

Popular Annual Financial Report

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

CITY OF FRESNO EMPLOYEES RETIREMENT SYSTEM

A MESSAGE TO MEMBERS

This Popular Annual Financial Report (PAFR) summarizes the information contained in the Annual Comprehensive Financial Report (ACFR) that provides financial information on the City of Fresno Employees Retirement System's (the System) activities. This PAFR is presented in conformity with generally accepted accounting principles (GAAP). The more detailed ACFR is available on the System's website at www.cfrs-ca.org or by clicking [here](#).

RETIREMENT BOARD

Phillip Hardcastle, Chair

TJ Miller, Vice Chair

Marvell French

David Cain

Alma Torres

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Employees Retirement System

California

For its Annual Financial Report
for the Fiscal Year Ended
2020

Christopher P. Morill

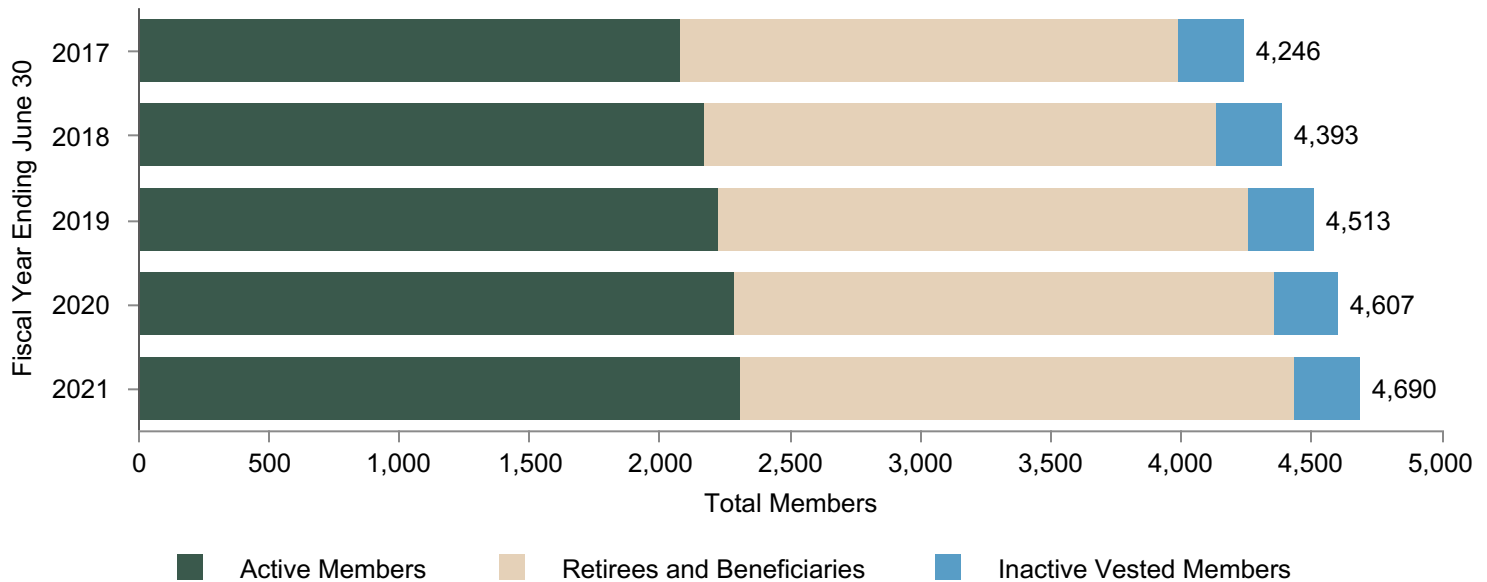
Executive Director/CEO

Membership and Funded Status

Membership Highlights

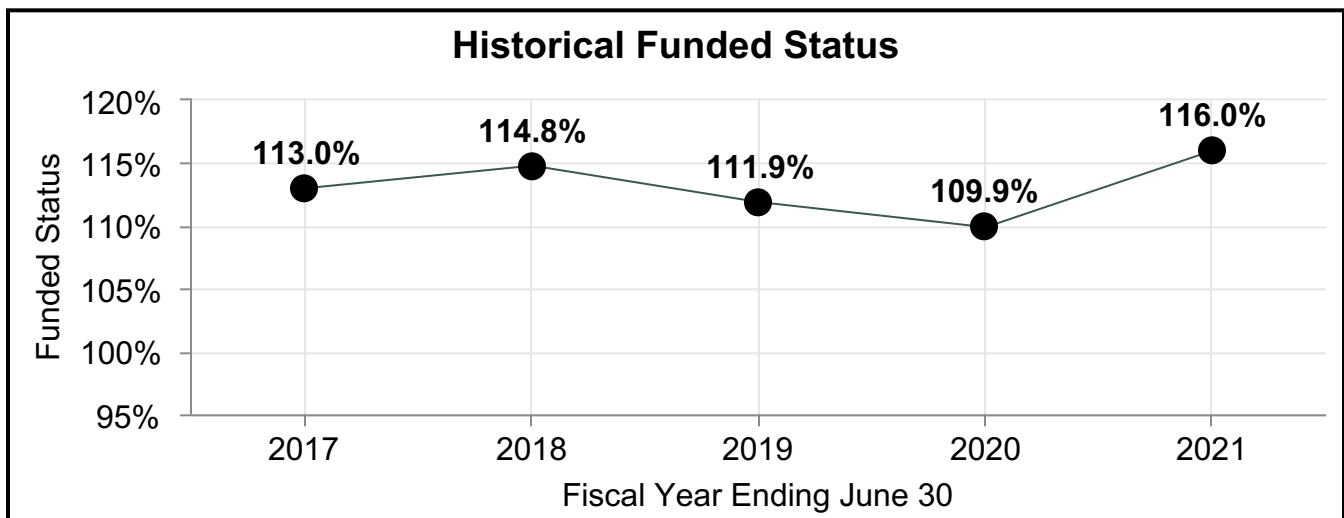
Total overall membership in the System increased by 1.80% to 4,690. The total number of active members increased by 1.09% to 2,313. Retired membership increased 2.55% to 2,129. Inactive Vested membership increased 2.06% to 248.

Membership History

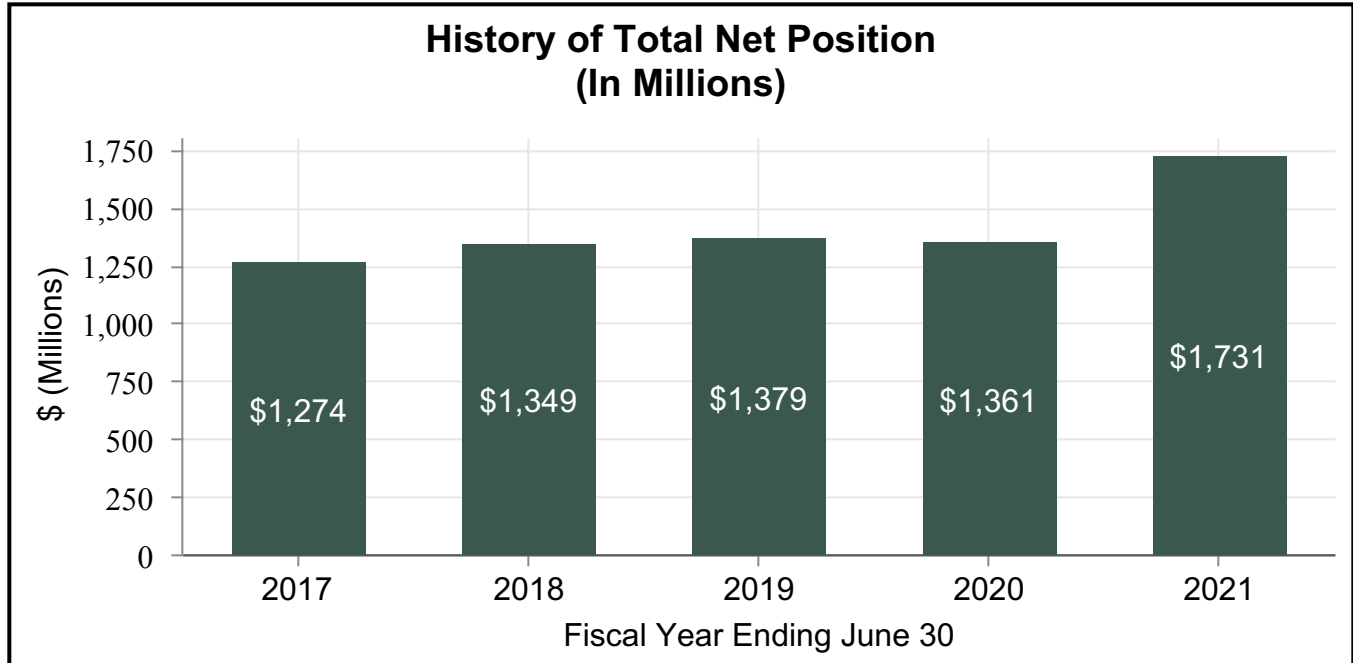


Funded Status

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2021, the date of the last actuarial valuation, the funded ratio for the System was 116.0 percent reflecting that the System has a valuation value of assets which is in excess of the actuarial accrued liability. In general, this indicates that for every dollar of benefits due, we have approximately \$1.16 of assets available for payment as of that date. As of June 30, 2020, the date of the previous annual actuarial valuation, the funded ratio for the System was 109.9 percent; and as of June 30, 2019, the funded ratio for the System was 111.9 percent.



Total Net Position



At June 30, 2021, the City of Fresno Employees Retirement System had total assets of \$1.847 billion, less total liabilities of \$116 million, for a total net position restricted for pension benefits of \$1.731 billion compared to \$1.361 billion at June 30, 2020. “Net Position Restricted for Pension Benefits” represents funds available to pay benefits. It is a point in time or a snapshot of account balances as of the fiscal year-end (i.e., June 30). It indicates the assets available for future payments to retirees and any current liabilities. Increases and decreases in Net Position Restricted for Pension Benefits, when analyzed over time, may serve as an indicator of whether the System’s financial position is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the System’s overall health.

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Current and Other Assets	\$ 106,641,832	\$ 91,723,622	\$ 123,581,049	\$ 61,314,319	\$ 134,361,039
Investments at Fair Value	1,275,434,469	1,346,977,080	1,351,121,470	1,359,346,092	1,712,954,301
Total Assets	\$1,382,076,301	\$1,438,700,702	\$1,474,702,519	\$1,420,660,411	\$1,847,315,340
Total Liabilities	107,954,565	90,010,069	95,287,389	59,823,508	116,077,927
Net Position Restricted for Pension Benefits	\$1,274,121,736	\$1,348,690,633	\$1,379,415,130	\$1,360,836,903	\$1,731,237,413

Fund Revenues

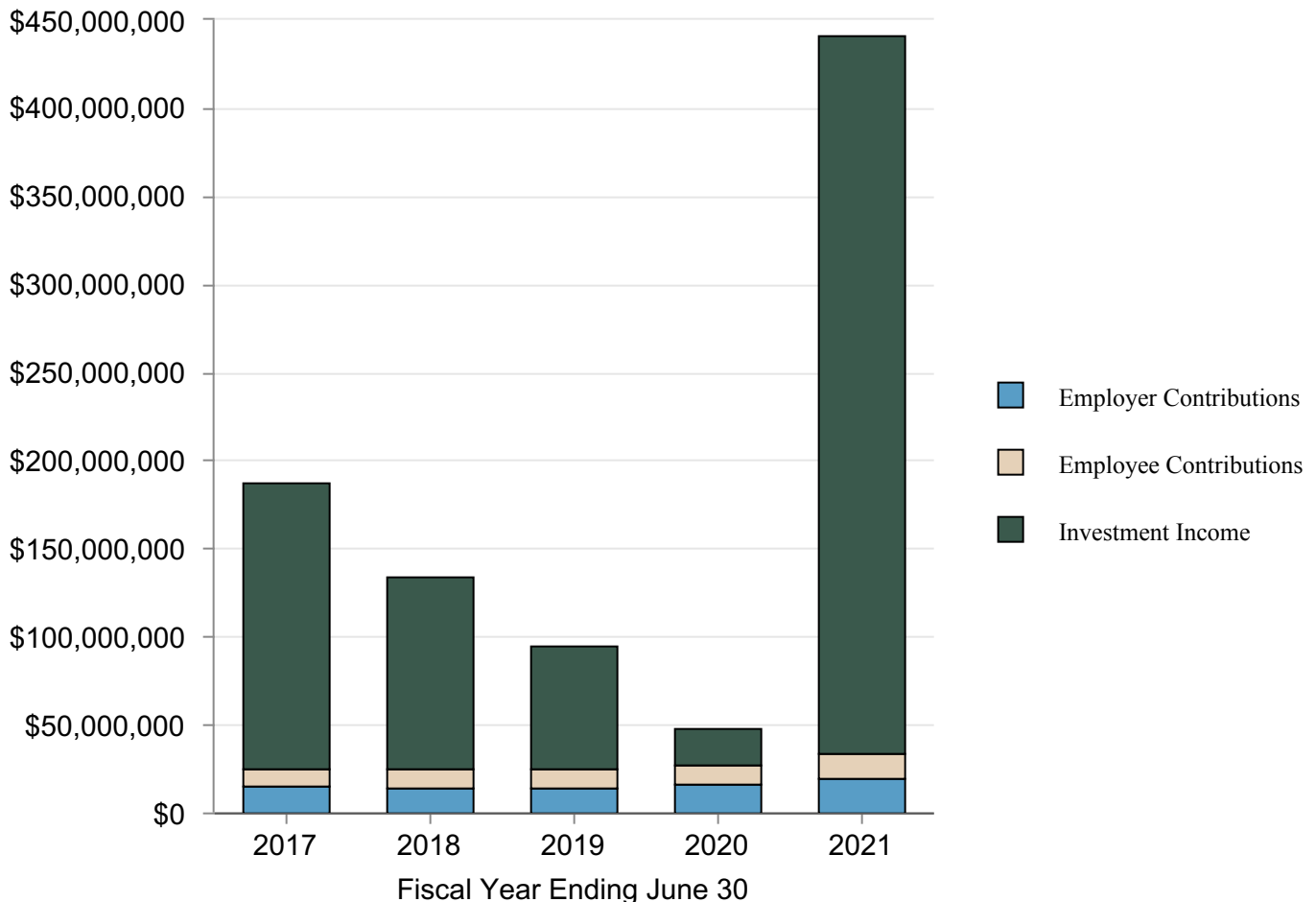
Fund revenues for the fiscal year 2021 increased \$394,014,761 or 826.20 percent over the prior year from \$47,690,169 to \$441,704,930, which includes employee contributions of \$13,749,909, employer contributions of \$20,144,322, a net investment income gain of \$407,614,716 and net securities lending income of \$195,983.

The current year increase in fund revenues is primarily due to a strong performance in the global investment markets.

Schedule and Graph of Fund Revenues By Source

For Fiscal Years Ended June 30, 2017 to 2021

	2017	2018	2019	2020	2021
Employer Contributions	\$ 15,205,360	\$ 14,608,659	\$ 14,627,425	\$ 16,553,928	\$ 20,144,322
Employee Contributions	10,180,589	10,329,475	10,515,533	11,027,519	13,749,909
Investment Income	162,376,205	108,915,466	69,388,982	20,108,722	407,810,699
TOTAL	\$ 187,762,154	\$ 133,853,600	\$ 94,531,940	\$ 47,690,169	\$ 441,704,930



Fund Expenses

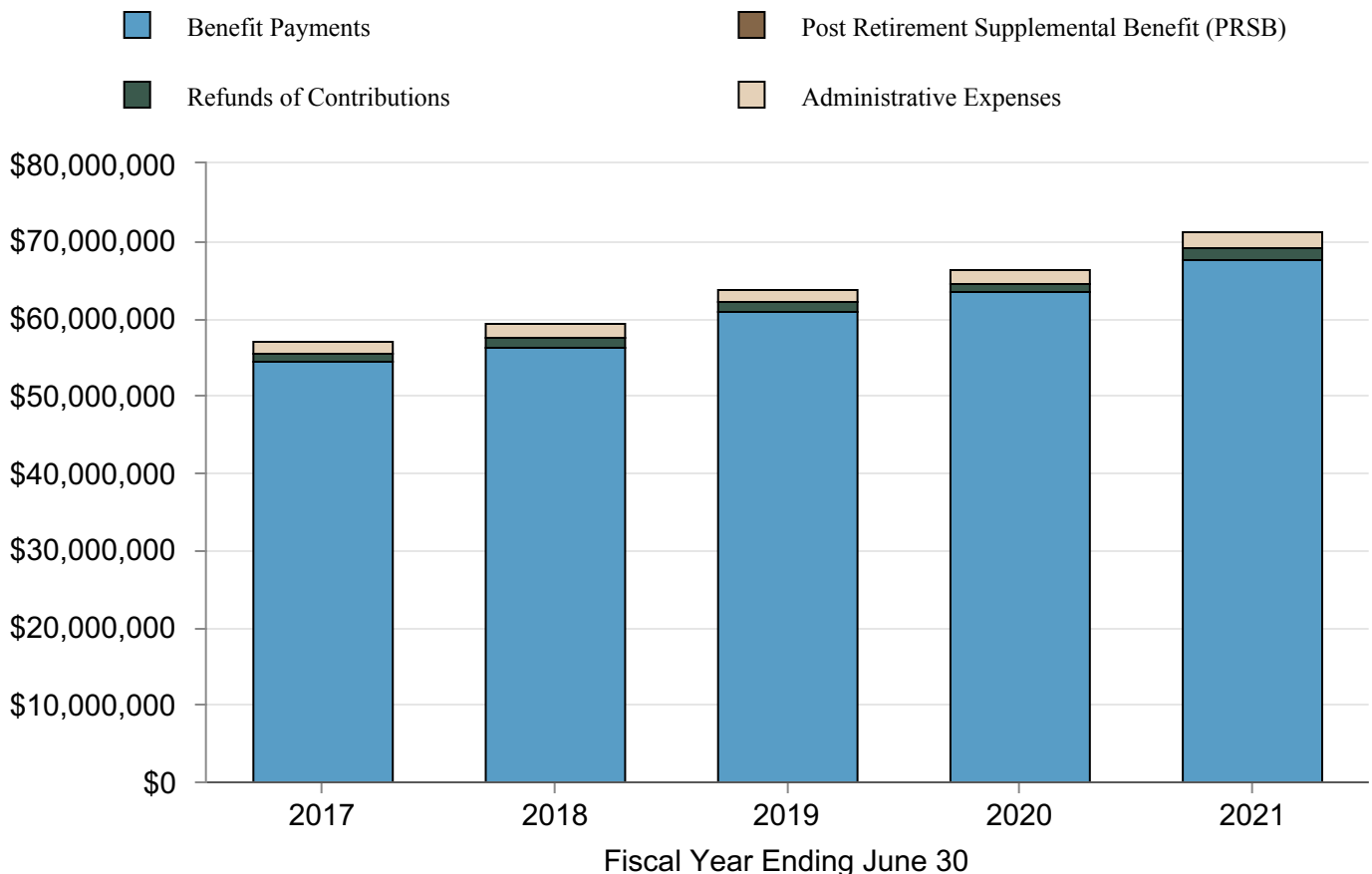
Fund Expenses for the fiscal year 2021 increased \$5,036,024 or 7.60 percent over the prior fiscal year from \$66,268,396 to \$71,304,420, which includes benefit payments of \$67,497,485, refunds of contributions of \$1,748,572 and administrative expenses of \$2,058,363.

The current year increase in expenses is due primarily to the increases in retirees and the respective retirement benefits paid in 2021 even though there were no Post Retirement Supplemental Benefits (PRSB) paid during calendar year 2021.

Schedule and Graph of Fund Expenditures By Type

For Fiscal Years Ended June 30, 2017 to 2021

	2017	2018	2019	2020	2021
Benefit Payments	\$ 54,350,851	\$ 56,241,911	\$ 60,814,434	\$ 63,591,967	\$ 67,497,485
PRSB	—	—	—	—	—
Refunds of Contributions	1,199,054	1,424,025	1,329,651	927,501	1,748,572
Administrative Expenses	1,389,532	1,618,767	1,663,358	1,748,928	2,058,363
TOTAL	\$ 56,939,437	\$ 59,284,703	\$ 63,807,443	\$ 66,268,396	\$ 71,304,420



Investment Results, Actual and Target Allocations

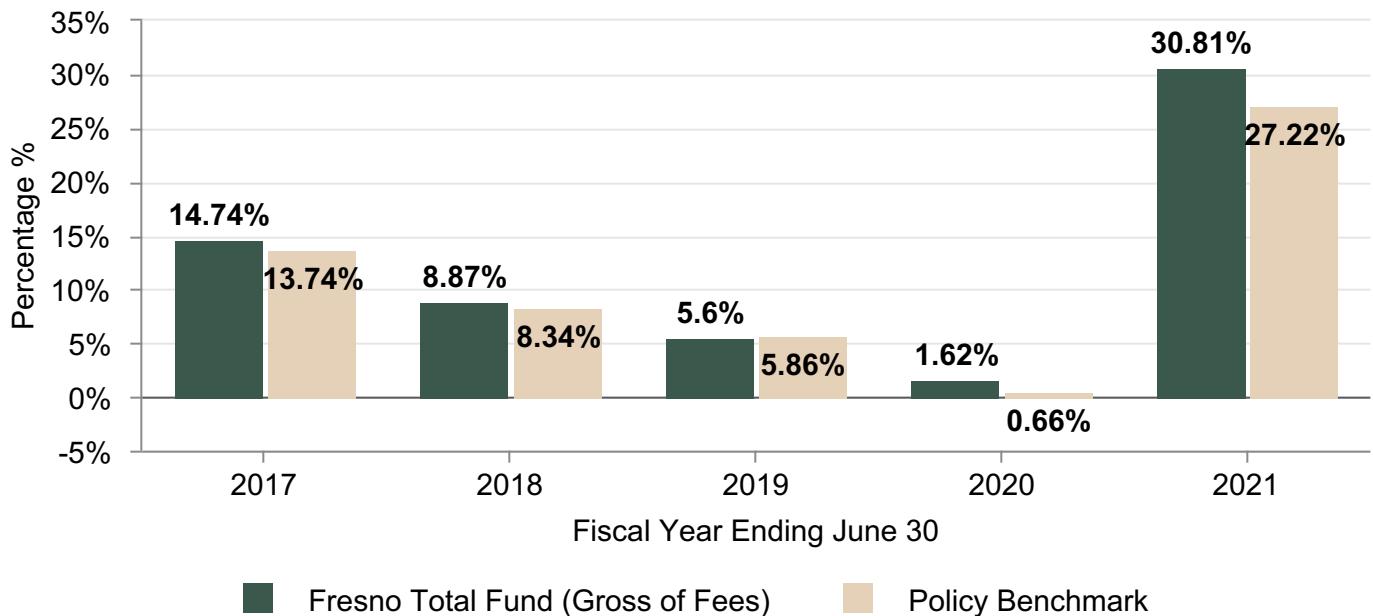
The System generated a total investment gain of 30.81 percent, gross of fees, as reported by the System's custodian, Northern Trust, for the fiscal year ended June 30, 2021. The fiscal year return was 23.81 percent more than the System's actuarial interest rate assumption of 7.00 percent, while outperforming its policy-weighted benchmark of 27.22 percent by 3.59 percent, and also outperforming its actual weighted benchmark of 29.15 percent by 1.66 percent. The System's ten-year annualized returns averaged 9.33 percent, outperforming its policy benchmarks return of 8.62 percent for the period by 0.71 percent.

The System remains highly funded and well positioned to serve our members and retirees. As illustrated by the System's 10, 15 and 25-year long-term gross of fees returns of 9.33 percent, 7.76 percent and 8.37 percent, respectively, as of June 30, 2021, the System has the ability to achieve its long-term objectives over extended periods. After paying all benefits and expenses of the System, the year-end value of the System reached \$1.731 billion. Additional information regarding the framework for investing System's assets can be found in the Investment Policy Statement, which is available on System's website at www.cfrs-ca.org or by clicking [here](#).

Highlighted below is the Investment Performance of the System's Investment Portfolio gross of fees provided by its custodian for Fiscal Year 2021:

	FY 2021
Domestic Equity	46.89%
International Equity	38.24%
Fixed Income	7.57%
Real Estate	9.83%
Alternatives	27.94%
Total Fund	<u>30.81%</u>

City of Fresno Retirement Systems Fiscal Year Total Fund and Policy Benchmark Returns



Investment Results, Actual and Target Allocations Continued

Target and Actual Asset Allocation As of June 30, 2021

Asset Class	FY 2021	Allocation Range
Domestic Equities		
Large-Cap	21.3%	10.0% - 26.0%
Small-Cap	8.4%	2.0% - 12.0%
International Equities		
Developed Markets	18.7%	14.0% - 24.0%
Emerging Markets	10.1%	3.0% - 9.0%
Fixed Income		
Core Fixed Income	8.9%	7.0% - 15.0%
High Yield Bonds	4.9%	4.0% - 12.0%
Real Estate		
Core Real Estate	8.2%	7.0% - 15.0%
Value Add Real Estate/REITs	3.4%	2.0% - 6.0%
Alternatives		
Infrastructure	3.5%	2.0% - 6.0%
Midstream Energy (MLP's)	5.0%	2.0% - 8.0%
Private Equity	2.4%	0.0% - 10.0%
Private Debt	5.2%	4.0% - 12.0%
Short-Term Investments	0.0%	0.0%
	100%	

Actual Asset Allocation As of June 30, 2021

