

Popular Annual Financial Report

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

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

TABLE OF CONTENTS

GFOA Award	1
Membership and Funded Status	2
Total Net Position	3
Fund Revenues	4
Fund Expenses	5
Investment Results, Actual and Target Allocations	6

GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Fresno Employees Retirement System for its Popular Annual Financial Report for the fiscal year ended June 30, 2021. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Fresno Employees Retirement System has received a Popular Award for the last three consecutive years (fiscal years ended 2019-2021). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA to determine its eligibility for another Award.



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**City of Fresno Employees Retirement System
California**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

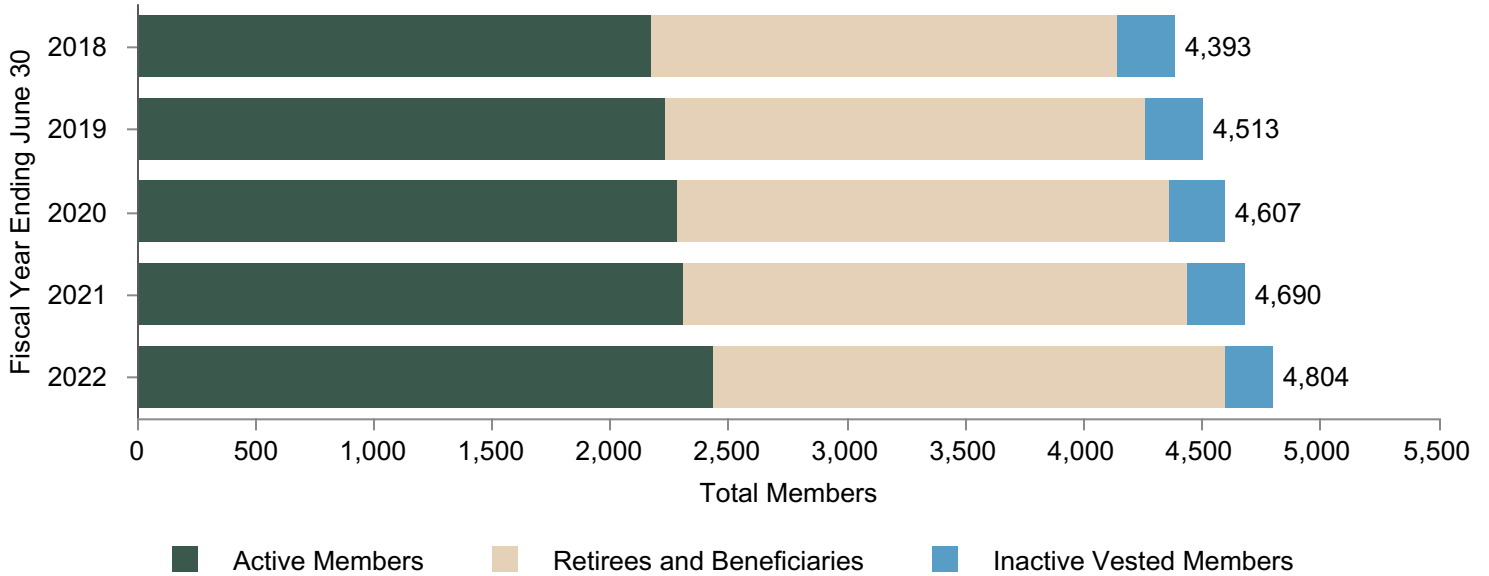
Executive Director/CEO

Membership and Funded Status

Membership Highlights

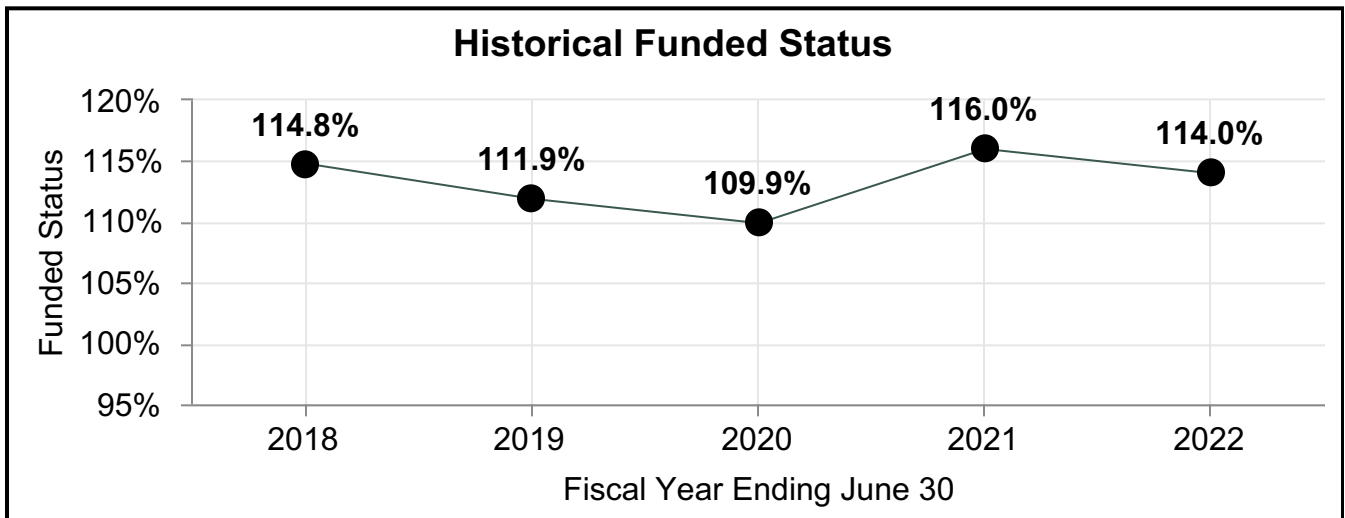
Total overall membership in the System increased by 2.43% to 4,804. The total number of active members increased by 5.27% to 2,435. Retired membership increased 1.78% to 2,167. Inactive Vested membership decreased 18.55% to 202.

Membership History

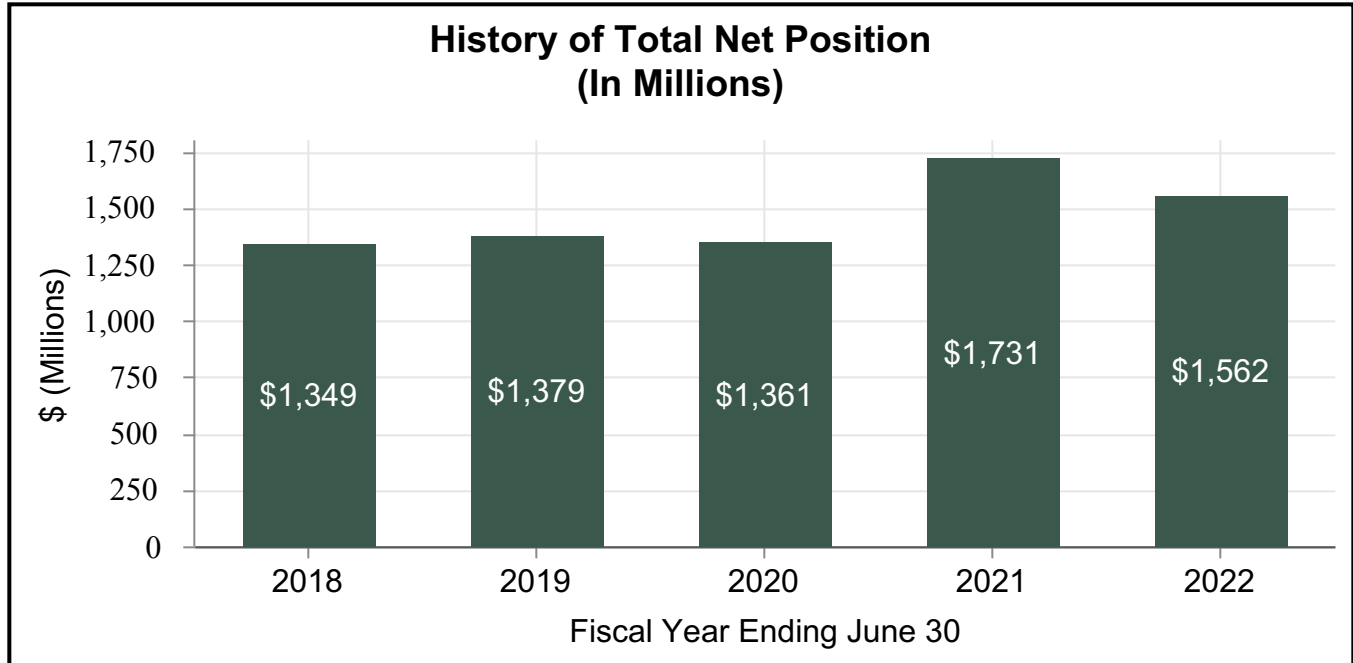


Funded Status

The System’s funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2022, the date of the last actuarial valuation, the funded ratio for the System was 114.0 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 \$1.14 of assets available for payment as of that date. As of June 30, 2021, the date of the previous annual actuarial valuation, the funded ratio for the System was 116.0 percent; and as of June 30, 2020, the funded ratio for the System was 109.9 percent.



Total Net Position



At June 30, 2022, the City of Fresno Employees Retirement System had total assets of \$1.647 billion, less total liabilities of \$85 million, for a total net position restricted for pension benefits of \$1.562 billion compared to \$1.731 billion at June 30, 2021. “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 2018	FY 2019	FY 2020	FY 2021	FY 2022
Current and Other Assets	\$ 91,723,622	\$ 123,581,049	\$ 61,314,319	\$ 134,361,039	\$ 77,603,540
Investments at Fair Value	1,346,977,080	1,351,121,470	1,359,346,092	1,712,954,301	1,569,195,263
Total Assets	\$1,438,700,702	\$1,474,702,519	\$1,420,660,411	\$1,847,315,340	\$1,646,798,803
Total Liabilities	90,010,069	95,287,389	59,823,508	116,077,927	84,611,323
Net Position Restricted for Pension Benefits	\$1,348,690,633	\$1,379,415,130	\$1,360,836,903	\$1,731,237,413	\$1,562,187,480

Fund Revenues

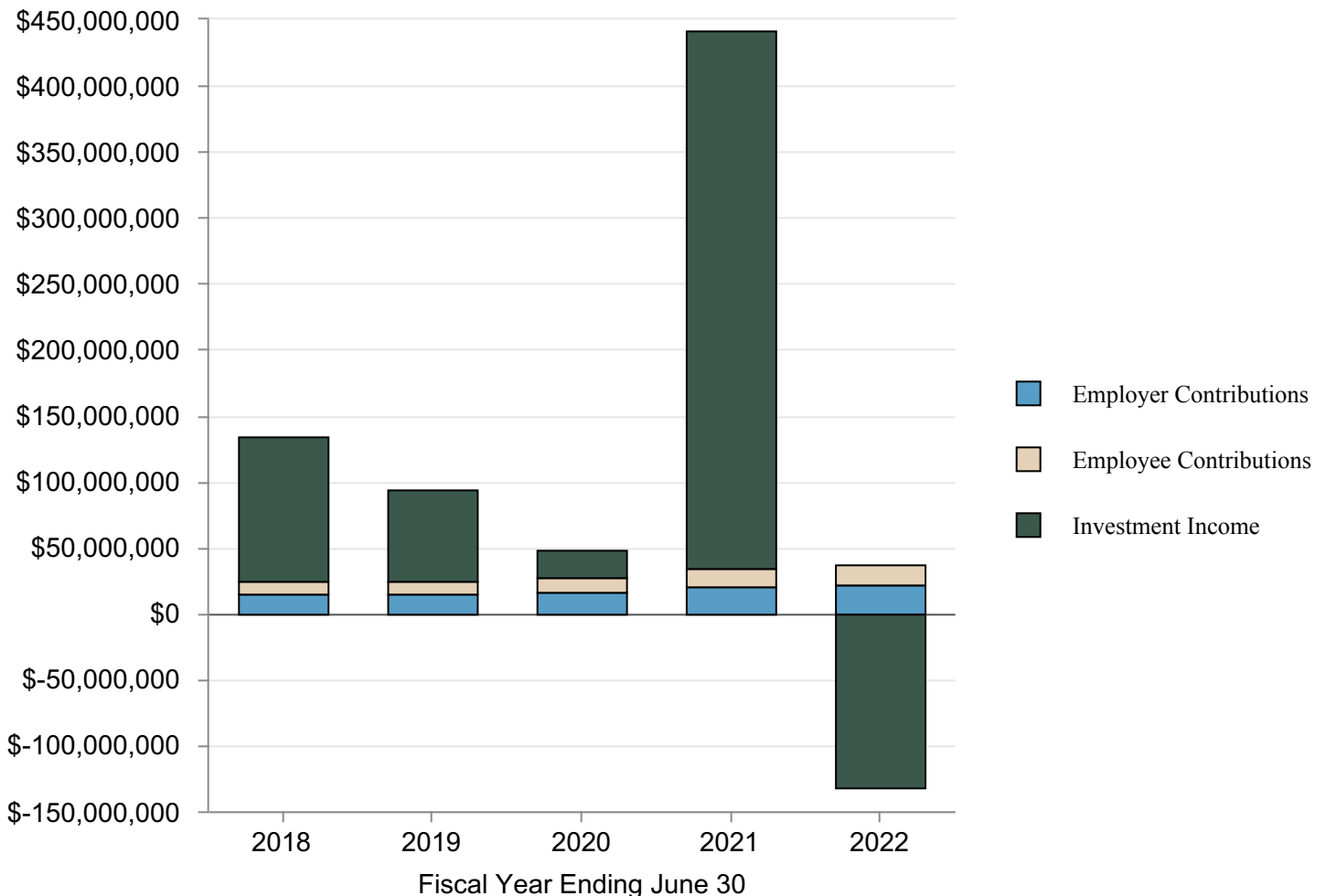
Fund revenues for the fiscal year 2022 decreased \$536,820,627 or 121.53 percent over the prior year from \$441,704,930 to \$-95,115,697, which includes employee contributions of \$15,492,662, employer contributions of \$22,016,525, a net investment income loss of \$132,893,282 and net securities lending income of \$268,398.

The primary cause for the significant decrease in fund revenues in the current year, was the volatile performance in the global investment markets. This caused investment income to be lower than anticipated.

Schedule and Graph of Fund Revenues By Source

For Fiscal Years Ended June 30, 2018 to 2022

	2018	2019	2020	2021	2022
Employer Contributions	\$ 14,608,659	\$ 14,627,425	\$ 16,553,928	\$ 20,144,322	\$ 22,016,525
Employee Contributions	10,329,475	10,515,533	11,027,519	13,749,909	15,492,662
Investment Income	108,915,466	69,388,982	20,108,722	407,810,699	-132,624,884
TOTAL	\$ 133,853,600	\$ 94,531,940	\$ 47,690,169	\$ 441,704,930	\$ -95,115,697



Fund Expenses

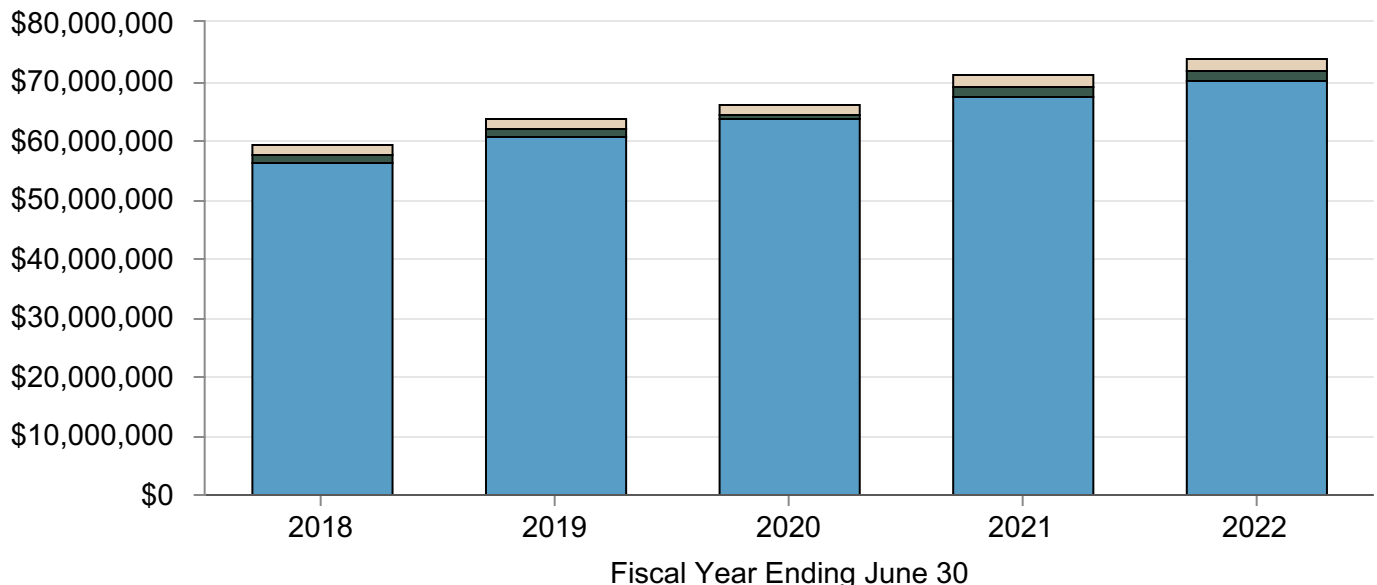
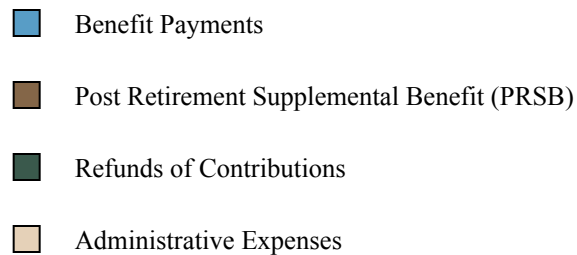
Fund Expenses for the fiscal year 2022 increased \$2,629,816 or 3.69 percent over the prior fiscal year from \$71,304,420 to \$73,934,236, which includes benefit payments of \$70,239,143, refunds of contributions of \$1,645,235 and administrative expenses of \$2,049,858.

The current year increase in expenses is due primarily to the increases in retirees and the respective retirement benefits paid in 2022 even though there were no Post Retirement Supplemental Benefits (PRSB) paid during calendar year 2022.

Schedule and Graph of Fund Expenditures By Type

For Fiscal Years Ended June 30, 2018 to 2022

	2018	2019	2020	2021	2022
Benefit Payments	\$ 56,241,911	\$ 60,814,434	\$ 63,591,967	\$ 67,497,485	\$ 70,239,143
PRSB	—	—	—	—	—
Refunds of Contributions	1,424,025	1,329,651	927,501	1,748,572	1,645,235
Administrative Expenses	1,618,767	1,663,358	1,748,928	2,058,363	2,049,858
TOTAL	\$ 59,284,703	\$ 63,807,443	\$ 66,268,396	\$ 71,304,420	\$ 73,934,236



Investment Results, Actual and Target Allocations

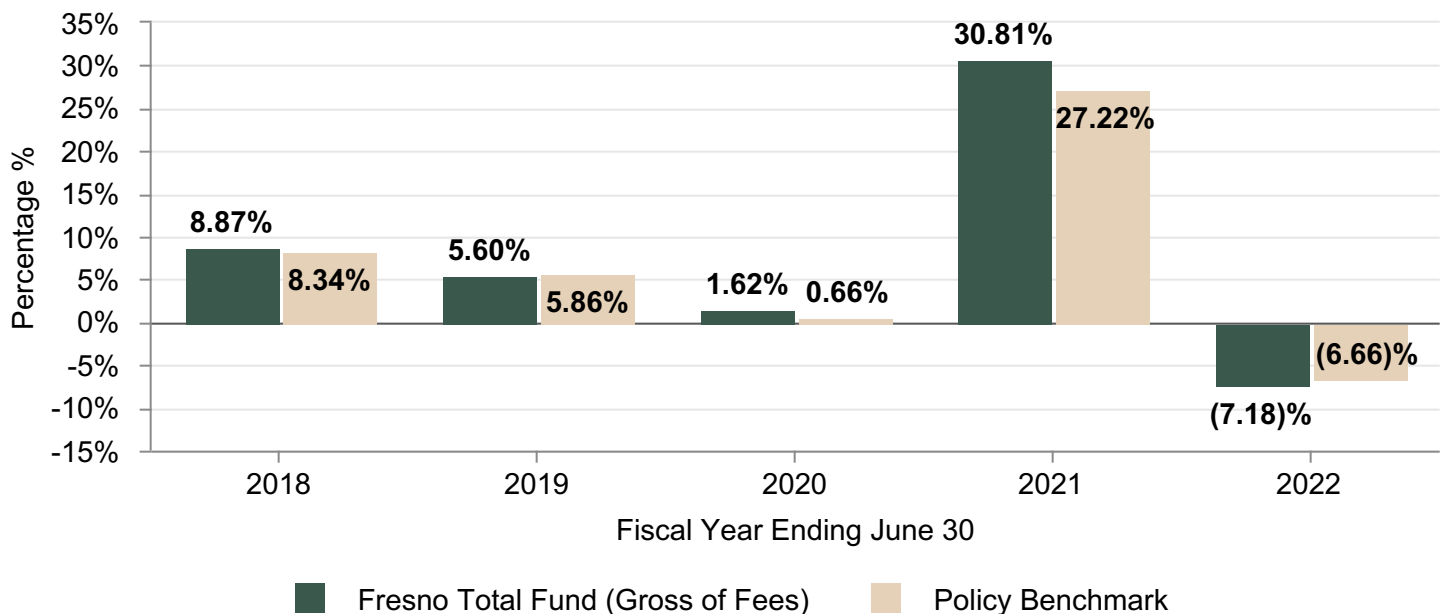
The System generated a total investment return of -7.18 percent, gross of fees, as reported by the System's custodian, Northern Trust, for the fiscal year ended June 30, 2022. The fiscal year return was 14.18 percent less than the System's actuarial interest rate assumption of 7.00 percent, while underperforming its policy-weighted benchmark of -6.66 percent by 0.52 percent, and also underperforming its actual weighted benchmark of -6.55 percent by 0.63 percent. The System's ten-year annualized returns averaged 8.53 percent, outperforming its policy benchmarks return of 7.79 percent for the period by 0.74 percent.

The System remains highly funded and well positioned to serve our members and retirees. As illustrated by the System's 15, 20 and 25-year long-term gross of fees returns of 6.09 percent, 7.63 percent and 7.35 percent, respectively, as of June 30, 2022, 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 \$1.562 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 2022:

	FY 2022
Domestic Equity	(15.63)%
International Equity	(26.56)%
Rates/Credit	(4.59)%
Real Estate	24.22%
Multi-Assets	14.76%
Total Fund	<u>(7.18)%</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, 2022

Asset Class	FY 2022	Allocation Range
Domestic Equities		
Large-Cap	22.5%	15.0% - 36.0%
International Equities		
Developed Markets	21.4%	10.0% - 25.0%
Fixed Income		
Core Fixed Income	12.7%	5.0% - 20.0%
High Yield Bonds	3.3%	0.0% - 5.0%
Real Estate		
Core Real Estate	9.9%	5.0% - 15.0%
Value Add Real Estate/REITs	5.1%	2.0% - 8.0%
Alternatives		
Infrastructure	5.0%	2.0% - 10.0%
Midstream Energy (MLP's)	4.5%	0.0% - 7.0%
Private Equity	4.5%	0.0% - 10.0%
Private Debt	11.1%	5.0% - 20.0%
Short-Term Investments	0.0%	0.0%
	100%	

Actual Asset Allocation As of June 30, 2022

