiscal Years
(Amounts expressed in thousands)

Type of Benefit	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Service Benefits										
General	\$ 83,795	\$ 90,517	\$ 96,590	\$ 100,807	\$ 110,819	\$ 120,975	\$ 131,465	\$ 139,412	\$ 151,022	\$ 165,066
Safety	22,012	23,233	23,148	20,542	21,074	23,014	24,759	26,584	28,698	31,343
Service Connected Disability ¹										
General	-	-	-	2,178	2,278	2,447	2,746	3,321	2,787	3,208
Safety	-	-	-	4,212	4,763	4,999	6,211	6,309	6,138	6,016
Non-Service Connected Disability ¹										
General	-	-	-	1,774	2,210	2,324	2,269	2,334	2,096	2,033
Safety	-	-	-	152	156	156	148	152	154	114
Non-Service Connected Disability Continuance ¹										
General	-	-	-	923	1,000	1,070	1,118	1,188	1,276	1,383
Safety	-	-	-	129	133	135	139	138	139	155
Service Connected Disability Continuance ¹										
General	-	-	-	136	141	142	126	183	408	496
Safety	-	-	-	317	327	335	357	442	602	839
Active Death Benefits ²	1,245	1,379	1,255	310	171	186	188	300	215	92
Total Benefits	\$ 107,052	\$ 115,129	\$ 120,993	\$ 131,480	\$ 143,072	\$ 155,783	\$ 169,526	\$ 180,363	\$ 193,535	\$ 210,745
Type of Refund³										
Death	\$ -	\$ -	\$ -	\$ 205	\$ 345	\$ 304	\$ 338	\$ 339	\$ 425	\$ 135
Miscellaneous - UAAL ⁴	-	-	-	-	4,140	13	1	-	-	-
Separation	941	1,403	1,185	1,909	1,587	1,760	1,576	1,705	1,361	2,076
Total refunds	\$ 941	\$ 1,403	\$ 1,185	\$ 2,114	\$ 6,072	\$ 2,077	\$ 1,915	\$ 2,044	\$ 1,786	\$ 2,211

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

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

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

⁴ UAAL means Unfunded Actuarial Accrued Liability.

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