City of Fresno Employees Retirement System
A Pension Trust Fund of the City of Fresno
Fresno, California

Comprehensive Annual Financial Report

For the Years Ended June 30, 2011 and 2010

1

Introduction

The Employees Retirement System was established on June 1, 1939 and is governed by Article 5 of Chapter 3 of the City of Fresno Municipal Code.

2

Financial

Investments will be managed to balance the need for security with superior performance. We expect excellence in all activities.

3

Investment

To Achieve and Maintain Top Quartile Investment Performance as Measured by the Public Fund Universe.

City of Fresno Employees Retirement System

Comprehensive Annual Financial Report

For the Years ended June 30, 2011 and 2010

Stanley L. McDivitt
Retirement Administrator

Kathleen Riley-Brown
Assistant Retirement Administrator

Yvonne Arellano
Benefits Manager

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A Pension Trust Fund for the City of Fresno (California)

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Section 1 Introduction

TO PROVIDE SYSTEM MEMBERS AND THE EMPLOYER WITH FLEXIBLE, COST-EFFECTIVE, PARTICIPANT-ORIENTED BENEFITS THROUGH PRUDENT INVESTMENT MANAGEMENT AND SUPERIOR MEMBER SERVICES.

CITY OF FRESNO EMPLOYEES RETIREMENT SYSTEM
2828 Fresno Street Suite 201 Fresno California 93721 (559) 621-7080 FAX (559) 621-7081 www.CFRS-CA.org

Stanley L. McDivitt
Retirement Administrator

Letter of Transmittal

November 28, 2011

Dear Board Members:

As Retirement Administrator of the City of Fresno Employees Retirement System, it is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2011 and 2010.

2010 marked the first full year of recovery from the Great Recession in the United States. Yet despite the fact that the economy experienced some positive economic growth, there seems to be little to celebrate. Unemployment hovers at an unacceptable level and euphoria sparked by an occasional positive economic report is invariably squashed by bad news a few days later. In fact, the only constant through 2010 and continuing in the first half of 2011 was a very high uncertainty in the global markets. Decision-making becomes challenging when warnings of impending high inflation are mixed with reports showing borderline deflation, and when exchange rates remain hostage to a tug of war between quantitative easing on one side of the Atlantic and a sovereign debt crisis on the other.

Despite these overwhelming challenges of the global economy, the City of Fresno Employees Retirement System is well funded at a fully funded status on both a market value and actuarial basis. From a long-term perspective the System is positioned to provide a solid rate of return that is equal to or better than the respective asset classes market indices even as we enter yet another year that may be filled with uncertainties in the global economic and financial markets. The Board carefully managed the investment portfolio through last year's continued turbulence in the global financial markets and we remain confident that new investment opportunities will arise and the Board with the required amount of due diligence and vigilance will position the System's investments for future long-term growth.

In fiscal year 2011, the System's returns were favorable when compared to other institutional investors. The System's one-year return was 24.26 percent; 1.44 percent above its policy benchmark return of 22.82 percent; and outperforming its actuarial interest rate assumption of 8.00 percent by 16.26 percent. The five-year annualized return of 4.70 percent was positive but slightly underperformed its policy benchmark return of 5.12 percent by 0.42 percent. The System's fifteen-year annualized return at 7.74 percent exceeded its policy benchmarks for that period by 0.24 percent but underperformed the actuarial interest rate assumption by 0.26 percent for the same period.

The Employees System remains highly funded and well positioned to serve our members and retirees. The System's 15 year, 20 year, and 25 year long-term returns of 7.74 percent, 9.06 percent, and 8.86 percent respectively, as of June 30, 2011, illustrate the Systems' ability to achieve our long-term objectives over extended periods of time. Meanwhile, the System's actuarial and market value funding status continues to be the highest of any public pension defined benefit plan in California.

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The Comprehensive Annual Financial Report (CAFR) of the City of Fresno Employees Retirement System for the years ended June 30, 2011 and 2010 is submitted herewith. Information contained in this report is designed to provide a complete and accurate review of the year's operations. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the System. For a general overview of the City of Fresno Employees Retirement System's finances, please refer to the Management's Discussion and Analysis letter in the Financial Section of this report. The CAFR consists of six sections:

The Introductory Section contains our Mission Statement, a Letter of Transmittal, a description of the System's management and organizational structure, a listing of the professional service providers, and the Government Financial Officers Association's Certificate of Achievement for Excellence in Financial Reporting.

The Financial Section contains the opinion of the independent auditor, Brown Armstrong Accountancy Corporation, Management's Discussion and Analysis Letter and the basic financial statements of the System.

The Investment Section includes the Retirement Administrator's Investment Report, a letter from the System's Investment Consultant, Wilshire Associates Inc., recapping the fiscal year investment results and activities, along with performance and asset allocation information.

The Actuarial Section includes the certification letter produced by the independent actuary, The Segal Company, along with supporting schedules and information.

The Statistical Section contains significant detailed data pertaining to the System.

The Compliance Section contains the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

I trust that you and the members of the System will find this CAFR helpful in understanding the System, and our commitment to financial integrity and member services.

THE EMPLOYEES RETIREMENT SYSTEM AND ITS SERVICES

The Employees Retirement System was established on June 1, 1939, under Charter Section 910 and is governed by Article 5 of Chapter 3 of the City of Fresno Municipal Code. The System provides retirement allowances and other benefits to the non-safety members employed by the City of Fresno. The System also provides lifetime retirement, disability, and death benefits to its members. The Retirement Board is responsible for the prudent investment of member and employer contributions, and defraying reasonable expenses of administration.

The Employees Retirement Board is responsible for establishing policies governing the administration of the System, making benefit determinations, and managing the investment of the System's assets. The Board operates under the authority vested in Article 5 of Chapter 3 of the Fresno Municipal Code and the California Pension Protection Act of 1992. Article XVI, Section 17(b) of the Constitution of the State of California provides that "the members of the Retirement Board of a public retirement system shall discharge their duties ... solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the System. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty." Section 17(a) further provides that the Board has ... "the sole and exclusive responsibility to administer the System in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries."

The Retirement Board has five (5) members, two (2) management employees who are appointed by the Mayor and confirmed by the City Council, one (1) employee who is elected by the manual workers of the System, and one (1) employee who is elected by the clerical or supervisory workers of the System, both of which serve a four-year term. The fifth and final member of the Board is a qualified elector of the City, not connected with its government, elected by the previously designated four members.

The Board oversees the Retirement Administrator and staff in the performance of their duties in accordance with the Municipal Code and the Boards' Rules, Regulations and Policies.

MAJOR INITIATIVES

As responsible stewards of the public's money and trust, the Mayor of the City of Fresno established a Task Force Committee, during the prior fiscal year, to identify best practices and any needed reforms for the City's Retirement Systems. Staff provided ongoing support to the Mayor's Pension Task Force, established in March 2010, to assess the financial health and structure of our retirement systems and to determine if any modifications or corrective actions were needed. Over the past year, the Task Force conducted open meetings which covered an in-depth review of the history of the City of Fresno Retirement Systems, including detailed financial and actuarial analysis of the Systems; an analysis of the Systems' investment objectives and returns, including pension best practices analysis; a review of the most recent Surplus Projection Reports as of June 30, 2010 from the Retirement Boards; a comparative analysis of the other 83 California defined benefit public pension systems; a review of other types of pension systems, the State of California's Little Hoover Commission Report on Public Pensions for Retirement Security and finally a review of Governor Brown's proposed twelve point pension reform plan. The overriding determination of the Task Force is that the City retirement systems are fully funded and across the nation, Fresno ranks as one of the best run, healthiest retirement systems.

Last year, The Boards retained the services of the law firm of Ice Miller to assist them in reviewing the Employees Retirement System from the perspective of tax compliance and in deciding whether it is appropriate to apply for a determination letter and to submit the plans into the IRS's voluntary compliance program. Ice Miller completed its review of our two Retirement Plans and the Retirement Boards reviewed and approved Ice Miller's proposed tax compliance amendments for both Retirement Systems. The proposed amendments enhance compliance with Internal Revenue Code provisions which were incorporated into two ordinances which were submitted to the City Council for approval. The Board has filed with the Internal Revenue Service for a tax determination letter and the plan was submitted into the IRS's voluntary compliance program (VCP).

During the fiscal year, staff initiated a request for proposals for pension administration system consulting services to assist in the development of the Request for Proposal (RFP) bid document for IT systems needed by the Retirement Systems.

The Boards' approved retention of an IT Consultant, L.R. Wechsler, Ltd. to provide consulting services to differentiate and identify, through knowledgeable business analysis and comparison of Vendor proposals, appropriate, cost-effective quality proposals for the Retirement Systems' new pension administration system. The RFP bid document was finalized recently and the Boards anticipate issuance in September 2011.

The Boards, with the assistance of its actuary and staff, completed the annual actuarial valuations for June 30, 2010 which incorporated changes in certain Economic Actuarial Assumptions reviewed and adopted for the prior fiscal year period. The Actuaries have also completed a Surplus Projection Report and DROP Cost Neutrality Study for both Systems which were reviewed by the Administrative Committee and Boards in May.

PROFESSIONAL SERVICES

Professional Consultants and Investment Managers are retained by the Board to provide professional services essential to the effective and efficient operation of the System.

An opinion from the certified public accountant and the actuary are included in this report along with a summary investment report from the Board's Investment Consultant. The Consultants and Investment Managers retained by the Board are listed in the following section of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fresno Employees Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of public employee retirement system comprehensive annual financial reports.

In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City of Fresno Employees Retirement System has received a Certificate of Achievement for the last thirteen years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACTUARIAL FUNDING STATUS

The System's funding objective is to meet long-term benefit promises by retaining a well-funded plan status and obtaining superior investment returns while minimizing employer contributions. The Board's objective for employer contributions is to establish a rate as a level percent of member payroll. The greater the level of overall plan funding, the larger the ratio of assets accumulated compared to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the benefits earned by participants are funded during their working careers and not by future generations of taxpayers.

The June 30, 2010, actuarial valuation is presented in this CAFR. As of June 30, 2010, the funded ratio of the Employees Retirement System was 122.5 percent. The funded ratio was determined by using the actuarial value of the assets in accordance with Governmental Accounting Standards Board Statement No. 25. The actuarial accrued liability of the System at June 30, 2010 amounted to $756,257,538. The actuarial value of assets at June 30, 2010 amounted to $983,520,725 and the valuation value of assets amounted to $926,369,725. The market value of the assets at June 30, 2010 amounted to $806,570,870.

The Board engages an independent actuarial consulting firm to conduct annual actuarial valuations of the System. The valuation purpose is to reassess the magnitude of the benefit commitments. This is compared to the assets expected to be available to support those commitments so employer and member contributions can be adjusted accordingly. Recommendations are presented to the Board for consideration. The Segal Company is the System's independent actuarial consultant.

The Actuarial Section of this report contains a more detailed discussion of funding.

ACCOUNTING SYSTEM & REPORTS

The management of the System is responsible for establishing and maintaining an internal control structure designed to ensure that the System assets are protected from loss, theft, or misuse. Responsibility for the accuracy, completeness, and fair presentation of the information, and all disclosures, rests with the management of the System.

The accounting firm of Brown Armstrong Accountancy Corporation provides financial audit services. The financial audit ensures that the System's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. The System recognizes that even sound internal controls have their inherent limitations. Internal controls are reviewed to ensure that the System's operating policies and procedures are being adhered to and that controls are adequate to ensure accurate and reliable financial reporting and to safeguard the System's assets.

This report has been prepared in accordance with Generally Accepted Accounting Principles for State and Local Governments (GAAP) as established by the Governmental Accounting Standards Board (GASB).

The System's transactions are reported on the accrual basis of accounting. Revenues are taken into account when earned, regardless of the date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when the payment is made.

INVESTMENTS

Article XVI, Section 17(c) of the Constitution of the State of California, provides that "the members of the Retirement Board of a public pension or retirement system shall discharge their 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 aim." By permitting further diversification of investments within a fund, the prudent expert rule may enable a fund to reduce overall risk and increase returns. A summary of the asset allocation can be found in the Investment Section of this report.

The prudent expert rule permits the Board to establish an investment policy based upon professional advice and counsel, and allows for delegation of investment authority to professional investment advisors. The Investment Objectives and Policy Statement of the Board outline the responsibility for the investment of the fund and the degree of risk that is deemed appropriate for the fund. Investment advisors are to execute the policy in accordance with the Board policy and guidelines.

For the fiscal years ended June 30, 2011 and June 30, 2010, the System's investments provided a 24.26 percent and 14.80 percent rate of return, respectively.

ACKNOWLEDGMENTS

The compilation of this report reflects the combined effort of the System's staff under the leadership of the Board. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of the System.

On behalf of the Board, I would like to express my appreciation for the dedication and efforts of my staff members, Kathleen Riley Brown, Yvonne Arellano, Alberto Magallanes, Karen Rolle, Pattie Laygo, Andrea Ketch, Patricia Basquez, Phillip Carbajal, Lori Salvador, Donna Gaab; and the Boards' consultants, for their assistance in the preparation of this report and for their ongoing commitment to serve the Board and the members of the System. I also would like to thank the Board members for their support in accomplishing the many tasks and goals over the past year.

Respectfully Submitted,

Stanley L. McDivitt
Retirement Administrator

November 28, 2011

Ken Nerland

CHAIR

Appointed by
Mayor and City Council

Jeff Beatty

VICE CHAIR

Elected by
Clerical and Supervisory Members

Randy Nason

Elected by
Manual Worker Members

Joe Gray

Appointed by
Mayor and City Council

Marvell French

Appointed by
Retirement Board

Retirement Administrative Staff

FRONT ROW (left to right)

Lori Salvador, retirement counselor; Andrea Ketch, retirement counselor; Pattie Laygo, executive assistant; Yvonne Arellano, retirement benefits manager; Karen Rolle, accountant-auditor

BACK ROW (left to right)

Donna Gaab, retirement counselor; Phillip Carbajal, retirement counselor; Patti Basquez, retirement counselor; Alberto Magallanes, senior accountant auditor; Kathleen Riley-Brown, assistant retirement administrator; Stanley McDivitt, retirement administrator

ADMINISTRATION

The Administrative Section is responsible for the administration of the City of Fresno Employees Retirement System, including the risk management of the investment activities in accordance with the policies, regulations, and general guidelines of the Retirement Board. It is also responsible for interfacing with the investment managers, the investment consultant, the actuary, legal counsel, custodial bank, and any other consultants authorized by the Board. (See page xiv for outside professional services consultants, page xv for investment portfolio managers, and page 49 for a schedule of brokerage commissions.)

MEMBER SERVICES

This section is responsible for providing all benefit services to the members of the System. This includes benefit calculations, investigation of claims for disability retirement, preparation of data to support applications for retirement, preparation of the retiree payroll, membership counseling, and membership training.

INVESTMENT COMPLIANCE AND FINANCIAL REPORTING

This section is responsible for monitoring compliance with the Board's Investment Objectives and Policy Statement and for all of the financial records and reports including financial statements, control and balancing of payroll and members' contributions and reconciliation of investments.

EXECUTIVE ASSISTANT

This position is responsible for providing administrative and clerical support services for the Board and the retirement staff.

Organizational Structure

RETIREMENT BOARD

Retirement Administrator
Stanley L. McDivitt

AUDITORS

CUSTODIAL BANK

PORTFOLIO MANAGERS

LEGAL COUNSEL

ACTUARY

INVESTMENT CONSULTANT

MEDICAL ADVISOR

Executive Assistant
Pattie Laygo

Member Services
Yvonne Arellano

Investment Compliance And Financial Reporting
Kathleen Riley Brown

Professional Services Consultants

Custodial Bank
NORTHERN TRUST
Chicago, Illinois

General Legal Advisor
SALTZMAN AND JOHNSON LAW CORPORATION
San Francisco, California

Tax Counsel
ICE MILLER, LLP
Indianapolis, Indiana

Investment Legal Advisor
FOLEY & LARDNER, LLP
Boston, Massachusetts

Investment Consultant
WILSHIRE ASSOCIATES INC.
Santa Monica, California

Information Technology
L.R. WECHSLER, LTD.
Fairfax, Virginia

Actuary
THE SEGAL COMPANY
San Francisco, California

Medical Advisor
BENCHMARK MEDICAL CONSULTANTS
Sacramento, California

Independent Auditor
BROWN ARMSTRONG ACCOUNTANCY CORPORATION
Bakersfield, California

Investment Portfolio Managers

DOMESTIC EQUITY

Large Cap
BlackRock, San Francisco, CA
JP Morgan Asset Management, New York, NY

Small Cap
Eagle Asset Management, St. Petersburg, FL
Kennedy Capital Mgt. Inc., St. Louis, MO
TCW Asset Management, Los Angeles, CA

INTERNATIONAL & EMERGING MARKETS

International
Baillie Gifford & Co., Edinburgh, Scotland
BlackRock, San Francisco, CA
Principal Global Investors, DesMoines, IA
Pyramis Global Advisors Trust Co., Boston, MA

Emerging Market
Batterymarch Financial Management, Inc., Boston, MA
Wellington Management Company, LLP, Boston, MA

Fixed Income
Dodge & Cox, San Francisco, CA
Prudential Investment Mgt, Inc., Newark, NJ

High Yield
Loomis Sayles, Boston, MA

REAL ESTATE

Private Real Estate Investments
JP Morgan Fleming Asset Mgt, New York, NY

Real Estate Investment Trust (REIT)
Heitman, LLC., Chicago, IL
Principal Real Estate Investors, Des Moines, IA

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fresno
Employees Retirement System
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

Also awarded 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010

Section 2 Financial

Investments will be managed to balance the need for security with superior performance.

We expect excellence in all activities.

INDEPENDENT AUDITOR'S REPORT

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement
City of Fresno Employees Retirement System
Fresno, California

We have audited the accompanying Statement of Plan Net Assets Available for Benefits of the City of Fresno Employees Retirement System as of June 30, 2011 and 2010, and the related Statement of Changes in Plan Net Assets Available for Benefits for the years then ended. These financial statements are the responsibility of the management of the City of Fresno Employees Retirement System. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan Net Assets Available for Benefits of the City of Fresno Employees Retirement System, as of June 30, 2011 and 2010, and its Changes in Plan Net Assets Available for Benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in 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 financial statements, and other knowledge we obtained during our audits of the 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedules 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 of the City of Fresno Employees Retirement System. The Supplemental Schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the Introductory, Investment, Actuarial, and Statistical Sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the City of Fresno Employees Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
November 28, 2011

Management's Discussion and Analysis

We are pleased to provide this overview and analysis of the financial activities of the City of Fresno Employees Retirement System for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal beginning on page iii of this report.

FINANCIAL HIGHLIGHTS

The net assets of the System are held in trust for payment of pension benefits to participants and their beneficiaries and all of the net assets are available to meet the System's ongoing obligations.

At the close of the fiscal year 2011, the assets of the System exceed its liabilities by $964,376,504; as of fiscal year 2010, the assets of the System exceeded its liabilities by $806,570,870 and as of fiscal year 2009, the assets of the System exceeded its liabilities by $735,578,804.

The System's total net assets held in trust for pension benefits increased by $157,805,634 or 19.57 percent for fiscal year 2011; increased by $70,992,066 or 9.65 percent for fiscal year 2010; and decreased by $233,451,780 or 24.09 percent for fiscal year 2009 primarily as a result of the performance of the investment markets.

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2010, the date of the last actuarial valuation, the funded ratio for the Systems was 122.5 percent. In general, this indicates that for every dollar of benefits due we have approximately $1.23 of assets available for payment as of that date.

As of the June 30, 2009, the date of the previous annual actuarial valuation, the funded ratio for the System was 133.9 percent; and as of June 30, 2008, the funded ratio for the System was 142.2 percent.

REVENUES ARE ADDITIONS TO PLAN NET ASSETS

Revenues for the fiscal year 2011 increased $88,896,329 or 78.31 percent over the prior year from $113,518,865 to $202,415,194 which includes member contributions of $5,275,219, employer contributions of $8,214,569, a net investment income gain of $188,448,518 and net securities lending income of $476,888.

Prior fiscal year 2010 revenues increased $306,022,945 or 158.97 percent over the previous fiscal year 2009 from ($192,504,080) to $113,518,865 which includes member contributions of $5,740,404, employer contributions of $3,267,115, a net investment income loss of $104,126,239 and net securities lending income of $385,107.

For fiscal year 2009 revenues decreased $130,042,744 or 208.2 percent from ($62,461,336) to ($192,504,080) which included member contributions of $5,845,044, employer contributions of $1,345,274, a net investment income loss of $200,504,487 and securities lending income of $810,089.

EXPENSES ARE DEDUCTIONS IN PLAN NET ASSETS

Expenses for the fiscal year increased $2,082,761 or 4.90 percent over the prior fiscal year from $42,526,799 to $44,609,560.

Prior fiscal year 2010 expenses increased $1,579,099 or 3.86 percent over the fiscal year 2009 from $40,947,700 to $42,526,799.

Fiscal year 2009 expenses increased approximately 9.58 percent from $37,367,426 to $40,947,700 over fiscal year 2008 expenses.

The current year increase in expenses is due primarily to the increases in retirees and the respective retirement benefits paid in 2011 even though there was a decrease in the Post Retirement Supplemental Benefits paid over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the System's financial statements, which are comprised of these components:

1. Statement of Plan Net Assets Available for Benefits
2. Statement of Changes in Plan Net Assets Available for Benefits
3. Notes to the Financial Statements

Please note, however, that this report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Plan Net Assets Available for Benefits is a point in time or a snapshot of account balances as of the fiscal year end. It indicates the assets available for future payments to retirees and any current liabilities.

The Statement of Changes in Plan Net Assets Available for Benefits, on the other hand, provides a view of current year additions to and deductions from the System. Both statements are in compliance with Governmental Accounting Standards Board (GASB) Pronouncements. These pronouncements require certain disclosures and require State and Local governments to report using the full accrual method of accounting. The System complies with all material requirements of these pronouncements.

The System's funding ratio at June 30, 2010 was 122.5 percent, which means the System's fund has approximately $1.23 available for each $1.00 of liability. The Statement of Plan Net Assets Available for Benefits and the Statement of Changes in Plan Net Assets Available for Benefits reports information about the System's activities.

These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the 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.

These two statements report the System's net assets held in trust for pension benefits (net assets), which is the difference between assets and liabilities. This is generally considered to be a good way to measure the System's financial position. Over time, increases and decreases in the System's net assets are indicators of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring the System's overall health.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the System's progress in funding its obligations to provide pension benefits to members.

The schedules of administrative expenses, investment manager fees and other investment expenses, and payments to consultants are presented immediately following the required supplementary information.

FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indication of the System's financial position. The assets of the System exceeded its liabilities at the close of the fiscal year 2011 by $964,376,504. All of the net assets are available to meet the System's ongoing obligations to plan participants and their beneficiaries.

In fiscal years 2011 and 2010, the System's net assets increased by 19.57 percent and 9.65 percent due to rebounds in the global investment markets while in 2009 net assets decreased by 24.09 percent due to declines in the global investment markets.

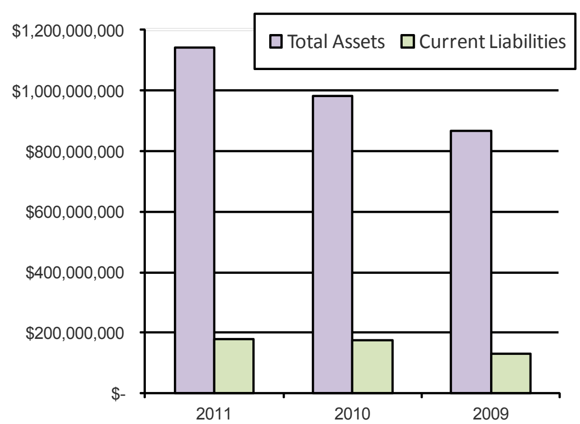
Historical long-term performance rates of returns demonstrate that the System has been able to meet or exceed its actuarial assumed rate of return of 8.00 percent. As of June 30, 2011, the System's 25-year annualized return is 8.86 percent and its 20-year annualized return is 9.06 percent.

Despite volatility in the stock market, management and the System's actuary concur that the System remains in a very strong financial position to meet its obligations to the plan participants and beneficiaries. The System's current financial position is a result of a very sound and carefully managed investment and risk management program.

TABLE 1 – EMPLOYEES RETIREMENT SYSTEM NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011, 2010 AND 2009

	FY 2011	FY 2010	FY 2011 Increase/(Decrease) Amount	FY 2011 Increase/(Decrease) Percent
Current and Other Assets	$168,585,430	$163,179,159	$5,406,271	3.31%
Investments at Fair Value	973,125,596	817,641,097	155,484,499	19.02%
Total Assets	$1,141,711,026	$980,820,256	$160,890,770	16.40%
Current Liabilities	177,334,522	174,249,386	3,085,136	1.77%
Net Assets	$964,376,504	$806,570,870	$157,805,634	19.57%

	FY 2010	FY 2009	FY 2010 Increase/(Decrease) Amount	FY 2010 Increase/(Decrease) Percent
Current and Other Assets	$163,179,159	$125,344,264	$37,834,895	30.18%
Investments at Fair Value	817,641,097	742,266,253	75,374,844	10.15%
Total Assets	$980,820,256	$867,610,517	$113,209,739	13.05%
Current Liabilities	174,249,386	132,031,713	42,217,673	31.98%
Net Assets	$806,570,870	$735,578,804	$70,992,066	9.65%



RESERVES

Reserves are not required, nor recognized under GAAP. The reserves are not shown separately on the Statement of Plan Net Assets, but they equate to and are accounts within the net assets held in trust for plan benefits and are vital to the System's operations. They are established from contributions and the accumulation of investment income, after satisfying investment and administrative expenses. Investments of the System are stated at fair value instead of at cost and fair value, which includes the recognition of unrealized gains and losses in the current period.

The System's major reserve accounts, described in Note 4 – Net Assets Available for Benefits, include Active Member Reserves, Employer Advance/Retired Reserves, DROP Reserves, PRSB Reserve and City Surplus Reserve.

Deferred Retirement Option Program (DROP) Reserve represents funds reserved for Deferred Retirement Option Program benefits accumulated by active members and retired members. DROP is an alternate method of receiving retirement benefits. It is a voluntary program as described by the conditions and requirements of Municipal Code Section 3-566. A DROP account is a nominal, bookkeeping account established within the System for each DROP participant. Monthly amounts credited to DROP accounts include an amount which represents the service retirement allowance which the member would have received if the member had retired on the date the member commenced DROP participation and interest credited at the five year average interest rate as adopted by the Board in accordance with Municipal Code requirements.

Post Retirement Supplemental Benefit (PRSB) Reserve represents surplus earnings that have been allocated but not distributed to eligible participants in accordance with Municipal Code Section 3-567. PRSB is a supplemental benefit distributed to eligible participants in accordance with Municipal Code Section 3-567, if and only if distributable actuarial surplus is available to provide such a benefit. Actuarial surplus means the amount by which the actuarial value of the System's assets exceeds one hundred and ten percent (110%) of the System's actuarial accrued liabilities.

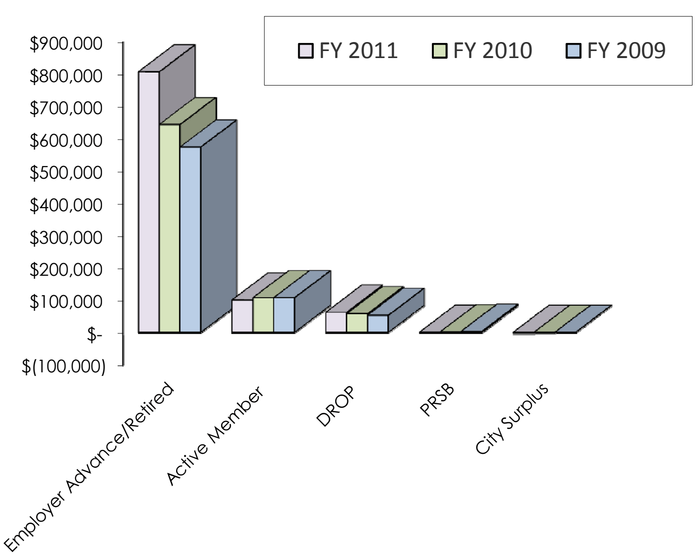
City Surplus Reserve represents that portion of distributable actuarial surplus that have been allocated but not used as a reduction to offset or eliminate the City's pension contributions in accordance with the conditions and requirements of Municipal Code Section 3-567 Post-Retirement Supplemental Benefits. The City Surplus Reserve Account accrues interest at the average gross rate of return earned by the System's entire investment portfolio for each of the three prior fiscal years, including realized and unrealized gains and losses and as reduced by all investment related expenses.

Table 2 shows that the vast majority of reserves are generated from Employer Advance and Retired reserves. DROP reserves represent funds credited for participants who elected to participate in the Deferred Retirement Option Program. PRSB Reserve presents that portion of distributable actuarial surplus that have been allocated for PRSB but not yet distributed to eligible participants. Additions and deductions from PRSB occur when surpluses and allocations occur, respectively. The City Surplus reserve represents that portion of distributable actuarial surpluses and accrued interest, reduced by required City normal pension contributions. The City Surplus Reserve Account shall be drawn upon in subsequent years if needed to reduce or eliminate the City's annual pension contribution requirement.

The City Surplus Reserve Account for fiscal years 2011 and 2010 were negative because of higher than expected payroll growth, and the actual sum of the allocated distributable actuarial surpluses and the balance in the prepaid contribution account were insufficient to fully satisfy the City's annual pension contribution requirement for fiscal year 2009; thus for fiscal year 2011 and 2010 there was a shortfall in the projection of the City's contribution requirement coupled with the addition of negative interest allocations. The City's normal contribution rate for fiscal year 2012 includes funding of the deficit City Surplus Reserve balance.

TABLE 2 – EMPLOYEES RETIREMENT SYSTEM'S RESERVES
FOR THE YEARS ENDED JUNE 30, 2011, 2010 AND 2009

	FY 2011	FY 2010	FY 2009
Employer Advance/Retired Reserves	$ 805,667	$ 642,762	$ 573,188
Active Member Reserves	99,819	106,658	106,844
DROP Reserves	61,642	57,178	52,494
PRSB Reserves	212	1,531	3,053
City Surplus Reserves	(2,963)	(1,558)	-
Net Assets Available for Benefits	$ 964,377	$ 806,571	$ 735,579



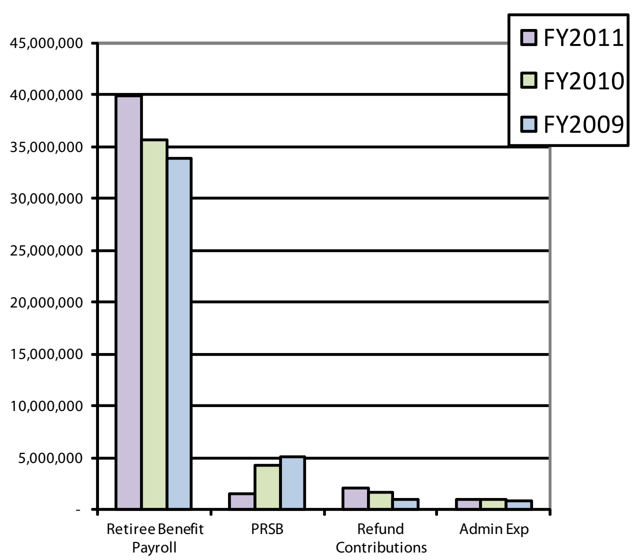
CAPITAL ASSETS

The capital assets of the System presently consist of furniture for the 7,900 square foot office space occupied by the Retirement Administrative Office.

SYSTEM'S ACTIVITIES

Primarily attributable to the global economic recovery from the Great Recession and a further rebound in performance of the global investment markets, the System's assets increased $157,805,634 for the fiscal year resulting in a 19.57 percent increase in net assets for the fiscal year ended June 30, 2011. Additionally, due to the global investment markets which began their positive corrections in fiscal year 2010, the System's assets increased $70,992,066 resulting in a 9.65 percent increase in net assets for the fiscal year ended June 30, 2010 and for the fiscal year ended June 30, 2009, the System's assets decreased $233,451,780, resulting in a 24.09 percent decrease in net assets due to the downturn in global financial markets.

Key elements of these decreases are described in the sections below.



REVENUES - ADDITIONS TO SYSTEM'S NET ASSETS

The reserves needed to finance retirement benefits are normally accumulated through the collection of employer and employee contributions and through earnings on investment income [net of investment expense]. Revenues for the fiscal year ended June 30, 2011 totaled $202,415,194.

For the fiscal year ended June 30, 2011, overall revenues had increased by $88,896,329 or 78.31 percent from the prior year, primarily due to the performance of the investment markets; for fiscal year ended June 30, 2010, overall revenues increased by $306,022,945 or 158.97 percent; and for fiscal year ended June 30, 2009, overall revenues decreased by $130,042,744 or 208.20 percent from the prior year. The investment section of this report reviews the details of results of investment activity for the fiscal year ended June 30, 2011.

EXPENSES – DEDUCTIONS FROM SYSTEM'S NET ASSETS

The System was created to provide lifetime retirement annuities, survivor benefits and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the plan, refunds of contributions to terminated employees, and the cost of administering the System.

Deductions for the fiscal year ended June 30, 2011, totaled $44,609,560 which was an increase of $2,082,761 or 4.90 percent over the prior fiscal year. The increase in benefits paid resulted primarily from an increase in the amount of contributions refunded to terminated members and increased benefit payments due to the number of retirees from the prior year.

The System's increases in total expenses have closely paralleled inflation and are reflective of the membership and services provided. The System has consistently met its Administrative Expense Budget. There are no material variances between planned expenditures and actual expenditures.

CHANGES IN PLAN NET ASSETS (CONDENSED)
FOR THE YEARS ENDED JUNE 30, 2011, 2010 AND 2009

	FY 2011	FY 2010	FY 2011 Increase/(Decrease) Amount	FY 2011 Increase/(Decrease) Percent
Additions (Declines)				
Employer Contributions	$8,214,569	$3,267,115	$4,947,454	151.43%
Employee Contributions	5,275,219	5,740,404	(465,185)	(8.10%)
Net Investment Income (Loss) *	188,925,406	104,511,346	84,414,060	80.77%
Total Additions (Declines)	$202,415,194	$113,518,865	$88,896,329	78.31%
Deductions				
Retiree Benefit Payroll	$39,900,410	$35,698,609	$4,201,801	11.77%
PRSB	1,587,450	4,247,837	(2,660,387)	(62.63%)
Refunds of Contributions	2,092,260	1,651,169	441,091	26.71%
Administrative Expenses	1,029,440	929,184	100,256	10.79%
Total Deductions	$44,609,560	$42,526,799	$2,082,761	4.90%
Increase (Decrease) in Plan Net Assets	157,805,634	70,992,066	86,813,568	122.29%
Beginning Plan Net Assets	806,570,870	735,578,804	70,992,066	9.65%
Ending Plan Net Assets	$964,376,504	$806,570,870	$157,805,634	19.57%

* Net of investment expense of $4,908,775 and $4,919,526 for June 30, 2011 and 2010, respectively.

Additions (Declines)	FY 2010	FY 2009	FY 2010 Increase/(Decrease) Amount	FY 2010 Increase/(Decrease) Percent
Employee Contributions	$ 5,740,404	$ 5,845,044	$ (104,640)	(1.79%)
Employer Contributions	3,267,115	1,345,274	1,921,841	142.86%
Net Investment Income (Loss) *	104,511,346	(199,694,398)	304,205,744	152.34%
Total Additions (Declines)	$ 113,518,865	$ (192,504,080)	$ 306,022,945	158.97%
Deductions				
Retiree Benefit Payroll	$ 35,698,609	$ 33,946,712	$ 1,751,897	5.16%
PRSB	4,247,837	5,084,478	(836,641)	(16.45%)
Refunds of Contributions	1,651,169	1,022,243	628,926	61.52%
Administrative Expenses	929,184	894,267	34,917	3.90%
Total Deductions	$ 42,526,799	$ 40,947,700	$ 1,579,099	3.86%
Increase (Decrease) in Plan Net Assets	70,992,066	(233,451,780)	304,443,846	130.41%
Beginning Plan Net Assets	735,578,804	969,030,584	(233,451,780)	(24.09%)
Ending Plan Net Assets	$ 806,570,870	$ 735,578,804	$ 70,992,066	9.65%

* Net of investment expense of $4,919,526 and $5,645,138 for June 30, 2010 and 2009, respectively.

SYSTEM'S FIDUCIARY RESPONSIBILITIES

The System's Board and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the assets must be used exclusively for the 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 creditors with a general overview of the City of Fresno Employees Retirement System's finances, and to show accountability for the funds it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to:

City of Fresno Employees Retirement System
2828 Fresno Street Suite 201
Fresno, California 93721-1327

Respectfully submitted,

Stanley L. McDivitt
Retirement Administrator

November 28, 2011

STATEMENT OF PLAN NET ASSETS AVAILABLE FOR BENEFITS
AS OF JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash (Note 5)	$1,303,391	$764,796
Collateral Held for Securities Lent (Note 7)	150,723,905	142,214,353
Receivables		
Receivables for Investments Sold	9,180,107	15,220,906
Interest and Dividends	3,324,085	3,393,367
Other Receivables	3,900,469	1,428,256
Total Receivables	**16,404,661**	**20,042,529**
Prepaid Expenses	102,840	102,213
Total Current Assets	**168,534,797**	**163,123,891**
Investments at Fair Value (Note 5)		
Domestic Equity	348,138,387	218,280,582
International Equity	192,794,516	202,815,365
Government Bonds	152,751,124	148,801,449
Corporate Bonds	118,962,688	110,948,213
Real Estate	92,317,681	74,491,333
Emerging Market Equity	42,596,639	38,344,041
Short Term Investments	25,564,561	23,960,114
Total Investments	**973,125,596**	**817,641,097**
Capital Assets Net of Accumulated Depreciation (Note 10)	50,633	55,268
Total Assets	**1,141,711,026**	**980,820,256**
LIABILITIES		
Collateral Held for Securities Lent (Note 7)	150,723,905	142,214,353
Payable for Investments Purchased	21,590,558	29,677,252
Other Liabilities	1,070,049	928,437
Payable for Foreign Currency Purchased	3,950,010	1,429,344
Total Liabilities	**177,334,522**	**174,249,386**
Net Assets Held In Trust for Benefits	**$964,376,504**	**$806,570,870**

THE NOTES TO THE FINANCIAL STATEMENTS ON PAGE 14 TO 27 ARE AN INTEGRAL PART OF THIS STATEMENT.

STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS		
Contributions (Note 3)		
Employer	$8,214,569	$3,267,115
System Members	5,275,219	5,740,404
Total Contributions	**13,489,788**	**9,007,519**
Investment Income		
Net Appreciation in Value of Investments	170,018,578	85,241,073
Interest	12,144,912	12,992,011
Dividends	11,137,342	10,719,644
Other Investment Related	45,526	46,707
Total Investment Income	193,346,358	108,999,435
Less: Investment Expense	(4,897,840)	(4,873,196)
Total Net Investment Income	**188,448,518**	**104,126,239**
Securities Lending Income		
Securities Lending Earnings (Note 7)	487,823	431,437
Less: Securities Lending Expense	(10,935)	(46,330)
Net Securities Lending Income	**476,888**	**385,107**
Total Additions	**202,415,194**	**113,518,865**
DEDUCTIONS		
Benefit Payments	39,900,410	35,698,609
Post Retirement Supplemental Benefits	1,587,450	4,247,837
Refunds of Contributions	2,092,260	1,651,169
Administrative Expense	1,029,440	929,184
Total Deductions	**44,609,560**	**42,526,799**
Net Increase	**157,805,634**	**70,992,066**
NET ASSETS HELD IN TRUST FOR BENEFITS		
BEGINNING OF THE YEAR	**806,570,870**	**735,578,804**
END OF THE YEAR	**$964,376,504**	**$806,570,870**

THE NOTES TO THE FINANCIAL STATEMENTS ON PAGE 14 TO 27 ARE AN INTEGRAL PART OF THIS STATEMENT.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE SYSTEM

The Employees Retirement System ("System") was established on June 1, 1939, and is governed by Article 5 of Chapter 3 of the City of Fresno Municipal Code. It is administered by the Retirement Board but not under the control of the City Council. The System is a single employer public employee retirement system that includes substantially all full-time employees, other than sworn officers of the Fire and Police Departments.

Total participants of the System were comprised as follows at June 30, 2011 and 2010:

	2011	2010
Active Members		
Vested	1,605	1,629
Non-vested	394	654
Total Active Members	1,999	2,283
Retirees and Beneficiaries of Deceased Retirees		
Currently Receiving Benefits	1,606	1,503
Inactive Vested Members	206	180
Total	3,811	3,966

Pension benefits are based upon a combination of age, years of service, monthly salary, and the option selected by the participant. Death and disability benefits are additionally based upon whether the death occurred before or after retirement. Members' contributions, including interest, are 100 percent vested at all times. Employer contributions do not become vested until completion of 5 years of credited service when they become 100 percent vested, but are not payable until the member attains the age of 55. Effective January 28, 2008, members may retire at age 50 with an actuarially equivalent service retirement benefit.

Contributions are made by the members and the employer at rates recommended by the System's independent actuary and adopted by the Retirement Board. Employee contribution rates vary according to age and are designed to provide funding for approximately one third of retirement benefit basic normal costs and one-half of the cost of living component.

The City's contribution rate is designed to provide funding for the remaining regular retirement and cost-of-living benefits, as well as all regular disability and survivors' benefits.

Cost-of-living increases for retirees under the Employees Retirement System are provided for in the Municipal Code, and are determined by changes in the Consumer Price Index.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Retirement System, with its own governing board, is an independent governmental entity separate and distinct from the City of Fresno. The System’s annual financial statements are included in the City of Fresno Annual Financial Report as a pension trust fund.

Basis of Accounting

The System uses the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plan as defined in Section 3-523 and 3-529 of the Municipal Code.

Securities lending transactions are accounted for in accordance with GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, which establishes reporting standards for securities lending transactions. In accordance with Statement No. 28, cash received as collateral on securities lending transactions and investments made with that cash are reported as assets and liabilities, and the results from these transactions are reported in the Statement of Plan Net Assets. In addition, the costs of securities lending transactions are reported as an expense in the Statement of Changes in Plan Net Assets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Valuation of Investments

System investments are reported at fair value, calculated as cost plus unrealized gains or losses. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage-backed pass-through certificates are carried at fair value.

Cost values, as shown, are derived from Master Custodial Transaction Records. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the System administrator to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results may differ from those estimates.

Date of Management's Review

Subsequent Events were evaluated through November 28, 2011, which is the date the finacial statements were available to be issued.

NOTE 3. CONTRIBUTIONS

Authority to Collect

The responsibility for both City and employee contributions to the System is mandated by the City of Fresno Municipal Code Sections 3-523 and 3-529.

Funding Status & Method

The funding ratio as of June 30, 2010 was 122.5% using the projected unit credit cost method. The System's actuary uses a five year smoothing of market gains and losses above and below the assumed actuarial rate of return to derive the actuarial value of assets. As of the fiscal year ended June 30, 2010, the actuarial value of assets was $926.4 million.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

The liability is being funded on the Projected Unit Credit Cost method and currently has a Prefunded Actuarial Accrued Liability (PAAL). Under this method, the employer contribution rate provides for the current cost (normal cost) plus a level percentage of payroll to amortize any prefunded actuarial accrued liability (PAAL). Actuarial gains and losses are incorporated into the PAAL and are amortized over a 15-year period.

The progress being made towards meeting the System's funding objective through June 30, 2010 is illustrated in the Schedule of Funding Progress shown below and in the Required Supplemental Schedule on page 31.

NOTE 3. CONTRIBUTIONS CONTINUED

SCHEDULE OF FUNDING PROGRESS
FOR THE THREE YEARS ENDING JUNE 30, 2011

(Dollars in Millions)

Actuarial Valuation Date	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) (Prefunded) / Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) (Prefunded) / Unfunded AAL Percentage of Covered Payroll (4) / (5)
2008	$981	$690	142.2%	$(291)	$133	(218.7)%
2009	$958	$715	133.9%	$(243)	$139	(174.3)%
2010	$926	$756	122.5%	$(170)	$131	(129.6)%

The valuation interest rate is 8.00%; total salary scale increases of 3.50% (3.50% for inflation) plus 0.50% across the board salary increase; plus merit and promotion increases based on completed years of service were based on the June 30, 2009 Experience Analysis and the June 30, 2010 Economic Assumptions Report.

These actuarial assumptions were adopted by the Retirement Board on December 8, 2010 for implementation as of July 1, 2011.

LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2010
Actuarial Cost Method	Projected Unit Credit Actuarial Cost Method Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.
Amortization Method	Level Percentage of Payroll for UAAL or Prefunded Actuarial Accrued Liability
Remaining Amortization Period	15 Year open (subject to change) non-declining period for all Prefunded Actuarial Accrued Liability; No UAAL currently exists
Asset Valuation Method	Actuarial Value of Assets, determined by phasing in (5 year Smoothed Market Value) any differences between the actual and expected return on market value of assets over 5 years.
Actuarial Assumptions	
Investment Rate of Return	8.00%
Projected Salary Increases	4.60% Plus Merit and Promotion increases (Service and Age)
Attributed to Inflation	3.50%
Cost of Living Adjustments	3.50%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation and investment returns. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 3. CONTRIBUTIONS CONTINUED

Funding Policy

The Employer currently funds, at a minimum, the amounts recommended by the actuary and approved by the Retirement Board. Such amounts are determined using the projected unit credit method. This method produces an employer contribution rate consisting of amounts for (a) normal cost and (b) amortization of any unfunded or prefunded actuarial accrued liability. However, prefunded actuarial accrued liability or excess earnings and prepaid City contributions deposited into the System have partially funded the fiscal year 2011, 2010 and 2009 City contributions.

These minimum contributions are recognized currently in the statement of changes in net assets available for benefits. Employees' contributions are funded and recognized currently through payroll deductions in amounts recommended by the actuary. Costs of administering the System are charged against System assets.

Total contributions to the System for fiscal year 2011 totaled $13,489,788. Employees contributed $5,275,219 and the City contributions of $8,214,569. The remaining Employer contributions were offset by the prefunded actuarial accrued liability of the System.

Contributions aggregating $13,489,788 ($8,214,569 employer contributions and $5,275,219 employee contributions) were made in fiscal year 2011, based on an actuarial valuation determined as of June 30, 2009, which became effective for the year ended June 30, 2010. During fiscal year 2011, the Employer contribution rate was set at 11.09%; however, only a cash contribution of $8,214,569 was required from the City due to the use of prefunded actuarial accrued liability of the System. Employer and System member contributions represented 6.89 percent and 4.42 percent, respectively, of the fiscal year 2011 covered payroll.

Contributions aggregating $9,007,519 ($3,267,115 employer prepaid contributions and $5,740,404 employee contributions) were made in fiscal year 2010, based on an actuarial valuation determined as of June 30, 2008, which became effective for the year ended June 30, 2010. During fiscal year 2010, the Employer contribution rate was set at 10.62%; however, no cash contributions were required from the City as the employer contribution came from prepaid contributions of $3,267,115 on deposit with the System and the prefunded actuarial accrued liability of the System. Employer and System member contributions represented 2.53 percent and 4.44 percent, respectively, of the fiscal year 2010 covered payroll.

Contributions Required and Contributions Made

The employer's required normal contributions to the System for fiscal year 2011 were partially offset by the System's prefunded actuarial accrued liability in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 2009, as follows:

Normal Cost:

Required Annual Contribution Amount	$13,225,958
Less: Prefunded Actuarial Accrued Liability Applied	(5,011,389)
Net Employer Contributions	$8,214,569
Pensionable Payroll Amount (Fiscal Year 2011)	$119,260,220

NOTE 4. NET ASSETS AVAILABLE FOR BENEFITS

Net assets available for benefits are segregated into Active Members Reserve (members' accumulated contributions) and reserves established by the Board for various benefit payments.

Reserves are established by the System from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. Note: The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due.

The System's major reserves are as follows:

ACTIVE MEMBER RESERVES represent the total accumulated member contributions. Additions include member contributions and investment earnings; deductions include refunds of member contributions and transfers to Employer Advance/Retired Reserves.

EMPLOYER ADVANCE/RETIRED RESERVES represent the total accumulated employer contributions for future retirement payments to current active and vested terminated members and the total accumulated transfers from Active Member Reserves and investment earnings, less payments to retired members and transfers to the DROP Reserve. Additions include contributions from the employer, transfers from Active Member Reserve and investment earnings; deductions include payments to retired members and transfers to the DROP Reserve.

NOTE 4. NET ASSETS AVAILABLE FOR BENEFITS CONTINUED

DEFERRED RETIREMENT OPTION PROGRAM RESERVE ("DROP RESERVE") represents funds reserved for Deferred Retirement Option Benefits accumulated by members and retirees.

POST RETIREMENT SUPPLEMENTAL RESERVE represents surplus earnings that have been allocated but not distributed to eligible retirees in accordance with Municipal Code Section 3-567 "Post-Retirement Supplemental Benefit."

CITY SURPLUS RESERVE represents surplus earnings that have been allocated but not used as a reduction to offset or eliminate the City's pension contributions in accordance with the conditions and requirements of Municipal Code Section 3-567 "Post-Retirement Supplemental Benefit."

Interest is allocated at an actuarially determined interest rate as approved by the Board and is credited monthly to the Active Member Reserve and the Employer Advance/Retired Reserves. Active members in the Deferred Retirement Option Program accrue interest on their accumulated DROP accounts monthly at an interest rate annually adopted by the Board.

The amount of reserves for the year ended June 30, 2011 and 2010 consisted of the following (in thousands):

	2011	2010
Employer Advance/Retired Reserves	$805,667	$642,762
Active Member Reserves	99,819	106,658
DROP Reserves	61,642	57,178
PRSB Reserves	212	1,531
City Surplus Reserves	(2,963)	(1,558)
Net Assets Available for Benefits	$964,377	$806,571

NOTE 5. DEPOSITS AND INVESTMENTS

The System's investment guidelines reflect the duties imposed by an investment standard known as the "prudent expert rule." The prudent expert rule establishes a standard for all fiduciaries which includes anyone who has discretionary authority with respect to the System's investments.

Northern Trust serves as custodian of the System's investments. The System's asset classes include U.S. Equity, International Equity, Emerging Market Equity, U.S. Fixed Income, and Real Estate. Any class may be held in direct form, pooled form, or both. The System has fourteen external investment managers, managing eighteen individual portfolios.

Investments at June 30, 2011 and 2010 consist of the following (in thousands):

	2011	2010
Investments at Fair Value		
Domestic Equity	$348,138	$218,281
International Equity	192,794	202,815
Government Bonds	152,751	148,802
Corporate Bonds	118,963	110,948
Real Estate	92,318	74,491
Emerging Market Equity	42,597	38,344
Short Term Investments	25,565	23,960
Total Investments at Fair Value	$973,126	$817,641

NOTE 5. DEPOSITS AND INVESTMENTS CONTINUED

The Board has established a policy for investing, specifying the following target allocations with a minimum and maximum range for each of these asset classes:

Asset Class	Minimum	Target	Maximum
Large Cap Equities	18.5%	22.5%	26.5%
Small Capital Equities	4.5%	7.5%	10.5%
International Equities	18.0%	22.8%	29.0%
Emerging Market Equities	2.0%	7.2%	9.0%
Real Estate	8.0%	10.0%	12.0%
Domestic Fixed Income	20.0%	25.0%	30.0%
High Yield Bonds	0.0%	5.0%	8.0%
Cash	0.0%	0.0%	2.0%
		100%	

Allowable securities must meet the reporting requirements of the Securities and Exchange Commission and must meet a "prudent expert" standard for investing. In no case may the System have five or more percent of System net assets invested in any one organization.

The Board's investment policies and guidelines permit investment in numerous specified asset classes to take advantage of the non correlated economic behavior of diverse asset classes. The result is a well-diversified portfolio.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Retirement System investment securities are not exposed to custodial credit risk since all securities are registered in the Systems' name and held by the Systems' custodial bank.

Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the System will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Any cash associated with the System's investment portfolios not invested at the end of a day are temporarily swept overnight to Northern Trust Collective Short-Term Investment Fund.

That portion of the System's cash held by the City in a Trust account as part of the City's cash investment pool totaled $29,473 and $28,123 at June 30, 2011 and 2010, respectively. Accordingly the System's Investments in the pool are held in the name of the City and are not specifically identifiable.

Disclosure of the legal and contractual provisions of the City's investment policy and carrying amounts by type of investments may be found in the notes to the City's separate Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

NOTE 5. DEPOSITS AND INVESTMENTS CONTINUED

Credit and Interest Rate Risk

Credit risk associated with the System's debt securities is identified by their ratings in the table below. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The System has no general policy on credit and interest rate risk. The System limits its investments in below investment grade bonds and monitors the interest rate risk inherent in its portfolio by measuring the duration of its portfolio.

The average duration of the System's debt portfolios in years is also listed in the table below:

	2011			2010		
Type of Investment	Fair Value	Credit Quality	Duration	Fair Value	Credit Quality	Duration
Asset Backed Securities	$ 1,581,796	BBB-	1.89	$ 1,519,188	BBB+	1.81
Commercial Mortgage-Backed	5,789,506	AA+	3.29	7,524,071	AA+	3.82
Corporate Bonds	99,690,925	BBB-	5.05	90,168,710	BBB-	5.56
Corporate Convertible Bonds	2,887,071	B-	6.21	3,292,936	B-	3.17
Guaranteed Fixed Income	540,273	AA+	1.11	1,678,547	AAA	1.58
Non-Government backed C.M.O.s	5,303,051	B+	3.19	5,755,132	B	2.17
Convertible Equity	1,030,266	B+	5.96	814,642	B	8.11
Other Fixed Income	46,575	NR	13.00	37,422	NR	0.00
Common Stock	1,108,165	NR	13.00	-	NR	0.00
Preferred Stock	985,060	BB-	4.67	157,566	CC	7.72
Government Agencies	7,437,514	AAA	3.67	9,633,947	AAA	4.32
Government Bonds	51,606,222	AAA	4.18	54,981,595	AAA	4.46
Government Mortgage Backed Securities	86,015,572	AAA	2.29	79,942,647	AAA	2.77
Index Linked Government Bonds	10,029	CC	1.32	131,336	BB-	1.00
Municipal/Provincial Bonds	7,681,787	A-	10.01	4,111,923	A	9.57
Total Credit Risk Fixed Income	$ 271,713,812			$ 259,749,662		

Per section 5.4(6) of the System's Investment Policy Statement, no more than 15 percent of an investment manager's fixed income portfolio may be invested in below investment grade rated securities (BB or B rated bonds). Therefore, at least 85 percent of the manager's fixed income portfolio must be invested in investment grade securities. Intermediate Bond portfolios shall maintain an average credit quality of A+ or better.

High yield fixed income portfolios, in accordance with section 5.4(7) of the Systems' Investment Policy Statement, shall maintain an average credit quality rating of at least B1/B+ at all times. No more than 20 percent of a high yield manager's portfolio may be invested in bonds rated Caa1/CCC+ or lower with non-rated bonds being limited to 5 percent of the portfolio with both limits subject to maintaining the average portfolio credit quality requirement of B1/B+. No more than 25 percent of a high yield manager's portfolio may be invested in foreign securities; and within this limit up to 15 percent of the portfolio may be invested in non-US dollar denominated securities.

Firms that manage fixed income portfolios will continually monitor the risk associated with their fixed income investments. They will be expected to report as a component of their quarterly report, a risk/reward analysis of the management decisions relative to their benchmarks. Statistics that relate performance variance to effective duration decisions will be included in each quarterly report.

NOTE 5. DEPOSITS AND INVESTMENTS CONTINUED

Concentration Risk

The Investment portfolio as of June 30, 2011 and 2010 contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5 percent or more of the total investment portfolio.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The System has no general investment policy with respect to foreign currency risk. The System's investment policy guidelines allow international developed and emerging equity managers to hedge their currency risks in foreign countries through the purchase of derivatives. Used as a defensive measure and in an effort to control the risks associated with international portfolios, international equity investment managers are permitted to invest in forward currency contracts, swaps currency futures, and exchanged-traded index futures that represent broad equity exposure to countries represented in their respective benchmark index.

The following positions represent the System's exposure to foreign currency risk as of June 30, 2011, and 2010.

2011 Base Currency		Country	Equities / Fixed Income	Foreign Currency Contracts	Rights & Warrants	Cash & Cash Equivalents	Total
AUD	Australian Dollar	Australia	$13,280,069	$(1,026)	$-	$19,989	$13,299,032
BRL	Brazilian Real	Brazil	4,496,826	-	-	436,742	4,933,568
CAD	Canadian Dollar	Canada	6,604,332	-	-	-	6,604,332
CHF	Swiss Franc	Switzerland	12,483,677	1,096	-	44,444	12,529,217
CLP	Chilean Peso	Chile	(121,096)	(701)	-	-	(121,797)
COP	Colombian Peso	Colombia	124,244	-	-	-	124,244
CZK	Czech Koruna	Czech Repbulic	209,725	-	-	-	209,725
DKK	Danish Krone	Denmark	4,824,887	(1,908)	-	-	4,822,979
EGP	Egyptian Pound	Egypt	25,926	-	-	-	25,926
EUR	Euro	Europe	47,785,529	(4,114)	-	4,976	47,786,391
GBP	British Pound Sterling	United Kingdom	36,855,016	25	-	-	36,855,041
HKD	Hong Kong Dollar	Hong Kong	14,557,828	(2)	-	26,656	14,584,482
HUF	Hungarian Forint	Hungary	564,146	-	-	3,558	567,704
IDR	Indonesian Rupiah	Indonesia	2,044,838	-	-	68,629	2,113,467
ILS	New Israeli Shekel	Israel	159,966	-	-	-	159,966
INR	Indian Rupee	India	2,171,555	-	-	2,966	2,174,521
JPY	Japanese Yen	Japan	31,027,889	32	-	-	31,027,921
KRW	South Korean Won	South Korea	9,119,420	-	-	2,720	9,122,140
MXN	Mexican Peso	Mexico	1,376,214	-	-	44,517	1,420,731
MYR	Malaysian Ringgit	Malaysia	947,065	-	-	-	947,065
NOK	Norwegian Krone	Norway	4,305,549	-	-	-	4,305,549
PHP	Philippine Peso	Phillipines	121,620	-	-	-	121,620
PLN	Polish Zloty	Poland	569,205	(11)	-	-	569,194
SEK	Swedish Krona	Sweden	7,712,647	-	-	-	7,712,647
SGD	Singapore Dollar	Singapore	4,373,479	-	-	15,747	4,389,226
THB	Thai Baht	Thailand	810,590	-	-	2	810,592
TRY	Turkish Lira	Turkey	1,414,766	-	-	-	1,414,766
TWD	New Taiwan Dollar	Taiwan	3,275,363	-	-	-	3,275,363
USD	United States Dollar	United States	-	3,324	5,532	-	8,856
ZAR	South African Rand	South Africa	4,674,678	(1,075)	-	46,977	4,720,580
Total Equities (In USD)			215,795,953	(4,360)	5,532	717,923	216,515,048
Total Non-USD Equities (In USD)			$215,795,953	$(7,684)	$-	$717,923	$216,506,192

NOTE 5. DEPOSITS AND INVESTMENTS CONTINUED

2010

Base Currency		Country	Equities / Fixed Income	Foreign Currency Contracts	Rights & Warrants	Cash & Cash Equivalents	Total
AUD	Australian Dollar	Australia	$ 12,063,735	-	-	$ 408	$ 12,064,143
BRL	Brazilian Real	Brazil	4,293,558	-	-	34,325	4,327,883
CAD	Canadian Dollar	Canada	4,443,985	-	-	3,954	4,447,939
CHF	Swiss Franc	Switzerland	12,060,954	-	-	79,230	12,140,184
COP	Colombian Peso	Colombia	319,218	-	-	-	319,218
DKK	Danish Krone	Denmark	3,853,582	-	-	19,418	3,873,000
EGP	Egyptian Pound	Egypt	559,664	-	-	-	559,664
EUR	Euro	Europe	48,875,954	$ (269)	-	86,711	48,962,396
GBP	British Pound Sterling	United Kingdom	33,854,427	748	-	14,601	33,869,776
HKD	Hong Kong Dollar	Hong Kong	15,407,363	-	$ 1,348	254,647	15,663,358
HUF	Hungarian Forint	Hungary	127,679	21,874	-	-	149,553
IDR	Indonesian Rupiah	Indonesia	1,998,123	-	-	16,907	2,015,030
ILS	New Israeli Shekel	Israel	510,679	-	-	-	510,679
INR	Indian Rupee	India	2,885,582	-	-	4,443	2,890,025
JPY	Japanese Yen	Japan	39,812,058	(74)	-	104,826	39,916,810
KRW	South Korean Won	South Korea	5,684,520	-	-	-	5,684,520
MXN	Mexican Peso	Mexico	1,762,399	-	-	-	1,762,399
MYR	Malaysian Ringgit	Malaysia	372,761	-	-	-	372,761
NOK	Norwegian Krone	Norway	2,895,899	-	-	23,199	2,919,098
NZD	New Zealand Dollar	New Zealand	180,796	-	-	8,349	189,145
PHP	Philippine Peso	Phillipines	124,759	-	-	-	124,759
PLN	Polish Zloty	Poland	382,444	(20)	-	-	382,424
SEK	Swedish Krona	Sweden	5,882,826	-	-	2,343	5,885,169
SGD	Singapore Dollar	Singapore	6,201,189	-	2,252	25,399	6,228,840
THB	Thai Baht	Thailand	1,016,443	-	-	-	1,016,443
TRY	Turkish Lira	Turkey	2,255,014	1,335	-	-	2,256,349
TWD	New Taiwan Dollar	Taiwan	3,620,497	-	-	37,191	3,657,688
USD	United States Dollar	United States	-	323	-	-	323
ZAR	South African Rand	South Africa	4,169,317	(1,953)	-	2,925	4,170,289
Total Equities (In USD)			215,615,425	21,964	3,600	718,876	216,359,865
Total Non-USD Equities (In USD)			$ 215,615,425	$ 21,641	$ 3,600	$ 718,876	$ 216,359,542

NOTE 5. DEPOSITS AND INVESTMENTS CONTINUED

Per section 5.4(5) of the System's Investment Objectives and Policy Statement, assets in international equity portfolios will be primarily composed of foreign ordinary shares and ADR's. Primarily large capitalization securities may be held, although investments in small and mid capitalization securities are also allowed. Firms will continually monitor their country, currency, sector and security selection risks associated with their international portfolios. All of the risks will be included in the manager's quarterly reports and performance attribution based on these factors will also be included.

The System's complete Investment Objectives and Policy Statement can be found on the System's website at www.CFRS-CA.org or by contacting the Retirement Office at 2828 Fresno Street, Suite 201, Fresno, CA 93721.

NOTE 6. DERIVATIVES

The Retirement Board has authorized certain investment managers to invest in or otherwise enter into transactions involving derivative financial instruments when, in the judgment of management, such transactions are consistent with the investment objectives established for a specific investment manager's assignment. The acceptable investment purposes for the use of derivatives are as follows:

a. Mitigation of risk (or risk reduction).

b. A useful substitute for an existing, traditional investment.

c. To provide investment value to the portfolio while being consistent with the System's overall and specific investment policies.

d. To obtain investment exposure which is appropriate for the manager's investment strategy and the System's investment guidelines, but which could not be made through traditional investment securities.

The Retirement Board monitors and reviews each investment manager's securities and derivative position as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall portfolio performance and cannot be evaluated in isolation.

Derivative financial instruments held by the System consist of the following:

Cash securities that contain derivative features, include callable bonds, structural notes and collateralized mortgage obligations (CMO's). These instruments are generally traded in over-the-counter bond markets.

Financial instruments whose value is dependent upon a contractual price or rate relative to one or more reference prices or rates, applied to a notional amount, including interest rate futures, options, swaps and caps, and foreign currency futures and forward contracts. Some of these instruments are exchange-traded and others are traded over-the-counter (OTC).

Market Risk

Market risk is the risk of change in value of an instrument in response to changes in a market price or index. While all investments are subject to market risk, derivatives often have a higher degree of market risk than other types of investment instruments. Values of cash securities containing derivative features are often more susceptible to market risk than other types of fixed income securities, because the amounts and/or timing of their scheduled cash flows may fluctuate under changing market conditions, according to their contractual terms. For other types of derivatives, amounts of contractual cash flows may be either positive or negative depending upon prevailing market conditions relative to the reference prices or rates, and thus the values of such instruments may be positive or negative, despite the fact that little or no cash is initially exchanged to enter into such contracts.

Credit Risk

Credit risk of cash securities containing derivative features, as explained, is based upon the credit worthiness of the issuers of such securities. The Retirement Board establishes minimum credit requirements for such securities. The other derivative instruments described above are subject to credit risk to the extent their value is a positive market value, and the counter party to such contract fails to perform under the terms of the instrument.

NOTE 6. DERIVATIVES CONTINUED

Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchanges margin requirements. Equity Index Swaps are derivatives and represent an agreement between two parties to swap two sets of equity values. Equity Futures are contracts used to replicate an underlying stock market index. These equity futures can be used for hedging against an existing equity position, or speculating on future movements of the index.

As of June 30, 2011 and 2010, the Employees Retirement System held a total value of $2,745,470 and $1,608,988 respectively in derivative holdings. These holdings consisted of Right/Warrants, Foreign Currency Forwards and Futures designed to synthetically created equity returns held as components of the System's international equity investments, and S&P 500 E Mini Index Futures, S&P MidCap 400 E MINI Index Futures and a variety of ACWIxUS index related futures as components of the System's investments in its international equity portfolios, BlackRock S&P 500 Equity Index, Russell 1000, and ACWIexUS Funds. These derivatives are used for the purpose of synthetically creating equity returns, synthetically creating floating rates and to buy and sell credit protection on the assets.

There is no net counterparty exposure for which there is a positive replacement cost to the fund. The details of these derivative holdings are as follows:

Derivative Type:	FY 2011		FY 2010	
	Notional Amount	Fair Value	Fair Value	FY 2011 - FY 2010 Change in Fair Value
Rights/Warrants	434*	5,532	3,600	1,932
Foreign Currency Forward	$(4,360)	(4,360)	21,964	(26,324)
Future Contracts - Domestic Equity Index	-	2,317,842	1,583,424	734,418
Future Contracts - International Equity Index	-	426,456	-	426,456
Total		2,745,470	1,608,988	

Derivative Type:	FY 2010		FY 2009	
	Notional Amount	Fair Value	Fair Value	FY 2010 - FY 2009 Change in Fair Value
Rights/Warrants	212,983*	$3,600	$243,523	$(239,923)
Foreign Currency Forward	$21,964	21,964	22,770	(806)
Future Contracts - Domestic Equity Index	-	1,583,424	431,196	1,152,228
Swaps	-	-	19,488	(19,488)
Total		1,608,988	716,977	

* SHARES

NOTE 7. SECURITIES LENDING

The City of Fresno Municipal Code and the Retirement Board's policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Systems have contracted with Northern Trust, their custodian, to manage the securities lending program for the Systems and all securities held in a separately managed account are available for lending. As securities lending agent, Northern Trust calculates collateral margins and accepts collateral in the form of cash or marketable securities and irrevocable bank letters of credit for all securities lending transactions. Transactions are collateralized at 102 percent of market value (contract value) for domestic securities and 105 percent of market value (contract value) for international securities. Collateral is marked to market daily. When a loan is secured by cash, a rebate is negotiated and the cash collateral is invested according to the guidelines in the collateral pool.

As designated by the Board, cash collateral is invested in Northern Trust's Core U.S.A. Collateral Section (short-term investment pool), which, as of June 30, 2011 had a weighted average duration of 21 days, average maturity is 102 days and an average monthly yield of 0.29 percent. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the Northern Trust Core U.S.A. Collateral Section and a definitive statement of that relationship cannot be formulated by the System. As of June 30, 2011, the CORE USA Cash Collateral Fund had 0.15 percent exposure in below investment grade long-term securities and there were no known credit risks related to the securities lending transactions.

Northern Trust will ensure that, in any agreement with a borrower, it retains its absolute right to terminate the agreement without cause, upon short notice and without any penalty. The System cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, Northern Trust indemnifies the System against losses and will replace or reimburse the System for any borrowed securities not replaced. In general, the average term of all System loans is overnight or "on demand". All securities loans can be terminated on demand by either the lender or the borrower, although the average term of the System's loans was approximately 88 days as of June 30, 2011.

SECURITIES LENDING INCOME
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Gross Income	$487,823	$431,437
Expenses:		
Borrower Rebates	(108,171)	(44,136)
Bank Fees	119,106	90,466
Total Expenses	10,935	46,330
Net Income from Securities Lending	$476,888	$385,107

NOTE 7. SECURITIES LENDING CONTINUED

FAIR VALUE OF LOANED SECURITIES
AS OF JUNE 30, 2011 AND 2010

	FY 2011			FY 2010		
Collateralized by	Cash	Securities	Total	Cash	Securities	Total
U.S. Government & Agency	$ 41,888,501	$ 569,119	$ 42,457,620	$ 44,636,875	$ -	$ 44,636,875
Domestic Equities	74,698,942	8,641	74,707,583	53,363,656	112,404	53,476,060
Domestic Fixed	14,566,461	-	14,566,461	13,301,388	-	13,301,388
International Equities	15,562,431	122,977	15,685,408	26,367,306	30,751	26,398,057
Total Value	$ 146,716,335	$ 700,737	$ 147,417,072	$ 137,669,225	$ 143,155	$ 137,812,380

FAIR VALUE OF COLLATERAL RECEIVED FOR LOANED SECURITIES
AS OF JUNE 30, 2011 AND 2010

	FY 2011			FY 2010		
Collateralized by	Cash	Securities	Total	Cash	Securities	Total
U.S. Government & Agency	$ 42,766,125	$ 581,222	$ 43,347,347	$ 45,571,885	$ -	$ 45,571,885
Domestic Equities	76,106,560	8,800	$ 76,115,360	55,015,574	115,696	55,131,270
Domestic Fixed	14,849,758	-	$ 14,849,758	13,673,176	-	13,673,176
International Equities	16,284,783	126,657	$ 16,411,441	27,805,542	32,479	27,838,021
Total Value	$ 150,007,226	$ 716,679	$ 150,723,906	$ 142,066,177	$ 148,175	$ 142,214,352

NOTE 8. ADMINISTRATIVE EXPENSES

Section 3-532 of the Fresno Municipal Code provides that all administrative costs of the System shall be a charge against the assets of the System. Per the Municipal Code, the Administrative expenses are a component of the City's contribution calculation.

NOTE 9. POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB)

The System is not obligated to provide for or fund any other post-employment benefits as retirees do not receive paid healthcare benefits from the System. The Post-Retirement Supplemental Benefit ("PRSB") Program was created as a contingent program to provide supplemental distributions to eligible retirees which they could use to pay for various post-retirement expenses. The Retirement Board will annually review the actuarial valuation report and declare an actuarial surplus, if available, in accordance with the procedures in Municipal Code Section 3-567.

If an actuarial surplus is declared by the Board, the surplus is allocated into two components. One component composed of two-thirds of the declared surplus shall be used to reduce or eliminate the City's pension contributions. Any unused portion shall be reserved in the City Surplus Reserve and drawn upon in subsequent years if needed. The remaining one-third component shall be distributed among eligible post-retirement supplemental benefit recipients in accordance with procedures in Municipal Code Section 3-567(f)(4). Any unused portion shall be reserved in the PRSB Reserve and drawn upon in subsequent years if needed.

For the fiscal year ended June 30, 2011, the System distributed PRSB benefits in the amount of $1,587,450 to eligible retirees and offset required City pension contributions by $586,532. As of June 30, 2011, the City Surplus Reserve balance was ($2,963,201) and the PRSB Reserve balance was approximately $211,740, of which $211,740 is committed for PRSB distribution for the months of July through December 2011.

The City Surplus Reserve balance as of June 30, 2011 represents a City contribution shortfall for fiscal year 2011. This contribution shortfall is a result of the difference between the actual and the projected June 30, 2010 surplus which was allocated to the City in the June 30, 2009 actuarial valuation used for setting the City's contribution rate for fiscal year 2011.

The City's normal contribution rate for fiscal year 2012 has factored in the contribution shortfall to recover the shortfall reflected in the City Surplus Reserve balance.

NOTE 10. CAPITAL ASSETS

Capital assets are carried at cost, net of accumulated depreciation. Capital assets with an initial cost of $250 or more and an estimated useful life in excess of one year are capitalized and depreciated using the straight-line method. Capital assets presently consist of furniture for the System's Retirement Offices located at 2828 Fresno Street, Fresno, California.

NOTE 11. LEASES

Under the lease agreement with CFRS Realty Holding Corporation, the holding corporation formed jointly by the Retirement Boards to take ownership of the building, effective September 19, 2005, the City of Fresno Employees and City of Fresno Fire and Police Retirement Boards and their staff occupy approximately 7,900 square feet of the second floor of the renovated building at 2828 Fresno Street. The term of the lease is ten years with an option for two additional five year extensions.

Under the terms of the lease agreement the Systems share equally a base rent of $10,706 per month which amounts to $1.35 per square foot per month, triple net.

NOTE 12. RELATED PARTY TRANSACTIONS

The Retirement System is involved in various business transactions with the City of Fresno, the primary plan sponsor. These include reimbursement to the City for the salary and benefits of Retirement Staff members paid through the City, reimbursement to the City Personnel Department for personnel consulting services, and reimbursement to the City Information Services Department for computer and telephone support.

The Retirement Systems lease office space from the CFRS Realty Holding Corporation, a title holding company controlled jointly by the City of Fresno Employees and City of Fresno Fire and Police Retirement Systems. See note 11 for a description of this arrangement.

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Required Supplemental Schedules

Required Supplemental Schedules

The information presented in the supplemental schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information, as of the most recent actuarial valuation date, June 30, 2010, is as follows:

1. SCHEDULE OF FUNDING PROGRESS

Historical trend information, restated in accordance with GASB 25 and designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due, is as follows:

(Dollars in Millions)

Actuarial Valuation Date	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) (Prefunded) / Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) (Prefunded) / Unfunded AAL Percentage of Covered Payroll (4) / (5)
2010	$926	$756	122.5%	$(170)	$131	(129.6)%
2009	$958	$715	133.9%	$(243)	$139	(174.3)%
2008	$981	$690	142.2%	$(291)	$133	(218.7)%
2007	$927	$631	146.8%	$(295)	$122	(241.5)%
2006	$848	$614	138.1%	$(234)	$111	(209.7)%
2005	$791	$566	139.8%	$(225)	$103	(219.7)%
2004	$742	$554	133.8%	$(187)	$100	(187.9)%
2003	$699	$546	128.1%	$(153)	$97	(157.4)%
2002	$749	$530	141.3%	$(219)	$93	(235.2)%
2001	$782	$501	156.2%	$(281)	$90	(311.9)%

2. SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollars in Thousands)

Year Ended June 30	Actuarially Required Contribution	Contributions as a % of ARC
2011	$ 8,215	100%
2010	$ 3,267	100%
2009	$ 1,345	100%
2008	$ 355	100%
2007	$ 1,566	100%
2006	$ 0	100%
2005	$ 0	100%
2004	$ 0	100%
2003	$ 0	100%
2002	$ 0	100%

NOTES TO THE REQUIRED SUPPLEMENTAL SCHEDULES
JUNE 30, 2011 AND 2010

ACTUARIAL ASSUMPTIONS

The Segal Company, the System's actuary, performed an actuarial valuation as of June 30, 2010. The actuarial assumptions used to compute the contribution requirements and to determine funding status are as follows:

1. Annual inflation is assumed at 3.50%.
2. Annual investment return is assumed to be 8.00%.
3. The City contribution rate is set at 10.21% (normal cost of 10.70% is offset by applying prefunded actuarial accrued liability of 2.91% and the city required contribution of 10.21%, which includes 2.42% for the contribution shortfall from the prior year).
4. Average employee contribution rate is 5.53%, (basic only) although individual rates depend upon entry age.
5. Accrued benefits and costs are calculated using the projected unit credit method.
6. Withdrawal, disability and salary increase assumptions are based on actual System experience.
7. Post retirement mortality assumptions are based on the Society of Actuaries' RP-2000 Combined Healthy Mortality Table, (separate tables for males and females) set back two years.
8. Post retirement mortality assumptions for disabled are based on the Society of Actuaries' RP-2000 Combined Healthy Mortality Table (separate tables for males and females) set forward four years.
9. Actuarial valuation of assets is based upon a five-year smoothed recognition of realized and unrealized capital gains and losses which are more or less than the actuarial assumed return of 8.00%.
10. Projected salary Increase assumption is assumed to be 3.50% plus 0.50% across the board salary increases, plus merit and promotion increases based on completed years of service.
11. Post retirement benefit increases are based on CPI for each year to a maximum of 3.50% per year.
12. The amortization period for Prefunded Actuarial Accrued Liability is an open non-declining 15-year period.

These actuarial assumptions were adopted by the Retirement Board on December 8, 2010 for implementation as of July 1, 2011.

Supplemental Schedules

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Personnel Services		
Staff Salaries	$320,178	$319,079
Fringe Benefits	99,715	64,978
Total Personnel Services	$419,893	$384,057
Professional Services		
Actuarial	$108,383	$108,856
Legal Counsel	80,169	65,067
Information Systems Services	32,832	30,838
Specialized Services	104,148	51,969
Total Professional Services	$325,532	$256,730
Communication		
Printing	$33,890	$32,398
Telephone	4,564	6,511
Postage	2,336	2,137
Total Communication	$40,790	$41,046
Rentals		
Office Rent	$64,241	$64,241
Common Area Maintenance (CAM) Charges	20,144	24,639
Total Office Rent	$84,385	$88,880
Other		
Education and Conference	$22,232	$20,829
Membership & Dues	2,648	1,924
Subscriptions & Publications	102	291
Office Supplies	6,025	4,776
Equipment Lease	725	-
Insurance	96,153	103,651
Miscellaneous	4,183	2,793
Reimbursement to City for Services	21,496	18,943
Depreciation	5,276	5,264
Total Other	$158,840	$158,471
Total Administrative Expenses	$1,029,440	$929,184

SCHEDULE OF INVESTMENT MANAGEMENT FEES AND OTHER INVESTMENT EXPENSES

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Investment Manager Fees		
Equity		
Domestic	$1,021,299	$1,113,362
International	1,782,348	1,404,147
Fixed Income		
Domestic	495,053	548,292
Real Estate	561,303	664,094
Total Investment Manager Fees	3,860,003	3,729,895
Other Investment Expenses		
Foreign Income Taxes	882,222	811,419
Custodial Services	42,760	44,811
Investment Consultant	103,184	100,843
Investment Legal Counsel	4,056	1,952
Analytical Database Service	5,615	5,642
Prepaid Employer Contribution Interest Expense	-	178,634
Total Other Investment Expenses	1,037,837	1,143,301
Total Fees & Other Investment Expenses	4,897,840	4,873,196
Securities Lending Expenses		
Borrowers Rebates	(108,171)	(44,136)
Agent Fees	119,106	90,466
Total Securities Lending Expenses	10,935	46,330
Total Investment Expenses	$4,908,775	$4,919,526

SCHEDULE OF PAYMENTS TO CONSULTANTS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Legal Services	$80,169	$65,067
Actuarial Services	108,383	108,856
Miscellaneous	77,648	46,219
City Information Services	32,832	30,838
Medical Consultant	26,500	5,750
Total Payments to Consultants	$325,532	$256,730

INVESTMENT SECTION

INVESTMENTS WILL BE MANAGED TO BALANCE THE NEED FOR SECURITY WITH SUPERIOR PERFORMANCE. WE EXPECT EXCELLENCE IN ALL ACTIVITIES. WE WILL ALSO BE ACCOUNTABLE AND ACT IN ACCORDANCE WITH THE LAW.

Investment Report from the Retirement Administrator

ANALYSIS OF ISSUES AFFECTING OUR PORTFOLIO IN FY 2011

U.S. public pension funds in 2011 continued the momentum of the recovery from the Great Recession. As reflected by the numbers below, the Employees Retirement System participated fully in the recovery which began in fiscal year 2010 and continued vigorously through fiscal year 2011.

While it is rousing to contemplate further recovery and increases to the System's assets, nearly four years after the downturn of the Great Recession began, the economies of the United States and the countries of Europe continue to struggle and markets are mixed by fears of new setbacks, defaults and the possibility of a double-dip recession. Behind the turmoil lay many factors, including the stubbornly high unemployment rate in America, the sovereign debt crisis in Europe, the partisan fight in Washington over the U.S. federal debt ceiling and the decision by Standard & Poor's to downgrade the government's AAA rating in its aftermath.

In spite of the overwhelming challenges of the global economy, the continued prudent leadership of the Employee Retirement System Board is undoubtedly the most important factor in the long-term success of our System. Our Board understands that the Retirement System's portfolio requires a sound and stable strategy for meeting investment goals over the long–term and that in times of unprecedented financial market volatility a well-diversified portfolio with strong controls to manage risk and ensure compliance are likely to produce superior performance relative to its indices over the long term. To that end, the Board is scheduled to review its asset liability structure during the current fiscal year to evaluate the appropriateness of the portfolio's assumptions and asset mix.

During the fiscal year 2011, the Board, jointly with the Fire & Police Retirement System Board continued to focus its attention on risk budgeting and determined some changes were warranted in domestic small cap growth equity and large cap (core) equity and conducted manager searches for replacements. The Boards terminated Kalmar (small cap growth); Capital Guardian (large cap core) and Alliance Bernstein (large cap core) portfolios and retained Eagle and TCW to manage small cap growth equity portfolios and JP Morgan to manage a large cap core equity portfolio.

Based upon further review of the risk budget, the Board's Investment Committee recommended a realignment of risk associated the with Systems' international (non-U.S.) equity portfolios. EAFE (Europe, Australia, Far East) represent large and mid cap stocks of developed non-US countries excluding emerging markets; while ACWI ex-US (All Country World Index ex-US) includes large and mid cap stocks in EAFE and EM (emerging markets) with developed and emerging market splits of the ACWI ex-US index fluctuating with changes in market weights. Therefore, to fully replicate the overall ACWI ex-US (developed and emerging) markets over time the Investment Committee concluded that a specific allocation to ACWI ex-US would realign the Systems' overall international equity portfolios. The Boards' approved the realignment of international (non-US) equity markets in line with the ACW ex-US index weightings, terminated Acadian an EAFE portfolio due to organizational issues and inception-to-date under performance and retained BlackRock to transition the Acadian EAFE portfolio into the BlackRock ACWI ex-US Super Fund effective February 28, 2011.

Given the current economic environment, the Board's Investment Committee evaluated fixed income portfolio options to identify potential options for increasing the excess return for the overall fixed income portion of the Systems' portfolio. Based upon discussions with the Boards' fixed income managers (Dodge & Cox, Prudential and Loomis-Sayles), a recommendation was proposed and approved by the Boards to modify the Boards' policies for Domestic Fixed Income and High Yield Fixed Income Portfolios, expanding the guidelines to incorporate some of the current managers' standard guidelines. The Investment Committee plans to resume its evaluation of real estate opportunities given the current market conditions and expects to resume these efforts following a review of its current Asset Allocation Plan during Fiscal Year 2012.

During the latter half of fiscal year 2011, the Investment Committee conducted specific ongoing educational sessions with its Investment Consultant to gain further information and knowledge about real assets, the Asset Allocation Study process and procedures including an in-depth review of the key assumptions for both asset allocation of core investments and liability analysis for actuarial valuation reports.

In general, the System's portfolio correlates fairly well with the performance of the U.S. stock market. During the fiscal years ended June 30, 2011 and 2010, market sentiment as well as performance were fragile and severely affected by general concerns about inflation and global economic and market developments shaped in part by the continuation of faltering consumer confidence due to the ongoing debt crisis in Europe, popular rebellions in the Middle East, volatility in commodities prices and low job growth and persistent elevated levels of unemployment.

Despite the continuation of these overwhelming challenges of the global economy, the System is well funded at or near a fully funded status on a market value basis. From a long-term perspective the System is positioned to provide a solid rate of return that is equal to or better than the respective asset classes market indices even as we enter yet another year of uncertainty in the global financial markets.

INVESTMENT PERFORMANCE

Highlighted Investment Performance of the City of Fresno Employees Retirement System Investment Portfolio for FY 2011:

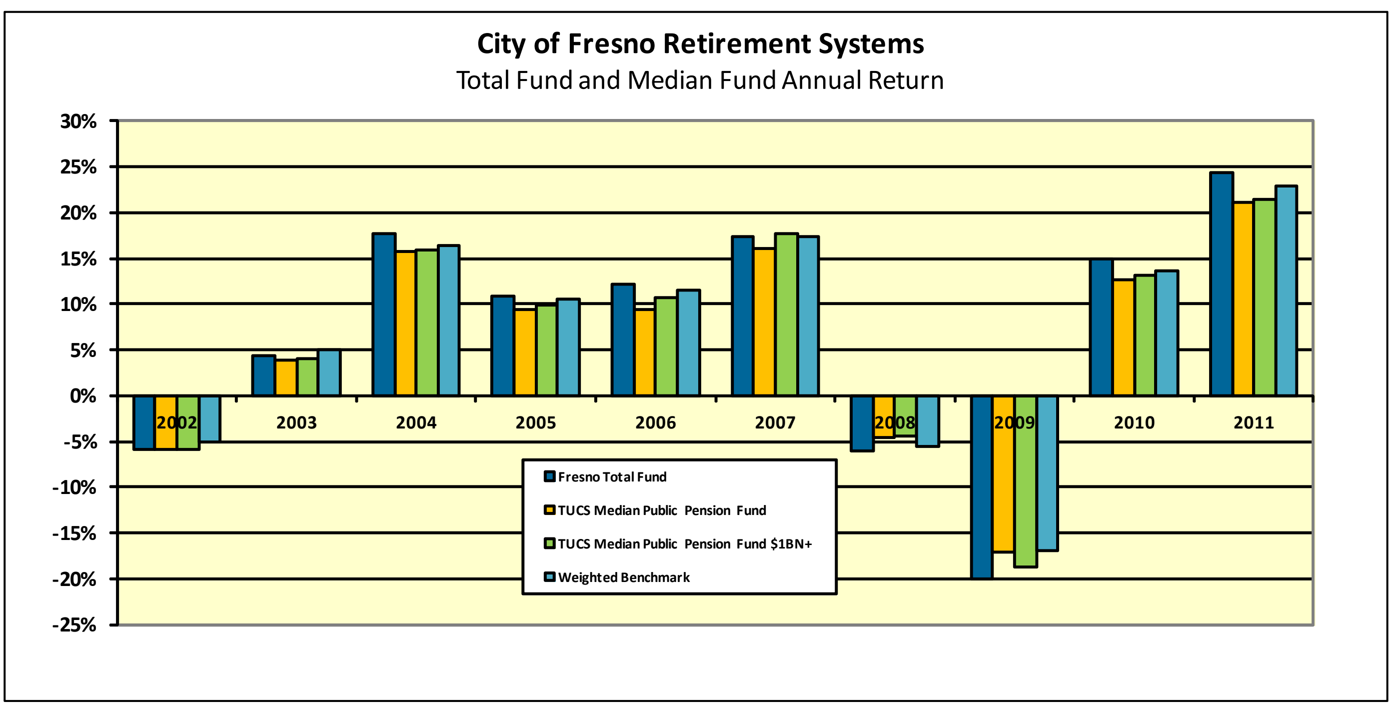
	Return
Total Fund	24.26%
Domestic Equity	35.87%
International Equity	31.84%
Fixed Income	6.99%
Real Estate	25.37%
Fiscal Year End Fund Value:	$964,376,504

The principal goals of the System's Retirement Board in managing the Retirement System's Investment Portfolios are the following:

1) To fund the System's benefit payments
2) To assume a prudent risk posture to minimize the cost of meeting the obligations of the System ;
3) To achieve rates of return above inflation;
4) To comply with legal statutes and regulations; and
5) To maintain a fully funded pension status.

These are the fundamental goals as stated in the Board's Investment Objectives and Policy Statement. The Employees Retirement Board has strong controls in place to manage the overall investment objectives of the Employees Retirement System assets and hold the fiduciary responsibility for the System.

The System's Total Fund Returns Versus Wilshire Associates Public Pension Funds (Gross of Fee) Returns for the Period Ended June 30, 2011, ranked the System in the top decile (10^{th} percentile) of our Investment Consultant's universe of public funds. Over the past ten years, the Systems' investment returns have remained sound and outperformed its policy benchmark in six of ten years and the median fund returns as shown in the following chart seven out of ten years.



SUMMARY OF PORTFOLIO RESULTS

The fiscal year, ended June 30, 2011, marked another extraordinarily volatile year which ended with a significant rebound in performance for the City of Fresno Employees Retirement System. The System experienced a total investment gain from this market rebound of 24.26 percent for the fiscal year ended June 30, 2011, outperforming the System's actuarial interest rate assumption of 8.00 percent by 16.26 percent and outperforming the System's policy benchmark (a weighted average of the Fund's asset classes and their respective benchmarks) return of 22.82 percent by 1.44 percent. Over the longer term, our investment results remain sound with annualized returns 7.74 percent over the past fifteen years. The System's ten-year annualized returns averaged 6.11 percent underperforming its policy benchmarks return of 6.28 percent for the period by 0.17 percent. After paying all benefits and expenses of the System, the year-end value of the System reached $964.4 million.

After four consecutive quarters of gains, the U.S. stock market suffered a significant correction during the second quarter of 2011. For the quarter ended June 30, 2011, the System's positive return of 1.43 percent significantly outperformed the S&P 500 return of 0.10 percent and the Wilshire 5000 return of (0.08) percent.

GENERAL INFORMATION

The System's investment assets are managed by external investment management firms. Professional investment consultants, along with staff, closely monitor the activity of these managers and assist the Board with the implementation of investment policies and long-term strategies. The System's goal is to fund benefit payments, while assuming a risk posture that is consistent with the Board's risk tolerance, protecting against loss of purchasing power by achieving rates of return above inflation, and to maintain a fully funded pension status.

SUMMARY OF GENERAL INVESTMENT GUIDELINES, POLICIES AND PROCEDURES

The Retirement Board, having sole and exclusive authority and sole and exclusive fiduciary responsibility for the investment and administration of the System, and its assets, has adopted an Investment Objectives and Policy Statement which reflects the Board's policies for management of the System's investments. The Board reserves the right to amend, supplement or rescind this Statement at any time. This Investment Objectives and Policy Statement establishes the investment program goals and policies, asset allocation policies, performance objectives, investment management policies and risk controls. It also defines the principal duties of the Board, staff, investment managers, master custodian and consultants.

The System's primary investment objective is to take prudent risk, as necessary, to minimize the cost of meeting the obligations of the System. The purpose of the Investment Objectives and Policy Statement is to express in operational terms: Return expectations, prudence with respect to risk and compliance with statutes and regulations.

An integral part of the overall investment policy is the strategic asset allocation policy. This allocation mix is designed to provide an optimal mix of asset categories with return expectations that reflect expected risk. This emphasizes a maximum diversification of the portfolio that protects the System from declines that a particular asset class may experience in a given period. Both traditional assets (cash, bonds, domestic stocks, fixed income and mortgages) and nontraditional assets (real estate, international stock and emerging equity market stock) are included in the mix.

Total portfolio return, over the long term, is directed toward achieving and maintaining a fully funded status for the System. Prudent risk taking is warranted within the context of overall portfolio diversification to meet this objective. All activities will be conducted so as to serve the best interests of the System's members and beneficiaries.

SUMMARY OF PROXY VOTING GUIDELINES AND PROCEDURES

In recognition of its duty to manage retirement plan assets in the best interest of the plan participants, the Board has established proxy voting guidelines and procedures which are intended to assist in the faithful discharge of the Board's duty to vote proxies on behalf of plan participants. These guidelines consist of preferences with respect to specific, recurring proxy-voting issues followed by a general statement of voting policies. The System will at all times strive to cast proxy votes so as to advance the overall good of the System.

The Board incorporates International equity proxy voting guidelines for share-blocking markets into its Proxy Voting policy. Share-blocking markets are markets of countries outside the U.S. and Canada, which restrict trade activity by shareholders who vote proxies. For portfolio managers managing assets in these international developed and emerging market countries, the requirement to vote proxies may prevent the full exercise of their fiduciary duty to manage the portfolio in the best interest of the Systems. Therefore, under these circumstances, the portfolio manager is granted the authority to choose whether or not to vote proxies in share-blocking markets based upon the manager's determination of what is in the best interest of the Systems.

SPECIFIC INVESTMENT RESULTS BY ASSET CLASSIFICATION

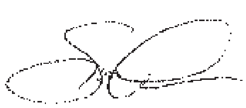
As of June 30, 2011, the Retirement System's portfolio was a little over-weight in total equities, with 61.8 percent in total equities versus the target of 60.0 percent. Domestic equities were slightly over-weight with 30.9 percent versus the target of 30.0 percent, and international equity with 26.3 percent developed and 4.6 percent emerging markets was slightly over-weight total international equity with 30.8 percent versus the target of 30.0 percent. Fixed income with 28.7 percent was 1.3 percent under its target of 30.0 percent and real estate at 9.4 percent was 0.6 percent under-weight its target of 10.0 percent.

The investments were further diversified into the following asset classes and target percentages:

Asset Classification	Actual	Target
Domestic Equities:		
Large-Cap Equities	20.3%	22.5%
Small-Cap Equities	8.5%	7.5%
International Equities:		
Developed Equities	24.3%	22.8%
Emerging Market Equities	4.9%	7.2%
Fixed Income:		
Domestic Fixed Income	27.5%	25.0%
High Yield Fixed Income	5.4%	5.0%
Real Estate:		
Private Real Estate	5.5%	6.0%
Public (REITs)	3.5%	4.0%
Cash:	0.1%	0.0%
Total	100.0%	100.0%

This asset class diversification along with portfolio investment style diversification is all part of the Retirement Board's Investment Risk Management Program. The investment returns presented herein are based on a time-weighted rate of return methodology based upon market values.

Respectfully submitted,



Stanley L. McDivitt
Retirement Administrator

November 28, 2011

Investment Consultant's Report

Wilshire

October 10, 2011

City of Fresno Employees and Fire & Police Retirement Boards
2828 Fresno Street, Suite 201
Fresno, California 93721-1327

Introduction and Overview

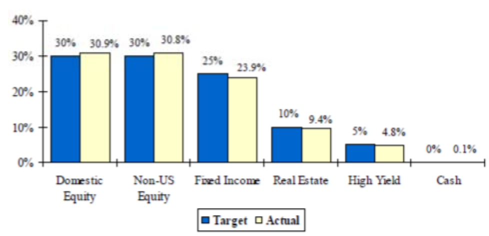
Wilshire independently calculated the Funds' fiscal year performance results using the individual portfolio market valuations and cash flows provided by the Funds' custodian bank, the Northern Trust Company. The investment information is presented in conformance with the Global Investment Performance Standards of the Chartered Financial Analyst Institute (CFAI, formerly AIMR). For the fiscal year ended June 30, 2011, the combined systems experienced a total gain of 24.30% gross of fees[1]. Over the last year, the fund outperformed its weighted benchmark[2] return of 22.90% by 1.40% (gross of fees). The combined systems continue to maintain a healthy funding level despite the turbulent investment environment of the past four fiscal years and ended the fiscal year with $2.07 billion in assets.

For the year ending June 30, 2011, the Systems' gross of fee performance of +24.30% ranked in the top decile (10th percentile) of all public pension funds gross of fee performance in Wilshire's database.

The Systems' total return over the past five years has been an annualized average of +4.73% gross of fees versus the policy weighted benchmark return of +5.16% and the 8.00% actuarial interest rate assumption. Over the past five years, the Systems have underperformed the benchmark by 0.43% gross of fees. During the past ten years, the combined Systems achieved a total annualized return of +6.13% gross of fees versus a return of +6.31% for the composite policy weighted benchmark return. Over this time period, the Systems underperformed the policy weighted benchmark return by 0.18% per year.

The Systems' portfolios are managed in accordance with the guidelines established in the Boards' Investment Objectives and Policy Statement. This investment policy statement is reviewed periodically and revised regularly.

At the end of the fiscal year, investment allocations in all asset classes were close to their policy targets and within reasonable rebalancing ranges.



[1] Based on Wilshire's independent calculation of performance results which are within a reasonable tolerance of the actual returns reported by the Systems' custodian, the Northern Trust.

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Performance Comparison

The following table compares the total return for the Systems to all other public pension funds in the TUCS universe and the Systems' benchmark. The table illustrates that the Systems' performance during fiscal 2011 and 2010 was above that of the median public pension fund after lagging behind in 2008 and 2009. From 2002 to 2011, the Systems ranked above the median in eight out of ten years, and outperformed the weighted benchmark in six out of ten years.

	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
Fresno Total Fund	-5.81%	4.30%	17.69%	10.92%	12.13%	17.43%	-6.00%	-20.08%	14.92%	24.30%
TUCS Median Public Pension Fund	-5.82%	3.94%	15.75%	9.36%	9.44%	16.08%	-4.51%	-17.06%	12.70%	21.11%
TUCS Median Public Pension Fund $1BN+	-5.82%	4.02%	15.88%	9.95%	10.72%	17.69%	-4.36%	-18.76%	13.09%	21.46%
Weighted Benchmark	-5.00%	5.09%	16.40%	10.60%	11.57%	17.34%	-5.61%	-16.97%	13.62%	22.90%

For the one-year period ending June 30, 2011:

- The Systems' domestic equity composite return of 35.91% gross of fees outperformed both the domestic equity policy weighted benchmark return and the TUCS median peer return of 32.38% and 32.79% respectively.
- The Systems' international equity composite return of 31.48% gross of fees also outperformed both the international equity policy weighted benchmark return of 30.76% and the TUCS median peer return of 30.40%. This was driven by the outperformance of the Systems' developed market managers which offset the underperformance of the active emerging market managers.
- The Systems' total fixed income composite return of 6.99% outperformed the fixed income policy weighted benchmark return of 5.81% and 5.09% for the TUCS median peer. The Systems' core fixed income composite return of 4.58% gross of fees outperformed the Barclays Aggregate policy index return of 3.90% due to higher exposure to corporate credit markets versus the index. The Systems' high yield fixed income composite return of 19.82% gross of fees beat the Barclays High Yield policy index return of 15.63%.
- The Systems' real estate composite returned 25.12% gross of fees which was above both the real estate policy weighted benchmark return of 23.92% and the TUCS median peer return of 22.10%. This was primarily driven by a rebound in private real estate valuations during the year.

As the Systems' investment consultant, Wilshire Associates provides investment advice, asset and liability studies, manager investment due diligence and monitoring, and detailed quarterly performance reports. Wilshire is privileged to work together with the Boards and Staff in evaluating additional opportunities to enhance both the Systems asset allocation and the existing manager lineup. Wilshire remains confident in the longer-term outlook for the plan as the Systems continue to meet participant needs through timely benefit payments and a high level of service.

Sincerely,

Wilshire Associates
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Thomas Toth, CFA
Managing Director

[2] **City of Fresno Policy Weighted Index Benchmarks**

Index Benchmarks: Policy Weighted	9/13/1995 - 2/28/1997	3/1/1997 - 3/31/2001	4/1/2001 - 6/30/2002	7/1/2002 - 6/30/2003	7/1/2003 - 6/30/2004	7/1/2004 - 1/31/2005	2/1/2005 - 6/30/2005	7/1/2005 - 9/30/2008	10/1/2008 - 2/28/2011	3/1/2011 - Present
SP 500 Index	40.0%	32.0%	29.0%	30.0%	31.45%	30.0%	30.0%	30.0%	22.5%	22.5%
Russell 2000 Growth Index	3.5%	5.0%	6.0%	6.0%	5.275%	5.0%	5.0%	5.0%	3.75%	3.75%
Russell 2000 Value Index	3.5%	5.0%	6.0%	6.0%	5.275%	5.0%	5.0%	5.0%	3.75%	3.75%
Russell Mid-Cap Growth	4.0%	4.0%	4.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Domestic Equity	*51.0%*	*46.0%*	*45.0%*	*45.0%*	*42.0%*	*40.0%*	*40.0%*	*40.0%*	*30.0%*	*30.0%*
MSCI EAFE Index	7.0%	10.0%	9.0%	9.0%	15.0%	17.0%	17.0%	17.0%	19.5%	13.0%
MSCI ACWI ex-US Index	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.5%	13.0%
MSCI EMF Index	0.0%	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%
Total International Equity	*7.0%*	*12.0%*	*11.0%*	*11.0%*	*18.0%*	*20.0%*	*20.0%*	*20.0%*	*30.0%*	*30.0%*
Barclays Aggregate	37.0%	25.0%	28.0%	28.0%	28.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Barclays High Yield	0.0%	0.0%	2.0%	2.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Barclays Gov/Credit/LB	0.0%	5.0%	7.0%	7.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
JPMorgan Non US Govt Bond	4.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Fixed Income	41.0%	38.0%	37.0%	37.0%	32.0%	30.0%	30.0%	30.0%	30.0%	30.0%
NCREIF actual (not lagged)	1.0%	4.0%	7.0%	7.0%	8.0%	10.0%	7.5%	6.0%	6.0%	6.0%
Wilshire Real Estate Securities Index	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	4.0%	4.0%	4.0%
Total Real Estate	*1.0%*	*4.0%*	*7.0%*	*7.0%*	*8.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*
Total Fund	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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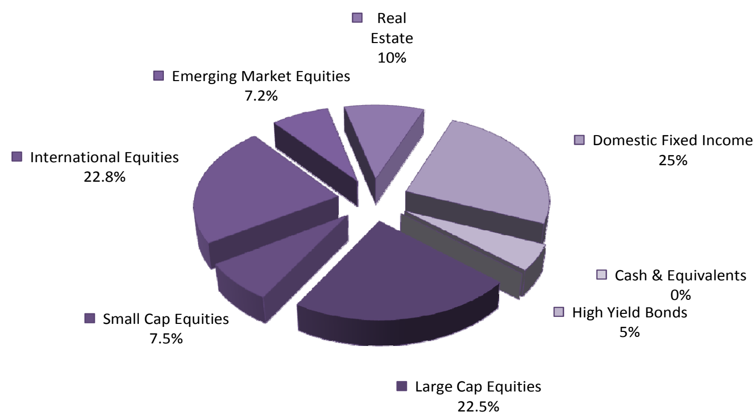
Investment Results

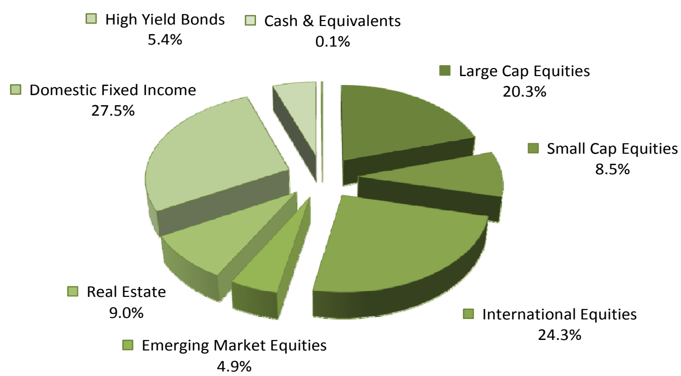
	Annualized - As of June 30, 2011				
	1 year	3 years	5 years	10 years	15 years
Total Fund	24.26	4.50	4.70	6.11	7.74
Median TUCS Public Fund	21.11	4.59	4.91	5.59	7.31
Median TUCS Public Fund $1BN+	21.46	4.26	5.05	5.93	7.47
Benchmark: Weighted Indexes	22.82	4.97	5.12	6.28	7.50
Domestic Equity Large Cap	34.74	3.38	2.63	2.77	6.44
Median Large Cap Equity	31.38	3.87	3.96	4.28	9.63
Benchmark: S&P 500	30.69	3.34	2.94	2.72	6.50
Domestic Equity Small Cap	38.57	11.08	6.22	6.22	6.78
Median Small Cap Equity	40.22	9.17	6.06	8.67	12.37
Benchmark: Russell 2000	37.41	7.77	4.08	6.27	7.37
Total Domestic Equity	35.87	5.35	3.55	3.61	7.03
Median Total Domestic Equity	34.90	5.80	5.00	6.18	10.45
Benchmark: SP500/Russell 2000	32.38	4.54	3.30	3.64	6.96
International Equity (EAFE)	34.14	-3.58	0.79	5.05	--
Median International Equity (EAFE)	32.81	0.59	3.30	7.93	--
Benchmark: MSCI EAFE ($g)	30.93	-1.30	1.96	6.12	--
International Equity (ACWI ex-US)	30.36	--	--	--	--
Median International Equity (ACWI ex-US)	32.01	--	--	--	--
Benchmark: MSCI ACWI ex-US ($g)	30.27	--	--	--	--
Emerging Market Equity	24.72	4.56	10.85	17.36	--
Median Emerging Market Equity	28.00	5.10	11.83	17.22	--
Benchmark: MSCI EMF ($g)	28.17	4.53	11.75	16.54	--
Total International Equity	31.84	-1.37	2.85	7.47	7.46
Median International (Dev/EM) Equity	31.13	2.14	4.93	8.44	9.31
Benchmark: MSCI ACWI ex-US ($g)	30.76	-0.03	3.67	7.92	5.75
Total Fixed Income	6.99	7.69	6.93	6.46	6.56
Median Fixed Income	4.85	6.69	6.75	5.90	6.38
Benchmark: Barclays Aggregate Bond Index	5.84	7.69	7.12	6.38	6.33
Total Real Estate	25.37	-1.69	2.09	7.30	9.30
Median Real Estate	19.30	-7.33	-0.45	5.56	8.57
Benchmark: Weighted Indexes	23.92	1.98	4.42	9.94	10.79

Calculations are prepared using a time-weighted rate of return based on market values.

Target Allocation
as of June 30, 2011



Actual Asset Allocation
as of June 30, 2011



Asset Class	Current Target	Allocation Range	Actual
Large Cap Equities	22.5%	18.5% - 26.5%	20.3%
Small Cap Equities	7.5%	4.5% - 10.50%	8.5%
International Equities	22.8%	18% - 29%	24.3%
Emerging Market Equities	7.2%	2% - 9%	4.9%
Real Estate	10.0%	8% - 12%	9.0%
Domestic Fixed Income *	25.0%	20% - 30%	27.5%
High Yield Bonds	5.0%	0% - 8%	5.4%
Cash & Equivalents	0.0%	0% - 2%	0.10%

* 2% High Yield Bonds Managed Within Domestic Fixed Income

A complete list of portfolio holdings is available on our website at http://www.cfrs-ca.org/ .

Largest Stock Holding (by Market Value)
as of June 30, 2011

	Shares	Stock Holding	Market Value
1)	82,513	NESTLE SA CHF0.10(REGD)	$5,120,290
2)	59,199	BRITISH AMERICAN TOBACCO ORD GBP0.25	2,595,551
3)	3,258	SAMSUNG ELECTRONIC KRW5000	2,520,458
4)	99,185	BG GROUP ORD GBP0.10	2,251,594
5)	12,971	ROCHE HLDGS AG GENUSSCHEINE NPV	2,167,458
6)	6,299	APPLE INC COM STK	2,114,364
7)	61,064	ADR PETROLEO BRASILEIRO SA PETROBRAS SPONSORED ADR	2,067,625
8)	755,748	VODAFONE GROUP ORD USD0.11428571	2,005,610
9)	83,860	ATLAS COPCO AB SER'B'NPV	1,978,877
10)	67,947	ADR VALE S A ADR REPSTG PFD PREF ADR	1,967,746
Total Largest Stock Holdings			$24,789,573

Largest Bond Holdings (by Market Value)
as of June 30, 2011

	Shares/Par Value	Bond Holding	Coupon Rate	Maturity Date	Market Value
1)	6,278,472	UNITED STATES TREAS NTS DTD 00347	0.750%	31 Mar 2013	$6,315,264
2)	4,841,929	FEDERAL HOME LN MTG CORP POOL #G02988	6.000%	01 May 2037	5,329,463
3)	3,674,069	UNITED STATES TREAS NTS DTD 00273	0.875%	31 Jan 2012	3,690,143
4)	3,271,121	FEDERAL NATL MTG ASSN GTD MTG POOL #AL0278	5.500%	01 Jan 2025	3,547,759
5)	2,890,422	UNITED STATES TREAS NTS DTD 00277	1.375%	15 Feb 2013	2,936,374
6)	2,516,676	FNMA POOL #725162	6.000%	01 Feb 2034	2,791,709
7)	2,543,944	US TREAS BDS 4.75	4.750%	15 Feb 2041	2,704,133
8)	2,699,743	UTD STATES TREAS .5%	0.500%	31 May 2013	2,702,591
9)	2,293,749	FNMA POOL #889552 6%	6.000%	1 May 2038	2,521,472
10)	2,364,891	UNITED STATES TREAS NTS DTD 01/31/2010	3.125%	31 Jan 2017	2,507,522

The System participates in a commission recapture program offered by Northern Trust Securities Inc. (NTSI). Investment Managers are instructed to seek best execution and to seek to minimize omission and market impact costs when trading securities. Consistent with the pursuit of best execution, equity manager's participating in the Brokerage Commission Recapture Program are to give consideration to executing a portion of the trades for their account through brokerage firms identified by NTSI as eligible Broker Dealer firms. The System receives a rebate in the amount of 70% of the total commissions directed through the NTSI Network. For fiscal year 2011, the net income from Brokerage Commission Recapture was $41,258. During this period, the overall participating rate by the System's equity managers was 11.59%. The percentage of equity trading being executed through the program is generally at a low cost and has resulted over the years in a meaningful cost recapture.

SCHEDULE OF COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Brokerage Firm	Total Commissions	Number of Shares	Commission Cost/Share
CSFB NEW YORK DTC 355	$53,559	11,019,173	0.0049
CREDIT SUISSE FIRST BOSTON CORPORATION	42,966	86,692,104	0.0005
DEUTSCHE BANK SECURITIES INC	36,537	27,982,045	0.0013
INSTINET	36,079	951,088	0.0379
UBS WARBURG LLC	30,674	120,483,812	0.0003
UBS AG, (LONDON EQUITIES)	22,871	1,939,775	0.0118
CSFB LONDON	17,510	928,527	0.0189
MERRILL LYNCH INTL LTD EQUITIES	16,852	1,137,867	0.0148
JP MORGAN SECURITIES LIMITED LONDON	15,419	2,402,241,849	0.0000
CITIGROUP GLOBAL MARKETS INC	14,695	202,438,748	0.0001
	$287,162	2,855,814,988	$0.0001
All Other Brokerage Firms	522,903	10,640,763,121	0.0000
TOTAL	$810,065	13,496,578,109	$0.0001

INVESTMENT SUMMARY

		Percent of Fund
Equity		
Domestic	$348,138,387	35.8%
International	192,794,516	19.8%
Emerging Market Equity	42,596,639	4.4%
Fixed Income		
Domestic	271,713,812	27.9%
Real Estate	92,317,681	9.5%
Short Term Investments	25,564,561	2.6%
Total	$973,125,596	100.0%

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Section 4 Actuarial

To improve the level of benefits and delivery of services provided to members and employees.

ACTUARIAL CERTIFICATION LETTER

SEGAL

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

VIA E-MAIL AND USPS

October 18, 2011

Board of Retirement
City of Fresno Employees Retirement System
2828 Fresno Street, Suite 201
Fresno, CA 93721-1327

Re: City of Fresno Employees Retirement System
June 30, 2010 Actuarial Valuation

Dear Members of the Board:

The Segal Company prepared the June 30, 2010 annual actuarial valuation of the City of Fresno Employees Retirement System. 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.

As part of the June 30, 2010 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data provided by the Plan's administrative staff for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the System's financial statements. 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.

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 Projected Unit Credit Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any prefunded actuarial accrued liability (PAAL). Actuarial gains and losses are incorporated into the PAAL and are amortized over the same period.

Board of Retirement
City of Fresno Employees Retirement System
October 18, 2011
Page 2

The PAAL is amortized as a level percentage of payroll over a 15-year period. The progress being made towards meeting the funding objective through June 30, 2010 is illustrated in the Schedule of Funding Progress.

A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the System's CAFR is provided below:

1. Summary of Actuarial Assumptions and Methods;
2. Solvency Test;
3. Actuarial Analysis of Financial Experience; and
4. Schedule of Funding Progress.(1)

(1) *The schedule of funding progress is the only schedule that Segal has prepared for the Financial Section of the CAFR. The other schedules, such as the schedule of gross and net employer contributions, in the Financial Section of the CAFR have been prepared by the Retirement System.*

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2009 Experience Analysis and the June 30, 2010 Economic Assumptions Report. It is our opinion that the assumptions used in the June 30, 2010 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. The Retirement System utilizes the actuarial surplus to provide contribution rate offsets and a PRSB benefit. The impact of the application of the actuarial surplus on the future financial condition of the Plan has not been explicitly measured in the valuation.

In the June 30, 2010 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 133.9% to 122.5%. The employer's contribution rate has increased from 6.67% of payroll to 10.21% of payroll, while the employee's contribution rate has increased from 5.03% of payroll to 5.53% of payroll.

As a result of using the actuarial value of assets in the actuarial valuation, there were $176.9 million in unrecognized deferred investment losses as of June 30, 2010, which represented 21.9% 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 122.5% to 99.1%, the employer's rate would increase from 10.21% of payroll to 13.76% of payroll and the employee's rate would increase from 5.53% of payroll to 8.03% of payroll, based on a 10-year period for amortizing the Plan's Unfunded Actuarial Accrued Liability. The projected contribution rate impact under different possible market return scenarios is provided in our letter dated March 4, 2011.

Board of Retirement
City of Fresno Employees Retirement System
October 18, 2011
Page 3

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

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA	Andy Yeung, ASA, MAAA, FCA, EA
Senior Vice President & Actuary	Vice President & Associate Actuary

ST/kek
Enclosures

5144106v1/09313.001

Summary Of Assumptions And Funding Method

These actuarial assumptions and methods based on June 30, 2010 data were adopted by the Employees Retirement Board on December 8, 2010, and were effective for July 1, 2011.

Assumptions

Valuation Interest Rate	8.00%
Inflation:	3.50%

Post-Retirement Mortality

(a) **Service Retirement**

Member RP-2000 Combined Healthy Mortality Table (separate tables for males and females) set back two years.

Beneficiary: RP-2000 Combined Healthy Mortality Table set back two years weighted 35% male and 65% female.

(b) **Disability Retirement**

Member: RP-2000 Combined Healthy Mortality Table for General Members, set forward four years weighted 65% male and 35% female.

Pre-Retirement Mortality
Based upon the 6/30/2010 Experience Analysis

Withdrawal Rates

Based upon the 6/30/2010 Experience Analysis

Disability Rates

Based upon the 6/30/2010 Experience Analysis

Service Retirement Rates

Based upon the 6/30/2010 Experience Analysis

Assets:

Five-year smoothed recognition of realized and unrealized capital gains and losses greater or less than actuarial assumed rate.

Funding Method:

The System's liability is being funded on the Projected Unit Credit Actuarial Cost method.

DROP Rates

1st year eligible	35% participation
2nd year eligible	15% participation
3rd, 4th & 5th year eligible	10% participation
Thereafter	0% participation

Members are assumed to remain in DROP for 6 years.

Marriage Rates

It is assumed that 80% of all male members and 60% of all female members will be married at retirement.

Wives are 4 years younger than their husbands.

COLA Assumption

3.50% per year; Retiree COLA increases due to CPI are limited to maximum at 3.50% per year.

Salary Scale

Made up of merit and longevity and inflation components. The inflation component is equal to 3.50%; plus 0.50% real across-the-board salary increase. The merit and longevity component varies by service and is illustrated below:

Years Since Hire	Merit & Longevity Assumption
< 1 year	8.50%
1 year	6.50%
2 years	5.00%
3 years	4.00%
4 years	3.25%
5 years	2.25%
6 years	1.25%
7 years	1.00%
8 years	0.90%
9 or more years	0.60%

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

Rate (%)		
	Mortality	
Age	Male	Female
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.10	0.06
45	0.13	0.09
50	0.19	0.14
55	0.29	0.22
60	0.53	0.39
65	1.00	0.76

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

Rate (%)	
Age	Disability
20	0.00
25	0.00
30	0.01
35	0.06
40	0.22
45	0.42
50	0.59
55	0.77
60	0.94

All disabilities are assumed to be non-service connected.

Vested Termination (Deferred Vested Benefit)	
Age	Rate (%)
20	2.00
25	2.00
30	2.00
35	2.00
40	2.00
45	2.00
50	2.00
55	0.00
60	0.00

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Active/DROP	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
June 30, 2010	Active Members	2040	$116,427,736	$57,072	2.7%
	DROP Participants	243	14,796,085	60,889	3.3%
	Totals	2283	$131,223,821	$57,479	
June 30, 2009	Active Members	2217	$123,176,724	$55,560	5.9%
	DROP Participants	273	16,097,424	58,965	1.6%
	Totals	2490	$139,274,148	$55,933	
June 30, 2008	Active Members	2245	$117,793,489	$52,469	5.3%
	DROP Participants	264	15,316,424	58,017	2.4%
	Totals	2509	$133,109,913	$53,053	
June 30, 2007	Active Members	2195	$109,370,886	$49,827	4.6%
	DROP Participants	228	12,861,061	56,657	9.3%
	Totals	2423	$122,231,947	$50,447	
June 30, 2006	Active Members	2097	$99,875,529	$47,628	7.4%
	DROP Participants	222	11,502,836	51,815	4.6%
	Totals	2319	$111,378,365	$48,029	
June 30, 2005	Active Members	2061	$91,411,031	$44,353	1.7%
	DROP Participants	225	11,146,645	49,541	1.7%
	Totals	2286	$102,557,676	$44,863	
June 30, 2004	Active Members	2037	$88,877,515	$43,632	2.1%
	DROP Participants	223	10,867,428	48,733	2.0%
	Totals	2260	$99,744,943	$44,135	
June 30, 2003	Active Members	2044	$87,366,386	$42,743	1.3%
	DROP Participants	209	9,982,140	47,761	5.8%
	Totals	2253	$97,348,526	$43,208	
June 30, 2002	Active Members	1994	$84,149,313	$42,201	2.5%
	DROP Participants	198	8,936,515	45,134	0.3%
	Totals	2192	$93,085,828	$42,466	
June 30, 2001	Active Members	1971	$81,175,630	$41,185	3.5%
	DROP Participants	200	9,001,264	45,006	3.7%
	Totals	2171	$90,176,894	$41,537	

SCHEDULE OF BENEFICIARIES ADDED OR REMOVED FROM ROLLS

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Year Ended	Number	Annual Allowance*	Number	Annual Allowance*	Number	Annual Allowance	Average Annual Allowance	% Increase in Retiree Allowance
June 30, 2011	144	$1,810,188	(41)	$(541,232)	1606	$41,487,860	$25,083	(5.62)
June 30, 2010	151	$2,030,635	(48)	$(558,850)	1503	$39,946,446	$26,578	(4.67)
June 30, 2009	85	$1,406,728	(48)	$(682,366)	1400	$39,031,190	$27,879	7.47
June 30, 2008	113	$3,136,606	(49)	$(706,739)	1363	$35,357,509	$25,941	(11.20)
June 30, 2007	94	$1,153,762	(45)	$(614,078)	1299	$37,948,651	$29,214	24.17
June 30, 2006	99	$1,150,756	(44)	$(523,431)	1250	$29,409,733	$23,528	6.32
June 30, 2005	97	$1,132,389	(56)	$(579,306)	1195	$26,444,153	$22,129	(3.81)
June 30, 2004	109	$521,390	(62)	$(689,676)	1154	$26,548,396	$23,006	(8.93)
June 30, 2003	83	$605,134	(40)	$(455,621)	1107	$27,963,534	$25,261	(3.37)
June 30, 2002	102	$4,826,331	(40)	$(504,816)	1064	$27,814,021	$26,141	11.50

* Annual allowance data not available prior to 2001.

SOLVENCY TEST (IN THOUSANDS)

	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Asset		
Valuation Date	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)	Actuarial Value of Assets	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)
6/30/2010	$94,746	$525,289	$136,223	$926,370	100%	100%	100%
6/30/2009	$95,047	$480,189	$140,014	$958,032	100%	100%	100%
6/30/2008	90,891	475,565	123,377	980,961	100%	100%	100%
6/30/2007	91,230	421,463	118,612	926,525	100%	100%	100%
6/30/2006	88,538	414,218	111,157	847,516	100%	100%	100%
6/30/2005	88,322	360,303	116,925	790,858	100%	100%	100%
6/30/2004	87,756	352,680	113,930	741,766	100%	100%	100%
6/30/2003	87,876	334,590	123,221	698,885	100%	100%	100%
6/30/2002	85,532	324,254	120,019	748,762	100%	100%	100%
6/30/2001	84,217	300,562	115,707	781,831	100%	100%	100%
6/30/2000	82,588	280,005	108,614	770,649	100%	100%	100%

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

	Plan Years									
(Amounts in Thousands)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Prior Valuation Actuarial Accrued Liability	$715	$690	$631	$614	$566	$554	$546	$530	$501	$471
Expected Increase from Prior Valuation	-	-	-	-	-	-	-	29	28	-
Salary Increase (Greater) Less than Expected	(10)	0	8	7	-	5	5	(9)	3	3
Asset Return (Less) Greater than Expected	-	-	-	-	-	7	(34)	-	(7)	27
COLA Increase Greater/(Less) than Expected	(4)	-	-	-	-	-	-	-	-	-
Other Experience	1	(19)	10	6	2	-	17	-	-	-
Economic Assumption Changes	10	-	-	(31)	-	-	17	-	-	-
Noneconomic Assumption Changes	-	-	-	-	-	-	3	(4)	5	-
Normal Cost	24	24	22	21	19					
Interest	57	55	51	50	46					
Payments	(37)	(35)	(32)	(36)	(29)					
Change in Valuation Programs and Methods	-	-	-	-	10					
Ending Actuarial Accrued Liability	$756	$715	$690	$631	$614	$566	$554	$546	$530	$501

MAJOR PROVISIONS OF THE RETIREMENT PLAN

ELIGIBLE EMPLOYEES
All non-Fire and Police employees who enter service after July 1, 1952, and are certified from a civil service list for permanent employment.

FINAL AVERAGE SALARY (FAS)
Highest three consecutive-year average using the rate of pay in effect at the time of Retirement.

NORMAL RETIREMENT
Requirement: age 55 and 5 years of service.
Benefit: Sum of (1) and (2) times (3)

(1) 2% of FAS times years of service, not-to-exceed 25 years

(2) 1% of FAS times years of service in excess of 25 years

(3) RETIREMENT AGE FACTOR TABLE

Age	Factor	Age	Factor
55	1.000	61	1.140
56	1.020	62	1.180
57	1.040	63	1.220
58	1.060	64	1.260
59	1.080	65	1.300
60	1.100	Add .01 for every quarter after age 65.	

EARLY RETIREMENT PROVISION
An employee who is age 50 with 5 years of continuous service may elect an early retirement and shall have his or her retirement allowance reduced by the early retirement actuarial adjustment factor.

DEFERRED RETIREMENT OPTION (DROP)
An employee who is age 55 with 5 years of service may DROP. The eligibility age may be reduced to age 50 with 5 years of service if the employee elects an early retirement. Retirement amount is calculated and monthly deposits are made to the employee's DROP account while employee continues to work up to maximum of 10 years.

DISABILITY RETIREMENT
Requirement: 10 years of service.
Benefit: 1.8 percent times FAS times years of service, if exceeds 1/3 of FAS; or 33-1/3%, or service retirement, if higher.

MEMBER CONTRIBUTION RATES
Basic rates are based on a formula reflecting the age at entry into the System. The rates are such as to provide an average annuity, at age 55, of 1/150 of FAS for each of the first 25 years of service, plus 1/300 of FAS for each year of service after 25. Member cost-of-living rates are designed to pay for one-half of the future cost-of-living increases.

DEATH BEFORE RETIREMENT

A. Before eligible to retire for disability (less than 5 years):

(1) One month's salary for each year of service, not-to-exceed six months.

(2) Return of contributions with interest.

B. While eligible for service retirement:

Fifty percent (50%) of service retirement benefit to eligible beneficiary.

C. With 5 or more years:

Fifty percent (50%) of service retirement benefit formula at age 55, based on years of service at death.

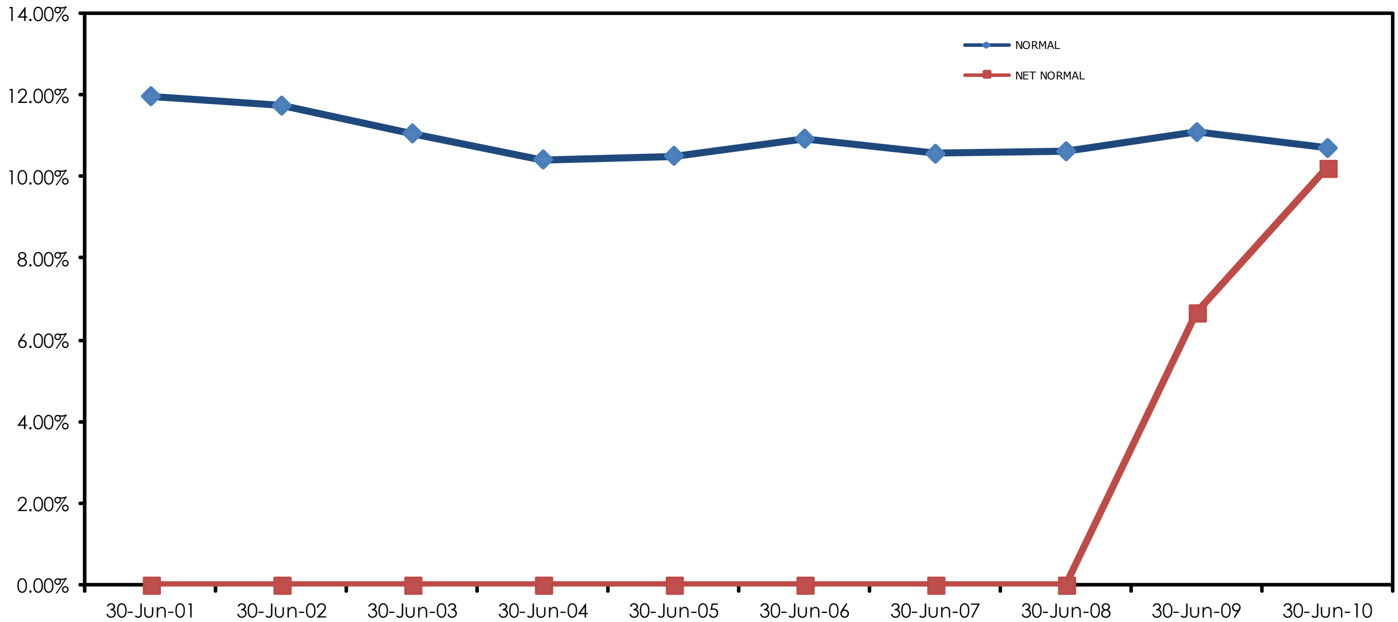
DEATH AFTER RETIREMENT
Fifty percent (50%) of the member's allowance continued to eligible spouse for life.

WITHDRAWAL OF BENEFITS
If less than five years of service, return of contributions. If more than five years of service, right to have vested deferred retirement benefit at normal retirement date.

POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB)
On August 27, 1998, the City Council adopted the Post Retirement Supplemental Benefit (PRSB) Program which is intended to provide assistance to retirees to pay for various post-retirement expenses. Annually, after an actuarial study has been performed, the Retirement Board will review the availability of surplus earnings in the System and determine whether a benefit can be paid to eligible PRSB recipients. If a surplus is declared by the Board, PRSB benefit payments will be calculated for eligible recipients and payments for the following calendar year will begin in January.

COST OF LIVING BENEFITS
Based on the percentage change in Consumer Price Index (U.S. city-average for urban wage earners and clerical works – all items), limited to a five percent (5%) maximum change per year each July 1.

HISTORY OF EMPLOYER CONTRIBUTION RATES



VALUATION DATE	30-Jun-01	30-Jun-02	30-Jun-03	30-Jun-04	30-Jun-05	30-Jun-06	30-Jun-07	30-Jun-08	30-Jun-09	30-Jun-10
NORMAL	11.97%	11.74%	11.06%	10.42%	10.51%	10.93%	10.56%	10.62%	11.09%	10.70%
PREFUNDED LIABILITY	11.97%	11.74%	11.06%	10.42%	10.51%	10.93%	10.56%	10.62%	4.42%	0.49%
NET NORMAL	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.67%	10.21%

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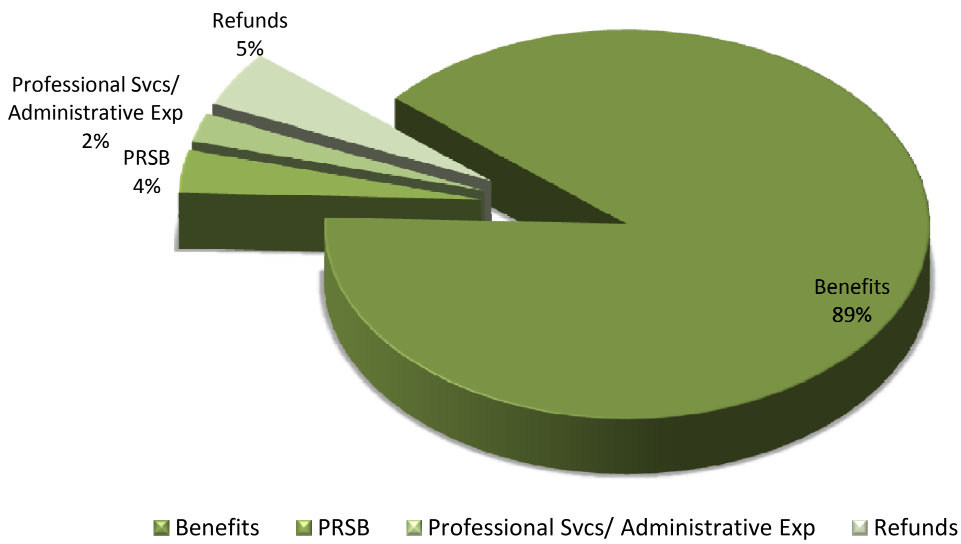
Section 5 Statistical

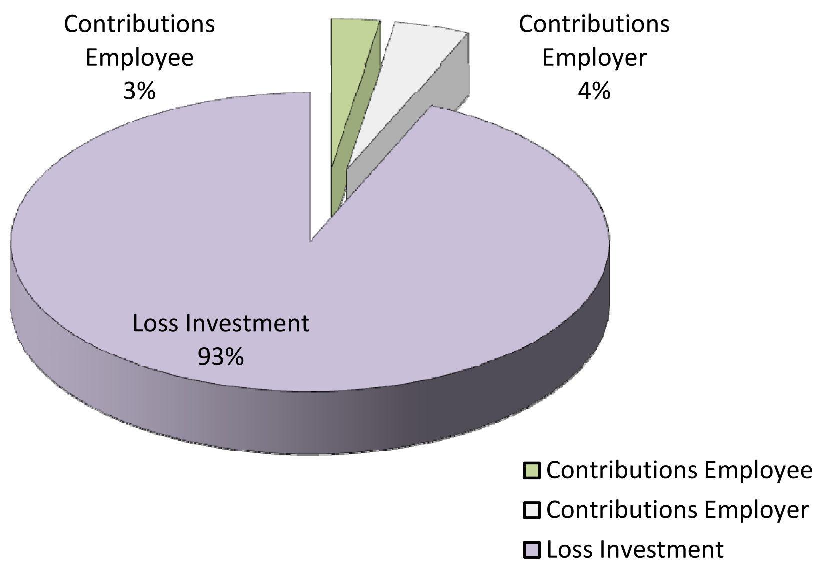
TO PROVIDE BENEFITS AND SERVICES WHILE TREATING ALL PERSONS FAIRLY AND WITH COURTESY AND RESPECT.

This section provides additional historical perspective, context, and detail in order to provide a more comprehensive understanding of this year's financial statements, note disclosures, and supplementary information which covers the benefits provided by the City of Fresno Employees Retirement System. It also provides multi-year trend of financial and operation information to facilitate comprehensive understanding of how the organization's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the System's net assets, benefits, refunds, contribution rates and different types of retirement benefits. The financial and operating trend information is located on the following pages.

FY 2011 EXPENSES BY TYPE



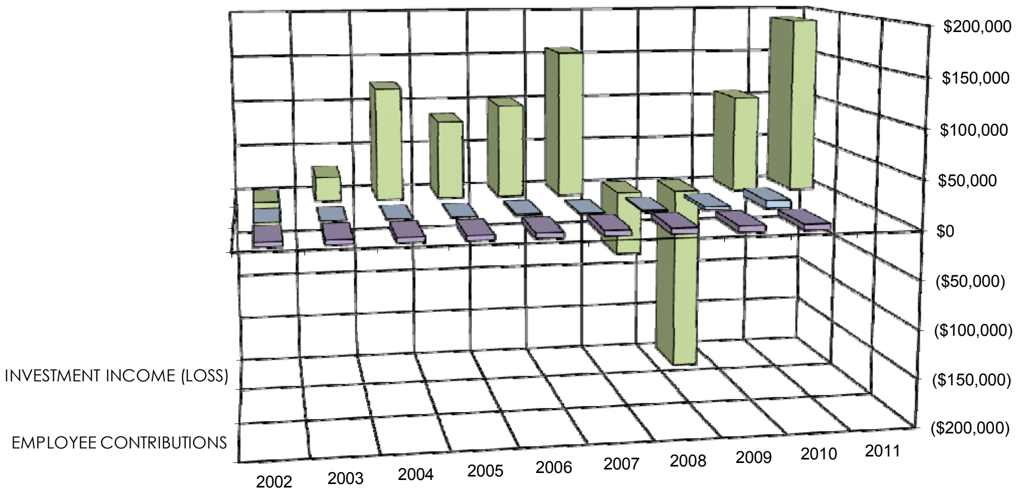
FY 2011 REVENUES BY SOURCE



CHANGES IN PLAN NET ASSETS LAST TEN FISCAL YEARS
(DOLLARS IN MILLIONS)

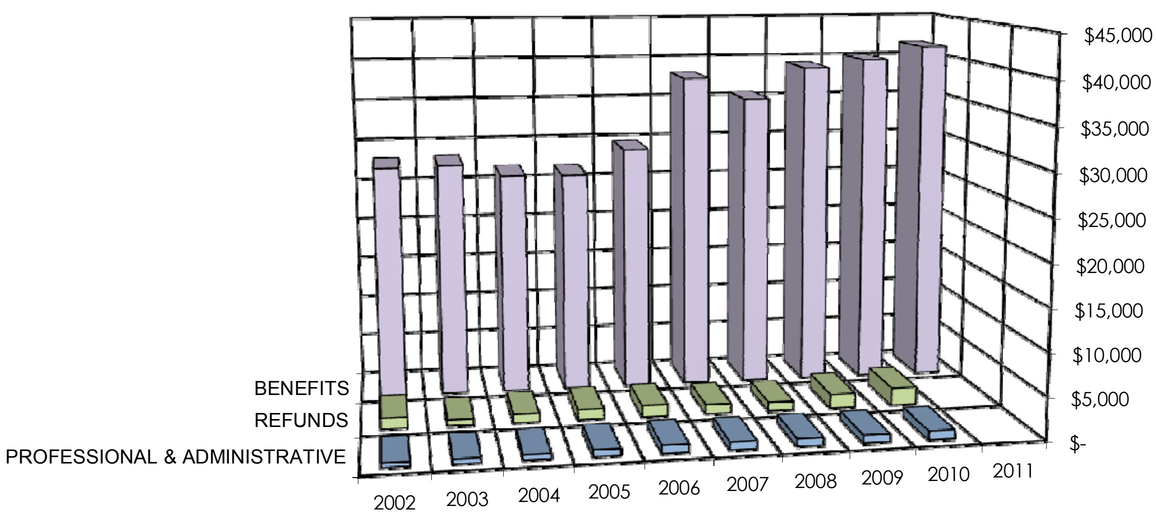
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues (Additions)										
Employer Contributions	$-	$-	$-	$-	$-	$1.6	$0.4	$1.3	$3.3	$8.2
Member Contributions	4.2	4.5	4.7	4.7	4.6	5.1	5.7	5.8	5.7	5.3
Net Investment Income (Loss)	(48.2)	25.6	120.7	83.5	100.1	156.5	(68.5)	(199.7)	104.5	188.9
Total Revenues (Additions)	$(44.0)	$30.1	$125.4	$88.2	$104.7	$163.2	$(62.4)	$(192.6)	$113.5	$202.4
Expenses (Deductions)										
Total Benefit Expenses	$21.3	$22.3	$2.4	$25.3	$27.3	$35.0	$31.3	$33.9	$35.7	$39.9
PRSB	6.5	5.6	2.4	1.2	2.1	3.0	4.1	5.1	4.2	1.6
Refunds	1.3	1.3	0.7	1.0	1.2	1.4	1.1	1.0	1.7	2.1
Administrative Expense	0.5	0.5	0.5	0.6	0.8	0.9	0.9	0.9	0.9	1.0
Total Expenses (Deductions)	29.6	29.7	6.0	28.1	31.4	40.3	37.4	40.9	42.5	44.6
Change in Plan Net Assets	$(73.6)	$0.4	$119.4	$60.1	$73.3	$122.9	$(99.8)	$(233.5)	$71.0	$157.8

REVENUES BY SOURCE
(IN THOUSANDS)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EMPLOYEE CONTRIBUTIONS	$4,192	$4,483	$4,680	$4,750	$4,643	$5,094	$5,666	$5,845	$5,740	$5,275
EMPLOYER CONTRIBUTIONS	-	-	-	-	-	1,566	355	1,345	3,267	8,215
INVESTMENT INCOME (LOSS)	(48,168)	25,645	120,679	83,471	100,087	156,546	(68,482)	(199,694)	104,511	188,925
TOTAL	$(43,976)	$30,128	$125,359	$88,221	$104,730	$163,206	$(62,461)	$(192,504)	$113,518	$202,415

EXPENSES BY TYPE
(IN THOUSANDS)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BENEFITS	$ 27,814	$27,964	$26,549	$26,444	$29,410	$37,949	$35,358	$39,031	$39,947	$41,488
REFUNDS	1,349	1,282	710	1,026	1,218	1,351	1,111	1,022	1,651	2,092
PROFESSIONAL & ADMINISTRATIVE	486	530	535	642	798	916	898	894	929	1,029
TOTAL	$29,649	$29,776	$27,794	$28,112	$31,426	$40,216	$37,367	$40,947	$42,527	$44,609

SCHEDULE OF AVERAGE BENEFITS PAYMENTS

	Years of Credited Service						Fiscal Year
Retirement Effective Dates	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**	**Average/New Retirants**
Period 7/1/10 to 6/30/11							
Average Monthly Pension Benefits	$848	$1,231	$1,966	$2,966	$3,293	$4,409	$2,452
Number of New Retired Members	33	31	17	15	18	19	133
Period 7/1/09 to 6/30/10							
Average Monthly Pension Benefits	$839	$1,309	$2,731	$3,461	$3,626	$4,023	$2,665
Number of New Retired Members	13	20	20	24	27	14	118
Period 7/1/08 to 6/30/09							
Average Monthly Pension Benefits	$939	$1,464	$2,828	$3,028	$3,925	$4,449	$2,772
Number of New Retired Members	17	15	12	8	6	4	62
Period 7/1/07 to 6/30/08							
Average Monthly Pension Benefits	$711	$1,498	$2,346	$3,240	$3,008	$3,916	$2,453
Number of New Retired Members	12	13	19	10	12	7	73
Period 7/1/06 to 6/30/07							
Average Monthly Pension Benefits	$851	$1,585	$2,233	$2,368	$2,706	$2,284	$2,005
Number of New Retired Members	8	17	11	7	21	5	69
Period 7/1/05 to 6/30/06							
Average Monthly Pension Benefits	$690	$1,459	$1,818	$2,959	$3,663	$2,825	$2,235
Number of New Retired Members	15	15	10	12	10	12	74
Period 7/1/04 to 6/30/05							
Average Monthly Pension Benefits	$684	$1,244	$1,857	$2,294	$2,907	$3,140	$2,021
Number of New Retired Members	7	11	18	13	17	11	77
Period 7/1/03 to 6/30/04							
Average Monthly Pension Benefits	$611	$1,262	$1,314	$2,085	$2,760	$3,325	$1,893
Number of New Retired Members	8	14	7	11	17	13	70
Period 7/1/02 to 6/30/03							
Average Monthly Pension Benefits	$881	$1,447	$2,036	$2,340	$2,822	$3,716	$2,207
Number of New Retired Members	3	12	8	9	17	12	61
Period 7/1/01 to 6/30/02							
Average Monthly Pension Benefits	$992	$1,886	$2,180	$2,543	$3,090	$4,284	$2,496
Number of New Retired Members	10	18	11	9	19	14	81

RETIRED MEMBERS BY TYPE OF BENEFIT
(AS OF JUNE 30, 2011)

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*		
		1	2	3
$1 - $1,000	327	173	10	144
$1,001 - $2,000	579	334	87	158
$2,001 - $3,000	389	329	22	38
$3,001 - $4,000	161	144	10	7
$4,001 - $5,000	84	73	8	3
$5,001 - $6,000	38	37	1	0
$6,001 - $7,000	14	14	0	0
> $7,000	14	10	2	2
Total	1606	1114	140	352

*Type of Retirement

1 - Service Retiree

2 - Disability Retiree

3 - Beneficiary/Continuant/Survivor

Amount of Monthly Benefit	Number of Retired Members	Option Selected**			
		Unmodified	Option 1	Option 2	Option 3
$1 - $1,000	327	187	85	42	13
$1,001 - $2,000	579	305	184	75	15
$2,001 - $3,000	389	203	103	60	23
$3,001 - $4,000	161	79	32	34	16
$4,001 - $5,000	84	51	21	7	5
$5,001 - $6,000	38	21	6	8	3
$6,001 - $7,000	14	10	1	2	1
> $7,000	14	8	2	3	1
Total	1606	864	434	231	77

**Option Selected

Unmodified - Beneficiary receives 50% of the member’s allowance

Option 1 - Beneficiary receives lump sum of member’s unused contributions

Option 2 - Beneficiary receives 100% of member’s reduced monthly benefit

Option 3 - Beneficiary receives 75% of member’s reduced monthly benefit

FY 2011 EXPENSES BY TYPE

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Service Retiree Payroll	$25.2	$25.3	$24.0	$24.2	$26.6	$34.2	$31.9	$35.2	$35.7	$38.0
Disability Retiree Payroll	2.6	2.7	2.5	2.3	2.8	3.7	3.5	3.8	4.2	3.5
Separation	1.3	1.2	0.6	0.9	1.1	1.0	1.0	0.7	1.2	1.8
Death Benefit	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.3
Misc	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.2	0.0	0.0
Total Benefit Expenses	$29.1	$29.3	$27.2	$27.5	$30.6	$39.3	$36.5	$40.0	$41.5	$43.6

* Refunds by type not readily available will be provided in future years.

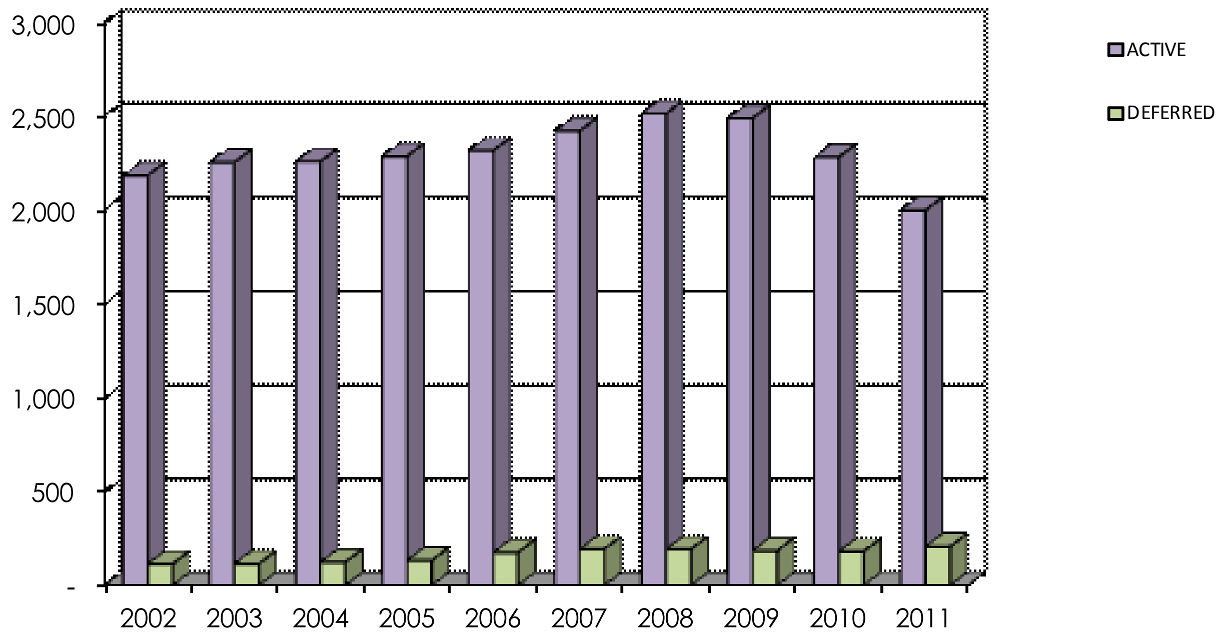
ACTIVE/DEFERRED MEMBERS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Active Vested	1,443	1,468	1,536	1,583	1,629	1,701	1,626	1,650	1,629	1,605
Active Non Vested	743	786	724	704	689	722	889	840	654	394
Deferred	113	114	123	132	174	193	192	184	180	206
Total	2,299	2,368	2,383	2,419	2,492	2,616	2,707	2,674	2,463	2,205

RETIRED MEMBERS

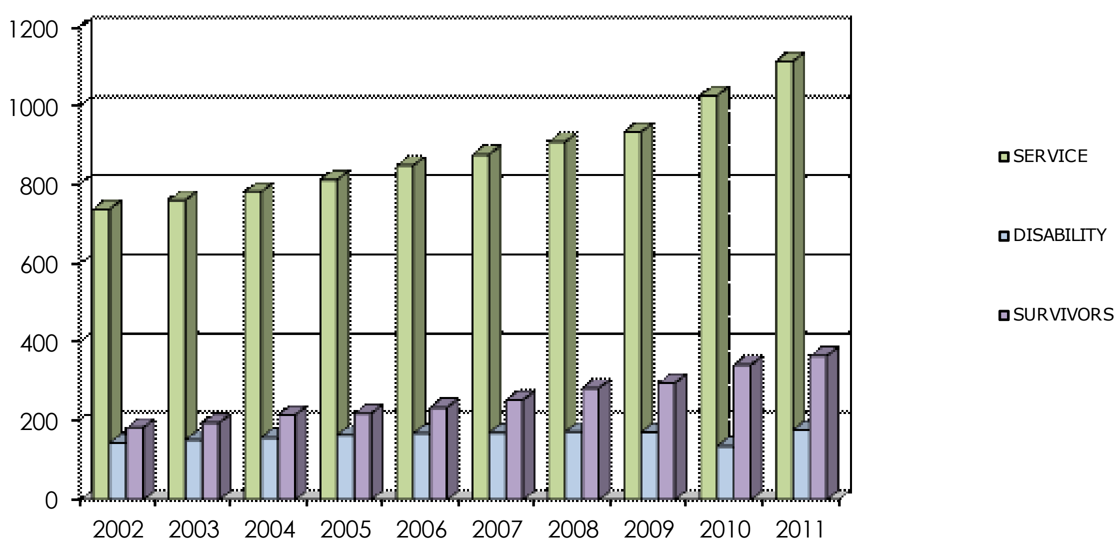
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Service	737	760	781	812	848	876	908	933	1,025	1,114
Disability	144	152	158	164	168	170	172	171	136	140
Survivors	183	195	215	219	234	253	283	296	342	352
TOTAL	1,064	1,107	1,154	1,195	1,250	1,299	1,363	1,400	1,503	1,606

MEMBERSHIP HISTORY (ACTIVE AND DEFERRED)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ACTIVE	2,186	2,254	2,260	2,287	2,318	2,423	2,515	2,490	2,283	1,999
DEFERRED	113	114	123	132	174	193	192	184	180	206
TOTAL	2,299	2,368	2,383	2,419	2,492	2,616	2,707	2,674	2,463	2,205

SCHEDULE BY RETIRED MEMBERS BY TYPE OF BENEFIT



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SERVICE	737	760	781	812	848	876	908	933	1025	1114
DISABILITY	144	152	158	164	168	170	172	171	136	140
SURVIVORS	183	195	215	219	234	253	283	296	342	352
TOTAL	1,064	1,107	1,154	1,195	1,250	1,299	1,363	1,400	1,503	1,606

SUMMARY OF ACTIVE PARTICIPANTS

YEAR	NUMBER	PENSIONABLE PAYROLL	ANNUAL AVERAGE SALARY	NET CHANGE IN AVERAGE SALARY
2011	1,999	$ 124,938,192	$ 62,500	10.39%
2010	2,283	$ 129,258,191	$ 56,618	6.39%
2009	2,490	$ 132,511,895	$ 53,218	3.40%
2008	2,515	$ 129,440,108	$ 51,467	9.17%
2007	2,423	$ 114,233,621	$ 47,146	2.63%
2006	2,318	$ 106,482,630	$ 45,937	3.00%
2005	2,287	$ 102,001,794	$ 44,601	1.56%
2004	2,260	$ 99,251,574	$ 43,917	3.54%
2003	2,254	$ 95,602,991	$ 42,415	3.86%
2002	2,186	$ 89,275,955	$ 40,840	3.44%
2001	2,171	$ 85,715,989	$ 39,482	2.59%
2000	2,112	$ 81,285,066	$ 38,487	6.79%
1999	2,068	$ 74,529,074	$ 36,039	2.37%
1998	1,988	$ 69,986,473	$ 35,204	(0.52%)
1997	1,953	$ 69,115,258	$ 35,389	4.62%
1996	1,927	$ 65,084,621	$ 33,828	0.66%
1995	1,893	$ 63,613,482	$ 33,605	6.18%
1994	1,966	$ 62,221,292	$ 31,649	(3.62%)
1993	2,016	$ 66,199,898	$ 32,837	(1.16%)
1992	1,879	$ 62,422,933	$ 33,221	19.74%
1991	1,879	$ 52,133,387	$ 27,745	1.98%
1990	1,868	$ 50,822,514	$ 27,207	7.07%
1989	1,752	$ 44,520,591	$ 25,411	8.94%
1988	1,600	$ 37,321,719	$ 23,326	0.00%

The fiscal year 2008 increase in pensionable compensation is a reflection of the rare occurrence, approximately every 11 years, in which there are 27 rather than 26 payroll periods reportable.

SUMMARY OF RETIRED MEMBERSHIP

YEAR	AT END OF YEAR	ANNUAL BENEFITS TO PARTICIPANTS	ANNUAL AVERAGE ALLOWANCE (INDIVIDUAL)	NET CHANGE IN BENEFITS TO PARTICIPANTS
2011	1,606	$ 41,487,860	$ 25,833	(2.80%)
2010	1,503	$ 39,946,446	$ 26,578	(4.67%)
2009	1,400	$ 39,031,190	$ 27,879	7.47%
2008	1,363	$ 35,357,509	$ 25,941	(11.20%)
2007	1,299	$ 37,948,651	$ 29,214	24.17%
2006	1,250	$ 29,409,733	$ 23,528	6.32%
2005	1,195	$ 26,444,153	$ 22,129	(3.81%)
2004	1,154	$ 26,548,396	$ 23,006	(8.93%)
2003	1,107	$ 27,963,534	$ 25,261	(3.37%)
2002	1,064	$ 27,814,021	$ 26,141	11.50%
2001	1,002	$ 23,492,505	$ 23,446	7.45%
2000	991	$ 21,622,858	$ 21,819	12.92%
1999	936	$ 18,085,727	$ 19,322	9.64%
1998	916	$ 16,142,881	$ 17,623	6.00%
1997	915	$ 15,213,149	$ 16,626	5.06%
1996	907	$ 14,353,364	$ 15,825	1.74%
1995	852	$ 13,252,179	$ 15,554	4.54%
1994	836	$ 12,437,981	$ 14,878	3.82%
1993	811	$ 11,621,551	$ 14,330	4.59%
1992	784	$ 10,741,680	$ 13,701	2.46%
1991	749	$ 10,015,617	$ 13,372	7.70%
1990	751	$ 9,324,265	$ 12,416	2.19%
1989	723	$ 8,784,048	$ 12,149	(6.93%)
1988	637	$ 8,315,552	$ 13,054	14.54%

MEMBER CONTRIBUTION RATES

VALUATION DATE	EFFECTIVE DATE	BASIC AT ENTRY AGE 20	25	30
JUNE 30, 2010	7/1/11- 6/30/12	3.47%	4.09%	4.91%
JUNE 30, 2009	7/1/10- 6/30/11	2.99%	3.59%	4.38%
JUNE 30, 2008	7/1/09- 6/30/10	2.99%	3.59%	4.38%
JUNE 30, 2007	7/1/08- 6/30/09	2.99%	3.59%	4.38%
JUNE 30, 2006	7/1/07- 6/30/08	3.02%	3.62%	4.42%
JUNE 30, 2005	7/1/06- 6/30/07	2.90%	3.48%	4.25%
JUNE 30, 2004	7/1/05- 6/30/06	2.90%	3.48%	4.25%
JUNE 30, 2003	7/1/04 - 6/30/05	3.31%	3.90%	4.69%
JUNE 30, 2002	7/1/03 - 6/30/04	3.31%	3.90%	4.69%
JUNE 30, 2001	7/1/02 - 6/30/03	3.31%	3.91%	4.70%
JUNE 30, 2000	7/1/01 - 6/30/02	3.31%	3.91%	4.70%
JUNE 30, 1999	7/1/00 - 6/30/01	3.31%	3.91%	4.70%
JUNE 30, 1998	7/1/99 - 6/30/00	3.47%	4.06%	4.85%
JUNE 30, 1997	7/1/98 - 6/30/99	3.34%	3.91%	4.67%
JUNE 30, 1996	7/1/97 - 6/30/98	3.34%	3.91%	4.67%
JUNE 30, 1994	7/1/95 - 6/30/96	3.86%	3.95%	4.60%
JUNE 30, 1992	7/1/93 - 6/30/95	4.32%	4.86%	5.58%
JUNE 30, 1990	7/1/91 - 6/30/93	4.21%	4.74%	5.43%
JUNE 30, 1988	7/1/89 - 6/30/91	4.21%	4.74%	5.43%
JUNE 30 1985	7/1/86 - 6/30/89	4.62%	5.13%	5.81%
JUNE 30, 1982	7/1/84 - 6/30/86	4.62%	5.13%	5.81%
JUNE 30, 1979	4/16/80 - 6/30/84	4.23%	4.58%	5.21%
JUNE 30, 1976	7/01/77 - 4/15/80	3.85%	4.35%	5.04%

CITY CONTRIBUTION RATES

VALUATION DATE	EFFECTIVE DATE	CITY RATE BASIC	CITY RATE COL	TOTAL CITY RATE	PREFUNDED ACTUARIAL ACCRUED LIAB. (PAAL)	PAAL ADJUSTED CONTRIBUTION RATES
JUNE 30, 2010	7/1/11 - 6/30/12	8.20%	2.50%	10.70%	(0.49%)	10.21%
JUNE 30, 2009	7/1/10 - 6/30/11	8.48%	2.61%	11.09%	(4.42%)	6.67%
JUNE 30, 2008	7/1/09 - 6/30/10	8.09%	2.53%	10.62%	(10.62%)	0.00%
JUNE 30, 2007	7/1/08 - 6/30/09	8.02%	2.54%	10.56%	(10.56%)	0.00%
JUNE 30, 2006	7/1/07 - 6/30/08	7.96%	2.97%	10.93%	(10.93%)	0.00%
JUNE 30, 2005	7/1/06 - 6/30/07	7.39%	3.12%	10.51%	(10.51%)	0.00%
JUNE 30, 2004	7/1/05 - 6/30/06	7.31%	3.11%	10.42%	(10.42%)	0.00%
JUNE 30, 2003	7/1/04 - 6/30/05	7.73%	3.33%	11.06%	(11.06%)	0.00%
JUNE 30, 2002	7/1/03 - 6/30/04	8.33%	3.41%	11.74%	(11.74%)	0.00%
JUNE 30, 2001	7/1/02 - 6/30/03	8.53%	3.44%	11.97%	(11.97%)	0.00%
JUNE 30, 2000	7/1/01 - 6/30/02	8.49%	3.44%	11.93%	(11.93%)	0.00%
JUNE 30, 1999	7/1/00 - 6/30/01	7.98%	3.53%	11.51%	(11.51%)	0.00%
JUNE 30, 1998	7/1/99 - 6/30/00	8.09%	3.57%	11.66%	(11.66%)	0.00%
JUNE 30, 1997	71/98 -6/30/99	6.83%	3.50%	10.33%	(9.01%)	1.32%
JUNE 30, 1996	7/1/97 -6/30/98	6.41%	3.46%	9.87%	(8.09%)	1.78%
JUNE 30, 1994	7/1/96 - 6/30/97	6.29%	3.33%	9.62%	0%	9.62%
JUNE 30, 1992	7/1/94 - 6/30/95	8.52%	10.88%	19.40%	0%	19.40%
JUNE 30, 1992	7/1/93 - 7/1/94	8.34%	10.12%	18.46%	0%	18.46%
JUNE 30, 1990	7/1/91 - 6/30/93	11.72%	5.80%	17.52%	0%	17.52%
JUNE 30, 1988	7/1/89 - 6/30/91	11.92%	6.38%	18.30%	0%	18.30%
JUNE 30, 1985	7/1/87 - 6/30/89	10.47%	8.63%	19.10%	0%	19.10%
JUNE 30, 1985	7/1/85 - 6/30/87	10.47%	6.84%	17.31%	0%	17.31%
JUNE 30, 1982	7/1/84 - 6/30/85	10.10%	8.14%	16.70%	0%	16.70%
JUNE 30, 1979	3/1/82 - 6/30/84	9.67%	6.36%	16.03%	0%	16.03%
JUNE 30, 1979	4/16/80 - 2/28/82	12.56%	6.84%	15.11%	0%	15.11%
JUNE 30, 1976	7/1/77 - 4/15/80	12.41%	2.55%	14.96%	0%	14.96%

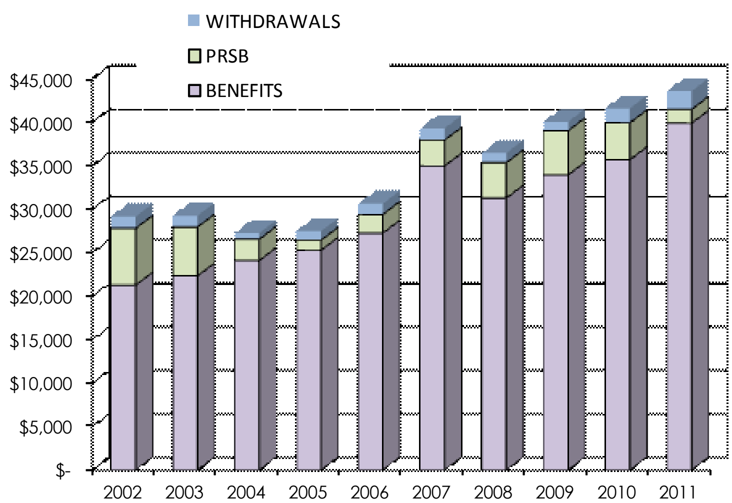
Note: Due to surplus earnings in the System, a prefunded actuarial accrued liability emerged as of the actuarial report dated June 30, 1996. The City's normal contributions have been actuarially offset by the prefunded actuarial accrued liability.

Data Source: Annual Actuarial Valuation Reports

ECONOMIC ASSUMPTIONS AND FUNDING METHOD

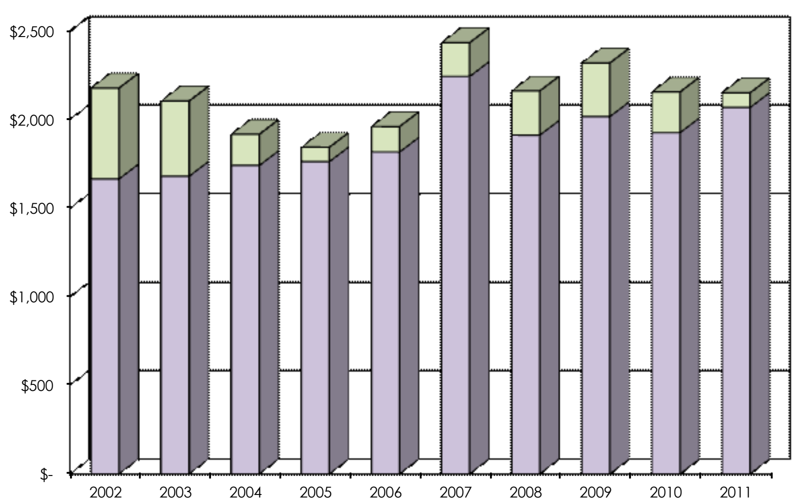
Valuation Date	Interest	Salary Scale	Cost of Living	Inflation Component	Funding Method
June 30, 2010	8.00%	.60 - 8.5%	3.50%	3.50%	Projected Unit Credit
June 30, 2009	8.25%	4.8%	3.75%	3.75%	Projected Unit Credit
June 30, 2008	8.25%	4.8%	3.75%	3.75%	Projected Unit Credit
June 30, 2007	8.25%	4.8%	3.75%	3.75%	Projected Unit Credit
June 30, 2006	8.25%	4.8%	4.25%	4.25%	Projected Unit Credit
June 30, 2005	8.25%	4.8%	4.25%	4.25%	Projected Unit Credit
June 30, 2004	8.25%	4.8%	4.25%	4.25%	Projected Unit Credit
June 30, 2003	8.25%	4.8%	4.25%	4.5%	Projected Unit Credit
June 30, 2002	8.25%	4.8%	4.25%	4.5%	Projected Unit Credit
June 30, 2001	8.25%	4.8%	4.25%	4.5%	Projected Unit Credit
June 30, 2000	8.25%	4.8%	4.25%	4.5%	Projected Unit Credit
June 30, 1999	8.25%	4.8%	4.25%	4.5%	Projected Unit Credit
June 30, 1998	8.25%	.30 - 8%	4.25%	4.75%	Projected Unit Credit
June 30, 1997	8.25%	.25 - 8%	5%	4.75%	Projected Unit Credit
June 30, 1996	8.25%	.25 - 8%	5%	4.5%	Projected Unit Credit
June 30, 1994	8%	.25 - 8%	5%	3 - 5%	Projected Unit Credit
June 30, 1992	8%	6%	5%	5%	Projected Unit Credit
June 30, 1990	8%	6%	5%	5%	Projected Unit Credit
June 30, 1988	8%	6%	5%	5%	Projected Unit Credit
June 30, 1985	7.50%	5-1/2%	4% - Active 5% - Retired	4%	Projected Unit Credit
June 30, 1982	7%	5-1/2%	4% - Active 5% - Retired	4%	Projected Unit Credit
Marples	8-1/2%	Merit +6%	5%	6%	Aggregate
June 30, 1979	6-1/2%	Merit 3-1/2%	3-1/2%	3-1/2%	Basic - Entry Age Normal COL - Attained Age Normal
June 30, 1976	6%	Merit +1%	5% with partial funding	1%	Basic - Entry Age Normal COL - Attained Age Normal
June 30, 1972	4-3/4	Merit Only	Not recognized	None	Entry Age Normal

BENEFITS AND WITHDRAWALS PAID (IN THOUSANDS)

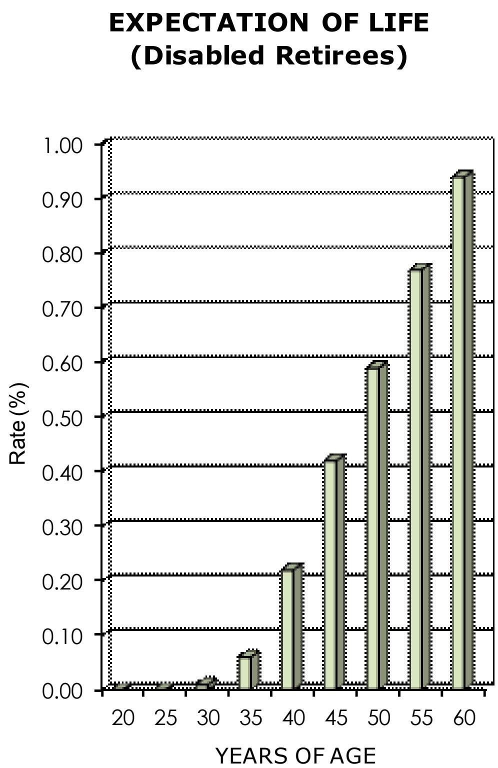


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BENEFITS	$21,269	$22,332	$24,118	$25,287	$27,261	$34,982	$31,286	$33,947	$35,699	$39,901
PRSB	6,545	5,632	2,430	1,157	2,149	2,967	4,072	5,084	4,248	1,587
WITHDRAWALS	1,349	1,283	710	1,026	1,219	1,350	1,112	1,022	1,651	2,092

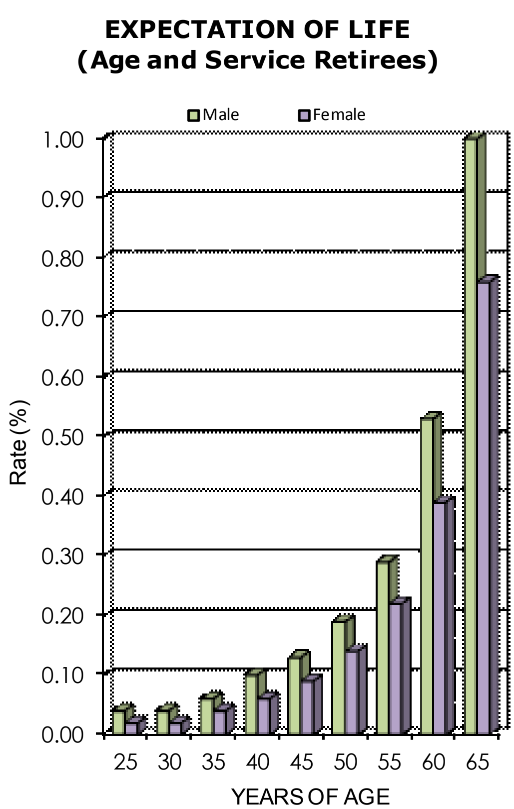
AVERAGE MONTHLY BENEFITS TO PARTICIPANTS (IN THOUSANDS)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Average Monthly Benefit	$1,666	$1,681	$1,742	$1,763	$1,817	$2,244	$1,913	$2,018	$1,927	$2,069
Average Monthly PRSB	513	424	175	81	143	190	249	302	229	82
Average Monthly Benefit Total	$2,178	$2,105	$1,917	$1,844	$1,961	$2,435	$2,162	$2,320	$2,156	$2,151



EXPECTATION OF LIFE Disabled Retirees RP-2000 Combined Healthy Mortality Table Male (x+4), Female (x+4)	
Age	Rate (%)
20	0.00
25	0.00
30	0.01
35	0.06
40	0.22
45	0.42
50	0.59
55	0.77
60	0.94



EXPECTATION OF LIFE Age and Service Retirees RP-2000 Combined Healthy Mortality Table Male (x-2), Female (x-2)		
Age	Male	Female
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.10	0.06
45	0.13	0.09
50	0.19	0.14
55	0.29	0.22
60	0.53	0.39
65	1.00	0.76

Section 6 Compliance

INDEPENDENT AUDITOR'S INTERNAL CONTROL LETTER

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Retirement
City of Fresno Employees Retirement System
Fresno, California

We have audited the financial statements of the City of Fresno Employees Retirement System as of and for the year ended June 30, 2011, which collectively comprise the City of Fresno Employee Retirement System's basic financial statements and have issued our report thereon dated November 28, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fresno Employees Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fresno Employees Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fresno Employees Retirement System's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fresno Employees Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Retirement and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited once it has been approved by the Board of Retirement.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
November 28, 2011

4

Actuarial

To improve the level of benefits and delivery of services provided to members and employees.

5

Statistical

To provide benefits and services while treating all persons fairly and with courtesy and respect.

6

Compliance

To provide System Members and the Employer with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.