City of Fresno Employees Retirement System

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2022 and 2021

CITY OF FRESNO RETIREMENT SYSTEMS

CARING FOR YOUR FUTURE

A Pension Trust Fund of the City of Fresno

Fresno, CA

City of Fresno Employees Retirement System

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

Issued by:

Robert T. Theller

Retirement Administrator

Kathleen Riley Brown

Assistant Retirement Administrator

2828 Fresno Street Suite 201, Fresno, CA 93721-1327

(559) 621-7080 / Retire@Fresno.gov

www.CFRS-CA.org

TABLE OF CONTENTS

Actuarial Section

Statistical Section

Compliance Section

MISSION STATEMENT

To protect and provide System benefits through the highest quality delivery of service for our members and the employer, prudently fulfilling our fiduciary duties of investment and conservation of Trust assets.

BOARD AND STAFF COMMITMENT

We promise to carry out our Mission through a competent, professional, impartial and open decision-making process. In providing benefits and services, all persons will be treated fairly, with courtesy and respect. Assets will be invested and administered to balance the need to control risk with superior performance. We expect excellence in all activities. We will also be accountable and act in accordance with the law.

GOALS

- *To create an environment in which Board Members can maximize their performance as trustees.*
- *To improve business processes and our delivery of services provided to members and retirees.*
- *To improve communications with members, retirees and the employer.*
- *To attract, develop and retain competent and professional staff.*
- *To achieve and maintain superior investment performance on a risk controlled basis measured by the Public Fund Universe.*

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

The Employees Retirement System (the System) provides retirement benefits for all qualified non-sworn employees of the City of Fresno.

INTRODUCTION

Letter of Transmittal

Robert T. Theller, Esq.

RETIREMENT ADMINISTRATOR

Dear Board Members:

As Retirement Administrator of the City of Fresno Employees Retirement System (the System), it is with great pleasure that I submit the Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2022 and 2021.

The fiscal year 2022 began with the country and the world taking its first steps out of the global pandemic, fully relaxing many of the protocols required at the outset of the pandemic. Though Covid-19 has not been eliminated and the threat of variants continues, the pandemic was no longer the key issue causing economic uncertainty, instead fear of a recession and inflation continuing to run at multi-decade highs has taken its place. In response to increasing inflation the Federal Reserve have continued to raise interest rates, raising rates at their previous six meetings, with the last four being 75 basis points each. Additionally, the Russia-Ukraine conflict has caused turmoil and uncertainty in the global financial markets. The conflict also sparked an increase in the price of gas which was already increasing as oil demand returned to pre-pandemic levels. And yet through all of this, the U.S. labor market defies recession fears as jobless claims continue to run at very low levels and wage growth remains elevated.

The system will continue to navigate through these domestic and global economic issues, as it always has, focusing on long term financial stability. Despite the tremendous challenges of the past year, the System is currently fully funded on both a fair value and actuarial valuation basis at 110.1 percent and 114.0 percent, respectively. 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 uncertainties in the global economic and financial markets. The Retirement Board (the Board) has carefully managed the investment portfolio throughout the global pandemic, 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.

The System's returns for the last two years have been mixed at -7.18 percent and 30.81 percent for the fiscal years ended June 30, 2022 and 2021, respectively. Noticeably, the returns are well below the System's assumed rate of return of 7.00 percent effective June 30, 2022, while the FY2021 returns were well above the assumed rate of return of 7.00 percent effective June 30, 2021.

Letter of Transmittal Continued

In fiscal year 2022, the System's gross of fee returns provided by its custodian, Northern Trust, when compared to other institutional investors and weighted policy benchmarks were slightly lower in the short term but consistently higher over the long-term. The System's gross of fees one-year return was negative 7.18 percent, 0.52 percent below its policy benchmark return of negative 6.66 percent; also under performing its actuarial interest rate assumption of 7.00 percent by 14.18 percent in Fiscal Year 2022. The five-year annualized gross of fees return of 7.24 percent was 0.49 percent above its actuarial interest rate assumption of 6.75 percent and above its policy benchmark return of 6.54 percent by 0.70 percent. The System's ten-year annualized gross of fees return at 8.53 percent exceeded its policy benchmarks of 7.79 percent by 0.74 percent and also exceeded its actuarial interest rate assumption by 1.53 for the same period.

The System remains highly funded and well positioned to serve our members and retirees. As illustrated by the System's 10, 15 and 25-year long-term gross of fees returns of 8.53 percent, 6.09 percent, and 7.35 percent, respectively, as of June 30, 2022, the System has the ability to achieve its long-term objectives over extended periods. Meanwhile, the System's actuarial and fair value funding status continues to be the highest of any public non-safety pension defined benefit plan in California.

The Annual Comprehensive Financial Report (ACFR)

The Annual Comprehensive Financial Report (ACFR) of the City of Fresno Employees Retirement System for fiscal years ended June 30, 2022 and 2021 is submitted herewith. Information contained in this report is designed to provide a complete and accurate review of the years' 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 in the Financial Section of this report. The ACFR consists of six sections:

The Introduction Section contains our Mission Statement, a Letter of Transmittal, a description of the System's management and organizational structure, a listing of the professional services providers, and the Government Finance 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, the Basic Financial Statements of the System, the Required Supplementary Information and the Other Supplementary Information.

The Investment Section includes an Investment Report from the Retirement Administrator, a letter from the System's Investment Consultant, NEPC, LLC, (NEPC) recapping the fiscal year investment results and activities, along with performance and asset allocation information. Investment Consultant returns may differ slightly from the custodian's book of record due to rounding methodology.

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.

Letter of Transmittal Continued

The Compliance Section contains the 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*.

I trust that you and the members of the System will find this ACFR 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 to the non-safety members employed by the City of Fresno (the City). In accordance with the provisions of the City of Fresno Municipal Code, the System provides lifetime retirement, disability, and death benefits to its members.

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 City of 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 is also responsible for the prudent investment of member and employer contributions and defraying reasonable expenses of administration.

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, appointed 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 Board's Rules, Regulations and Policies.

Letter of Transmittal Continued

Major Initiatives

The Board, jointly with the City of Fresno Fire & Police Retirement System Board (the Boards), renewed service provider agreements with Brown Armstrong Accountancy Corporation for financial auditing services, and Ice Miller LLP for federal tax advisory legal services. The Boards also continued education and evaluations related to all investment classes, especially Asian market opportunities and education.

During Fiscal Year 2022, the Boards approved a European real estate search and the resulting manager selection, Tristan Capital Partners. The Joint Boards also approved staff/NEPC recommendation to hire Sixth Street/TAO to provide diversifying strategies and alternative credit exposure. Additionally, the Boards also approved investments with two Value-Add Real Estate managers, Alidade Capital and Kayne Anderson.

Effective January 1, 2017, the IRS eliminated its staggered five-year remedial amendment cycle system for individually designed qualified retirement plans and no longer accepts applications for determination letters. The System's letter of determination was effective through January 31, 2019. The IRS' current determination letter program, in general, provides that a plan sponsor that maintains a qualified plan, with a favorable determination letter, may continue to rely on the determination with respect to any plan provision, until such time that the plan provision subsequently is amended or affected by a change in law. The Boards retained the services of the law firm of Ice Miller LLP (Ice Miller) to assist with a review of our plan documents and applicable statutes in effect through 2013, and any plan amendments or changes to provisions made after January 1, 2014. Based on their initial review, since the date of the plan's favorable determination letter May 26, 2014, the plan has been timely amended to comply with the changes required to be tax qualified under Internal Revenue Code § 401 (a). Staff began work with Ice Miller in 2019 to review the Retirement Systems' plan provisions for continued IRS Compliance. The proposal from Ice Miller to participate in the IRS Comply Now program included updating of the Systems' plan provisions to incorporate certain distribution provisions and new provisions required by the Setting Every Community Up for Retirement Enhancement (SECURE) and Coronavirus Aid, Relief and Economic Security (CARES) Acts. Comply Now reports detailing the changes to be considered were presented to the Boards during fiscal year 2021. However, submission to the IRS Comply Now program is delayed due to review of additional provisions to be considered. Ice Miller expects to submit the request to the IRS during Fiscal Year 2023.

Throughout the pandemic, the Retirement Benefits Staff continued to ramp up their communication efforts with both employees and retirees of the System. Aggressive efforts deployed helped to maximize enrollment in the Member Direct module initially implemented in January 2016. Participation in Member Direct has continually increased every fiscal year. Staff have continued to provide all the necessary information and support that the Members needed by answering individual questions to assist Members in making their retirement decisions to retire during the Fiscal Year. In addition, the relaxing of pandemic protocols has allowed for the return of face-to-face meetings with Retirement Counselors, as well as the Mid-Career Retirement Seminars for active employees. Staff have also continued to meet and counsel Members regarding prospective retirements via Zoom as well. This allows members to choose how they prefer to meet with staff in a manner they feel comfortable.

Letter of Transmittal Continued

With the assistance of its actuary and staff, the Board completed the annual actuarial valuations for June 30, 2022 and 2021, and Governmental Accounting Standards Board (GASB) Statement No. 67, which redefines pension liability and expense for financial reporting purposes only. In accordance with Actuarial Standards of Practice (ASOP) 51, the System's actuary has identified and assessed risks that may be reasonably anticipated to significantly affect the System's future financial condition, which helps intended users of the actuarial findings gain a better understanding of risks inherent in the measurements of pension obligations and actuarially determined pension plan contributions.

Professional Services

Professional Services Consultants and Investment Portfolio Managers are retained by the Board to provide professional services essential to the effective and efficient operation of the System. See listings on pages xiii and xiv.

An opinion from the Independent Auditor and a certification letter from 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 annual comprehensive financial report for the fiscal year ended June 30, 2021. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of public employee retirement system annual comprehensive financial reports.

To be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government entity must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. The System has received a Certificate of Achievement for the last twenty-one consecutive years. We believe that our current annual comprehensive 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. For Fiscal Year 2021, the System submitted a Popular Annual Financial Report (PAFR) to the GFOA. The System received from the GFOA an Award for Outstanding Achievement in Popular Annual Financial Reporting. The PAFR provides System membership with condensed and concise information in an easier to read format than is presented in the ACFR.

Letter of Transmittal Continued

Actuarial Funding Status and Net Pension Liability

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, 2022 actuarial valuation is presented in this ACFR. As of June 30, 2022, the funded ratio of the Employees Retirement System was 114.0 percent. The ratio of the valuation value of assets to actuarial accrued liabilities was 116.0 percent as of the June 30, 2021, valuation. The funding ratios as of June 30, 2022 and 2021, if measured using the fair value of assets instead of the actuarial valuation value of assets are 110.1 percent and 132.7 percent, respectively. The funded ratios were determined by using the actuarial value of the assets in accordance with actuarial standards.

The actuarial accrued liability of the System at June 30, 2022, for funding purposes, amounted to $1,271,762,000; the actuarial valuation value of assets amounted to $1,449,730,315 and the fair value of assets (including non-valuation reserves) amounted to $1,562,187,480. At June 30, 2021, the actuarial valuation value of assets amounted to $1,380,265,471; the fair value of assets (including non-valuation reserves) amounted to $1,731,237,413.

Under the Governmental Accounting Standards Board (GASB) Statement No. 67 Financial Reporting methodology, the net pension liability of the System as of June 30, 2022 indicates a surplus of $89,373,958; while on an actuarial funding basis the valuation value of assets basis reflects a surplus of $177,968,315 and a funding ratio of 114.0 percent. At June 30, 2021, the net pension liability of the System indicated a surplus of $351,804,214 and a funding ratio of 116.0 percent. For financial reporting purposes, the Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 106.07% and 125.50% as of June 30, 2022 and 2021, respectively.

The Board engages an independent actuarial consulting firm to conduct annual actuarial valuations of the System. The purpose of the actuarial valuation is to reassess the magnitude of the benefit commitments. This is compared to the assets expected to be available to support those commitments. 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.

Letter of Transmittal Continued

Accounting System & Reports

The management of the System is responsible for establishing and maintaining an internal control structure designed to ensure that 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 accounting principles generally accepted in the United States of America (GAAP) and are free of material misstatement. The internal controls are designed to provide reasonable but not absolute assurance that these objectives are met. 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 the controls are adequate to ensure accurate and reliable financial reporting and to safeguard the System's assets. The objective is to provide a reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements given the prudent need to ensure that the cost of a control should not exceed the benefits to be derived. We believe that the System's internal controls adequately safeguard 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 standard 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 and in Note 2 – Summary of Significant Accounting Policies (see section Investment).

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, 2022 and 2021, the System's investments provided a -7.18 percent and 30.81 percent gross of fees rate of return, respectively, as reported by the custodian, Northern Trust.

Letter of Transmittal Continued

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 Timberlake, Chad Jacobs, Alberto Magallanes, Karen Espiritu, Cristina Jurado, Pattie Laygo, Andrea Ketch, Patricia Basquez, Joan Taketa, Onh Viengsay, Katie Baroni, Tracy Gonzales, Cecilia Lopez, Gilberto Torentela and the Board's 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,

Signature

Robert T. Theller, Esq.
Retirement Administrator

November 29, 2022

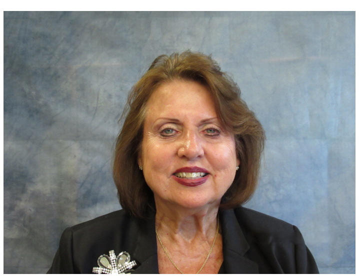
Retirement Board Members

As of June 30, 2022

Chair
Phillip Hardcastle
Re-Elected June 2020
Term Expires June 2024
Represents Clerical and Supervisory Members

Vice Chair
TJ Miller
Appointed September 2013
Term Continuous
Appointed by the Mayor and Confirmed by the Fresno City Council

David Cain
Re-Elected June 2018
Term Expires July 2022
Represents Manual Worker Members



Marvell French
Appointed July 2000
Term Continuous
Outside Member Appointed by Retirement Board

Alma Torres
Appointed August 2020
Term Continuous
Appointed by the Mayor and Confirmed by the Fresno City Council

Retirement Administrative Staff

Robert T. Theller, Esq.
Retirement Administrator

Pattie Laygo
Retirement Office Manager

Chad Jacobs
Investment Officer

Not Pictured:

Cecilia Lopez
Senior Administrative Clerk

&

Gilberto Torentela
Senior Administrative Clerk

Financial Services

(From left to right)

Karen Espiritu
Senior Accountant Auditor

Alberto Magallanes
Retirement Accounting Manager

Kathleen Riley-Brown
Assistant Retirement Administrator

Cristina Jurado
Accountant Auditor II

Member Services

(From left to right)

Tracy Gonzales
Retirement Counselor I

Yvonne Timberlake
Assistant Retirement-Administrator

Katie Baroni
Retirement Counselor II

Joan Taketa
Retirement Counselor II

Patti Basquez
Senior Retirement Counselor

Andrea Ketch
Retirement Benefits Manager

Onh Viengsay (not pictured)
Retirement Counselor II

Administration of the System

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 pages xiii for professional services and consultants, page xiv for investment portfolio managers, and page 74 for a schedule of brokerage commissions, and investment manager fees by listed asset class.)

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.

Financial Services

This section is responsible for planning, organizing and directing all fiscal activities of the Retirement Systems. This includes the preparation and publication of the Annual Financial Reports, monthly or quarterly financial report and information to the Board, and all other financial records and reports including financial statements, control and balancing of payroll and members' contributions and reconciliation of investments.

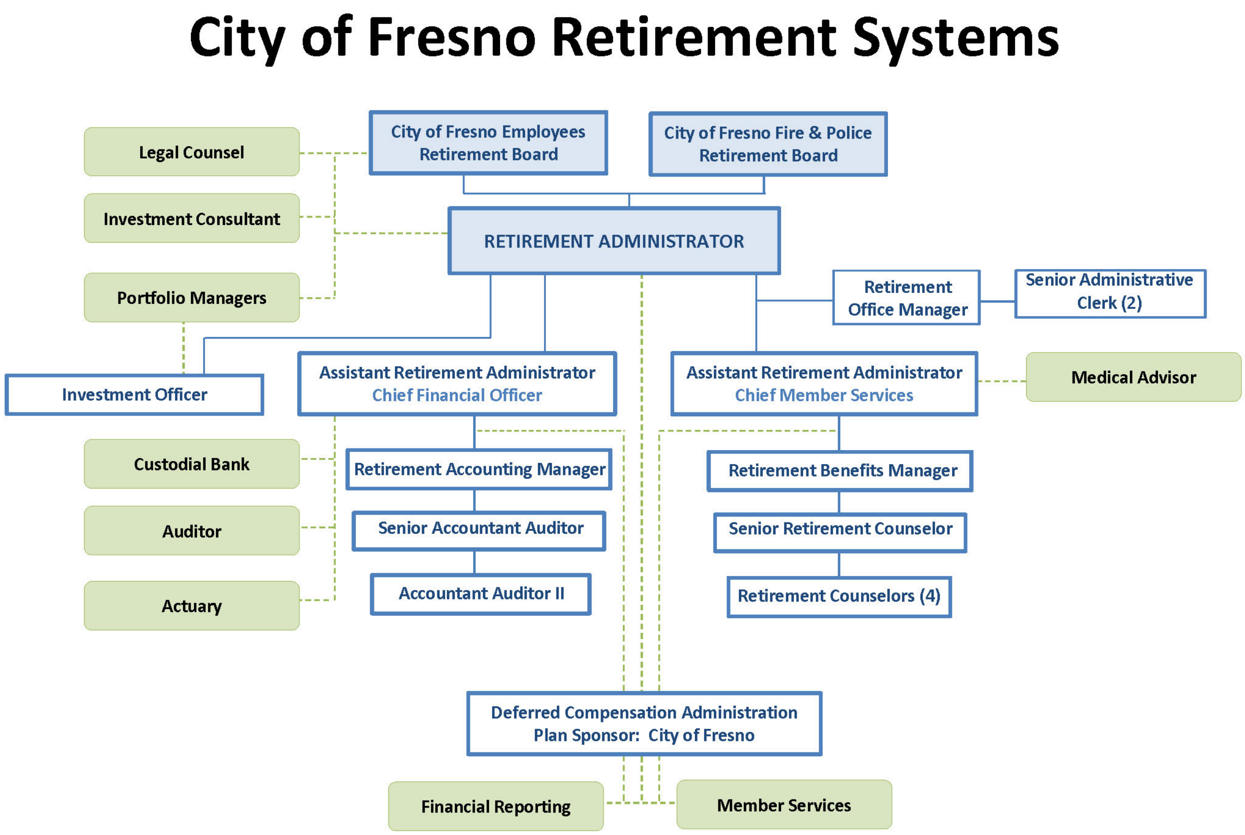
Investment Officer

This position is responsible for monitoring compliance with the Board’s Investment Objectives and Policy Statement and assists and coordinates in the management and administration of the System's investment program. This includes the planning and development of investment strategies.

Retirement Office Manager

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

Organizational Structure



Professional Services and Consultants

Custodial Bank

NORTHERN TRUST
Chicago, Illinois

General Legal Advisor

SALTZMAN and JOHNSON LAW CORPORATION
San Francisco, California

Legal Advisor

NOSSAMAN LLP
San Francisco, California

Tax Counsel

ICE MILLER LLP
Indianapolis, Indiana

Investment Legal Advisor

FOLEY & LARDNER LLP
Boston, Massachusetts

Investment Consultant

NEPC, LLC
Boston, Massachusetts

Actuary

THE SEGAL COMPANY
San Francisco, California

Medical Advisor

BENCHMARK, AN EXAMWORKS COMPANY, INC.
Sacramento, California

Independent Auditor

BROWN ARMSTRONG ACCOUNTANCY CORPORATION
Bakersfield, California

Investment Portfolio Managers

DOMESTIC EQUITY

Large Cap

Northern Trust Asset Management, Denver, CO

INTERNATIONAL & EMERGING MARKETS

International

BlackRock, San Francisco, CA

Baillie Gifford & Co., Edinburgh, Scotland

Principal Global Investors, Des Moines, IA

FIXED INCOME

Core Fixed Income

Dodge & Cox, San Francisco, CA

Prudential Investment Mgmt., Inc., Newark, NJ

High Yield

Loomis Sayles, Boston, MA

REAL ESTATE

Private Real Estate Investments

Core

JP Morgan Asset Mgmt., New York, NY

The Carlyle Group, Washington, D.C.

REAL ESTATE (Continued)

Value Add

Oaktree Capital Management, Los Angeles, CA

PCCP, LLC, Los Angeles, CA

PIMCO BRAVO III, Newport Beach, CA

Blue Vista Capital Management, Chicago, IL

Artemis Real Estate Partners, Chevy Chase, MD

Brookfield Asset Management, New York, NY

Alidade Capital, Bloomfield Hills, MI

Kayne Anderson, Los Angeles, CA

Tristan Capital Partners, London, United Kingdom

ALTERNATIVES

Private Debt/Credit

Arcmont Asset Mgmt, London, United Kingdom

Crescent Capital, Los Angeles, CA

Monroe Capital, Chicago, IL

PIMCO COF II, Newport Beach, CA

Sixth Street/TAO, Dallas, TX

Infrastructure

JP Morgan IIF, New York, NY

Ullico UIF, Silver Spring, MD

Private Equity

Pantheon Ventures, San Francisco, CA

Midstream Energy

Harvest, Wayne, PA

Tortoise, Overland Park, KS

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fresno Employees Retirement System California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

To protect and provide system benefits through the highest quality delivery of service for our members and the employer, prudently fulfilling our fiduciary duties of investment and conservation of Trust assets.

FINANCIAL

Independent Auditor's Report

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Statement of Fiduciary Net Position of the City of Fresno Employees Retirement System (the System), a pension trust fund of the City of Fresno, California, as of June 30, 2022 and 2021, the Statement of Changes in Fiduciary Net Position for the fiscal years then ended, and the related notes to the basic financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective Fiduciary Net Position of the System as of June 30, 2022 and 2021, and the Changes in Fiduciary Net Position for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the basic financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Independent Auditor's Report Continued

Management is also responsible for maintaining a current plan instrument, including all of the System's plan amendments; administering the System; and determining that the System's transactions that are presented and disclosed in the basic financial statements are in conformity with the System's plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis and RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report Continued

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the System's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the Introduction, Investment, Actuarial, and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is to solely 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 effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 29, 2022

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 (the System) for the fiscal years ended June 30, 2022 and 2021. 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 i of this report.

Financial Highlights

The System's net position restricted for pension benefits is for payment of pension benefits to participants and their beneficiaries and all of the net position is restricted to meet the System's ongoing obligations.

At the close of the fiscal year 2022, the assets of the System exceed its current liabilities by $1,562,187,480; as of fiscal year-end 2021, the assets of the System exceeded its liabilities by $1,731,237,413; as of fiscal year 2020, the assets of the System exceeded its liabilities by $1,360,836,903.

The System's net position restricted for pension benefits decreased by $169,049,933 or 9.76 percent for fiscal year 2022; increased by $370,400,510 or 27.22 percent for fiscal year 2021; and decreased by $18,578,227 or 1.35 percent for fiscal year 2020, 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, 2022, the date of the last actuarial valuation, the funded ratio for the System was 114.0 percent reflecting that the System has a valuation value of assets which is in excess of the actuarial accrued liability. In general, this indicates that for every dollar of benefits due, we have approximately $1.14 of assets available for payment as of that date.

As of June 30, 2021, the date of the previous annual actuarial valuation, the funded ratio for the System was 116.0 percent; and as of June 30, 2020, the funded ratio for the System was 109.9 percent.

Additions to Fiduciary Net Position

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

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

For fiscal year 2020 additions decreased $46,841,771 or 49.55 percent over the prior year from $94,531,940 to $47,690,169, which included member contributions of $11,027,519, employer contributions of $16,553,928, a net investment income gain of $19,790,696 and net securities lending income of $318,026.

Deductions from Fiduciary Net Position

Deductions from fiduciary net position for the fiscal year 2022 increased $2,629,816 or 3.69 percent over the prior fiscal year from $71,304,420 to $73,934,236.

Fiscal year 2021 deductions increased $5,036,024 or 7.60 percent over the prior fiscal year 2020 from $66,268,396 to $71,304,420.

Management's Discussion and Analysis Continued

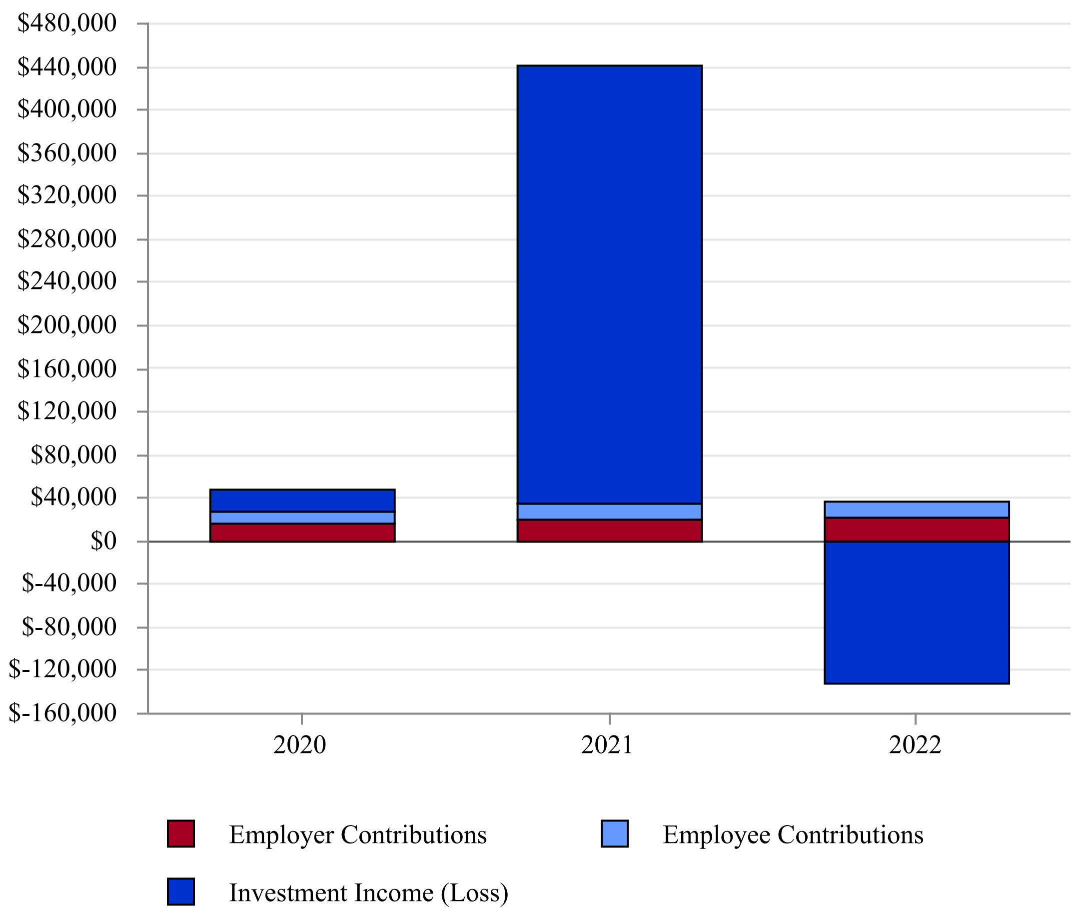
Fiscal year 2020 deductions increased $2,460,953 or 3.86 percent over the prior fiscal year 2019 from $63,807,443 to $66,268,396.

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

Schedule and Graph of Additions By Source

For Fiscal Years Ended June 30, 2022, 2021 and 2020 (In Thousands)

	2020	2021	2022
Employer Contributions	$ 16,554	$ 20,144	$ 22,017
Employee Contributions	11,028	13,750	15,493
Investment Income (Loss)	20,108	407,811	(132,626)
TOTAL	$ 47,690	$ 441,705	$ (95,116)

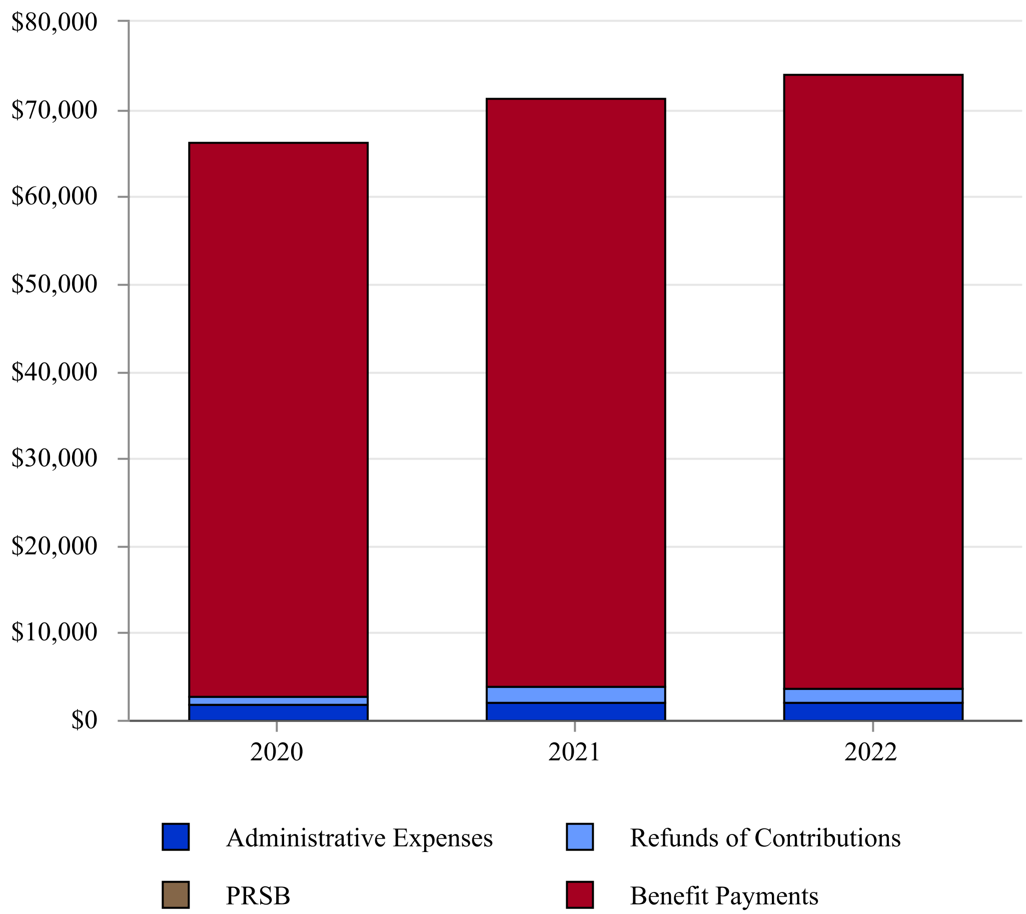


Management's Discussion and Analysis Continued

Schedule and Graph of Deductions By Type

For Fiscal Years Ended June 30, 2022, 2021 and 2020 (In Thousands)

	2020	2021	2022
Benefit Payments	$ 63,592	$ 67,497	$ 70,239
PRSB	—	—	—
Refunds of Contributions	928	1,749	1,645
Administrative Expenses	1,748	2,058	2,050
TOTAL	$ 66,268	$ 71,304	$ 73,934



Management's Discussion and Analysis Continued

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:

Statement of Fiduciary Net Position – The Statement of Fiduciary Net Position presents the major categories of assets and liabilities and their related value as of the System's fiscal years ended June 30, 2022 and 2021. "Net Position Restricted for Pension Benefits" represents funds available to pay benefits and it 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. Increases and decreases in Net Position Restricted for Pension Benefits, when analyzed over time, may serve as an indicator of whether the System's financial position is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the System's overall health.

Statement of Changes in Fiduciary Net Position – This Statement of Changes in Fiduciary Net Position provides information about the financial activities during the reporting period that increased and decreased the Net Position Restricted for Pension Benefits.

The two statements above 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 additions and deductions 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.

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 basis of accounting. The System complies with all material requirements of these pronouncements.

Notes to the Basic Financial Statements - The Notes to the Basic Financial Statements are an integral part of the basic financial statements and provide additional information that is essential to acquire a full understanding of the information and data provided in the two statements discussed above. The notes include further discussion and details regarding the System's key policies, programs, investments and activities that occurred during the year.

Required Supplementary Information – The Required Supplementary Information presents historical trend information concerning the changes in net pension liability, employer contributions and investment returns, and includes notes that explain factors that significantly affect trends in the amounts reported, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions over time. The information is based on actuarial valuations prepared for the pension plan. The actuarial valuation report includes additional actuarial information that contributes to the understanding of the changes in the net pension liability of the defined benefit pension plan over the past ten years as presented in the schedule. The actuarial information is based upon assumptions made regarding future events at the time the valuations are performed and is derived for both financial reporting and funding purposes.

Management's Discussion and Analysis Continued

Other Supplementary Information – The Other Supplementary Information, presented immediately following the required supplementary information, includes schedules pertaining to the System's administrative expenses, investment management fees and other investment related expenses, and payments to consultants and other professional services providers.

The System's funding ratio at June 30, 2022, was 114.0 percent, which means the System's fund has approximately $1.14 available for each $1.00 of liability. The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report information about the System's financial activities during the reporting periods that increased and decreased the Net Position Restricted for Pension Benefits.

Financial Analysis Net Position

As previously noted, net position restricted for pension benefits may serve over time as a useful indication of the System's financial position. The System's assets exceeded its liabilities at the close of the fiscal year 2022 by $1,562,187,480. All of the net position is restricted to meet the System's ongoing obligations to plan participants and their beneficiaries.

In fiscal year 2022, the System's restricted fiduciary net position, representing assets available to pay current and future member pension benefits, decreased by 9.76 percent largely due to volatility and fluctuations lowering performance of the global investment markets; while in 2021, the System's restricted fiduciary net position increased by 27.22 percent due to strong performance of the global investment markets (See Table 1); and also, due largely to volatility and fluctuations lowering performance in the investment markets in 2020, the System's restricted fiduciary net position decreased by 1.35 percent.

In order to determine whether the $1.562 billion in net position will be sufficient to meet future obligations, the System's independent actuary performed an actuarial valuation as of June 30, 2022. The result of this valuation determines what future contributions by plan members and the City of Fresno are needed to pay all expected future benefits. The valuation takes into account the Retirement Board's (the Board) funding policy which includes a provision to smooth the impact of market volatility by spreading each year's gains or losses over five years.

There has been extreme volatility in the various economies of the world and throughout the global financial markets over the past twenty to twenty-five years, therefore, it is of utmost importance to examine the System's investment returns with a long-term view rather than a short-term focus which tends to distort the perception of how well the investments have actually performed.

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 7.00 percent over long periods. As of June 30, 2022, the System's 25-year annualized return is 7.35 percent and its 20-year annualized return is 7.63 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.

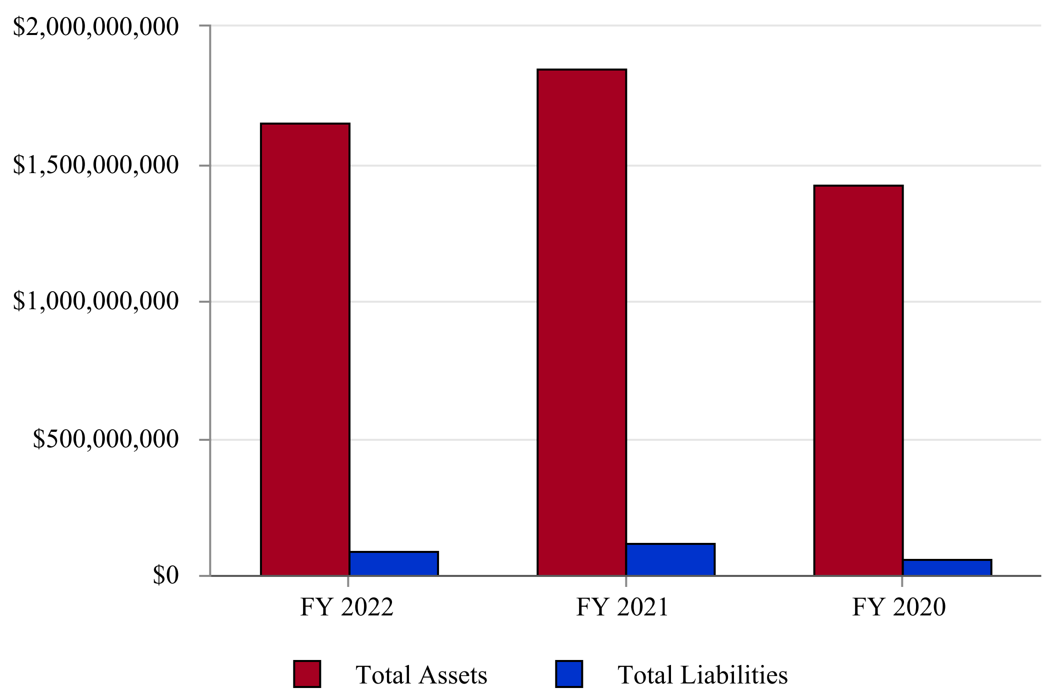
Management's Discussion and Analysis Continued

Table 1 – Employees Retirement System Fiduciary Net Position Restricted For Pension Benefits

As of June 30, 2022, 2021 And 2020

	FY 2022	FY 2021	FY 2022 Increase/ (Decrease) Amount	FY 2022 Increase/ (Decrease) Percent
Current and Other Assets	$ 77,603,540	$ 134,361,039	$ (56,757,499)	(42.24%)
Investments at Fair Value	1,569,195,263	1,712,954,301	(143,759,038)	(8.39%)
Total Assets	$1,646,798,803	$1,847,315,340	$ (200,516,537)	(10.85%)
Total Liabilities	84,611,323	116,077,927	(31,466,604)	(27.11%)
Net Position Restricted for Pension Benefits	$1,562,187,480	$1,731,237,413	$ (169,049,933)	(9.76%)

	FY 2021	FY 2020	FY 2021 Increase/ (Decrease) Amount	FY 2021 Increase/ (Decrease) Percent
Current and Other Assets	$ 134,361,039	$ 61,314,319	$ 73,046,720	119.13%
Investments at Fair Value	1,712,954,301	1,359,346,092	353,608,209	26.01%
Total Assets	$1,847,315,340	$1,420,660,411	$ 426,654,929	30.03%
Total Liabilities	116,077,927	59,823,508	56,254,419	94.03%
Net Position Restricted for Pension Benefits	$1,731,237,413	$1,360,836,903	$ 370,400,510	27.22%



Management's Discussion and Analysis Continued

Capital Assets

The System's investment in capital assets decreased from $553,904 to $482,246 (net of accumulated depreciation) between fiscal years 2021 and 2022 after decreasing from $689,560 to $553,904 (net of accumulated depreciation) between fiscal years 2020 and 2021. This investment in capital assets includes office equipment, furniture, software, and technology infrastructure. The total decrease in the System's investment in capital and intangible capital assets as of June 30, 2022 and 2021 was attributed to the disposal of capital assets no longer of service and the annual depreciation expense which netted to $(71,658) and $(135,656), respectively. These changes in both fiscal years were primarily due to the costs and associated depreciation incurred for the development of software to program and install an upgrade to our original pension administration system that was originally installed in 1997, which was implemented effective July 1, 2015. For additional, more detailed, information related to the System's capital assets, please refer to Note 12 - Capital Assets on page 51.

Reserves

Reserves are not required, nor recognized, under accounting principles generally accepted in the United States of America (GAAP). The reserves are not shown separately on the Statement of Fiduciary Net Position, but they equate to and are accounts within the net position restricted for pension 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, which includes the recognition of unrealized gains and losses in the current period.

The System's major reserve accounts, described in Note 5 – Net Position Restricted for Pension Benefits, include Active Member (Employee) Reserves, Employer Advance/Retired Reserves, DROP Reserves, PRSB Reserves and City Surplus Reserves.

Deferred Retirement Option Program (DROP) Reserve represents funds reserved for Deferred Retirement Option Program benefits accumulated by active members and retirees. DROP is an alternate method of receiving retirement benefits. It is a voluntary program as described by the conditions and requirements of the City of Fresno 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 Retirement Board (the Board) in accordance with the City of Fresno 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 the City of Fresno Municipal Code Section 3-567. PRSB is a supplemental benefit distributed to eligible participants in accordance with the City of Fresno 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.

The PRSB Reserve Account was exhausted at the end of December 2013.

Management's Discussion and Analysis Continued

City Surplus Reserve represents that portion of distributable actuarial surplus that has been allocated but not used as a reduction to offset or eliminate the City of Fresno's (the City) 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/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 has been allocated for PRSB but not yet distributed to eligible participants.

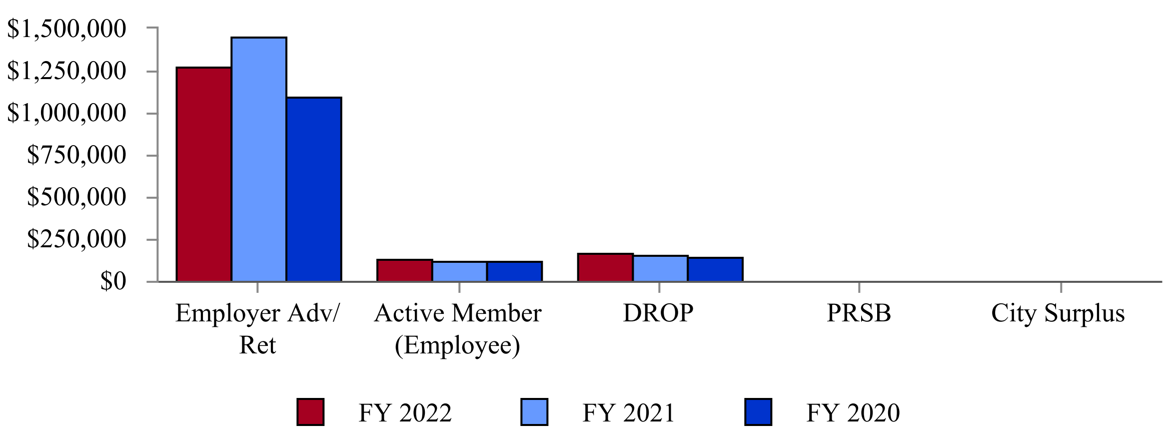
Additions to and deductions from PRSB occur when surpluses and allocations occur, respectively. The City Surplus reserve represents that portion of distributable actuarial surpluses and accrued interest, reduced by required City normal pension contributions. The City Surplus Reserve Account shall be drawn upon in subsequent years if needed to reduce or eliminate the City's annual pension contribution requirement.

The City Surplus Reserve Account shows a positive balance for the fiscal year 2022 and 2021, while fiscal year 2020 showed a slightly negative balance. The City's normal contribution rate for fiscal years 2022 and 2021 also included adjustments for economic and non-economic actuarial assumption changes.

Table 2 – Employees Retirement System's Reserves

As of June 30, 2022, 2021 and 2020 (In Thousands)

	FY 2022	FY 2021	FY 2020
Employer Advance/Retired Reserves	$ 1,269,348	$ 1,456,484	$ 1,100,905
Active Member (Employee) Reserves	131,234	122,574	115,238
DROP Reserves	161,451	152,107	144,777
PRSB Reserves	—	—	—
City Surplus Reserves	154	72	(83)
Net Position Restricted for Pension Benefits	$ 1,562,187	$ 1,731,237	$ 1,360,837



Management's Discussion and Analysis Continued

System's Activities

Attributable in part to the continued volatility in global economic and financial markets, the System's net position decreased $169,049,933 for the fiscal year 2022 resulting in a 9.76 percent decrease in the fiduciary net position restricted for pension benefits for the fiscal year ended June 30, 2022. The System's fiduciary net position increased $370,400,510 for the fiscal year 2021 resulting in a 27.22 percent increase in the fiduciary net position restricted for pension benefits for the fiscal year ended June 30, 2021, primarily attributable to the growth in the global financial markets. In fiscal year 2020, the System's fiduciary net position decreased $18,578,227 resulting in a 1.35 percent decrease in the fiduciary net position restricted for pension benefits for the fiscal year ended June 30, 2020.

Key elements of the additions to and deductions from Fiduciary Net Position for fiscal years 2022, 2021 and 2020 are described in the sections below.

Additions to the System's Fiduciary Net Position

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. Total additions to the System's fiduciary net position for the fiscal year ended June 30, 2022 totaled $(95,115,697).

For the fiscal year ended June 30, 2022, overall additions had decreased by $536,820,627 or 121.53 percent primarily due to lower than anticipated performance in the global investment markets. For fiscal year 2021, overall additions had increased by $394,014,761 or 826.20 percent from the prior year; and for fiscal year ended June 30, 2020, primarily due to the performance of the investment markets and changes in actuarial assumptions, overall additions had decreased by $46,841,771 or 49.55 percent from the prior fiscal year. The investment section of this report reviews the details of the results of investment activity for the fiscal year ended June 30, 2022.

Deductions from the System's Fiduciary Net Position

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 System, refunds of contributions to terminated employees, and the cost of administering the System.

Deductions from the fiduciary net position for the fiscal year ended June 30, 2022, totaled $73,934,236 which was an increase of $2,629,816 or 3.69 percent over the prior fiscal year 2021. Deductions from the fiduciary net position for the fiscal year ended June 30, 2021, totaled $71,304,420 which was an increase of $5,036,024 or 7.60 percent over the prior fiscal year 2020. The fiscal year ending June 30, 2020 had deductions from the fiduciary net position totaling $66,268,396, which was an increase of $2,460,953 or 3.86 percent over the prior fiscal year 2019. The increase in benefits paid resulted primarily from an increase in the amount of benefit payments due to the number of retirees from the prior year.

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

Management's Discussion and Analysis Continued

Changes in Fiduciary Net Position (Condensed)

For Fiscal Years Ended June 30, 2022, 2021 and 2020

	FY 2022	FY 2021	FY 2022 Increase/ (Decrease) Amount	FY 2022 Increase/ (Decrease) Percent
Additions				
Employer Contributions	$ 22,016,525	$ 20,144,322	$ 1,872,203	9.29%
Employee Contributions	15,492,662	13,749,909	1,742,753	12.67%
Net Investment Income (Loss)*	(132,624,884)	407,810,699	(540,435,583)	(132.52%)
Total Additions	$ (95,115,697)	$ 441,704,930	$ (536,820,627)	(121.53%)
Deductions				
Retiree Benefit Payments	$ 70,239,143	$ 67,497,485	$ 2,741,658	4.06%
Post Retirement Supplemental Benefit (PRSB)	—	—	—	—%
Refunds of Contributions	1,645,235	1,748,572	(103,337)	(5.91%)
Administrative Expenses	2,049,858	2,058,363	(8,505)	(0.41%)
Total Deductions	$ 73,934,236	$ 71,304,420	$ 2,629,816	3.69%
Changes in Net Position	(169,049,933)	370,400,510	(539,450,443)	145.64%
Net Position Restricted for Pension Benefits				
Beginning of the Year	1,731,237,413	1,360,836,903	370,400,510	27.22%
End of the Year	$1,562,187,480	$1,731,237,413	$ (169,049,933)	(9.76%)

* Net of investment expense of $17,098,477 and $13,708,409 for June 30, 2022 and 2021, respectively.

	FY 2021	FY 2020	FY 2021 Increase/ (Decrease) Amount	FY 2021 Increase/ (Decrease) Percent
Additions				
Employer Contributions	$ 20,144,322	$ 16,553,928	$ 3,590,394	21.69%
Employee Contributions	13,749,909	11,027,519	2,722,390	24.69%
Net Investment Income *	407,810,699	20,108,722	387,701,977	1,928.03%
Total Additions	$ 441,704,930	$ 47,690,169	$ 394,014,761	826.20%
Deductions				
Retiree Benefit Payments	$ 67,497,485	$ 63,591,967	$ 3,905,518	6.14%
Post Retirement Supplemental Benefit (PRSB)	—	—	—	—%
Refunds of Contributions	1,748,572	927,501	821,071	88.53%
Administrative Expenses	2,058,363	1,748,928	309,435	17.69%
Total Deductions	$ 71,304,420	$ 66,268,396	$ 5,036,024	7.60%
Changes in Net Position	370,400,510	-18,578,227	388,978,737	(2,093.73%)
Net Position Restricted for Pension Benefits				
Beginning of the Year	1,360,836,903	1,379,415,130	-18,578,227	(1.35%)
End of the Year	$1,731,237,413	$1,360,836,903	$ 370,400,510	27.22%

* Net of investment expense of $13,708,409 and $13,067,452 for June 30, 2021 and 2020, respectively.

Management's Discussion and Analysis Continued

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,

Signature

Robert T. Theller, Esq.
Retirement Administrator

November 29, 2022

Basic Financial Statements

Statement of Fiduciary Net Position

As of June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash (Note 7)	$ 872,668	$ 2,302,291
Collateral Held for Securities Lent (Note 9)	59,376,847	79,711,386
Receivables		
Receivables for Investments Sold	13,125,563	31,370,552
Interest and Dividends	2,531,972	2,385,274
Other Receivables	1,057,766	17,915,393
Total Receivables	**16,715,301**	**51,671,219**
Prepaid Expenses	—	—
Total Current Assets	**76,964,816**	**133,684,896**
Investments at Fair Value and NAV (Notes 6 and 7)		
Domestic Equity	477,241,474	626,488,266
International Developed Market Equities	200,487,360	266,659,195
Government Bonds	92,722,551	67,780,279
Corporate Bonds	168,024,050	172,790,456
Alternatives	383,779,806	276,539,149
Real Estate	241,009,925	211,014,873
International Emerging Market Equities	—	65,448,667
Short-Term Investments	5,930,097	26,233,416
Total Investments	**1,569,195,263**	**1,712,954,301**
Capital Assets Net of Accumulated Depreciation (Note 12)	482,246	553,904
Other Assets	156,478	122,239
Total Assets	**1,646,798,803**	**1,847,315,340**
LIABILITIES		
Collateral Held for Securities Lent (Note 9)	59,376,847	79,711,386
Payable for Investments Purchased	22,517,848	16,933,186
Other Liabilities	1,658,176	1,558,066
Payable for Foreign Currency Purchased	1,058,452	17,875,289
Total Liabilities	**84,611,323**	**116,077,927**
Net Position Restricted for Pension Benefits (Note 5)	**$ 1,562,187,480**	**$ 1,731,237,413**

The accompanying notes to the basic financial statements on pages 18 - 53 are an integral part of this statement.

Basic Financial Statements Continued

Statement of Changes in Fiduciary Net Position

For Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
ADDITIONS		
Contributions (Note 3)		
Employer	$ 22,016,525	$ 20,144,322
Employee	15,492,662	13,749,909
Total Contributions	**37,509,187**	**33,894,231**
Investment Income (Loss)		
Net Appreciation/(Depreciation) in Fair Value of Investments	(138,316,184)	399,865,514
Interest	8,329,468	8,481,807
Dividends	14,003,169	12,838,117
Other Investment Related	57,083	88,740
Total Investment Income (Loss)	(115,926,464)	421,274,178
Less: Investment Expense	(16,966,818)	(13,659,462)
Total Net Investment Income (Loss)	**(132,893,282)**	**407,614,716**
Securities Lending Income		
Securities Lending Earnings (Note 9)	400,057	244,930
Less: Securities Lending Expense	(131,659)	(48,947)
Total Net Securities Lending Income	**268,398**	**195,983**
Total Additions	**(95,115,697)**	**441,704,930**
DEDUCTIONS		
Benefit Payments	70,239,143	67,497,485
Post Retirement Supplemental Benefits (Note 11)	—	—
Refunds of Contributions	1,645,235	1,748,572
Administrative Expense	2,049,858	2,058,363
Total Deductions	**73,934,236**	**71,304,420**
Changes in Net Position	**(169,049,933)**	**370,400,510**
NET POSITION RESTRICTED FOR PENSION BENEFITS		
BEGINNING OF YEAR	**1,731,237,413**	**1,360,836,903**
END OF THE YEAR	**$ 1,562,187,480**	**$ 1,731,237,413**

The accompanying notes to the basic financial statements on pages 18 - 53 are an integral part of this statement.

Notes to the Basic Financial Statements

1 Significant Provisions of the Retirement System

The City of Fresno Employees Retirement System (the 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 is a single-employer, contributory, defined benefit plan. The System provides lifetime retirement, disability, and death benefits to the non-safety members employed by the City of Fresno (the City), including substantially all full-time employees, other than sworn officers of the Fire and Police Departments.

The System is administered by the Employees Retirement Board (Board) which operates under the authority vested in Article 5 of Chapter 3 of the City of Fresno Municipal Code and the California Pension Protection Act of 1992 which 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 contribution thereto, and defraying reasonable expenses of administering the System."

The Employees Retirement Board does not operate under the control of the City Council. 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 members and their beneficiaries.

Fiduciary oversight of the Employees Retirement System is vested with the Board, which consists of 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 elected members serve a four year term. The fifth and final member of the Board is a qualified elector of the County of Fresno, not connected with its government, elected by the previously designated four members and serves at the pleasure of the Board.

The Board, in conjunction with the Fire and Police Retirement Board, appoints, directs and oversees a Retirement Administrator. The Retirement Administrator is responsible for the overall management and administration of the Employees and Fire and Police Retirement Systems in accordance with the direction, policy and goals set by the Boards and for providing highly responsible and complex administrative support to the Boards. The Retirement Administrator serves at the pleasure of the Boards.

Working closely with the Boards, the Retirement Administrator and his staff develop investment and benefits policies, coordinate member services and programs, and develop long-term strategies that fulfill the Systems' mission and goals.

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

Notes to the Basic Financial Statements Continued

Membership and Benefit Eligibility

All permanent full-time employees of the City of Fresno, except sworn Fire and Police personnel, are eligible to participate in the plan. Employees become eligible for membership on their first day of regular employment, and members become fully vested after earning 5 years of service credit.

Total participants of the System were comprised as follows at June 30, 2022 and 2021:

	2022	2021
Active Members		
Vested	1,384	1,319
Non-Vested	1,051	994
Total Active Members	2,435	2,313
Retirees and Beneficiaries of Deceased Retirees, Currently Receiving Benefits	2,167	2,129
Inactive Vested Members	202	248
Total Retirees, Beneficiaries, and Inactive Members	2,369	2,377
Grand Total	**4,804**	**4,690**

Benefit Provisions

The System provides retirement allowances and other benefits such as disability and death benefits to the non-safety members employed by the City of Fresno.

The retirement (pension) benefits the member will receive are based upon a combination of age at retirement, years of credited service, final average monthly salary, and the distribution option selected by the participant.

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 the member becomes 100 percent vested, but are not payable until the member attains the age of 55.

Effective January 28, 2008, members may retire between age 50-55 with an actuarially equivalent service retirement benefit.

Member Retirement Benefits

Members are eligible for service retirement benefits upon completion of at least five years of service, upon termination of service, if they have left contributions and interest with the System and are at least age 55. Or, Members may retire upon written application to the Retirement Board provided that the Member is credited with five years of continuous service and has attained age fifty and consents in writing to the early retirement benefit reduction. Members may also be eligible for service retirement benefit if they have less than five years of service with the City of Fresno, but have established reciprocity with a prior employer and are eligible to retire from that agency.

The service retirement benefit is calculated pursuant to the provisions of Section 3-541 of the City of Fresno Municipal Code. The monthly allowance for a member is equal to 2 percent of final compensation times each of the first 25 years of accrued retirement service credit plus 1 percent of final compensation times any years of accrued retirement service credit in excess of 25 years, multiplied by the age factor at retirement age.

Final average compensation consists of the highest average consecutive 36 months of compensation earnable calculated using the rate of pay in effect at the time of retirement.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 50% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse is one married to the member one year

Notes to the Basic Financial Statements Continued

prior to the effective retirement date for members retiring on or before the effective date (February 10, 2000) of Ordinance No. 2000-5. For members retiring after the effective date of Ordinance 2000-5, an eligible surviving spouse or domestic partner is one married to or registered with the member on or before the date of retirement.

There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

Deferred Retirement Option Program (DROP)

DROP is an optional voluntary program that allows a member to have his or her retirement benefits deposited in a special account within the System while the member continues to work in his or her current position. It is a voluntary method of receiving a distribution of retirement benefits; it is not an additional retirement benefit.

DROP may not be beneficial to all members. Each member must determine how the DROP option will affect the member's retirement benefits prior to making an election to enter the DROP.

The member's retirement benefits are determined as of the date of entry into the DROP option and accumulate in the member's DROP account while the member continues to work. Members entering DROP, after January 27, 2011 in accordance with ordinances that amended sections of the City of Fresno Municipal Code, continue making employee contributions.

Eligibility: Any member who is eligible for a service retirement and is age 55 (or age 50 for an early retirement reduced benefit) with a minimum of 5 years of service.

Participation Period: The maximum participation period is ten years. Because the participation period cannot be extended, the member must retire at its conclusion; however, the member may end participation in DROP and terminate employment with the City and begin retirement at any time prior to the end of the ten-year period.

DROP Account: A DROP account is set up for each participant; the monthly amount 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. Interest is also credited to the DROP account monthly at a rate which is set annually by the Retirement Board. The rate is based on the prior five-year moving average of net market returns of the System's investments in accordance with the City of Fresno Municipal Code requirements. The Board is authorized to reduce the annual interest crediting rate up to 3 percent, if necessary, to maintain DROP's cost neutrality.

A DROP account is a nominal, bookkeeping account established within the System for each DROP participant.

Upon termination of DROP participation and retirement from the City, a member receives the amounts credited to their DROP account, including interest. In addition, the member will also begin receiving his or her monthly retirement allowance in the amount being credited to their DROP account. The member may select a method of withdrawing the money from their DROP account from the options provided.

Notes to the Basic Financial Statements Continued

DROP Reserves which represent funds reserved for DROP benefits accumulated by active members and retirees were $161,451,014 and $152,107,180 as of June 30, 2022 and 2021, respectively.

Terminated Member Benefits

If a member terminates before earning five years of credited service, the member forfeits the right to receive his or her service retirement benefit and is entitled to withdraw refundable contributions made, together with accumulated interest. If the member enters a reciprocal retirement system within 180 days (6 months) of terminating employment with the City of Fresno and elects to leave their accumulated contributions on deposit with the System, then the member will receive a deferred retirement allowance when eligible.

Death and Disability Benefits

Death benefits are based upon whether the death occurred before or after retirement. Disability benefits are based upon whether the member has at least ten years of credited service, over or under age 55 and whether the permanent incapacity is found to be service or non service-connected.

Cost-of-Living Benefits

Cost-of-living adjustment (COLA) increases for retirees under the Employees Retirement System are provided for in the Municipal Code, and are determined by annual changes in the Consumer Price Index (CPI) for each of the two immediately preceding calendar years. Retirement staff research the percentage change in CPI (United States city average for urban wage earners and clerical workers – all items) and propose that percent to the Retirement Board as the COLA to be adopted for the following fiscal year. This procedure is completed by the end of April each year for implementation in July. The COLA is limited to a five percent (5.00%) maximum change per year and any excess over 5.00 percent is banked for the retiree for use in a year where the percent of CPI change is negative.

The Board adopted the annual COLA, pursuant to Section 3- 553(b) of 1.5 percent, effective July 1, 2021 for fiscal year 2022, and 2.3 percent, effective July 1, 2020 for fiscal year 2021.

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's financial statements are prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP), under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Employer and employee contributions are recognized as revenue when due. Contributions are recorded in the period the related salaries are earned and become measurable. Investment income is recognized when it is earned. The net appreciation in fair value of investments held by the System is recorded as an increase to investment income based on the valuation of investments at fiscal year-end, which includes both realized and unrealized gains and losses on investments. Retirement benefits and refunds are recognized when due and payable under the terms of the plan as defined in Sections 3-534 and 3-538 of the City of Fresno Municipal Code. Other expenses are recognized when the corresponding liabilities are incurred.

Notes to the Basic Financial Statements Continued

Securities lending transactions are accounted for in accordance with Governmental Accounting Standards Board (GASB) Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, which establishes reporting standards for securities lending transactions. In accordance with GASB 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 Fiduciary Net Position. In addition, the costs of securities lending transactions are reported as an expense in the Statement of Changes in Fiduciary Net Position.

Investments

The System is authorized by the City of Fresno Municipal Code and the policies of the Retirement Board to invest in any form or type of investment deemed prudent by the Board and does so through its Investment Objectives and Policy Statement which establishes and outlines the responsibilities of the various parties that are associated with managing assets of the Retirement System, consistent with applicable sections of the Municipal Code, Federal laws and Article XVI, Section 17(c) of the Constitution of the State of California which provides that "the member 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."

System investments are reported at fair value. Fair value is the amount that the System can reasonably expect to receive for an investment in a current sale between a willing buyer and seller, that is, other than in a forced or liquidation sale. Fair value for investments of publicly traded securities is stated at fair value based upon closing sales prices reported on recognized securities exchanges on the last business day of the period or for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis and dividends declared but not received are accrued on the ex-dividend date. 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.

The asset allocation policy set by the Board, in conjunction with the Fire and Police Retirement Board, is outlined in the Boards' Investment Objectives and Policy Statement. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the System. The table on the following page provides the Boards' adopted asset allocation policy as of June 30, 2022 and 2021.

Notes to the Basic Financial Statements Continued

Asset Allocation Policy

As of June 30, 2022 and 2021

Asset Class	FY 2022	FY 2021
Domestic Equity		
Large Cap	25.0%	15.8%
Small Cap	0.0%	7.2%
International Equity		
Developed Markets	23.0%	19.0%
Emerging Markets	0.0%	6.0%
Fixed Income		
Core Fixed Income	13.0%	10.0%
High Yield Bonds	3.0%	5.0%
Real Estate		
Core Real Estate	10.0%	11.0%
Value Add Real Estate/REITs	4.0%	4.0%
Alternatives		
Infrastructure	5.0%	4.0%
Midstream Energy (MLP's)	4.0%	5.0%
Private Equity	3.0%	5.0%
Private Debt	10.0%	8.0%
Short-Term Investments	0.0%	0.0%
	100%	**100%**

Estimates

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

Reclassifications

Certain amounts presented in the prior year's data has been reclassified to be consistent with the current year's presentation. Such reclassifications had no effect on previously reported fiduciary net position.

Implementation of New Accounting Pronouncements

For the year ended June 30, 2022, the Board adopted and the System implemented all applicable new GASB pronouncements. The most recent pronouncements, effective for fiscal year ended June 30, 2022, are provided below.

GASB Statement No. 87 - *Leases*, was issued in June 2017. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The system has determined that this standard is not currently applicable, as it has no current applicable lease contracts, thus having no material impact on the System's financial statements.

Notes to the Basic Financial Statements Continued

GASB Statement No. 89 - *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued in June 2018. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The System has determined that this standard is not applicable, and thus has no material impact on the System's financial statements.

GASB Statement No. 92 - *Omnibus 2020*, was issued in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and specific provisions of previous statements. The System has determined that this standard is not applicable, and thus has no material impact on the System's financial statements.

GASB Statement No. 93 - *Replacement of Interbank Offered Rates*, was issued in March 2020. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of Interbank Offered Rates (IBOR). As a result of global reference rate reform, London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The System has determined that this standard is not applicable, and thus has no material impact on the System's financial statements.

GASB Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued in June 2020. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

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.

Contributions are made by the members and the employer at rates recommended by the System's independent actuary and adopted by the 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. All active members are required to make contributions to the System. The average member contribution rate as of June 30, 2022 for 2021-2022 (based on the June 30, 2020 valuation) was 9.49 percent of compensation. The average member contribution rate as of June 30, 2021 for 2020-2021 (based on the June 30, 2019 valuation) was 9.04 percent of compensation.

Notes to the Basic Financial Statements Continued

The employer 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. The average employer contribution rate as of June 30, 2022 for 2021-2022 (based on the June 30, 2020 valuation) was 13.35 percent of compensation. The average employer contribution rate as of June 30, 2021 for 2020-2021 (based on the June 30, 2019 valuation) was 13.03 percent of compensation.

One of the funding objectives of the System is to establish contribution rates which, over time, will remain level as a percentage of payroll unless the System benefit provisions are changed.

Funding Status & Method

Actuarial Funding Policy and Actuarial Cost Methodology for Funding Purposes.

The Board adopted a Comprehensive Actuarial Funding Policy on November 7, 2012. For the Employees Retirement System, that policy included a change in actuarial cost methodology from the Projected Unit Credit (PUC) method used for funding purposes to the Entry Age Normal (EAN) method as the EAN method is used by a substantial majority of the retirement systems in California and nationwide. More importantly, the Board made this change in actuarial cost methodology due to the adoption of GASB Statements No. 67 and No. 68 which substantially revised the financial reporting requirements for governmental pension plans and their sponsors.

Goals of the Actuarial Funding Policy:

- To achieve long-term full funding of the cost of benefits provided by the System;
- To seek reasonable and equitable allocation of the cost of benefits over time; and
- To minimize any volatility of the City’s contribution to the extent reasonably possible, consistent with other policy goals.

Funding Requirements and Policy Components

The System’s annual funding requirement is comprised of a payment of the Normal Cost and a payment on the Unfunded Actuarial Accrued Liability (UAAL) if applicable. The Normal Cost and the amount of the payment on UAAL are determined by three components of the Board’s funding policy: 1) Actuarial Cost Method – the techniques used to allocate the cost/liability of retirement benefits to a given period; 2) Asset Smoothing Method – the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and 3) Amortization Policy – the decisions on how, in terms of duration and pattern, to fund the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets in a systematic manner.

Using the Asset Smoothing Method, the investment gains or losses of each valuation period, as a result of comparing the actual market return to the expected market return, are recognized in level amounts over five (5) years in calculating the Actuarial Value of Assets.

Notes to the Basic Financial Statements Continued

As of June 30, 2022, the System does not have an Unfunded Actuarial Accrued Liability (UAAL). The Board's Amortization Policy sets forth the amortization procedures for funding any UAAL or amortization and allocation of any available surplus in the System.

Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of fifteen (15) years. Any new UAAL as a result of any change in actuarial assumptions or methods will be amortized over a period of twenty-five (25) years. The amortization period for any increase in UAAL as a result of any amendments to the System will be amortized over a period of fifteen (15) years, while any increase in UAAL resulting from a temporary retirement incentive will be funded over a period not to exceed five (5) years. UAAL shall be amortized over "closed" (separate) amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation. UAAL is amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

If an overfunding status exists (i.e., the Valuation Value of Assets exceeds the Unfunded Actuarial Accrued Liability (UAAL), the System is considered to have a surplus in the System as of a point in time), such actuarial surplus and any subsequent surpluses will be amortized over an "open" amortization period of twenty-five (25) years. This amortization period of twenty-five years shall be applicable to the provisions in Fresno Municipal Code Sections relating to the amortization period used in the calculation of the Post Retirement Supplemental Benefit (PRSB). Any prior Unfunded Actuarial Accrued Liability (UAAL) amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over fifteen (15) years as the first of a new series of amortization layers.

The System uses a five year smoothing of market gains and losses to derive the actuarial value of assets. As of the fiscal year ended June 30, 2022, the actuarial value of assets was $1.450 billion with a funded percentage of 114.0 percent on a valuation value of assets.

The progress being made towards meeting the System's funding objective through June 30, 2022 is illustrated in the Schedule of Funding Progress shown below and in the Actuarial Section on page 85.

Schedule of Funding Progress

For The Three Years Ending June 30, 2022

(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	**Actuarial Valuation Value of Assets**	**Actuarial Accrued Liability (AAL)**	**Percentage Funded (1)/(2)**	**Prefunded / (Unfunded AAL) (2)–(1)**	**Annual Covered Payroll**	**Prefunded / (Unfunded AAL) Percentage of Covered Payroll [(2) - (1)] / (5)**
2022	$1,450	$1,272	114.0%	$178	$172	103.7%
2021	$1,380	$1,190	116.0%	$190	$160	118.7%
2020	$1,269	$1,155	109.9%	$114	$156	73.0%

Notes to the Basic Financial Statements Continued

Funding Policy

The City (Employer) currently funds, at a minimum, the amounts recommended by the actuary and approved by the Retirement Board. Such amounts are determined using the individual entry age normal funding method applied to the projected benefits in determining the Normal Cost and Actuarial Accrued Liability. The Normal Cost is determined on an individual basis for each active member. If there is a positive (Surplus) or negative (Unfunded) difference between the Valuation of Assets and the Actuarial Accrued Liability (AAL), the amortization policy determines the amortization of the Unfunded Actuarial Accrued Liability (UAAL) on a level percentage of payroll needed to fund the UAAL or the amount of available surplus which would be distributable in any given year. This method produces an employer contribution rate consisting of amounts for (a) normal cost and (b) amortization of any unfunded (UAAL) or prefunded (PAAL) actuarial accrued liability.

These minimum contributions are recognized currently in the Statement of Changes in Fiduciary Net Position. 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 (basic and cost-of-living adjustments (COLA)) to the System for fiscal year 2022 totaled $37,509,187. Employees contributed $15,492,662 and the City made contributions of $22,016,525.

Contributions aggregating $37,509,187 ($22,016,525 employer contributions and $15,492,662 employee contributions) were made in fiscal year 2022, based on an actuarial valuation determined as of June 30, 2020, which became effective for the year ended June 30, 2022. During fiscal year 2022, the Employer normal contribution rate was set at 13.33 percent. However, due to an adjustment for an excess contribution from the prior year, Employer and System member basic and COLA contributions represented 13.35 percent and 9.49 percent, respectively, of the fiscal year 2022 covered payroll.

Contributions aggregating $33,894,231 ($20,144,322 employer contributions and $13,749,909 employee contributions) were made in fiscal year 2021, based on an actuarial valuation determined as of June 30, 2019, which became effective for the year ended June 30, 2021. During fiscal year 2021, the Employer normal contribution rate was set at 13.37 percent. Employer and System member contributions represented 13.03 percent and 9.04 percent, respectively, of the fiscal year 2021 covered payroll.

Notes to the Basic Financial Statements Continued

Contributions Required and Contributions Made

The employer's required normal contributions to the System has two components: basic and COLA. For fiscal years 2022 and 2021, the employer's required normal contributions (basic and COLA) to the System were as follows:

Normal Cost

		FY2022		FY2021
Employee Contributions	$	15,492,662	$	13,749,909
Employer Contribution Rate		13.33%		13.37%
Employer Contributions	$	21,946,831	$	20,593,899
Prior Year Contribution (Surplus)/Shortfall		69,694		(449,577)
Net Employer Contributions	$	22,016,525	$	20,144,322
Pensionable Payroll	$	164,642,390	$	154,030,657

4 Net Pension Liability

The components of the net pension liability of the System are as follows:

Schedules of Changes in the System's Net Pension Liability (GASB 67)

As of June 30, 2022 and 2021

(In Thousands)

	As of June 30, 2022	As of June 30, 2021
Total Pension Liability	$1,472,814	$1,379,433
Plan Fiduciary Net Position	($1,562,188)	($1,731,237)
Net Pension Liability/(Surplus)	($89,374)	($351,804)
Plan Fiduciary Net Position as a percentage of the total pension liability	106.07%	125.50%

The net pension liability was measured as of June 30, 2022 and 2021, and determined based upon the total pension liability (on a GASB 67 basis) from actuarial valuations as of June 30, 2022 and 2021, respectively.

Notes to the Basic Financial Statements Continued

Actuarial Assumptions

Key Methods and Assumptions Used in Valuation of Total Pension Liability

The total pension liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	June 30, 2022[1]
Actuarial Experience Study:	3 Year Period Ending June 30, 2021
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation.

Actuarial Assumptions

Inflation	2.50%
Salary Increases	4.00% to 11.50%, varying by service, including inflation
Discount Rate	6.75%, net of pension plan investment expense, including inflation
Other Assumptions	See June 30, 2022 funding valuation for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.
Mortality Rates	*Health*y Members • Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021. *Beneficiaries not currently in Pay Status* • Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021. *Beneficiaries in Pay Status* • Pub-2010 General Contingent Survivor Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021. *Disabled Members* • Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

[1] Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. As such, the actuarial valuations dated, June 30, 2022 and 2021, will impact the contribution rates for the fiscal years ended June 30, 2024 and 2023.

Notes to the Basic Financial Statements Continued

The valuation interest rate is 6.75 percent; total salary scale increases range between 4.00% to 11.50% (include 2.50 percent for inflation plus 0.50 percent across the board salary increase plus merit and promotion increases based on completed years of service) were based on the June 30, 2021 Experience Analysis and Economic Assumptions Reports.

Actuarial valuations of an ongoing plan involve estimates of the fair 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.

GASB Statement No. 67 addresses accounting and financial reporting requirements for pension plans and redefines pension liability and expense for financial reporting purposes, and does not apply to contribution amounts for pension funding purposes.

When measuring pension liability under GASB Statement No. 67, the actuary uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as the System uses for funding. Note that, unrelated to the investment return assumption, the new rules use a version of the Entry Age method where the Total Pension Liability (TPL) for financial reporting purposes must be fully accrued by the time a member either enters DROP or is expected to elect the DROP. This is in contrast to the version of the Entry Age method used for funding, where the Actuarial Accrued Liability (AAL) does not have to be fully accrued until members retire from employment after participation in the DROP. Under GASB Statement No. 67, active members who are expected to enroll in the DROP in the future would report a Service Cost that is higher than the Normal Cost used for funding, while members already in the DROP would report no Service Cost even though their Normal Cost continues to accrue.

Long-Term Expected Real Rate of Return

The long-term expected rate of return on the System's investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table.

The actual asset class target allocations from the Board's prior adopted Asset Allocation Target Policy were utilized in the Analysis of Actuarial Experience during the period July 1, 2018 through June 30, 2021 and for the Review of Economic Actuarial Assumptions used for the June 30, 2022 Actuarial Valuation.

The actual asset class target allocations from the Board's prior adopted Asset Allocation Target Policy were utilized in the Analysis of Actuarial Experience during the period July 1, 2015 through June 30, 2018 and for the Review of Economic Actuarial Assumptions used for the June 30, 2021 Actuarial Valuation.

Notes to the Basic Financial Statements Continued

Asset Class/Target Allocation/Long-term Expected Real Rate of Return Table

	As of June 30, 2022		As of June 30, 2021	
Asset Class	**Target Asset Allocation**	**Weighted Average Long-Term Expected Real Rate of Return* (Arithmetic)**	**Target Asset Allocation**	**Weighted Average Long-Term Expected Real Rate of Return* (Arithmetic)**
Large Cap U.S. Equity	18.0%	5.40%	15.8%	5.44%
Small Cap U.S. Equity	3.0%	6.17%	7.2%	6.18%
Developed International Equity	13.0%	6.13%	19.0%	6.54%
Emerging Market Equity	5.0%	8.17%	6.0%	8.73%
Private Equity	8.0%	10.83%	5.0%	9.27%
Core Bonds	12.0%	0.39%	10.0%	1.42%
High Yield Bonds	0.0%	0.00%	5.0%	3.64%
Private Debt/Direct Lending	14.0%	5.93%	8.0%	5.54%
Midstream Energy	0.0%	0.00%	5.0%	6.24%
Real Estate	15.0%	4.59%	15.0%	4.60%
Private Credit - Credit Opportunities	2.5%	7.18%	—%	—%
China Equity	1.25%	9.53%	—%	—%
Hedge Fund - Macro	1.25%	2.72%	—%	—%
Private Real Assets - Infrastructure/Land	7.0%	6.19%	4.0%	4.89%
Total	100.0%		100.0%	

*Based on June 30, 2021 Economic Study of Assumptions.

Mortality Rates

Mortality rates used in the latest actuarial valuation are based on the Pub-2010 mortality tables. For healthy members and beneficiaries the Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) times 105% is used, projected generationally with the two-dimensional mortality improvement scale MP-2018. For members that are disabled, the Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) is used, projected generationally with the two-dimensional mortality improvement scale MP-2018.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 and 7.00 percent as of June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on the System's investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2022 and June 30, 2021.

Notes to the Basic Financial Statements Continued

The table below presents the net pension liability of the Retirement System calculated using the discount rate of 6.75 and 7.00 percent, as of June 30, 2022 and 2021, respectively, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower or 1.00 percent higher than the current rate:

Sensitivity of Net Pension Liability to Changes in the Discount Rate

As of June 30, 2022 and 2021 (In Thousands)

Net Pension Liability/(Surplus)	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
June 30, 2022	($81,865)	($89,374)	($229,867)

Net Pension Liability/(Surplus)	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
June 30, 2021	($190,533)	($351,804)	($483,823)

5 Net Position Restricted for Pension Benefits

Net position restricted for pension benefits is 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 (EMPLOYEE) 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 retirees and transfers to the DROP Reserve. Additions include contributions from the employer, transfers from Active Member Reserve and investment earnings; deductions include payments to retirees and transfers to the DROP Reserve.

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

Notes to the Basic Financial Statements Continued

POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB) RESERVE represents surplus earnings that have been allocated but not distributed to eligible retirees in accordance with the City of Fresno Municipal Code Section 3-567 "Post Retirement Supplemental Benefit." The PRSB Reserve Account was exhausted at the end of calendar year 2013.

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." The City Surplus Reserve Account was slightly positive for fiscal years 2022 and 2021 due to the differences between the actual and estimated surplus allocation for the City for offsetting the City's contributions for those years. Interest is allocated at an actuarially determined interest rate as approved by the Board and is credited monthly to the Active Member Reserves 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 years ended June 30, 2022 and 2021, consisted of the following:

Reserves Table as of FY 2022 and FY 2021

(In Thousands)

	2022	2021
Employer Advance/Retired Reserves	$ 1,269,348	$ 1,456,484
Active Member (Employee) Reserves	131,234	122,574
DROP Reserves	161,451	152,107
PRSB Reserves	—	—
City Surplus Reserves	154	72
Net Position Restricted for Pension Benefits	**$ 1,562,187**	**$ 1,731,237**

Notes to the Basic Financial Statements Continued

6 Fair Value Measurements

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application,* which addresses accounting and financial reporting issues related to fair value measurements and disclosures. The System's investments are measured and reported within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are based on quoted prices for identical assets or liabilities in an active market that the System can access. An active market for the asset or liability is one in which transactions for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market usually provides the most reliable evidence of fair value and is generally used without adjustment if available. This classification includes public equities with observable market prices.

Level 2: Inputs that are observable either directly or indirectly but are not Level 1 inputs. Level 2 inputs include quoted prices for similar instruments, broker quotes, or observable inputs that directly impact value such as interest rates, prepayment speeds, and credit risk. Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, and fair values are determined through the use of models or other valuation methodologies. For investments in funds where there is an ability to redeem such investments at the Net Asset Value (NAV) per share (or its equivalent) at the measurement date or in the near term, the fair value of the investment is generally categorized as Level 2.

Level 3: Inputs that are unobservable. Level 3 inputs are generally used in situations where there is little, if any, market activity for the investment. These inputs into the determination of fair value require significant management judgment or estimation. Due to the inherent uncertainty of these estimates, these values may differ significantly from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include public entities and other fixed income securities where there is an inability to redeem such investments at the NAV per share (or its equivalent) at the measurement date or in the near term.

The tables on the following pages show the fair value leveling of the System's investments as of June 30, 2022 and 2021.

Notes to the Basic Financial Statements Continued

Investment Type	June 30, 2022	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Asset Backed Securities	$ 22,846,994	$ —	$ 22,846,994	$ —
Commercial Mortgage-Backed	12,884,707	—	12,884,707	—
Corporate Bonds	107,677,270	—	107,677,270	—
Corporate Convertible Bonds	2,315,748	—	2,315,748	—
Government Agencies	3,255,173	—	3,255,173	—
Government Bonds	25,468,217	—	25,468,217	—
Government Mortgage Backed Securities	60,828,147	—	60,828,147	—
Gov't-issued Commercial Mortgage-Backed	1,024,867	—	1,024,867	—
Municipal/Provincial Bonds	2,146,147	—	2,146,147	—
Non-Government Backed C.M.O.s	3,265,322	—	3,265,322	—
Total Debt Securities	**241,712,592**	**—**	**241,712,592**	**—**
Equity Securities				
Consumer Discretionary	25,689,567	25,689,567	—	—
Consumer Staples	15,317,946	15,317,445	—	501
Energy	74,710,501	74,703,129	—	7,372
Financials	38,590,135	38,590,135	—	—
Health Care	14,146,474	14,146,474	—	—
Industrials	36,879,741	36,879,741	—	—
Information Technology	37,623,281	37,623,281	—	—
Materials	13,871,014	13,822,070	—	48,944
Miscellaneous	786,519	2,952	783,567	—
Real Estate	1,433,090	1,433,090	—	—
Telecommunication Services	10,772,064	10,772,064	—	—
Utilities	1,330,208	1,330,208	—	—
Total Equity Securities	**271,150,540**	**270,310,156**	**783,567**	**56,817**
Securities Lending	**59,376,847**	**59,376,847**	**—**	**—**
Short-Term Investments	**5,930,097**	**5,930,097**	**—**	**—**
Private Real Estate Holdings	**3,478,395**	**—**	**3,478,395**	**—**
Total Investments by Fair Value Level	**$ 581,648,471**			
Investments Measured at the Net Asset Value (NAV)				
Commingled Fund - Equities	$ 477,241,474			
Commingled Fund - Real Estate	156,514,873			
Commingled Fund - Infrastructure	75,789,623			
Private Real Estate Funds	81,016,657			
Private Debt/Private Credit	169,028,751			
Private Equity	69,931,612			
Total Investments Measured at NAV	**1,029,522,990**			
Total Investments Measured at Fair Value and NAV	**$1,611,171,461**			
Investment Derivative Instruments*				
Debt Securities - Futures	$ 17,400,430	$ 17,400,430	$ —	$ —
Rights/Warrants	219	219	—	—
Total Investment Derivative Instruments	**$ 17,400,649**	**$ 17,400,649**	**$ —**	**$ —**

* Short-term derivative instruments included on page 47 are excluded here.

Notes to the Basic Financial Statements Continued

		Fair Value Measurements Using		
Investment Type	**June 30, 2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by Fair Value Level				
Debt Securities				
Asset Backed Securities	$ 20,837,502	$ —	$ 20,837,502	$ —
Commercial Mortgage-Backed	11,165,798	—	11,165,798	—
Corporate Bonds	117,729,232	—	117,300,414	428,818
Corporate Convertible Bonds	4,069,941	—	4,069,941	—
Government Agencies	3,251,064	—	3,161,448	89,616
Government Bonds	17,235,381	—	17,235,381	—
Government Mortgage Backed Securities	41,413,294	—	41,413,294	—
Gov't-issued Commercial Mortgage-Backed	3,497,294	—	3,497,294	—
Index Linked Government Bonds	—	—	—	—
Municipal/Provincial Bonds	2,383,244	—	2,383,244	—
Non-Government Backed C.M.O.s	2,968,613	—	2,787,002	181,611
Total Debt Securities	**224,551,363**	**—**	**223,851,318**	**700,045**
Equity Securities				
Consumer Discretionary	72,044,103	72,044,103	—	—
Consumer Staples	22,629,649	22,629,649	—	—
Energy	98,254,515	98,254,515	—	—
Financials	83,034,462	83,034,462	—	—
Health Care	44,117,298	44,117,298	—	—
Industrials	79,042,200	79,042,200	—	—
Information Technology	83,086,874	83,086,874	—	—
Materials	35,167,195	35,056,277	—	110,918
Miscellaneous	1,279,160	414,000	—	865,160
Real Estate	10,778,110	10,778,110	—	—
Telecommunication Services	26,875,565	26,875,565	—	—
Utilities	5,050,226	5,050,226	—	—
Total Equity Securities	**561,359,357**	**560,383,279**	**—**	**976,078**
Securities Lending	**79,711,386**	**79,711,386**	**—**	**—**
Short-Term Investments	**26,233,416**	**26,233,416**	**—**	**—**
Private Real Estate Holdings	**3,358,395**	**—**	**3,358,395**	**—**
Total Investments by Fair Value Level	**$ 895,213,917**			
Investments Measured at the Net Asset Value (NAV)				
Commingled Fund - Equities	$ 485,770,926			
Commingled Fund - Real Estate	146,629,638			
Commingled Fund - Infrastructure	59,694,981			
Private Real Estate Funds	61,026,840			
Private Debt/Private Credit	91,986,465			
Private Equity	39,089,009			
Total Investments Measured at NAV	**884,197,859**			
Total Investments Measured at Fair Value and NAV	**$1,779,411,776**			
Investment Derivative Instruments*				
Debt Securities - Futures	$ 13,253,790	$ 13,253,790	$ —	$ —
Rights/Warrants	121	121	—	—
Total Investment Derivative Instruments	**$ 13,253,911**	**$ 13,253,911**	**$ —**	**$ —**

* Short-term derivative instruments included on page 47 are excluded here.

Notes to the Basic Financial Statements Continued

Commingled equity and real estate funds are valued based on NAV reported by the investment manager, which are generally calculated based on the last reported sale price of the underlying assets held by such funds. Direct lending funds are typically structured as limited partnerships and limited liability companies. Since there is no readily available market for these investments in limited partnerships and limited liability companies, such investments are stated at fair value as estimated in an inactive market. These investments include securities of companies that may not be immediately liquid, such as private debt securities, real estate or other assets. The valuations of these investments are based upon values provided by the investment managers, based on the guidelines established with the investment managers and in consideration of other factors related to the System's interests in these investments.

Investments that are measured at fair value using the net asset value per share (NAV or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In these instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Equity and derivative securities classified in Level 1 are valued using prices quoted in active markets for those securities. Equity and debt securities classified in Level 2 and Level 3 are using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, observable market based inputs and unobservable inputs (i.e., extrapolated data, proprietary models, and indicative quotes). Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

Investment derivative instruments classified as Levels 2 and 3 are valued using market approaches that consider, as applicable, benchmark interest rates or foreign exchange rates.

Real estate assets classified in Level 2 are the System's private real estate investments which are valued using independent external appraisers. The System's policy is to perform independent appraisals of the property every three years. The appraisals include a complete property and market inspection and analysis by designated Members of the Appraisal Institute (MAI). The appraisals are performed using generally accepted valuation approaches applicable to the property type. Calculations used in the System's independent appraisals are generally based on a discounted cash flow analysis.

Investments in Entities That Calculate Net Asset Value Per Share

The fair value measurement of investments in commingled equity, real estate and direct lending funds are valued based on the investments' net asset value (NAV) per share (or its equivalent) reported by the investment manager, which are generally calculated based on the last reported sale price of the underlying assets held by such funds. These include funds that are structured as limited partnerships and limited liability companies.

Since there is no readily available market for investments in limited partnerships and limited liability companies, such investments are stated at fair value as estimated in an inactive market. These investments include securities of companies that may not be immediately liquid, such as private debt securities and real estate or other assets.

Notes to the Basic Financial Statements Continued

The valuations of these investments are based upon values provided by the investment managers, and in consideration of other factors, including guidelines established with those investment managers, related to the System's interests in these investments. Such fair value measurements are shown in the tables below as of June 30, 2022 and 2021.

City Of Fresno Employees Retirement System
Investments Measured at the NAV
As of June 30, 2022

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fund - Equities	$ 477,241,474	$ —	Daily	None
Commingled Fund - Real Estate	156,514,873	27,136,308	Quarterly	45-90 Days
Commingled Fund - Infrastructure	75,789,623	13,568,154	Not Eligible	N/A
Private Real Estate Funds	81,016,657	89,666,967	Not Eligible	N/A
Private Debt/Private Credit	169,028,751	164,956,170	Not Eligible	N/A
Private Equity	69,931,612	35,077,897	Not Eligible	N/A
Total investments measured at the NAV	$1,029,522,990	$ 330,405,496		

City Of Fresno Employees Retirement System
Investments Measured at the NAV
As of June 30, 2021

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fund - Equities	$ 485,770,926	$ —	Daily	None
Commingled Fund - Real Estate	146,629,638	—	Quarterly	45-90 Days
Commingled Fund - Infrastructure	59,694,981	—	Not Eligible	N/A
Private Real Estate Funds	61,026,840	29,265,476	Not Eligible	N/A
Private Debt/Private Credit	91,986,465	125,934,771	Not Eligible	N/A
Private Equity	39,089,009	47,904,340	Not Eligible	N/A
Total investments measured at the NAV	$ 884,197,859	$ 203,104,587		

On the following page is an explanation of the investment types listed above.

Notes to the Basic Financial Statements Continued

The investment types listed in the tables on the preceding page were measured at the NAV as follows.

(1) Commingled equity funds are highly liquid and can be redeemed within short-term periods of time. The System's investments of this type consist of institutional investment funds - one international ACWIexUS equity fund that is diversified across developed and emerging market countries and sectors and two domestic large cap equity index funds (S&P 500 Index and Russell 1000 Index). The fair value of these investment types has been determined using the NAV per share of the investments.

(2) Commingled real estate fund: The System's commingled real estate funds are a core investment strategy designed to deliver a relatively high level of current income combined with moderate appreciation potential. It is comprised of institutional quality office, retail, residential and industrial investments in major markets throughout the U.S. The redemption frequency of the real estate fund is quarterly, if liquidity is available, with a notice of redemption 45 days before the end of a quarter.

(3) Private real estate funds: The System's private real estate funds are designed to act as a diversifier and alpha generator to the core real estate portfolio. Investments are made in middle-market assets across various domestic and international regions and sectors such as industrial, multifamily, office, and retail. The strategies focus on identifying investments with pricing dislocations that can be renovated, repurposed, and exited at opportunistic levels. The investment period is generally 3-5 years with a lifespan of 10-12 years.

(4) Private Debt/Private Credit - direct lending funds: The System's direct lending funds are each invested through a master-feeder structure, on a leveraged basis primarily in senior secured loans of private U.S. lower-middle-market companies. Strategies employ a capital preservation focus and structured investments with strong covenant provisions to reduce associated risks, underwriting multiple cushions to provide downside protections. Investment period is generally 3-5 years with reinvestment of committed capital.

(5) Commingled infrastructure funds: The System's infrastructure funds invest in core assets that generate long-term stable cash yields, have modest price appreciation, and provide inflation protection. Types of assets include energy (water, wind, and solar, etc.), transportation (toll roads and bridges, airports, and seaports, etc.), and social (hospitals, prisons, and schools, etc.). Investments are located domestically as well as in the Organization for Economic Co-operation and Development (OECD) countries internationally. Each fund has lockup periods of 4 years and, after that initial period, redemptions can be requested on a quarterly basis, if liquidity is available.

(6) Private Equity Funds: The System's private equity fund represents investments in privately owned companies that are not listed on public market exchanges. They are typically accessed through partnerships and managed by external general partners. The System's one private equity fund is composed of primaries, secondaries, and co-investments, split between North America and international markets. Most investments are sourced from the small-to-mid market investment universe.

Notes to the Basic Financial Statements Continued

7 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 fifteen external investment managers, managing eighteen individual portfolios. Investments as of June 30, 2022 and 2021, consist of the following:

Investments at Fair Value as of June 30, 2022 and 2021

(In Thousands)

	2022	2021
Investments at Fair Value		
Domestic Equity	$ 477,241	$ 626,488
International Developed Market Equities	200,487	266,659
International Emerging Market Equities	—	65,449
Government Bonds	92,723	67,780
Corporate Bonds	168,024	172,791
Alternatives	383,780	276,539
Real Estate	241,010	211,015
Short-Term Investments	5,930	26,233
Total Investments at Fair Value	**$ 1,569,195**	**$ 1,712,954**

Notes to the Basic Financial Statements Continued

The Board, through its Investment Objectives and Policy Statement, provides guidelines for investments and established the following target allocations with a minimum and maximum range for each of the asset classes:

Asset Class Minimum Target and Maximum Allocations

	FY 2022			FY 2021		
Asset Class	**Minimum**	**Target**	**Maximum**	**Minimum**	**Target**	**Maximum**
Domestic Equities						
Large Cap	15.0%	25.0%	36.0%	10.0%	15.8%	26.0%
Small Cap	0.0%	0.0%	0.0%	2.0%	7.2%	12.0%
International Equities						
Developed Markets	10.0%	23.0%	25.0%	14.0%	19.0%	24.0%
Emerging Markets	0.0%	0.0%	0.0%	3.0%	6.0%	9.0%
Fixed Income						
Core Fixed Income	5.0%	13.0%	20.0%	7.0%	10.0%	15.0%
High Yield Bonds	0.0%	3.0%	5.0%	4.0%	5.0%	12.0%
Real Estate						
Core Real Estate	5.0%	10.0%	15.0%	7.0%	11.0%	15.0%
Value Add Real Estate/REITs	2.0%	4.0%	8.0%	2.0%	4.0%	6.0%
Alternatives						
Infrastructure	2.0%	5.0%	10.0%	2.0%	4.0%	6.0%
MLPs	0.0%	4.0%	7.0%	2.0%	5.0%	8.0%
Private Equity	0.0%	3.0%	10.0%	0.0%	5.0%	10.0%
Private Debt	5.0%	10.0%	20.0%	4.0%	8.0%	12.0%
Short-Term Investments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		100%			**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 percent (5%) or more of System net position 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's investment securities are not exposed to custodial credit risk since all securities are registered in the System's name and held by the System's custodial bank.

Notes to the Basic Financial Statements Continued

Custodial credit risk for deposits is the risk that, in the event of the failure of the 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 is temporarily swept overnight to the 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 $221,438 and $685,571 at June 30, 2022 and 2021, 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

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 following table:

	2022			2021		
Type of Investment	**Fair Value**	**Credit Quality**	**Duration**	**Fair Value**	**Credit Quality**	**Duration**
Asset Backed Securities	$ 22,846,994	AA+	0.73	$ 20,837,501	AA-	2.44
Commercial Mortgage-Backed	12,884,707	AA-	5.75	11,165,798	A	6.25
Corporate Bonds	107,677,270	BB+	5.84	117,729,233	BB	5.77
Corporate Convertible Bonds	2,315,748	B-	3.63	4,069,941	CC	5.20
Fixed Income Derivatives - Futures	17,400,430	—	3.50	13,253,790	—	6.64
Non-Government backed C.M.O.s	3,265,322	BB-	1.61	2,968,614	CCC+	2.46
Rights & Warrants	219	—	—	121	—	—
Convertible Equity	85,651	—	2.00	860,123	BB+	11.78
Common Stock	2,951	—	—	246,647	—	—
Preferred Stock	1,544,758	BB+	—	1,658,688	BB+	—
Government Agencies	3,255,173	BB+	6.51	3,251,066	BBB-	7.27
Government Bonds	25,468,217	AAA	7.73	17,235,381	AAA	8.36
Gov't Issued Commercial Mortgage Backed Securities	1,024,867	AAA	5.24	3,497,294	AAA	5.91
Government Mortgage Backed Securities	60,828,147	AAA	7.43	41,413,294	AAA	4.59
Municipal/Provincial Bonds	2,146,147	A+	8.65	2,383,244	A	9.56
Total Credit Risk Fixed Income	$ 260,746,601			$ 240,570,735		

Notes to the Basic Financial Statements Continued

Per Section 3.5.f.i. 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 3.5.f.ii. of the System's Investment Policy Statement, shall maintain an average credit quality rating equal to or higher than that of the Barclays US Corporate High Yield Index. Based on the Barclays US Corporate High Yield Index, a high yield manager's portfolio shall have a constraint of the benchmark weight plus five percent (5%) in bonds rated Caa1/CCC+ or lower with non-rated bonds being limited to five percent (5%) of the portfolio with both limits subject to maintaining the average portfolio credit quality requirement of the Barclays US Corporate High Yield index. No more than 25 percent of a high yield manager's portfolio may be invested in foreign securities; within this limit, a manager may allocate up to 20 percent in emerging market government securities including both non-U.S. dollar denominated securities and U.S. dollar denominated Yankee securities and up to 15 percent of the portfolio may be invested in non-U.S. dollar denominated securities.

High yield bond portfolios may hold up to the benchmark weight plus five percent (5%) of assets in Rule 144A bond issues with or without registration rights. No more than 10 percent of the high yield manager's portfolio may be invested in convertibles or preferreds, and no more than 20 percent may be invested in securitized bank debt. No single security and/or issuer can represent more than five percent (5%) of the fair value of a portfolio at the time of purchase, and no single industry can represent more than 25 percent of the fair value of the account at the time of purchase.

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.

Concentration Risk

The investment portfolio as of June 30, 2022 and 2021, contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented five percent (5%) or more of the total investment portfolio or fiduciary net position.

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 positions shown on the following page represent the System's exposure to foreign currency risk as of June 30, 2022 and 2021.

Notes to the Basic Financial Statements Continued

Foreign Currency Risk Exposure

As of June 30, 2022

Base Currency		Country	Equities / Fixed Income	Futures & Forwards	Swaps & Rights / Warrants	Cash & Cash Equivalents	Total
AED	United Arab Emirates Dirham	United Arab Emirates	$ —	$ —	$ —	$ —	$ —
ARS	Argentine Peso	Argentina	—	—	—	62,657	62,657
AUD	Australian Dollar	Australia	3,142,302	—	—	—	3,142,302
BRL	Brazilian Real	Brazil	1,697,877	—	—	—	1,697,877
CAD	Canadian Dollar	Canada	12,003,194	—	—	—	12,003,194
CHF	Swiss Franc	Switzerland	11,872,149	—	—	—	11,872,149
CLP	Chilean Peso	Chile	—	—	—	—	—
CNY	Chinese Yuan Renminbi	China	2,279,697	—	—	—	2,279,697
CZK	Czech Koruna	Czech Republic	—	—	—	—	—
DKK	Danish Krone	Denmark	6,906,002	—	—	—	6,906,002
EGP	Egyptian Pound	Egypt	—	—	—	—	—
EUR	Euro	Europe	40,857,316	(33,286)	—	987	40,825,017
GBP	British Pound Sterling	United Kingdom	21,035,493	—	—	(1,078)	21,034,415
HKD	Hong Kong Dollar	Hong Kong	15,320,960	—	—	26,358	15,347,318
HUF	Hungarian Forint	Hungary	—	—	—	—	—
IDR	Indonesian Rupiah	Indonesia	1,580,402	—	—	—	1,580,402
ILS	New Israeli Shekel	Israel	956,986	—	—	—	956,986
INR	Indian Rupee	India	7,049,420	—	—	9,937	7,059,357
JPY	Japanese Yen	Japan	34,370,612	—	—	—	34,370,612
KRW	South Korean Won	South Korea	5,526,725	—	—	—	5,526,725
MXN	Mexican Peso	Mexico	1,760,959	—	—	—	1,760,959
MYR	Malaysian Ringgit	Malaysia	—	—	—	—	—
NOK	Norwegian Krone	Norway	2,121,626	—	—	—	2,121,626
PEN	Peruvian Nuevo Sol	Peru	—	—	—	—	—
PHP	Philippine Peso	Philippines	—	—	—	—	—
PLN	Polish Zloty	Poland	512,359	—	—	—	512,359
QAR	Qatari Rial	Qatar	—	—	—	—	—
RUB	Russian Ruble	Russia	103,676	—	—	—	103,676
SEK	Swedish Krona	Sweden	6,887,965	—	—	—	6,887,965
SGD	Singapore Dollar	Singapore	2,294,257	—	—	—	2,294,257
THB	Thai Baht	Thailand	425,286	—	—	—	425,286
TRY	Turkish Lira	Turkey	1	—	—	—	1
TWD	New Taiwan Dollar	Taiwan	8,767,822	—	—	6,982	8,774,804
USD	United States Dollar	United States	831,376,602	33,712	219	13,544,876	844,955,409
ZAR	South African Rand	South Africa	1,262,717	—	—	—	1,262,717
Total Equities (In USD)			**1,020,112,405**	**426**	**219**	**13,650,719**	**1,033,763,769**
Total Non-USD Equities (In USD)			**$188,735,803**	**($33,286)**	**$—**	**$105,843**	**$188,808,360**

Notes to the Basic Financial Statements Continued

Foreign Currency Risk Exposure

As of June 30, 2021

	Base Currency	Country	Equities / Fixed Income	Futures - Domestic Fixed Income	Options & Swaps	Cash & Cash Equivalents	Total
AED	United Arab Emirates Dirham	United Arab Emirates	$ 26,602	$ —	$ —	$ 251	$ 26,853
ARS	Argentine Peso	Argentina	44,244	—	—	19,280	63,524
AUD	Australian Dollar	Australia	5,304,533	—	—	—	5,304,533
BRL	Brazilian Real	Brazil	4,434,820	—	—	221,541	4,656,361
CAD	Canadian Dollar	Canada	10,864,456	—	—	—	10,864,456
CHF	Swiss Franc	Switzerland	17,938,412	—	—	—	17,938,412
CLP	Chilean Peso	Chile	7,329	—	—	632	7,961
CNY	Chinese Yuan Renminbi	China	5,895,624	—	—	73,582	5,969,206
CZK	Czech Koruna	Czech Republic	3,516	—	—	—	3,516
DKK	Danish Krone	Denmark	9,376,698	—	—	—	9,376,698
EGP	Egyptian Pound	Egypt	12,622	—	—	—	12,622
EUR	Euro	Europe	63,491,779	—	—	112,943	63,604,722
GBP	British Pound Sterling	United Kingdom	24,910,510	—	—	185,432	25,095,942
HKD	Hong Kong Dollar	Hong Kong	40,113,877	—	—	104,198	40,218,075
HUF	Hungarian Forint	Hungary	661,364	—	—	—	661,364
IDR	Indonesian Rupiah	Indonesia	1,617,614	—	—	1,385	1,618,999
ILS	New Israeli Shekel	Israel	509,385	—	—	—	509,385
INR	Indian Rupee	India	14,033,647	—	—	924,871	14,958,518
JPY	Japanese Yen	Japan	38,229,223	—	—	—	38,229,223
KRW	South Korean Won	South Korea	22,057,363	—	—	49,687	22,107,050
MXN	Mexican Peso	Mexico	3,598,463	—	—	6,486	3,604,949
MYR	Malaysian Ringgit	Malaysia	323,699	—	—	10,791	334,490
NOK	Norwegian Krone	Norway	666,490	—	—	—	666,490
PEN	Peruvian Nuevo Sol	Peru	2,795	—	—	893	3,688
PHP	Philippine Peso	Philippines	15,097	(3,110)	—	4,677	16,664
PLN	Polish Zloty	Poland	843,190	—	—	3,203	846,393
QAR	Qatari Rial	Qatar	6,348	—	—	131,970	138,318
SEK	Swedish Krona	Sweden	6,091,308	—	—	—	6,091,308
SGD	Singapore Dollar	Singapore	2,025,872	—	—	—	2,025,872
THB	Thai Baht	Thailand	1,207,140	—	—	620	1,207,760
TRY	Turkish Lira	Turkey	73,726	—	—	—	73,726
TWD	New Taiwan Dollar	Taiwan	20,932,338	—	—	47,938	20,980,276
USD	United States Dollar	United States	999,629,609	13,256,919	(67,446)	52,927,054	1,065,746,136
ZAR	South African Rand	South Africa	2,471,259	—	—	34,114	2,505,373
Total Equities (In USD)			**1,299,266,732**	**13,253,809**	**(67,446)**	**54,906,200**	**1,367,359,295**
Total Non-USD Equities (In USD)			**$299,637,123**	**($3,110)**	**$—**	**$1,979,146**	**$301,613,159**

Notes to the Basic Financial Statements Continued

Per Section 3.5.e. of the System's Investment Objectives and Policy Statement, assets in international equity portfolios shall consist of liquid, publicly traded equity and equity like securities traded on major stock exchanges as well as cash and cash equivalents as necessary. Securities will be primarily composed of foreign ordinary shares and depository receipts (American Depository Receipts (ADR's) and Global Depository Receipts (GDR's) including ADR's and GDR's that are 144A securities). Securities that are 144A securities, including ADR and GDR 144A securities are authorized investments which in aggregate cannot exceed 10 percent of the portfolio. 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.

Rate of Return

For the fiscal years ended June 30, 2022 and 2021, the annual money-weighted rate of return on the assets of the System, net of investment expense, was (7.28) percent and 30.43 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for timing of cash flows and the changing amounts actually invested.

8 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. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in cash or in the traditional security market.

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 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.

Notes to the Basic Financial Statements Continued

Allowable derivative financial instruments held by the System include stable and well-structured collateralized mortgage obligations (CMOs); centrally cleared instruments including, but not limited to, futures, swaps and options; and forwards including currency forwards. Derivative investments with allocation limits include mortgage derivatives (interest only and principal only CMOs); non centrally cleared derivatives; caps and floors; and inverse floating rate notes and bonds. Allocation limits will be determined and specified in portfolio guidelines with individual investment managers based on the objectives and risk tolerances of a given strategy.

Cash securities containing derivative features include callable bonds, structural notes, and collateralized mortgage obligations (CMOs). 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 fair 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 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 fair value, and the counterparty to such contract fails to perform under the terms of the instrument.

Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchange 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 or stock market index. These futures can be used for hedging against an existing equity position, or for speculating on future movement of the index.

Notes to the Basic Financial Statements Continued

As of June 30, 2022 and 2021, the System held a total fair value of $19,441,073 and $14,668,279, respectively, in derivative holdings. These holdings consisted of Rights/ Warrants, and Foreign Currency Forwards and Futures designed to synthetically create equity returns and are held as components of the System's international equity investments, and a variety of ACWIexUS index related futures as components of the System's investments in ACWIexUS Index Funds. Holdings also consist of futures – interest rate contracts, options and swaps held as components of the System's absolute return fixed income strategy. These derivatives are used for the purpose of synthetically creating equity returns, synthetically creating floating rates and to buy or 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 2022		FY 2021	FY 2022 - FY 2021
	Notional Amount	Fair Value	Fair Value	Change in Fair Value
Foreign Currency Forward	$(33,286)	$33,712	$3,129	$ 30,583
Future Contracts - Domestic Fixed Income	(17,400,430)	17,400,430	13,253,790	4,146,640
Future Contracts - International Equity Index	—	2,004,292	1,477,382	526,910
Options/Swaption	—	—	—	—
Rights & Warrants	—	2,639	1,545	1,094
Swaps	—	—	(67,567)	67,567
Total		**$19,441,073**	**$14,668,279**	

Derivative Type:	FY 2021		FY 2020	FY 2021 - FY 2020
	Notional Amount	Fair Value	Fair Value	Change in Fair Value
Foreign Currency Forward	$(3,110)	$3,129	$—	$ 3,129
Future Contracts - Domestic Equity Index	(13,253,790)	13,253,790	3,432,708	9,821,082
Future Contracts - International Equity Index	—	1,477,382	1,177,640	299,742
Options/Swaption	—	—	3,668	(3,668)
Rights & Warrants	—	1,545	9,364	(7,819)
Swaps	—	(67,567)	4,670	(72,237)
Total		**$14,668,279**	**$4,628,050**	

Notes to the Basic Financial Statements Continued

9 Securities Lending

The City of Fresno Municipal Code and the 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 (the Systems) 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 the 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 fair value (contract value) for domestic securities and 105 percent of fair 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, 2022 and 2021, had a weighted average duration of 24 days and 70 days, respectively, an average maturity of 86 days and 30 days, respectively, and an average monthly yield of 1.68 percent and 0.22 percent, respectively. 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, 2022 and 2021, the Northern Trust CORE U.S.A. Cash Collateral Fund had zero exposure in below investment grade long-term securities and there were no known credit risks related to the securities lending transactions.

As of June 30, 2022, the fair value of the securities on loan was $62.5 million. The fair value of associated collateral was $64.6 million ($59.4 million of cash collateral and $5.2 of non-cash collateral). Non-cash collateral, the collateral which the System does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. As of June 30, 2021, the fair value of the securities on loan was $103.3 million. The fair value of associated collateral was $106.3 million ($79.7 million of cash collateral and $26.6 of non-cash collateral). Non-cash collateral, the collateral which the System does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position.

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 were approximately 24 days and 70 days, respectively, as of June 30, 2022 and 2021.

Notes to the Basic Financial Statements Continued

The System's securities lending income is as follows:

Securities Lending Income

For Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
Gross Income	$400,057	$244,930
Expenses:		
Bank Fees	131,659	48,947
Total Expenses	131,659	48,947
Net Income from Securities Lending	$268,398	$195,983

Fair Value of Loaned Securities

As of June 30, 2022 and 2021

	FY 2022			FY 2021		
Collateralized by	**Cash**	**Securities**	**Total**	**Cash**	**Securities**	**Total**
U.S. Government & Agency	$ 15,467,533	$ 375,056	$ 15,842,589	$ 10,470,637	$ 836,295	$ 11,306,932
Domestic Equities	9,826,702	1,612,317	11,439,019	41,091,825	21,823,027	62,914,852
Domestic Fixed	29,372,444	382,992	29,755,436	22,757,243	658,316	23,415,559
International Equities	2,836,176	2,539,776	5,375,952	3,269,227	2,358,514	5,627,741
International Fixed	103,085	—	103,085	32,622	—	32,622
Total Value	**$ 57,605,940**	**$ 4,910,141**	**$ 62,516,081**	**$ 77,621,554**	**$ 25,676,152**	**$103,297,706**

Fair Value of Collateral Received for Loaned Securities

As of June 30, 2022 and 2021

	FY 2022			FY 2021		
Collateralized by	**Cash**	**Securities**	**Total**	**Cash**	**Securities**	**Total**
U.S. Government & Agency	$ 15,732,572	$ 385,649	$ 16,118,221	$ 10,675,832	$ 855,130	$ 11,530,962
Domestic Equities	10,164,691	1,654,519	11,819,210	42,130,816	22,463,410	64,594,226
Domestic Fixed	30,260,892	393,041	30,653,933	23,342,469	674,179	24,016,648
International Equities	3,110,037	2,815,970	5,926,007	3,526,901	2,588,276	6,115,177
International Fixed	108,655	—	108,655	35,368	—	35,368
Total Value	**$ 59,376,847**	**$ 5,249,179**	**$ 64,626,026**	**$ 79,711,386**	**$26,580,995**	**$106,292,381**

Notes to the Basic Financial Statements Continued

10 Administrative Expenses

Section 3-325 of the City of Fresno Municipal Code provides that all administrative costs of the System shall be a charge against the assets of the System. Per the City of Fresno Municipal Code, the Administrative expenses are a component of the City's contribution calculation.

11 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 the City of Fresno 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 the City of Fresno 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 years ended June 30, 2022 and 2021, there was a surplus (or prefunded actuarial accrued liability) as the System had a valuation value of assets which was in excess of the actuarial accrued liability. The System's funded ratio was 114.0 percent and 116.0 percent, for fiscal years 2022 and 2021, respectively. For fiscal year 2022, the 114.0 percent funded ratio was more than the 110 percent requirement for declaration of a surplus therefore, there was an actuarial surplus available to reduce a portion of the City's and members' COLA contributions for Fiscal Years 2022 but not enough surplus to fund new PRSB benefits. For fiscal year 2021, the 116.0 percent funded ratio was below the required 110 percent for declaration of a surplus.

As of June 30, 2022 and 2021, the City Surplus Reserve balances were $154,536 and $71,604, respectively. The City's normal rate in fiscal year 2022 included an adjustment of 0.59% which represented an actuarial surplus allocated in the June 30, 2020 actuarial report. In fiscal year 2021, the City's normal rate included an adjustment of 1.08% which represented an actuarial surplus allocated in the June 30, 2019 actuarial report.

12 Capital Assets

Capital assets are carried at historical cost, net of accumulated depreciation. Capital assets are any items of equipment or furnishings purchased with a value of or an initial cost of $500 or greater and $5,000 for land, buildings and infrastructure and an estimated useful life in excess of two years.

Accumulated depreciation shall be summarized and reflected on the System's annual financial statements. Capital assets shall be depreciated over their estimated useful lives using the straight-line depreciation method. Intangible assets with limited useful lives (e.g., by legal or contractual provisions) should be depreciated over their estimated useful lives. Depreciation of computer software begins when the program is placed into service.

Notes to the Basic Financial Statements Continued

The System's major two-year project to program and install an upgrade to our original pension administration system that was installed in 1997 (the LRS Pension Gold Retirement Solutions' Version 3 project) includes software costs of $398,878 and $531,837 which were capitalized as of June 30, 2022 and 2021, respectively, and are amortized over a ten-year useful life period commencing July 1, 2015.

As of June 30, 2022, other capital assets consisting of office furniture and equipment for the System's Retirement Offices located at 2828 Fresno Street, Fresno, California, in the amount of $83,368 are capitalized and depreciated over remaining estimated useful lives of 2-15 years.

As of June 30, 2021, capital assets consisting of office furniture and equipment for the System's Retirement Offices in the amount of $22,067 were capitalized and depreciated over remaining estimated useful lives of 2-15 years.

13 Leases

Under the lease agreement with CFRS Realty Holding Corporation (the 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, Fresno, California. The term of the lease is ten years with an option for two additional five year extensions. The first five (5) year extension was exercised effective September 1, 2015. On March 1, 2020, the Corporation amended the lease with the Retirement Boards. The amended lease agreement establishes the Retirement Boards as the sole tenant of the second floor, a total of 11,784 rentable square feet, consisting of 10,426 net square feet in the premises and 1,358 square feet in common area. The amendment also exercises the second five (5) year lease extension. As of June 30, 2022, the Systems share equally a base rent of $19,607 per month, which is $1.82 per square foot per month, triple net. For the fiscal year ended June 30, 2021, the Systems equally shared a base rent of $19,223 per month, which is $1.63 per square foot per month, triple net.

14 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 the System's 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 13 for a description of this arrangement.

Notes to the Basic Financial Statements Continued

15 Commitments and Contingencies

The Board, in accordance with its Asset Allocation Plan, has committed capital for investment in Private Debt/ Private Credit, Private Real Estate and Infrastructure Funds. The following table details the outstanding capital commitments in these investments as of June 30, 2022 and 2021.

Unfunded Commitments

Investment Type	FY 2022	FY 2021
Commingled Fund - Real Estate		
The Carlyle Group	$ 27,136,308	$ —
Total	$ 27,136,308	$ —
Private Real Estate Funds		
Alidade Capital	$ 7,005,815	$ —
Artemis	17,199,973	5,861,317
Blue Vista	3,183,993	5,389,467
Brookfield	7,327,026	9,438,167
Kayne Anderson	17,864,736	—
Oaktree Capital Mgt.	1,974,166	1,976,893
PIMCO BRAVO III	8,823,410	2,714,331
PCCP, LLC	3,674,258	3,885,301
Tristan Capital Partners	22,613,590	—
Total	$ 89,666,967	$ 29,265,476
Private Debt/Private Credit		
Arcmont	$ 51,178,256	$ 60,370,033
Monroe Capital	30,072,655	7,469,366
Crescent Capital	17,444,235	12,344,758
PIMCO COF	21,033,844	45,750,614
Sixth Street/TAO	45,227,180	—
Total	$164,956,170	$125,934,771
Commingled Infrastructure		
Ullico UIF	$ 13,568,154	$ —
Total	$ 13,568,154	$ —
Private Equity		
Pantheon	$ 35,077,897	$ 47,904,340
Total	$ 35,077,897	$ 47,904,340
Total Unfunded Commitments	$330,405,496	$203,104,587

16 Date of Management Review

The date to which events occurring after June 30, 2022, have been evaluated for possible adjustments to the financial statements or disclosures is November 29, 2022, which is the date the financial statements were available to be issued.

Management identified the following subsequent financial events that require disclosure:

During fiscal year 2022, the Boards authorized an investment manager search through its investment consultant, NEPC, to provide diversifying strategies and alternative credit exposure. In July 2022, following a due diligence process that included full legal review of pertinent legal documents, investment due diligence, operational due diligence and background investigations of key personnel at each firm, the Board selected Cloverlay Partners.

Required Supplementary Information

Schedule of Changes in the Net Pension Liability

(Dollars in Thousands)

For Fiscal Years Ended June 30, 2013-2022

	GASB 67 Basis* Financial Reporting				
Change in Net Pension Liability	**2022**	**2021**	**2020**	**2019**	**2018**
Total Pension Liability					
Service cost	$32,383	$30,993	$28,762	$23,509	$21,275
Interest	96,311	93,358	89,222	86,110	82,833
Change of benefit terms	—	—	—	—	—
Differences between expected and actual experience	40,833	(12,980)	5,748	(446)	(4,164)
Changes of assumptions	(4,262)	—	—	35,773	2,939
Benefit Payments (including refunds, excluding PRSB)	(71,884)	(69,246)	(64,520)	(62,144)	(57,666)
Net Change in Total Pension Liability	**$93,381**	**$42,125**	**$59,212**	**$82,802**	**$45,217**
Total Pension Liability - Beginning	**$1,379,433**	**$1,337,308**	**$1,278,096**	**$1,195,294**	**$1,150,077**
Total Pension Liability - Ending (a)*	**$1,472,814**	**$1,379,433**	**$1,337,308**	**$1,278,096**	**$1,195,294**
Plan Fiduciary Net Position					
Employee Contributions	$15,493	$13,750	$11,028	$10,515	$10,330
Employer Contributions	22,016	20,144	16,554	14,627	14,609
Net Investment Income	(132,625)	407,811	20,109	69,389	108,916
Actual Benefit Payments (including Refunds, PRSB)	(71,884)	(69,246)	(64,520)	(62,144)	(57,666)
Administrative & Professional Expense	(2,050)	(2,059)	(1,749)	(1,663)	(1,619)
Net Change in Plan Fiduciary Net Position	**$(169,050)**	**$370,400**	**$(18,578)**	**$30,724**	**$74,570**
Plan Fiduciary Net Position - Beginning	**$1,731,237**	**$1,360,837**	**$1,379,415**	**$1,348,691**	**$1,274,121**
Plan Fiduciary Net Position - Ending (b)	**$1,562,187**	**$1,731,237**	**$1,360,837**	**$1,379,415**	**$1,348,691**
System Net Pension Liability (Surplus) - (a)-(b)	$(89,373)	$(351,804)	$(23,529)	$(101,319)	$(153,397)
Plan fiduciary net position as a percentage of total pension liability	106.07%	125.50%	101.76%	107.93%	112.83%
Covered Payroll**	164,642	$154,031	$149,403	$138,396	$128,461
Net Pension Liability (Surplus) as a percentage of covered payroll	**(54.28)%**	**(228.40)%**	**(15.75)%**	**(73.21)%**	**(119.41)%**

* In accordance with provisions of GASB 67, the data on the next two pages show Total Pension Liability for the reporting periods from June 30, 2013 through June 30, 2022.

** Covered payroll represents pensionable compensation. Only pensionable compensation that would possibly go into the determination of retirement benefits is included.

Note to Schedule:

Changes of Assumptions: The calculations above reflect various assumption changes, including the modification of the Board's assumed rate of return to 6.75 percent for use in preparing the June 30, 2022 annual actuarial valuation and other assumption changes based on the triennial experience study for the period from July 1, 2018 through June 30, 2021. Assumption changes prior to June 30, 2022, are also reflected including the modification of the Board's assumed rate of return to 7.00 percent for use in preparing the June 30, 2019, 2020 and 2021 annual actuarial valuation and other assumption changes based on the triennial experience study for the period from July 1, 2015 through June 30, 2018. The calculations above also reflect the assumed rate of return of 7.25 percent for use in preparing the June 30, 2016, 2017 and 2018 annual actuarial valuation and other assumption changes based on the triennial experience study for the period from July 1, 2012 through June 30, 2015 and 7.50 percent for use in preparing the June 30, 2013, 2014 and 2015 annual actuarial valuation and other assumption changes based on the triennial experience study for the period from July 1, 2009 through June 30, 2012 which included changes in assumptions for retirement from active employment, pre-retirement mortality, healthy life post-retirement mortality, disabled life post-retirement mortality, vested termination, disability DROP election, percentage of members married, spouse age difference and salary increases.

Required Supplementary Information Continued

Schedule of Changes in the Net Pension Liability Continued

(Dollars in Thousands)

For Fiscal Years Ended June 30, 2013-2022

	GASB 67 Basis* Financial Reporting				
Change in Net Pension Liability	**2017**	**2016**	**2015**	**2014**	**2013**
Total Pension Liability					
Service cost	$18,885	$18,687	$18,476	$19,342	$18,903
Interest	79,266	79,762	78,212	77,009	76,279
Change of benefit terms	—	—	—	—	—
Differences between expected and actual experience	5,263	(24,394)	(24,691)	(29,889)	(11,346)
Changes of assumptions	—	9,612	—	—	36,845
Benefit Payments (including refunds, excluding PRSB)	(55,550)	(52,528)	(50,546)	(48,580)	(47,040)
Net Change in Total Pension Liability	**$47,864**	**$31,139**	**$21,451**	**$17,882**	**$73,641**
Total Pension Liability - Beginning	**$1,102,213**	**$1,071,074**	**$1,049,623**	**$1,031,741**	**$958,100**
Total Pension Liability - Ending (a)*	**$1,150,077**	**$1,102,213**	**$1,071,074**	**$1,049,623**	**$1,031,741**
Plan Fiduciary Net Position					
Employee Contributions	$10,181	$9,098	$8,750	$7,946	$7,995
Employer Contributions	15,205	13,060	12,327	11,440	13,330
Net Investment Income	162,373	5,089	33,309	172,773	121,116
Actual Benefit Payments (including Refunds, PRSB)	(55,550)	(52,529)	(50,546)	(48,581)	(47,040)
Administrative & Professional Expense	(1,387)	(1,346)	(1,071)	(1,086)	(1,138)
Net Change in Plan Fiduciary Net Position	**$130,822**	**$(26,628)**	**$2,769**	**$142,492**	**$94,263**
Plan Fiduciary Net Position - Beginning	**$1,143,299**	**$1,169,927**	**$1,167,158**	**$1,024,666**	**$930,403**
Plan Fiduciary Net Position - Ending (b)	**$1,274,121**	**$1,143,299**	**$1,169,927**	**$1,167,158**	**$1,024,666**
System Net Pension Liability (Surplus) - (a)-(b)	$(124,044)	$(41,086)	$(98,853)	$(117,535)	$7,075
Plan fiduciary net position as a percentage of total pension liability	110.79%	103.73%	109.23%	111.20%	99.31%
Covered Payroll	$119,007	$108,541	$105,820	$103,597	$105,509
Net Pension Liability (Surplus) as a percentage of covered payroll	**(104.23)%**	**(37.85)%**	**(93.42)%**	**(113.45)%**	**6.71%**

Required Supplementary Information Continued

Schedule of Employer Contributions
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	$22,017	$22,017	$—	$164,642	13.37%
2021	20,144	20,144	—	154,031	13.08%
2020	16,554	16,554	—	149,403	11.08%
2019	14,627	14,627	—	138,396	10.57%
2018	14,609	14,609	—	128,461	11.37%
2017	15,205	15,205	—	119,007	12.78%
2016	13,060	13,060	—	108,541	12.03%
2015	12,327	12,327	—	105,820	11.65%
2014	11,440	11,440	—	103,597	11.04%
2013	13,330	13,330	—	105,509	12.63%

Schedule of Investment Returns
Last Ten Fiscal Years

Fiscal Year Ending June 30	Annual Money-Weighted Rate of Return Gross of Investment Expenses	Annual Money-Weighted Rate of Return Net of Investment Expense
2022	(7.12)%	(7.28)%
2021	30.85%	30.43%
2020	1.61%	1.26%
2019	5.54%	5.20%
2018	8.93%	8.57%
2017	14.73%	14.35%
2016	0.82%	0.53%
2015	3.32%	2.93%
2014	17.61%	17.16%
2013	13.65%	13.20%

The Schedule of Investment Returns above shows the annual money-weighted rate of return on the assets of the System, both gross and net of investment expense for ten fiscal years (2013 – 2022). The money-weighted rate of return expresses investment performance adjusted for timing of cash flows and the changing amounts actually invested. These returns differ slightly from the time-weighted rate of returns calculated and reported by the System's custodian, Northern Trust (shown in the Transmittal Letter on page i and within the Investment Section beginning on page 61) and as independently reported by the System's investment consulting firm, NEPC, LLC (shown in the Investment Section on pages 67-67). The System's custodian and investment consulting firm must use time-weighted returns as opposed to money-weighted returns in order to meet Global Investment Performance Standards for the purposes of effectively evaluating and reporting the performance of the System's investment managers.

The time-weighted return method is a measure of the compound rate of return of a portfolio over a stated period of time. It requires a set of sub-period returns to be calculated whenever there is an external cash flow, such as a deposit or withdrawal from the portfolio. In essence, it calculates the geometric total and mean return as opposed to the arithmetic total and mean return. This method does not include or have any distortions created when money is deposited or withdrawn from a portfolio. This is in contrast to the money-weighted returns.

Notes to the Required Supplementary Information

For Fiscal Years Ended June 30, 2022 and 2021

Actuarial Assumptions

The Segal Company, the System's actuary, performed the most recent annual actuarial valuation as of June 30, 2022, which computes the contribution requirements (employee and employer contributions rates for fiscal year 2024), and determines the funding status of the plan. The fiscal year 2022 contribution rates and assumptions were based on the actuarial valuation as of June 30, 2020; these assumptions are detailed below.

Valuation Date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method:	Entry Age Actuarial Cost Method
Amortization Method:	Level percent of payroll.
Remaining Amortization Period:	Effective with the June 30, 2013 valuation, any new UAAL established on each subsequent valuation as a result of actuarial gains or losses or plan amendments are amortized over separate 15-year declining periods (with the exception of temporary retirement incentives which are amortized over its own declining period of up to 5 years). Any new UAAL established as a result of changes in actuarial assumptions or methods at each valuation is amortized over separate 25-year declining periods. Any actuarial surplus (when the funded ratio is over 110%) will be amortized over a non-declining 30-year period.
Asset Valuation Method:	Fair value of assets less unrecognized returns from each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a fair value basis and are recognized over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves.

Notes to the Required Supplementary Information Continued

Actuarial Assumptions Continued:

Investment Rate of Return:	7.00%
Inflation Rate:	2.75%
Real Across-the-Board Salary Increase:	0.50%
Projected Salary Increases:	Ranges from 3.75 percent to 11.25 percent based on years of service. Includes inflation at 2.75% of retirement income, plus real across-the-board salary increase of 0.50% plus merit and promotion increases.
Cost-of-Living Adjustments:	2.75 percent of retirement income
Other Assumptions:	See June 30, 2020 funding valuation report and Section 4 for the service retirement rates after they have been adjusted to treat DROP participation as service retirement. Post-Retirement Mortality Rates: For healthy members and beneficiaries, Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) times 105%, projected generationally with the two-dimensional mortality improvement scale MP-2018; For disabled members, Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2018.

Other Supplementary Information

Schedule of Administrative Expenses

For Fiscal Years Ended June 30, 2022 and 2021

		2022		2021
Personnel Services				
Staff Salaries	$	757,183	$	703,244
Fringe Benefits		213,593		200,376
Total Personnel Services	$	970,776	$	903,620
Professional Services				
Actuarial	$	101,490	$	124,419
Legal Counsel		126,484		206,197
Information Systems Services		201,025		207,496
Specialized Services		88,120		104,771
Total Professional Services	$	517,119	$	642,883
Communication				
Telephone	$	10,023	$	12,528
Postage		6,905		5,928
Total Communication	$	16,928	$	18,456
Rentals				
Office Rent	$	117,260	$	114,961
Common Area Maintenance (CAM) Charges		61,200		73,623
Total Rentals	$	178,460	$	188,584
Other				
Education and Conference	$	59,385	$	3,048
Membership & Dues		6,843		6,018
Subscriptions & Publications		616		547
Office Supplies		3,938		5,311
Computer Equipment		4,105		7,992
Equipment Lease		11,373		19,985
Insurance		57,269		37,765
Miscellaneous		8,827		23,223
Reimbursement to City for Inter-Dept Services		74,951		64,591
Depreciation		139,268		136,340
Total Other	**$**	**366,575**	**$**	**304,820**
Total Administrative Expenses	**$**	**2,049,858**	**$**	**2,058,363**

Other Supplementary Information Continued

Schedule of Investment Management Expenses

For Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
Investment Manager Fees		
Equity		
Domestic	$ 723,789	$ 1,016,969
International	1,587,523	1,777,948
Fixed Income	622,075	620,503
Alternatives	7,243,765	4,894,685
Real Estate	4,469,568	3,269,848
Total Investment Manager Fees	**14,646,720**	**11,579,953**
Other Investment Expenses		
Foreign Income Taxes & Related Services, Charges	1,827,715	1,558,392
Custodial Services	210,468	283,699
Investment Consultant	151,813	137,949
Investment Legal Counsel	52,868	27,240
Analytical Database Service	77,234	72,229
Total Other Investment Expenses	**2,320,098**	**2,079,509**
Total Fees & Other Investment Expenses	**16,966,818**	**13,659,462**
Securities Lending Expenses		
Agent Fees	131,659	48,947
Total Securities Lending Expenses	**131,659**	**48,947**
Total Investment Expenses	**$ 17,098,477**	**$ 13,708,409**

Schedule of Payments To Consultants

For Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
Actuarial Services	$ 101,490	$ 124,419
Audit Services	20,381	20,084
City Information Services	201,025	207,496
Legal Services	126,484	206,197
Medical Consultant	53,148	27,325
Miscellaneous	14,591	57,362
Total Payments to Consultants	**$ 517,119**	**$ 642,883**

We promise to carry out our Mission through a competent, professional, impartial and open decision-making process. In providing benefits and services, all persons will be treated fairly, with courtesy and respect.

INVESTMENT

Investment Report from the Retirement Administrator

For the Years June 30, 2022 and 2021

Analysis of Our Portfolio in Fiscal Year 2022

The Retirement Board's (the Board) responsibility, as a long-term investor, is to manage in and through the global financial market environments as they unfold. Our Board understands the City of Fresno Employees Retirement System's (the System) portfolio requires a sound and stable strategy for meeting investment goals over the long-term with appropriate risk levels and controls.

Fiscal year 2022 encountered a confluence of events that were both unusual and unprecedented in nature: inflation, war, supply chain disruptions, and the lingering effects of a global pandemic. An estimated $9 trillion in wealth was erased as stocks and bonds approached bear market territory in the first six months of the calendar year. It was the worst start to a year for global markets in over forty years. Inflation hit multi-decade highs while the Federal Reserve embarked on a mission to get it under control through consistent interest rate hikes and other tools at its disposal. Supply chains remain snarled due to policies in manufacturing centric countries and unemployment is still above pre-pandemic levels but continues to decrease.

From an economic perspective, midstream energy, real estate, and infrastructure all provided hedges to inflation as expected. From a profit and loss perspective, the total fund decreased by $356 million in fair value mainly due to public market drawdowns. The strategic asset allocation that went into effect July 1, 2021 continues to diversify the portfolio over the long-term with all major asset class groupings now defined by 'beta group' for risk management purposes. Other changes included adding a new asset class called 'Multi Assets' and terminating the domestic small cap and emerging market equity mandates.

The System generated a net return of -7.4% and underperformed its policy benchmark by 0.80% in Fiscal Year 2022, as reported by its custodian Northern Trust using a time weighted rate of return based on fair value, this basis was used for all return data presented within this section. The System underperformed its assumed rate of return by 14.4%. Across longer investment horizons, the System has outperformed its assumed rate of return and policy benchmark.

Investment Performance

The System earned a gross return of -7.18%. The table below highlights the performance of each major asset class provided by the System's custodian, Northern Trust. These returns may differ slightly from the performance reported by the System's investment consultant due to rounding:

Asset Class	Gross Return	Net Return
Total Fund	(7.18)%	(7.44)%
Domestic Equity	(15.63)%	(15.74)%
International Equity	(26.56)%	(26.82)%
Rates/Credit	(4.59)%	(4.73)%
Real Assets	24.22%	23.73%
Multi-Assets	14.76%	13.96%
Fiscal Year End Fund Value	$1,562,187,480	

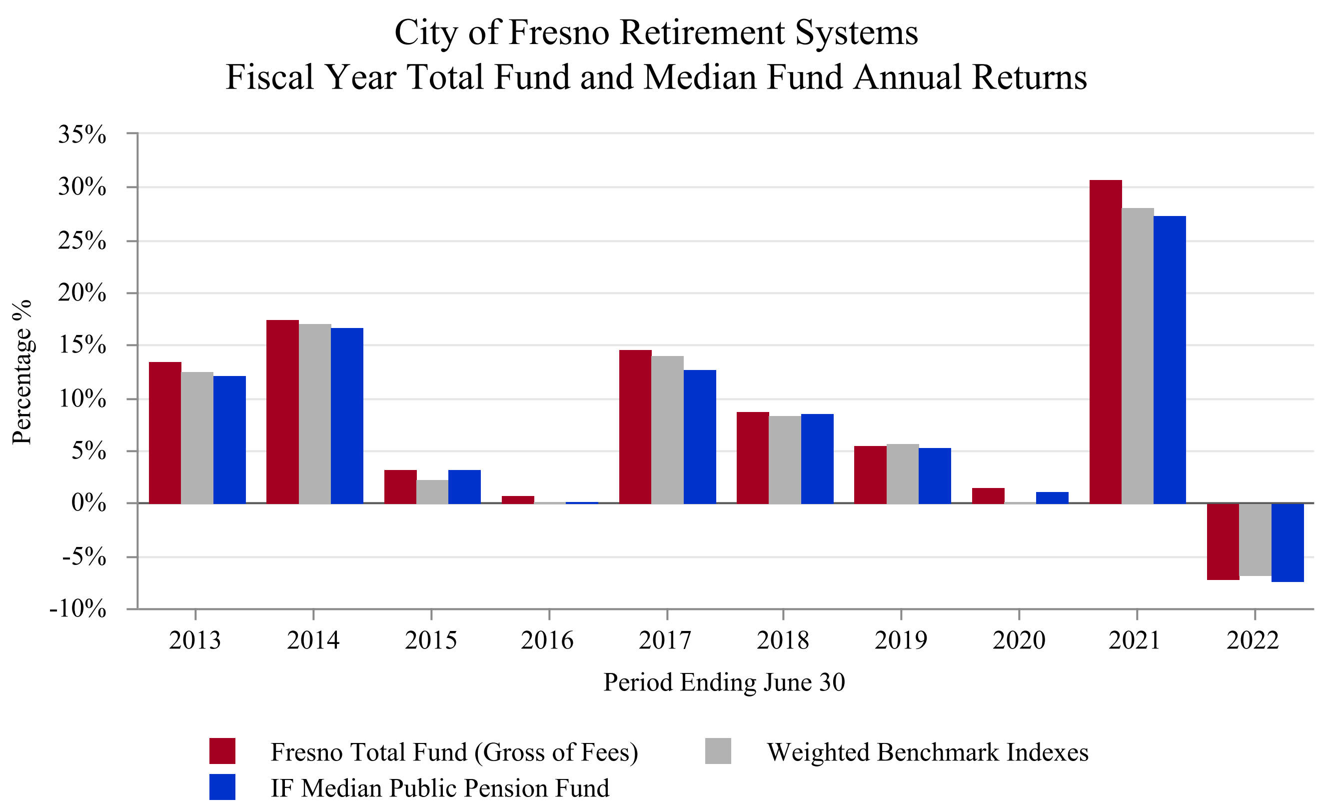
Investment Report from the Retirement Administrator Continued

The System's, 10, 15 and 20-year long-term gross returns of 8.53, 6.09 and 7.63 percent, respectively, illustrate the System's ability to achieve our long-term objectives over extended periods. Meanwhile, the System remains highly funded and well positioned to serve our members and retirees.

The principal goals of the System's Board in managing the System's Investment Portfolio 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 comply with legal statutes and regulations; and
4) To maintain a fully funded pension status.

Presented in the graph below are the System's Total Fund returns versus NEPC, LLC's InvestorForce (IF) Public Funds Universe (Gross of Fee), for plans with $1 billion or more in assets:



Investment Report from the Retirement Administrator Continued

Summary of Portfolio Results

The fiscal year ended June 30, 2022, marked an extraordinarily volatile year which was overwhelmed by exogenous economic events and resulted in only the second negative performing fiscal year for the System in 11 years. The System experienced a total gross return of negative 7.18 percent for the fiscal year ended June 30, 2022, under performing the System's actuarial interest rate assumption of 7.00 percent by 14.18 percent and under performing the System's policy benchmark (a weighted average of the fund's asset classes and their respective benchmarks) return of negative 6.66 percent by 0.52 percent. The System's ten-year annualized returns averaged 8.53 percent, outperforming its policy benchmarks return of 7.79 percent for the period by 0.74 percent. Over the longer term, our investment results remain sound with annualized returns of 7.63 percent and 7.35 percent, respectively, over the past twenty and twenty-five years. After paying all benefits and expenses of the System, the year-end value of the System reached $1.562 billion.

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 Board, having the sole and exclusive authority and fiduciary responsibility for the administration of the System and its assets, has adopted an Investment 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 Policy Statement establishes the investment program goals and policies, asset allocation policies, and beliefs. It also defines the principal duties of the Board, staff, investment managers, master custodian and consultants.

An integral part of the overall investment policy is the strategic asset allocation policy. This allocation mix is designed to provide 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 (equities and fixed income) and non-traditional assets (real estate, infrastructure, midstream energy, private equity, and private debt) 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.

Investment Report from the Retirement Administrator Continued

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.

Specific Investment Results by Asset Classification

As of June 30, 2022, the System's portfolio was slightly under-weight in total equities, with 43.9 percent in total equities versus the target of 48.0 percent. Domestic equities were slightly under-weight with 22.5 percent versus the target of 25.0 percent, and international equity with 21.4 percent developed was slightly under-weight the international equities target of 23.0 percent. Fixed income with 16.0 percent met its target of 16.0 percent and real estate at 15.0 percent was 1.0 percent over-weight its target of 14.0 percent. Alternative investments represented 25.1 percent of the System's portfolio, which is 3.1 percent over-weight of its target of 22.0 percent.

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

Asset Classification	Actual	Target
Domestic Equities:		
Large-Cap	22.5%	25.0%
International Equities:		
Developed Markets	21.4%	23.0%
Fixed Income:		
Domestic Fixed Income	12.7%	13.0%
High Yield Fixed Income	3.3%	3.0%
Real Estate:		
Core Real Estate	9.9%	10.0%
Value Add Real Estate/REITs	5.1%	4.0%
Alternatives:		
Infrastructure	5.0%	5.0%
Midstream Energy (MLP's)	4.5%	4.0%
Private Equity	4.5%	3.0%
Private Debt	11.1%	10.0%
Total	**100.0%**	**100.0%**

Investment Report from the Retirement Administrator Continued

This asset class diversification allows the Retirement Board's to monitor and adjust its risk in accordance with its Investment Policy Statement. The investment returns presented herein are based on the modified Dietz rate of return methodology. As Fiscal Year 2022 came to a close, inflation, rising interest rates, and war caused havoc for global investors. These uncertainties provide little comfort to asset allocators in the near-term. Market participants expect excess liquidity to continue being removed in an orderly and structured manner. Widespread adoption of vaccines allowed countries the opportunities to ease lockdowns and return to some sort of normalcy. A rotation trade saw quality and value stocks continue to outperform growth-oriented assets which became synonymous with the multi-decade low interest rate regime. The System earned negative absolute and relative returns; however, it continues to diversify across strategies and regions.

Respectfully submitted,

Signature

Robert T. Theller, Esq.
Retirement Administrator

November 29, 2022

Investment Consultant's Report

Don Stracke
Senior Consultant

October 21, 2022

City of Fresno Retirement Systems
2828 Fresno Street Suite 201
Fresno, California 93721

Dear Board Members:

The overall objective of the City of Fresno Retirement Systems (CFRS) is to ensure continued access to retirement, disability and survivor benefits for current and future CFRS participants. To ensure a solid foundation for the future of the Retirement Systems, CFRS' Boards carefully plan and implement an investment program designed to produce superior long-term investment returns, while prudently managing the risk in the portfolio. Investment policy and asset allocation are reviewed and revised by the CFRS Retirement Boards, at least annually, to reflect the Systems' actuarial assumptions, accrued liabilities, and economic and investment outlook. The following is a report on the performance of the Fund for the fiscal year ending June 30, 2022 with background on the underlying market environment.

Market Review for the Year Ended June 30, 2022
Apart from commodities and some inflation sensitive assets, virtually all major asset classes declined in the fiscal year ended June 30, 2022. The U.S. economy contracted in real terms over the first two quarters of calendar year 2022, meeting the traditional definition of an economic recession. The fiscal year ended with inflation levels not seen in the past 40 years as the seasonally adjusted Consumer Price Index jumped to 9.1%. The Federal Reserve, in its efforts to combat rapidly rising inflation, began implementing measures to slow the economy by raising the Fed Funds Rate to a targeted range of 1.50% - 1.75% from 0.0% - 0.25%. Similar actions were taken by central banks globally. These measures resulted in negative performance for both stocks and bonds. U.S. stocks posted their first year of negative returns in over a decade, returning -10.6% as measured by the S&P 500 Index. International stocks fared worse than U.S. stocks as inflationary pressures, the ongoing conflict in Europe and currency weakness led to a return of -17.8%, as measured by the MSCI EAFE Index. Emerging markets stocks declined -25.3%, underperforming both U.S. and international-developed markets. Typically considered a safe-haven asset, U.S. high quality fixed income returns were also strongly negative over the past year, as interest rate-sensitive assets as represented by the Bloomberg U.S. Aggregate Bond Index posted a decline of -10.3%.

The Systems returned -7.1%, gross of fees, for the fiscal year ending June 30, 2022. By comparison, the median public fund in the comparative universe returned -7.4% for the period. The Systems' allocation to real assets is higher than many of its peers, and the real assets exposure was a positive contributor to performance. Private Equity was the strongest contributor to absolute performance for the year, returning 29.1% gross of fees.

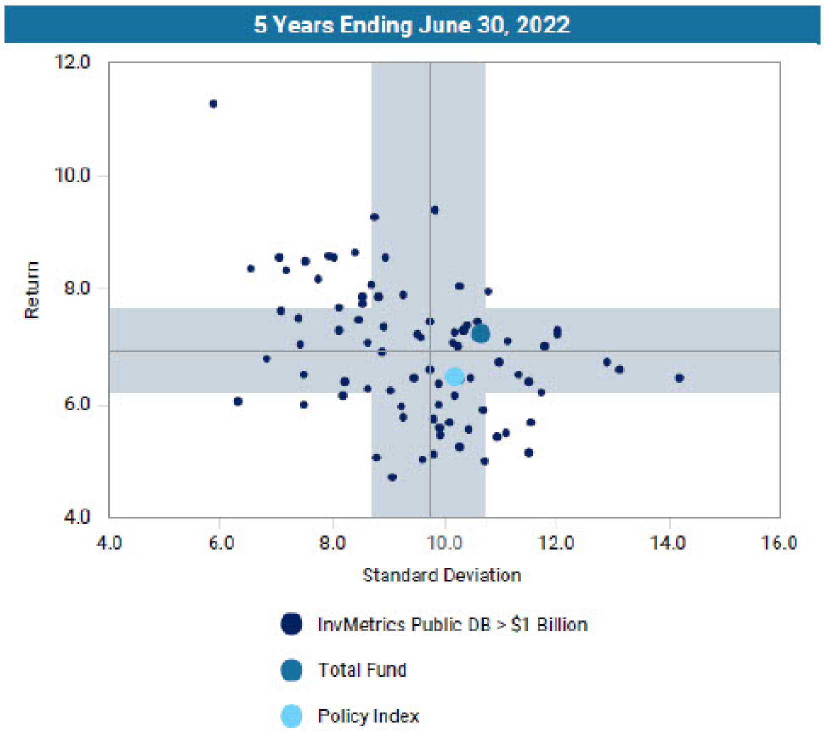
For the five-year period ending June 30, 2022, the Systems returned 7.3% gross of fees per annum. As you can see in the chart below, this was an above average return, ahead of the median public fund rate of return, but with a higher level of volatility than the average public fund.

www.NEPC.com | 617.374.1300

Investment Consultant's Report Continued

Data as of 6/30/2022	1 Yr(%)	3 Yrs(%)	5 Yrs(%)	10 Yrs(%)	15 Yrs(%)
Systems' Total Return (Gross of Fees)	-7.1	7.3	7.3	8.5	6.1
Systems' Total Return (Net of Fees)	-7.2	7.0	6.9	8.2	5.7
Policy Index	*-6.7*	*6.2*	*6.5*	*7.8*	*5.8*

InvMetrics Public Funds Greater than $1 Billion Universe Risk-Return Comparison (Gross of Fees)



NEPC provides the Systems with quarterly economic and investment market updates, performance reviews, investment manager monitoring and selection advice, and related investment services for traditional and non-traditional asset classes. In preparing our performance analysis for the Systems, we rely on the accuracy of financial data provided by the Systems' custodian bank and investment managers. CFRS's custodian, The Northern Trust Company, independently prepared the underlying performance data used in this report. The Systems' goals are measured against stated policy objectives, appropriate benchmarks and comparative universes over multiple time periods. This review process allows the Boards to evaluate whether established goals are being achieved on an absolute, relative and risk-adjusted basis.

Sincerely,

Don Stracke

Don Stracke, Senior Consultant

www.NEPC.com | 617.374.1300

Investment Results

	Fair Value ($)	% of Portfolio	Gross of Fees Ending June 30, 2022			
			1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Total Fund	3,449,604,647	100.00	-7.12	7.28	7.25	8.53
Policy Index			*-6.71*	*6.22*	*6.49*	*7.79*
InvMetrics Public DB > $1B Gross Median			*-7.38*	*6.22*	*6.94*	*8.06*
Total Equity Composite	1,672,135,695	48.47	-18.48	6.30	7.00	9.46
MSCI AC World Index (Net)			*-15.75*	*6.21*	*7.00*	*8.76*
InvMetrics Public DB Global Equity Median			*-16.76*	*5.88*	*6.78*	*9.33*
Domestic Equity Composite	775,856,813	22.49	-15.65	9.10	9.82	12.31
Domestic Equity Index			*-16.96*	*8.34*	*9.16*	*11.79*
InvMetrics Public DB US Equity Median			*-13.58*	*9.37*	*10.40*	*12.46*
Private Equity	159,943,989	4.64	29.14	22.02	0.00	0.00
Private Equity Index			*7.89*	*15.47*	*14.44*	*14.66*
International Equity Composite	736,334,893	21.35	-26.90	1.05	2.85	5.94
International Equity Index			*-20.63*	*1.69*	*2.68*	*5.27*
InvMetrics Public DB Global ex-US Equity Median			*-20.45*	*1.67*	*3.26*	*5.62*
Total Fixed Income Composite	930,827,763	26.98	-4.51	3.20	3.92	4.18
Fixed Income Index			*-6.55*	*1.25*	*2.49*	*3.10*
Blmbg. U.S. Aggregate Index			*-10.29*	*-0.94*	*0.88*	*1.54*
InvMetrics Public DB Fixed Income Median			*-9.53*	*0.19*	*1.73*	*2.69*
Core Fixed Composite	433,664,427	12.57	-10.78	-0.38	1.48	2.38
Blmbg. U.S. Aggregate Index			*-10.29*	*-0.94*	*0.88*	*1.54*
InvMetrics Public DB US Fixed Income Median			*-10.07*	*0.11*	*1.77*	*2.43*
High Yield Composite	115,219,991	3.34	-15.13	-0.02	1.95	4.66
Blmbg. U.S. Corp: High Yield Index			*-12.81*	*0.21*	*2.10*	*4.47*
InvMetrics Public DB US Fixed Income Median			*-10.07*	*0.11*	*1.77*	*2.43*
Private Credit	381,943,345	11.07	10.07	10.05	9.35	0.00
Private Credit Index			*-10.63*	*0.74*	*3.53*	*0.00*
Real Assets	690,352,783	20.01	24.21	10.80	9.48	10.61
Real Estate Index			*28.65*	*11.96*	*9.52*	*10.32*
InvMetrics Public DB Real Estate Public & Private Median			*24.43*	*11.10*	*9.90*	*10.73*
Private Real Estate Composite	179,285,654	5.20	27.50	13.15	13.98	13.92
NCREIF ODCE			*29.51*	*12.66*	*10.54*	*11.16*
Infrastructure	170,977,582	4.96	6.51	6.21	0.00	0.00
CPI + 4% (Unadjusted)			*13.42*	*9.17*	*8.03*	*6.69*
Midstream Energy	155,715,517	4.51	14.77	5.04		0.00
Alerian Midstream Energy Index			*11.42*	*6.38*	*5.22*	*0.00*
Cash & Equivalents Composite	572,888	0.02	9.51	3.71	2.95	1.61
90 Day U.S. Treasury Bill			*0.17*	*0.63*	*1.11*	*0.63*

Calculations are prepared by NEPC, LLC using a time-weighted rate of return based on fair values.

Investment Results (Continued)

	Fair Value ($)	% of Portfolio	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
			Net of Fees Ending June 30, 2022			
Total Fund	$ 3,449,604,647	100.00	-7.24	6.99	6.95	8.17
Policy Index			-6.71	6.22	6.49	7.79
InvMetrics Public DB > $1B Gross Median			-7.54	5.99	6.34	7.54
Total Equity Composite	1,672,135,695	48.47	-18.57	6.26	6.97	9.44
MSCI AC World Index (Net)			-15.75	6.21	7.00	8.76
InvMetrics Public DB Global Equity Median			-17.11	5.77	6.65	8.89
Domestic Equity Composite	775,856,813	22.49	-15.73	8.91	9.60	12.04
Domestic Equity Index			-16.96	8.34	9.16	11.79
InvMetrics Public DB US Equity Median			-14.24	9.09	9.98	12.06
Private Equity	159,943,989	4.64	29.14	22.02	0.00	0.00
Private Equity Index			7.89	15.47	14.44	14.66
International Equity Composite	736,334,893	21.35	-27.10	0.73	2.50	5.55
International Equity Index			-20.63	1.69	2.68	5.27
InvMetrics Public DB Global ex-US Equity Median			-20.66	1.40	2.65	5.13
Total Fixed Income Composite	930,827,763	26.98	-4.58	3.18	3.91	4.17
Fixed Income Index			-6.55	1.25	2.49	3.10
Blmbg. U.S. Aggregate Index			-10.29	-0.94	0.88	1.54
InvMetrics Public DB Fixed Income Median			-9.57	0.02	1.41	2.42
Core Fixed Composite	433,664,427	12.57	-10.89	-0.53	1.34	2.22
Blmbg. U.S. Aggregate Index			-10.29	-0.94	0.88	1.54
InvMetrics Public DB US Fixed Income Median			-10.22	-0.16	1.35	2.17
High Yield Composite	115,219,991	3.34	-15.44	-0.46	1.48	4.16
Blmbg. U.S. Corp: High Yield Index			-12.81	0.21	2.10	4.47
InvMetrics Public DB US Fixed Income Median			-10.22	-0.16	1.35	2.17
Private Credit	381,943,345	11.07	10.07	10.05	9.35	0.00
Private Credit Index			-10.63	0.74	3.53	0.00
Real Assets	690,352,783	20.01	24.09	10.76	9.46	10.60
Real Estate Index			28.65	11.96	9.52	10.32
InvMetrics Public DB Real Estate Public & Private Median			24.16	10.92	9.36	10.07
Private Real Estate Composite	179,285,654	5.20	27.50	13.15	13.98	13.48
NCREIF ODCE			29.51	12.66	10.54	11.16
Infrastructure	170,977,582	4.96	6.30	6.14	0.00	0.00
CPI + 4% (Unadjusted)			13.42	9.17	8.03	6.69
Midstream Energy	155,715,517	4.51	14.17	4.34	0.00	0.00
Alerian Midstream Energy Index			11.42	6.38	5.22	0.00
Cash & Equivalents Composite	572,888	0.02	9.51	3.71	2.95	1.61
90 Day U.S. Treasury Bill			0.17	0.63	1.11	0.63

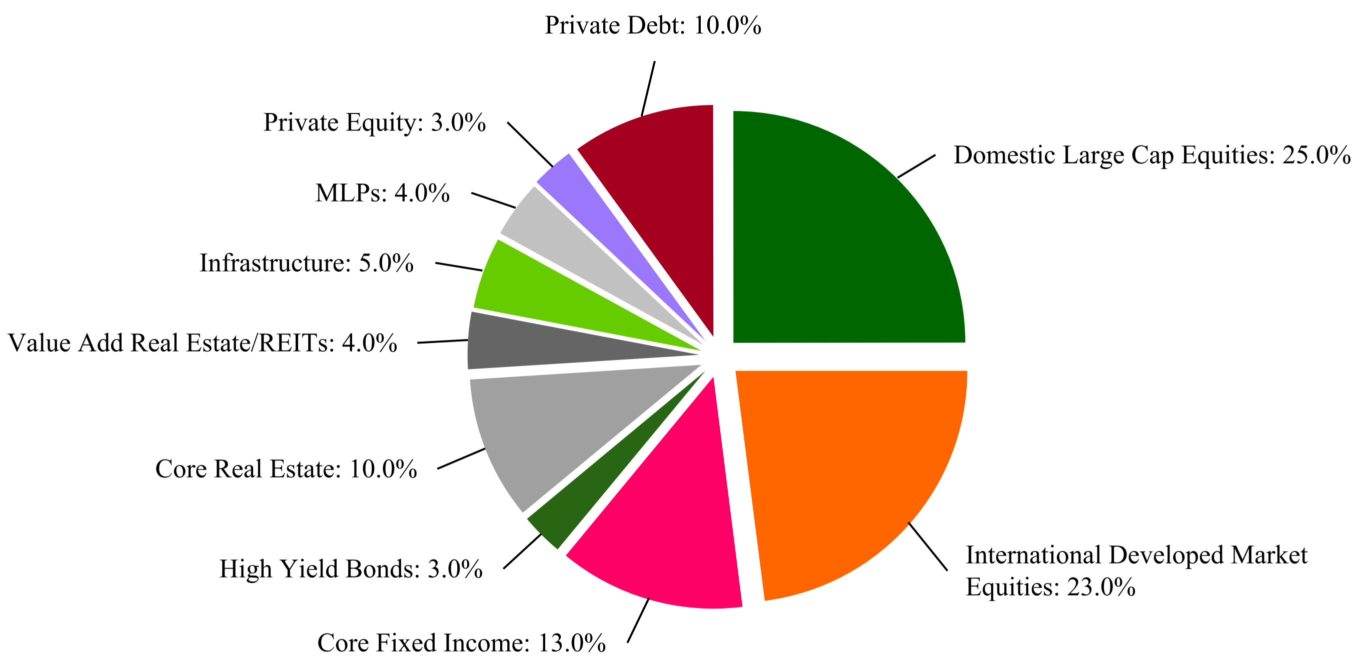
Calculations are prepared by NEPC, LLC using a time-weighted rate of return based on fair values.

Target and Actual Asset Allocation
As of June 30, 2022

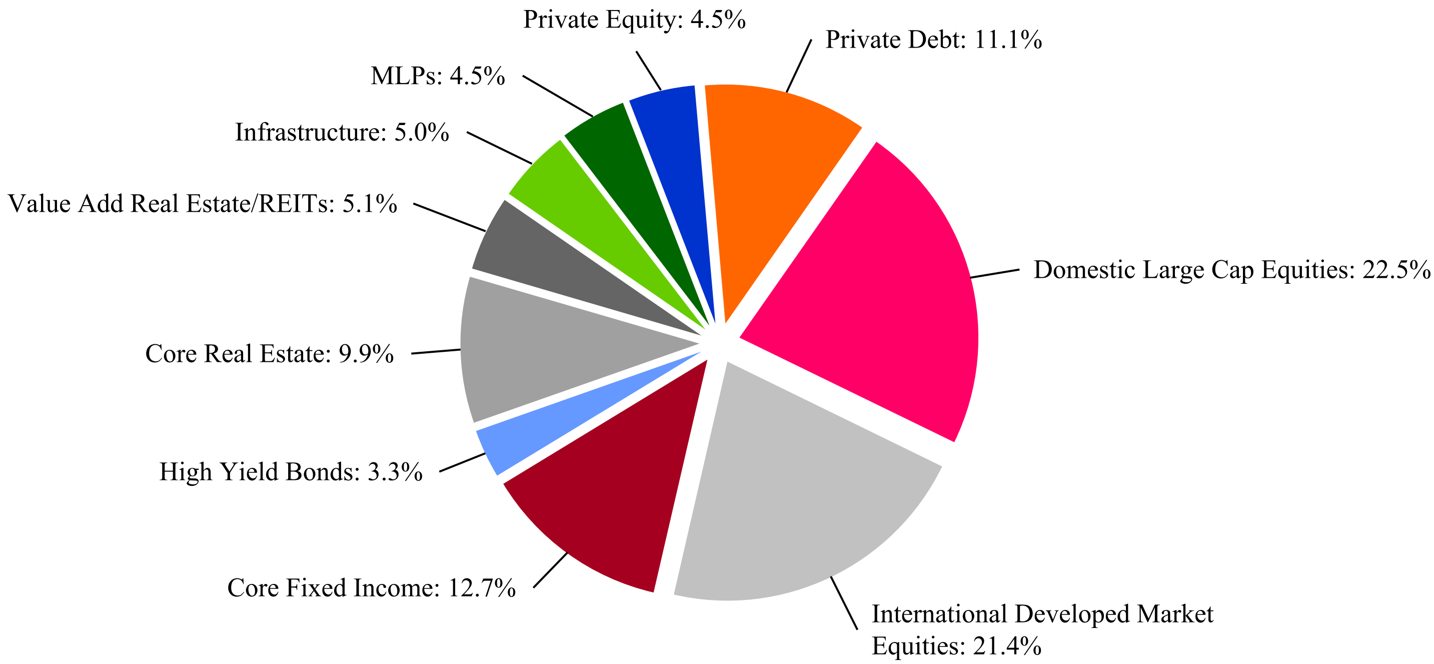
Asset Class	Current Target	Allocation Range	Actual
Domestic Large Cap Equities	25.0%	15.0% - 36.0%	22.5%
International Developed Market Equities	23.0%	10.0% - 25.0%	21.4%
Core Fixed Income	13.0%	5.0% - 20.0%	12.7%
High Yield Bonds*	3.0%	0.0% - 5.0%	3.3%
Core Real Estate	10.0%	5.0% - 15.0%	9.9%
Value Add Real Estate/REITs	4.0%	2.0% - 8.0%	5.1%
Infrastructure	5.0%	2.0% - 10.0%	5.0%
Midstream Energy (MLPs)	4.0%	0.0% - 7.0%	4.5%
Private Equity	3.0%	0.0% - 10.0%	4.5%
Private Debt	10.0%	5.0% - 20.0%	11.1%

* 1% High Yield Bonds Managed Within Domestic Fixed Income

Target Asset Allocation
As of June 30, 2022



Actual Asset Allocation
As of June 30, 2022



Largest Stock Holdings (by Fair Value)

As of June 30, 2022

	Shares	Stock Holding	Fair Value
1)	943,284	MLP ENERGY TRANSFER LP COMMON UNITS REP	$ 9,413,977
2)	68,308	CHENIERE ENERGY INC COM NEW	9,087,009
3)	264,014	MLP MPLX LP COM UNIT REPSTG LTD PARTNER	7,696,011
4)	123,134	TARGA RES CORP COM	7,347,416
5)	261,171	MLP ENTERPRISE PRODS PARTNERS L P COM	6,364,741
6)	222,919	WESTERN MIDSTREAM PARTNERS L P COM UNIT	5,419,169
7)	298,047	TAIWAN SEMICONDUCTOR MANUFACTURING TWD10	4,771,400
8)	37,874	NESTLE SA CHF0.10(REGD)	4,408,674
9)	398,090	AIA GROUP LIMITED NPV	4,314,737
10)	79,526	SAMSUNG ELECTRONICS CO KRW5000	3,491,191
Total Largest Stock Holdings			**$ 62,314,325**

Largest Bond Holdings (by Fair Value)

As of June 30, 2022

	Share/Par Value	Bond Holding	Coupon Rate	Maturity Date	Fair Value
1)	4,210,650	UNITED STATES OF AMER TREAS NOTES .75% 0	0.750%	2026/08/31	$ 3,832,679
2)	4,024,501	FEDERAL HOME LN MTG CORP POOL #SD7526	2.500%	2050/10/01	3,661,897
3)	3,856,947	FNMA POOL #FM8308 2.0% DUE 07-01-2051	2.000%	2051/07/01	3,366,496
4)	2,919,793	FNMA 3.5% 04-01-2052	3.500%	2052/04/01	2,822,956
5)	2,620,915	UNITED STATES TREAS NTS WIT 0 1/4	0.375%	2024/08/15	2,479,324
6)	2,503,324	UNITED STS TREAS NTS .875%	0.875%	2026/06/30	2,298,071
7)	2,618,654	UNITED STATES TREAS BDS 2.25%	2.250%	2041/05/15	2,185,144
8)	2,227,891	UNITED STATES TREAS NTS WIT 0 3/4	0.750%	2026/04/30	2,042,349
9)	1,992,894	FNMA POOL #BT2170 FLT RT DUE 03-01-2052	1.980%	2052/03/01	1,835,887
10)	1,983,212	UNITED STATES OF AMER TREAS NOTES .625%	0.625%	2026/07/31	1,798,525
Total Largest Bond Holdings					**$ 26,323,328**

A complete list of portfolio holdings is available upon request.

Schedule of Commissions

For The Fiscal Year Ended June 30, 2022

Brokerage Firm	Total Commissions	Number of Shares	Commission Cost/Share
NATIONAL FINANCIAL SERVICES LLC	$ 40,883	4,039,382	$ 0.0101
B.RILEY & CO. LLC	17,550	597,375	0.0294
BARCLAYS CAPITAL	12,145	10,018,035	0.0012
UBS SECURITIES ASIA LIMITED	10,981	21,382,216	0.0005
JEFFERIES INTERNATIONAL LTD	8,777	1,004,554	0.0087
HSBC SECURITIES (USA) INC.	8,668	14,318,987	0.0006
UBS AG LONDON BRANCH	8,072	2,634,280	0.0031
CREDIT SUISSE INTERNATIONAL	8,038	783,710	0.0103
MORGAN STANLEY AND CO., LLC	7,417	89,461,729	0.0001
GOLDMAN, SACHS AND CO.	6,799	62,779,580	0.0001
	$ 129,330	207,019,848	$ 0.0006
All Other Brokerage Firms	182,685	816,029,913	0.0002
TOTAL	$ 312,015	1,023,049,761	$ 0.0003

Investment Summary

For The Fiscal Year Ended June 30, 2022

	Investment Value	Percent of Fund	Investment Management Fees
Equity			
Domestic	$ 477,241,474	30.4%	$ 723,789.31
International Developed Market	200,487,360	12.7%	1,587,523.29
Fixed Income	260,746,601	16.6%	622,075
Alternatives	383,779,806	24.5%	7,243,765.03
Real Estate	241,009,925	15.4%	4,469,567.66
Short-term Investments	5,930,097	0.4%	—
Total	$ 1,569,195,263	100.0%	$ 14,646,720.29

Assets will be invested and administered to balance the need to control risk with superior performance.

We expect excellence in all activities. We will also be accountable and act in accordance with the law.

ACTUARIAL

Actuarial Certification Letter

Segal

180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
segalco.com

November 30, 2022

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, 2022 Actuarial Valuation

Dear Members of the Board:

Segal prepared the June 30, 2022 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 and the System's funding policy that was last reviewed with the Board in 2012 and the amendment made to lengthen the period used to amortize the actuarial surplus in 2018. It is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2022 actuarial valuation, Segal conducted an examination of all participant data 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 fair value by recognizing the differences between the total actual investment return at fair value and the expected investment return over a five-year period.

One of the general goals of an actuarial valuation is to establish contribution rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age 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 or unfunded actuarial accrued liability (UAAL). The UAAL is amortized over different periods depending on the source.

5746099v1/09313.004

Actuarial Certification Letter Continued

Board of Retirement
City of Fresno Employees Retirement System
November 30, 2022
Page 3

Under the asset smoothing method, the total unrecognized investment loss is $49.1 million as of June 30, 2022. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. The deferred loss of $49.1 million represents about 3.1% of the market value of assets as of June 30, 2022. Unless offset by future investment gains or other favorable experience, the recognition of the $49.1 million market loss is expected to have an impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- If the net deferred losses were recognized immediately and entirely in the valuation value of assets, the funded ratio would decrease from 114.0% to 110.1%.
- If the net deferred losses were recognized immediately and entirely in the valuation value of assets, the aggregate employer contribution rate would increase from 13.38% to 14.14% of payroll.
- If the net deferred losses were recognized immediately and entirely in the valuation value of assets, the aggregate employee contribution rate would increase from 8.90% to 9.78% of payroll.
- There would be no PRSB benefit provided regardless of whether all the net deferred losses in the June 30, 2022 valuation were recognized immediately, because there is no distributable actuarial surplus available to provide a PRSB in either case.

The undersigned are Members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

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

Andy Yeung
Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

JY/hy
Enclosures

5746099v1/09313.004

Segal

Actuarial Certification Letter Continued

Board of Retirement
City of Fresno Employees Retirement System
November 30, 2022
Page 2

Effective with the June 30, 2013 valuation, any new UAAL established as a result of actuarial gains or losses or plan amendments are amortized over separate 15-year declining periods (with the exception of temporary retirement incentives which are amortized over a separate declining period of up to 5 years). Any new UAAL established as a result of changes in actuarial assumptions or methods at each valuation is amortized over separate 25-year declining periods. Any actuarial surplus (when the funded ratio is over 110%) will be amortized over a non-declining 30-year period. The progress being made towards meeting the funding objective through June 30, 2022 is illustrated in the Schedule of Funding Progress.

Notes number 1, 3 and 4 to the Basic Financial Statements and the Required Supplemental Information (RSI) included in the Financial Section were prepared by the System based on the results of the Governmental Accounting Standards Statement No. 67 (GAS 67) actuarial valuation as of June 30, 2022 prepared by Segal. For the Financial Section of the Annual Comprehensive Financial Report (ACFR), Segal provided the Schedule of Funding Progress, Schedule of Changes in Net Pension Liability and Schedule of Employer Contributions as shown in the RSI. A listing of the other supporting schedules Segal prepared for inclusion in the Actuarial and Statistical Sections of the System's Annual Report is provided below. These schedules were prepared based on the results of the actuarial valuation as of June 30, 2022 for funding purposes.

1. Summary of Actuarial Assumptions and Methods;
2. Schedule of Funded Liabilities by Type; and
3. Actuarial Analysis of Financial Experience.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the Analysis of Actuarial Experience During the Period July 1, 2018 through June 30, 2021 and the Review of Economic Actuarial Assumptions for the June 30, 2022 Actuarial Valuation. It is our opinion that the assumptions used in the June 30, 2022 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, 2024 and those assumptions will be used in the June 30, 2025 valuation. The Retirement System utilizes the actuarial surplus to provide contribution rate offsets and a Post Retirement Supplemental Benefit (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, 2022 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 116.0% to 114.0%. The aggregate employer rate has decreased from increased from 11.97%[1] of payroll to 13.38%[2] of payroll, while the aggregate member rate has increased from 8.12%[3] of payroll to 8.90%[4] of payroll.

[1] *This rate has been decreased by 1.19% of payroll as a result of surplus allocation.*

[2] *This rate has been decreased by 0.79% of payroll as a result of surplus allocation.*

[3] *This rate has been decreased by 1.38% of payroll as a result of surplus allocation.*

[4] *This rate has been decreased by 0.91% of payroll as a result of surplus allocation.*

5746099v1/09313.004

Segal

Summary of Actuarial Assumptions and Funding Method

These actuarial assumptions and methods based on June 30, 2022 data were adopted by the City of Fresno Employees Retirement System (the System) Retirement Board on November 22, 2022, and are effective for July 1, 2023.

Assumptions

Valuation Interest Rate:	6.75%
Inflation:	2.50%

Post-Retirement Mortality

(a) Service Retirement

Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

(b) Beneficiaries

Beneficiaries not currently in Pay Status • Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiaries in Pay Status • Pub-2010 General Contingent Survivor Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

(c) Disability Retirement

Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

The Pub-2010 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-Retirement Mortality

Based upon the Analysis of Actuarial Experience during the period July 1, 2018 through June 30, 2021.

Withdrawal Rates

Based upon the Analysis of Actuarial Experience during the period July 1, 2018 through June 30, 2021.

Disability Rates

Based upon the Analysis of Actuarial Experience during the period July 1, 2018 through June 30, 2021.

Service Retirement Rates

Based upon the Analysis of Actuarial Experience during the period July 1, 2018 through June 30, 2021.

Assets

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

Summary of Actuarial Assumptions and Funding Method Continued

Funding Method

The System's liability is being funded on the Entry Age Normal Actuarial Cost method. Entry age is the age of the member on their hire date. Normal Cost and Actuarial Accrued Liability are compensation, as if the current benefit formulas have always been in effect (i.e., "replacement life").

The System's funding policy for determining Total Pension Liability (for funding purposes) uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member retires from employment after participating in DROP (Deferred Retirement Option Program). While for financial reporting purposes only, in accordance with GASB 67 provisions, for determining Total Pension Liability, the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP (See page 28 of the Financial Section and pages 56 and 57 of the Required Supplementary Information on the different actuarial assumptions used for financial reporting versus funding progress).

DROP Rates

1st year eligible	30% participation
2nd year eligible	15% participation
3rd and 4th year eligible	10% participation
5th year eligible	15% participation
6th year eligible	10% participation
Thereafter	0% participation

Members are assumed to remain in DROP for six years.

Marriage Rates

It is assumed that 80% of all male members and 55% of all female members will be married at retirement.

Age of Spouse

Male members are three years older than their spouses. Female members are two years younger than their spouses.

Cost-of-Living Adjustment (COLA) Assumption

3.00% per year; Retiree COLA increases due to Consumer Price Index (CPI) are limited to maximum at 3.00% per year.

Ultimate Salary Scale

Salary Scale is made up of merit and longevity, and inflation components. The inflation component is equal to 2.50%; plus 0.50% real across-the-board salary increase. The merit and promotion component varies by service and is illustrated below:

Years of Service	Merit and Promotion Assumption (%)
< 1 year	8.50%
1 - 2 years	6.25%
2 - 3 years	4.75%
3 - 4 years	4.25%
4 - 5 years	3.50%
5 - 6 years	2.50%
6 - 7 years	1.75%
7 - 10 years	1.50%
10 - 15 years	1.25%
15 - 19 years	1.00%

Probabilities of Separation Prior to Retirement

Mortality

Age	Male Rate (%)	Female Rate (%)
25	0.03	0.01
30	0.04	0.01
35	0.05	0.02
40	0.07	0.04
45	0.10	0.06
50	0.15	0.08
55	0.22	0.12
60	0.32	0.19
65	0.47	0.30
70	0.70	0.49

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

Disability

Age	All Members Rate (%)
20	0.00
25	0.00
30	0.00
35	0.30
40	0.30
45	0.30
50	0.70
55	1.20
60	3.10
65	3.10
70	7.00

All disabilities are assumed to be non-service connected.

Termination

	Rate (%)					
	Years of Service					
Age	Less than 1	1 - 2	2 - 3	3 - 4	4 - 5	5 & Above
20	15.00	15.00	13.00	12.00	12.00	12.00
25	13.00	10.00	10.00	10.00	10.00	8.00
30	13.00	8.00	7.00	7.00	6.00	6.00
35	13.00	7.00	6.00	6.00	5.00	5.00
40	13.00	6.00	5.00	5.00	3.00	3.00
45	13.00	6.00	5.00	5.00	3.00	3.00
50+	13.00	6.00	5.00	5.00	3.00	0.00

Members with less than five years of service: 90% of are assumed to elect a withdrawal of contributions. The remaining members are assumed to elect a deferred vested benefit. No termination is assumed after a member is assumed to retire.

Members with five or more years of service: 40% of are assumed to elect a withdrawal of contributions. The remaining members are assumed to elect a deferred vested benefit. No termination is assumed after a member is assumed to retire

Schedule of Active Member Valuation Data

Valuation Date	Active/DROP	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
June 30, 2022	Active Members	2,157	$ 150,701,875	$ 69,866	1.6%
	DROP Participants	274	20,973,759	76,547	4.6%
	Totals	**2,431**	**$ 171,675,634**	**$ 70,619**	
June 30, 2021	Active Members	2,009	$ 138,130,869	$ 68,756	1.6%
	DROP Participants	304	22,241,215	73,162	1.6%
	Totals	**2,313**	**$ 160,372,084**	**$ 69,335**	
June 30, 2020	Active Members	1,952	$ 132,156,485	$ 67,703	4.6%
	DROP Participants	336	24,198,036	72,018	5.4%
	Totals	**2,288**	**$ 156,354,521**	**$ 68,337**	
June 30, 2019	Active Members	1,890	$ 122,353,908	$ 64,738	4.9%
	DROP Participants	338	23,103,904	68,355	3.9%
	Totals	**2,228**	**$ 145,457,812**	**$ 65,286**	
June 30, 2018	Active Members	1,812	$ 111,852,669	$ 61,729	3.4%
	DROP Participants	351	23,093,533	65,794	3.3%
	Totals	**2,163**	**$ 134,946,202**	**$ 62,388**	
June 30, 2017	Active Members	1,715	$ 102,354,521	$ 59,682	4.4%
	DROP Participants	370	23,560,592	63,677	3.9%
	Totals	**2,085**	**$ 125,915,113**	**$ 60,391**	
June 30, 2016	Active Members	1,592	$ 91,007,785	$ 57,166	(1.1%)
	DROP Participants	366	22,428,051	61,279	1.3%
	Totals	**1,958**	**$ 113,435,836**	**$ 57,935**	
June 30, 2015	Active Members	1,524	$ 88,090,729	$ 57,802	(0.5%)
	DROP Participants	364	22,015,866	60,483	(0.5%)
	Totals	**1,888**	**$ 110,106,595**	**$ 58,319**	
June 30, 2014	Active Members	1,512	$ 87,842,034	$ 58,097	(3.8%)
	DROP Participants	347	21,100,432	60,808	(3.6%)
	Totals	**1,859**	**$ 108,942,466**	**$ 58,603**	
June 30, 2013	Active Members	1,528	$ 92,244,313	$ 60,369	3.2%
	DROP Participants	311	19,610,437	63,056	0.7%
	Totals	**1,839**	**$ 111,854,750**	**$ 60,824**	

Schedule of Retirees and Beneficiaries Added to or Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls at Fiscal Year End			
Fiscal Year Ended June 30	Number	Annual Allowance	Number	Annual Allowance	Number	Annual Allowance	Average Annual Allowance	% Increase / (Decrease) in Retiree Allowance
June 30, 2022	130	$1,999,381	(92)	$(837,691)	2,167	$70,239,143	$32,413	2.24
June 30, 2021	106	$1,787,137	(53)	$(897,401)	2,129	$67,497,485	$31,704	3.50
June 30, 2020	95	$1,796,078	(54)	$(655,652)	2,076	$63,591,967	$30,632	2.50
June 30, 2019	120	$1,905,246	(55)	$(672,253)	2,035	$60,814,434	$29,884	4.68
June 30, 2018	114	$1,570,066	(60)	$(834,397)	1,970	$56,241,911	$28,549	0.64
June 30, 2017	135	$1,458,929	(68)	$(786,272)	1,916	$54,350,851	$28,367	2.44
June 30, 2016	123	$1,578,451	(64)	$(898,105)	1,849	$51,198,523	$27,690	1.00
June 30, 2015	103	$1,402,353	(62)	$(718,791)	1,790	$49,072,063	$27,415	1.21
June 30, 2014	110	$1,518,754	(61)	$(686,326)	1,749	$47,376,551	$27,088	0.36
June 30, 2013	104	$1,607,660	(66)	$(825,889)	1,700	$45,883,057	$26,990	4.72

Solvency Test (In thousands)

	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Asset		
Valuation Date As Of June 30	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)	Actuarial Valuation Value of Assets	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)
6/30/2022	$107,780	$931,923	$232,059	$1,449,730	100%	100%	100%
6/30/2021	102,090	870,147	217,743	1,380,265	100%	100%	100%
6/30/2020	97,041	847,631	210,388	1,269,173	100%	100%	100%
6/30/2019	92,076	819,374	195,210	1,238,651	100%	100%	100%
6/30/2018	87,404	798,382	161,906	1,202,691	100%	100%	100%
6/30/2017	84,476	768,142	161,066	1,145,061	100%	100%	100%
6/30/2016	84,142	736,665	156,102	1,087,125	100%	100%	100%
6/30/2015	85,644	704,462	170,258	1,049,093	100%	100%	100%
6/30/2014	85,712	694,761	169,801	993,641	100%	100%	100%
6/30/2013	86,768	663,832	184,347	933,722	100%	100%	100%

Actuarial Analysis of Financial Experience

(Dollars in Millions)

	Plan Years									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Prior Valuation Actuarial Accrued Liability	$1,190	$1,155	$1,107	$1,048	$1,014	$977	$960	$950	$935	$872
Expected Increase from Prior Valuation	—	—	—	—	—	—	—	—	—	—
Salary Increase (Greater) Less than Expected	4	(3)	3	5	1	5	(7)	(11)	(17)	(3)
Asset Return (Less) Greater than Expected	—	—	—	—	—	—	—	—	—	—
COLA Increase Greater (Less) than Expected	40	(9)	(3)	(8)	(6)	(7)	(18)	(18)	(10)	(9)
Other Experience	3	3	6	3	(2)	3	(6)	(2)	(1)	(2)
Economic Assumption Changes	(10)	—	—	21	3	—	8	—	—	33
Noneconomic Assumption Changes	—	—	—	—	—	—	—	—	—	—
Normal Cost	34	33	31	26	24	21	22	22	23	22
Interest	82	80	76	74	72	70	71	70	69	69
Payments	(71)	(69)	(65)	(62)	(58)	(55)	(52)	(51)	(49)	(47)
Change in Valuation Programs and Methods	—	—	—	—	—	—	(1)	—	—	—
Ending Actuarial Accrued Liability	**$1,272**	**$1,190**	**$1,155**	**$1,107**	**$1,048**	**$1,014**	**$977**	**$960**	**$950**	**$935**

Schedule of Funding Progress

(Dollars in Millions)

Actuarial Valuation As of June 30	(1) Actuarial 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 [(2) - (1)] / (5)
2022	$1,450	$1,272	114.0%	$178	$172	103.70%
2021	$1,380	$1,190	116.0%	$190	$160	118.70%
2020	$1,269	$1,155	109.9%	$114	$156	73.00%
2019	$1,239	$1,107	111.9%	$132	$145	90.70%
2018	$1,203	$1,048	114.8%	$155	$135	114.90%
2017	$1,145	$1014	113.0%	$131	$126	104.30%
2016	$1,087	$977	111.3%	$110	$113	97.20%
2015	$1,049	$960	109.2%	$89	$110	80.60%
2014	$994	$950	104.6%	$43	$109	39.80%
2013	$934	$935	99.9%	($1)	$112	(1.10%)

Major Benefit Provisions of the Retirement System

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 PROGRAM (DROP)

An employee who is age 55 with 5 years of service may enter 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 the 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 CONTRIBUTIONS 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.

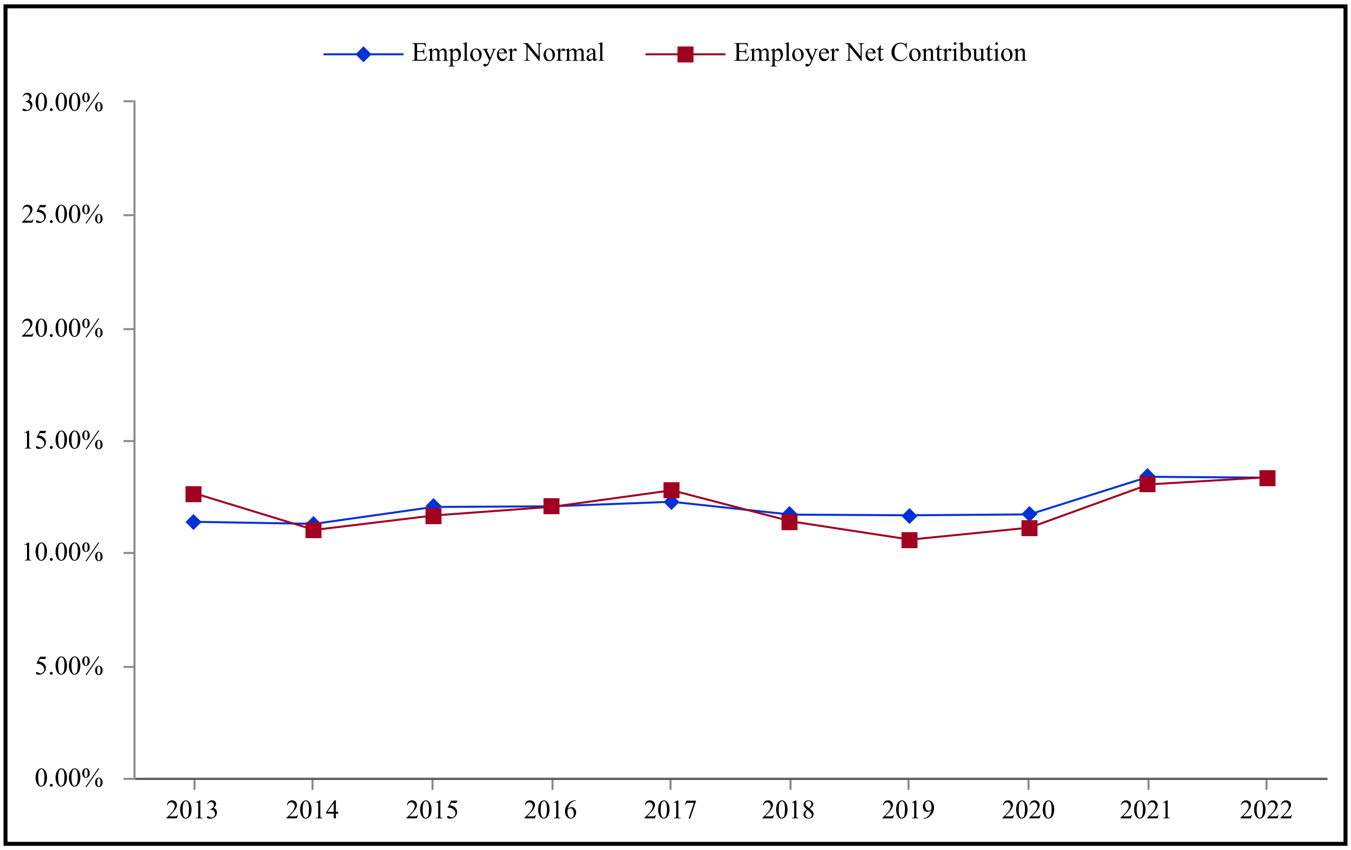
POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB)

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 Net Contribution Rates



Fiscal Year Ending June 30	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employer Normal	11.37 %	11.28 %	12.03 %	12.06 %	12.26 %	11.69 %	11.66 %	11.70 %	13.37 %	13.33 %
Prefunded Liability/Prepaid Contributions	-1.26 %	0.27 %	0.38 %	0.02 %	-0.51 %	0.30 %	1.08%	0.59 %	0.34 %	-0.02 %
Employer Net Contribution	**12.63%**	**11.01%**	**11.65%**	**12.04%**	**12.77%**	**11.39%**	**10.58 %**	**11.11%**	**13.03%**	**13.35%**

To create an environment in which Board Members can maximize their performance as trustees.

To improve business processes and our delivery of services provided to members and retirees.

To improve communications with members, retirees and the employer.

STATISTICAL

Statistical Section Review

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 position, benefits, refunds, contribution rates and different types of retirement benefits.

The financial and operating trend information is located on the following pages.

Schedule of Changes in Fiduciary Net Position

Last Ten Fiscal Years 2013 - 2022

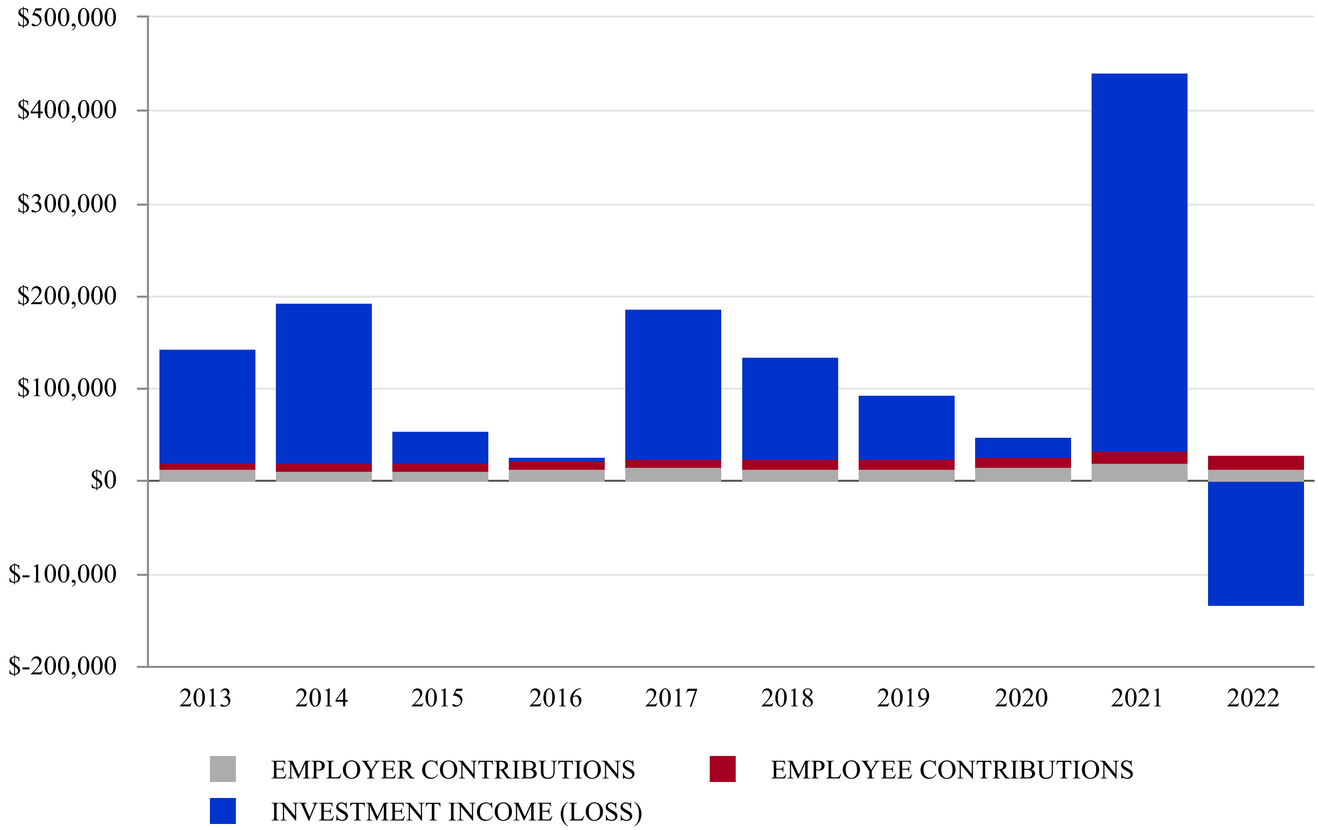
(Dollars in Millions)

	2022	2021	2020	2019	2018
Additions					
Employer Contributions	$ 22.0	$ 20.1	$ 16.6	$ 14.6	$ 14.6
Employee Contributions	15.5	13.7	11.0	10.5	10.3
Investment Income (Loss)	(132.6)	407.9	20.1	69.4	109.0
Total Additions	(95.1)	441.7	47.7	94.5	133.9
Deductions					
Benefit Payments	$ 70.2	$ 67.5	$ 63.6	$ 60.8	$ 56.2
Post Retirement Supplemental Benefits	—	—	—	—	—
Refunds	1.7	1.7	0.9	1.3	1.4
Administrative	2.0	2.1	1.7	1.7	1.6
Total Deductions	73.9	71.3	66.2	63.8	59.2
Change in Fiduciary Net Position	$ (169.0)	$ 370.4	$ (18.5)	$ 30.7	$ 74.7

	2017	2016	2015	2014	2013
Additions					
Employer Contributions	$ 15.2	$ 13.1	$ 12.3	$ 11.4	$ 13.3
Employee Contributions	10.2	9.1	8.8	7.9	8.0
Investment Income (Loss)	162.4	5.0	33.3	172.9	121.1
Total Additions	187.8	27.2	54.4	192.2	142.4
Deductions					
Benefit Payments	54.4	51.2	49.1	47.4	45.8
Post Retirement Supplemental Benefits	—	—	—	0.0	0.1
Refunds	1.2	1.3	1.5	1.2	1.2
Administrative	1.4	1.3	1.1	1.1	1.1
Total Deductions	57.0	53.8	51.7	49.7	48.2
Change in Fiduciary Net Position	$ 130.8	$ (26.6)	$ 2.7	$ 142.5	$ 94.2

Schedule and Graph of Additions by Source (In Thousands)

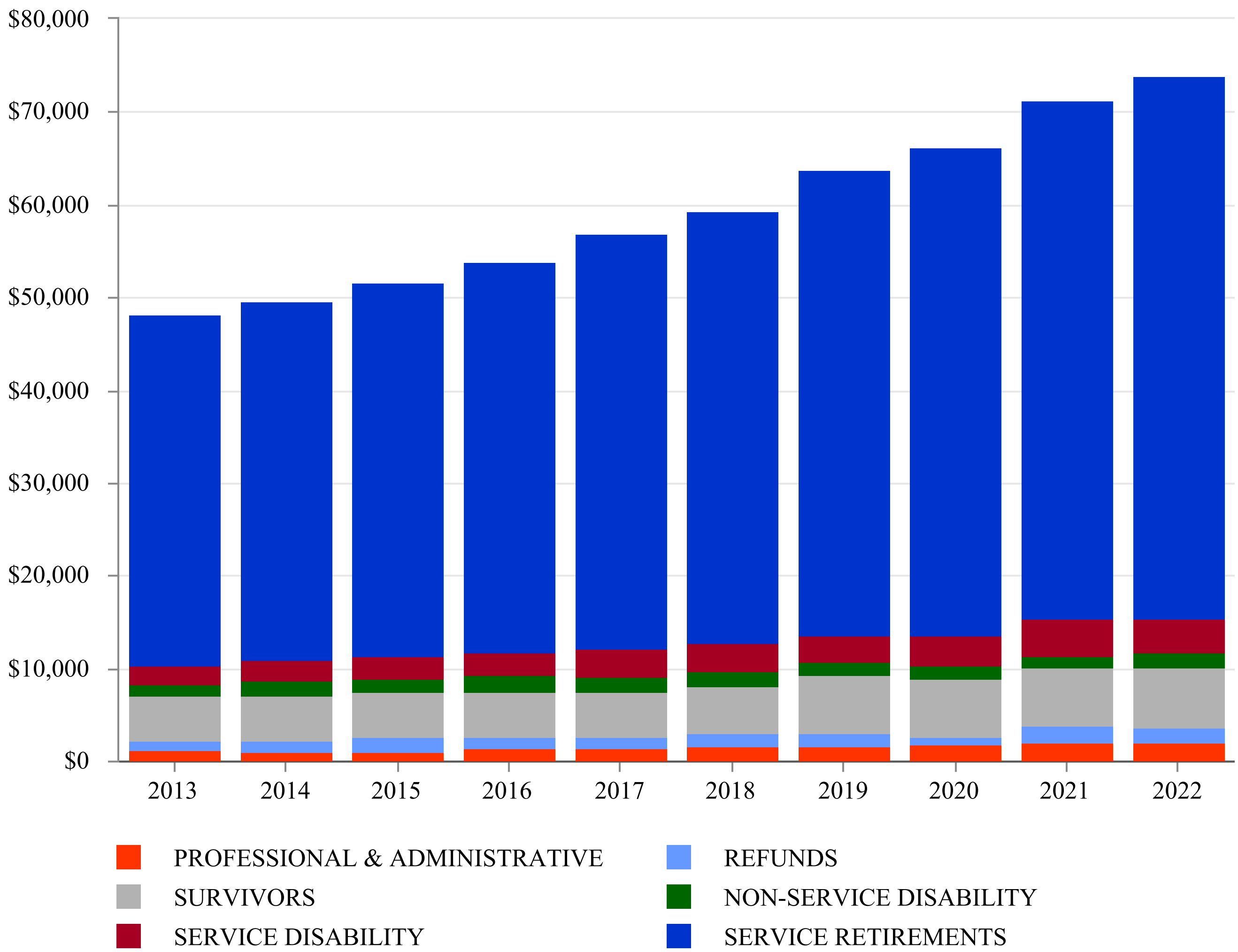
Last Ten Fiscal Years 2013 - 2022



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
EMPLOYER CONTRIBUTIONS	$ 13,330	$ 11,440	$ 12,327	$ 13,060	$ 15,205	$ 14,609	$ 14,627	$ 16,554	$ 20,144	$ 22,017
EMPLOYEE CONTRIBUTIONS	7,995	7,946	8,750	9,098	10,181	10,329	10,516	11,028	13,750	15,493
INVESTMENT INCOME (LOSS)	121,116	172,772	33,309	5,089	162,376	108,916	69,389	20,108	407,811	(132,626)
TOTAL	$ 142,441	$ 192,158	$ 54,386	$ 27,247	$187,762	$133,854	$ 94,532	$ 47,690	$441,705	$ (95,116)

Schedule and Graph of Deductions by Type (In Thousands)

Last Ten Fiscal Years 2013 - 2022



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
SERVICE RETIREMENTS	$37,748	$38,677	$40,261	$42,031	$44,883	$46,548	$50,237	$52,798	$55,989	$58,624
SERVICE DISABILITY	2,042	2,286	2,358	2,625	2,915	3,027	2,913	3,098	3,888	3,551
NON-SERVICE DISABILITY	1,400	1,709	1,579	1,744	1,602	1,654	1,344	1,370	1,304	1,731
SURVIVORS	4,693	4,704	4,874	4,799	4,951	5,013	6,320	6,326	6,316	6,333
REFUNDS	1,157	1,204	1,474	1,330	1,199	1,424	1,330	928	1,749	1,645
PROFESSIONAL & ADMINISTRATIVE	1,138	1,086	1,071	1,346	1,389	1,619	1,663	1,748	2,058	2,050
TOTAL	$48,178	$49,666	$51,617	$53,875	$56,939	$59,285	$63,807	$66,268	$71,304	$73,934

Schedule of Average Benefit Payments

	Years of Credited Service						Fiscal Year
Retirement Effective Dates	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**	**Average/ New Retirees**
Period 7/1/21 to 6/30/22*							
Average Monthly Pension Benefits	$ 1,474	$ 1,542	$ 2,188	$ 2,845	$ 3,631	$ 4,746	$ 2,738
Average Monthly DROP Payment	—	271	935	1,377	2,207	2,213	1,167
Average Final Average Salary	9,611	4,978	5,427	5,677	6,344	6,956	6,499
Number of New Retired Members	15	15	26	23	14	8	101
Period 7/1/20 to 6/30/21*							
Average Monthly Pension Benefits	$ 1,387	$ 1,932	$ 2,079	$ 2,836	$ 3,198	$ 4,063	$ 2,583
Average Monthly DROP Payment	—	860	924	2,006	2,471	2,756	1,503
Average Final Average Salary	8,449	5,748	5,524	5,500	5,205	6,514	6,157
Number of New Retired Members	11	17	24	22	12	11	97
Period 7/1/19 to 6/30/20*							
Average Monthly Pension Benefits	$ 1,142	$ 1,630	$ 2,054	$ 2,627	$ 3,123	$ 3,234	$ 2,302
Average Monthly DROP Payment	214	321	1,041	2,048	2,685	3,223	1,589
Average Final Average Salary	7,385	5,322	5,029	5,727	5,243	5,238	5,657
Number of New Retired Members	8	25	21	14	6	5	79
Period 7/1/18 to 6/30/19*							
Average Monthly Pension Benefits	$ 1,477	$ 1,791	$ 1,927	$ 2,611	$ 3,447	$ 3,267	$ 2,420
Average Monthly DROP Payment	—	218	539	1627	2323	2389	1,183
Average Final Average Salary	5817	6114	4750	5114	6243	4825	5,477
Number of New Retired Members	8	29	22	16	13	11	99
Period 7/1/17 to 6/30/18*							
Average Monthly Pension Benefits	$ 822	$ 1,492	$ 1,777	$ 2,820	$ 2,462	$ 3,560	$ 2,156
Average Monthly DROP Payment	—	277	594	1,549	1,569	2,473	1,077
Average Final Average Salary	5,746	5,217	4,478	6,058	4,559	5,679	5,290
Number of New Retired Members	7	18	22	22	10	10	89

*The Schedule of Average Benefit Payments includes information in accordance with GASB Statement No. 44 for the periods from July 1, 2016 through June 30, 2022. Since implementing PG3 - our new Pension Administration System commencing July 1, 2015, we are now able to capture information prospectively that is necessary for the System to comply with GASB 44 reporting. The System will provide 10 years in the format required by GASB 44 as information becomes available.

Schedule of Average Benefit Payments (Continued)

Retirement Effective Dates	Years of Credited Service 5-10	10-15	15-20	20-25	25-30	30+	Fiscal Year Average/ New Retirees
Period 7/1/16 to 6/30/17*							
Average Monthly Pension Benefits	$ 976	$ 1,446	$ 2,448	$ 2,624	$ 2,851	$ 3,648	$ 2,332
Average Monthly DROP Payment	0	153	901	1,590	1,989	1,718	1,059
Average Final Average Salary	5,707	4,938	5,905	5,403	4,333	5,531	5,303
Number of New Retired Members	12	26	23	20	8	9	98
Period 7/1/15 to 6/30/16*							
Average Monthly Pension Benefits	$ 938	$ 1,567	$ 1,847	$ 2,606	$ 2,596	$ 2,402	$ 1,993
Average Monthly DROP Payment	108	227	542	1,698	1,263	1,476	886
Average Final Average Salary	5,576	5,480	5,048	5,325	4,961	4,395	5,131
Number of New Retired Members	14	23	24	16	20	11	108
Period 7/1/14 to 6/30/15							
Average Monthly Pension Benefits	$ 912	$ 1,409	$ 2,173	$ 2,509	$ 5,125	$ 5,039	$ 2,861
Number of New Retired Members	13	11	25	6	16	6	77
Period 7/1/13 to 6/30/14							
Average Monthly Pension Benefits	$ 1,060	$ 1,610	$ 2,144	$ 3,586	$ 3,258	$ 6,795	$ 3,076
Number of New Retired Members	12	12	17	15	10	8	74
Period 7/1/12 to 6/30/13							
Average Monthly Pension Benefits	$ 864	$ 1,476	$ 2,315	$ 3,598	$ 4,335	$ 4,925	$ 2,919
Number of New Retired Members	16	15	14	12	10	10	77

*The Schedule of Average Benefit Payments includes information in accordance with GASB Statement No. 44 for the periods from July 1, 2016 through June 30, 2022. Since implementing PG3 - our new Pension Administration System commencing July 1, 2015, we are now able to capture information prospectively that is necessary for the System to comply with GASB 44 reporting. The System will provide 10 years in the format required by GASB 44 as information becomes available.

Retirees by Type of Benefit

As of June 30, 2022

Amount of Monthly Benefit	Number of Retirees	Type of Retirement* 1	2	3
$1 - $1,000	363	249	2	112
$1,001 - $2,000	642	411	78	153
$2,001 - $3,000	472	372	53	47
$3,001 - $4,000	287	258	17	12
$4,001 - $5,000	163	154	4	5
$5,001 - $6,000	111	103	5	3
$6,001 - $7,000	55	52	3	—
> $7,000	74	74	—	—
Total	2,167	1,673	162	332

*Type of Retirement

1 - Service Retiree

2 - Disability Retiree

3 - Beneficiary/Continuant/Survivor

Amount of Monthly Benefit	Number of Retirees	Option Selected** Unmodified	Option 1	Option 2	Option 3
$1 - $1,000	363	200	79	65	19
$1,001 - $2,000	642	304	171	128	39
$2,001 - $3,000	472	200	109	116	47
$3,001 - $4,000	287	122	72	75	18
$4,001 - $5,000	163	60	40	45	18
$5,001 - $6,000	111	53	29	23	6
$6,001 - $7,000	55	24	12	13	6
> $7,000	74	25	13	27	9
Total	2,167	988	525	492	162

**Option Selected

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

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

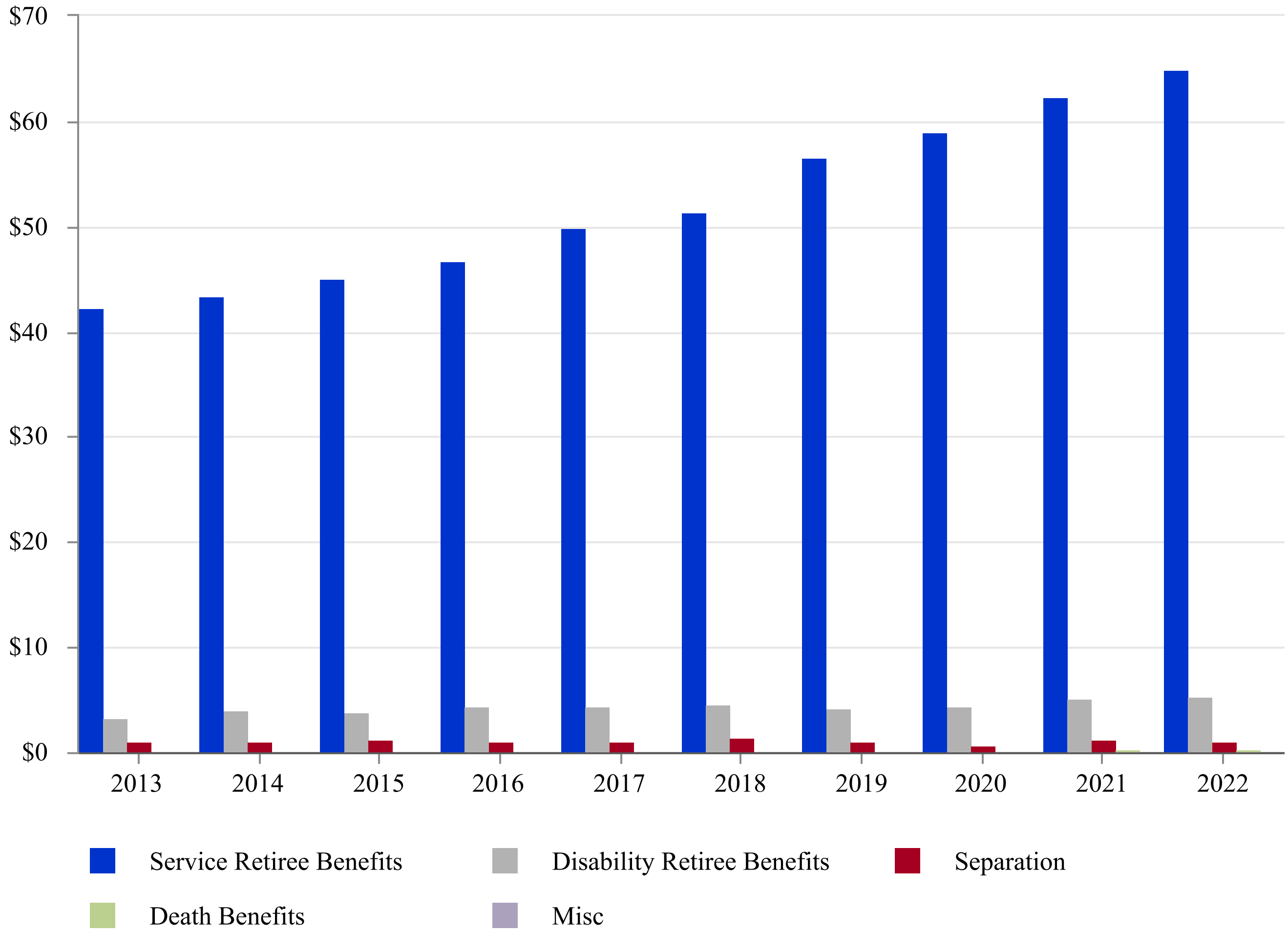
Option 2 - Beneficiary receives 100% of member's reduced monthly benefit

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

Schedule and Graph of Pension Benefit Payments Deductions by Type

Last Ten Fiscal Years 2013 - 2022

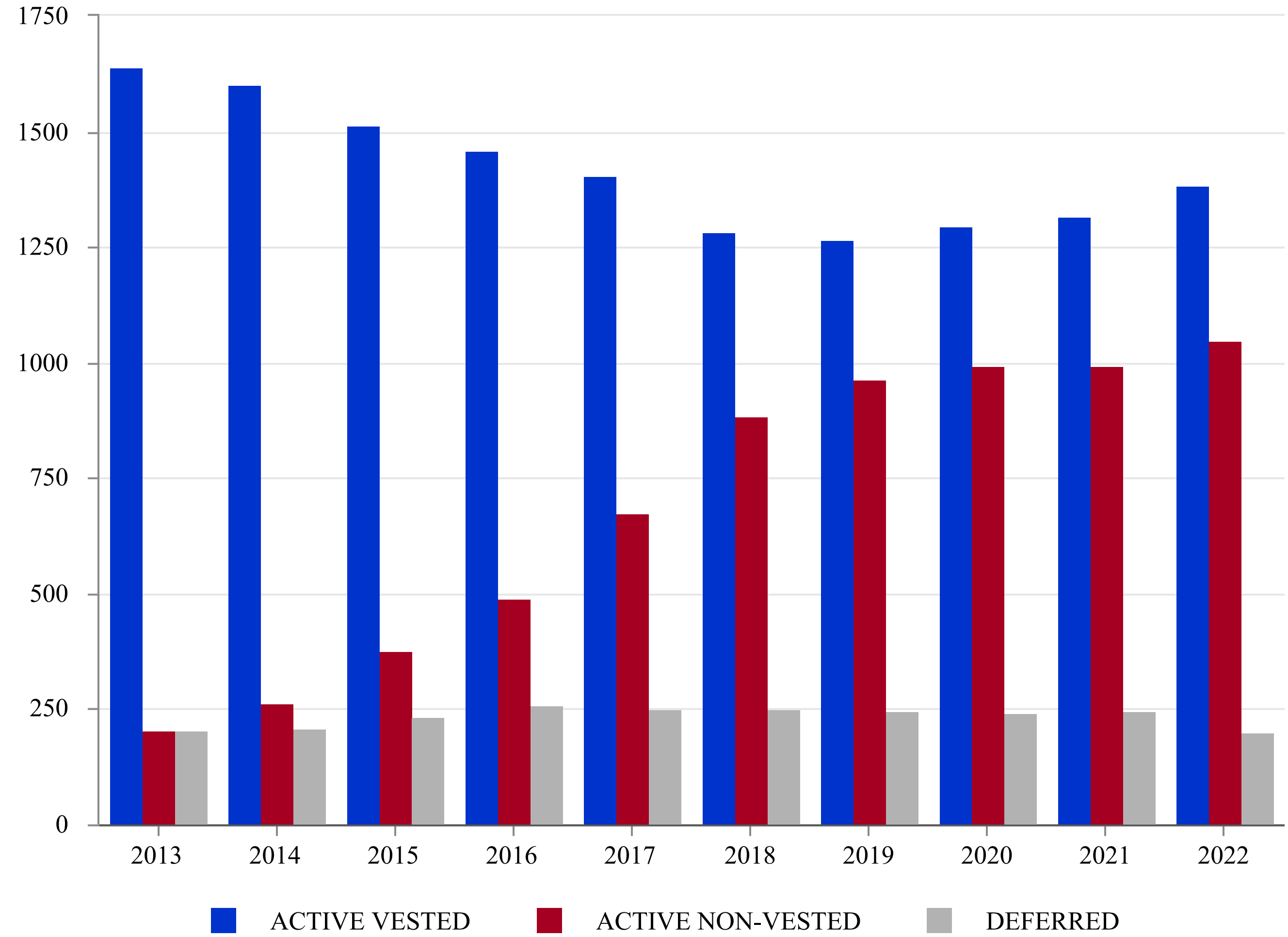
(Dollars in Millions)



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Service Retiree Benefits	$42.4	$43.4	$45.1	$46.8	$49.9	$51.5	$56.6	$59.1	$62.3	$65.0
Disability Retiree Benefits	3.4	4.0	3.9	4.4	4.5	4.7	4.2	4.5	5.2	5.3
Separation	1.1	1.1	1.3	1.1	1.1	1.4	1.2	0.8	1.3	1.2
Death Benefits	0.1	0.1	0.2	0.2	—	—	0.1	0.1	0.4	0.4
Misc	—	—	—	—	—	—	—	—	—	—
Total Benefit Deductions	$47.0	$48.6	$50.5	$52.5	$55.5	$57.6	$62.1	$64.5	$69.2	$71.9

Schedule and Graph of Active Vested, Active Non-Vested and Deferred Membership History

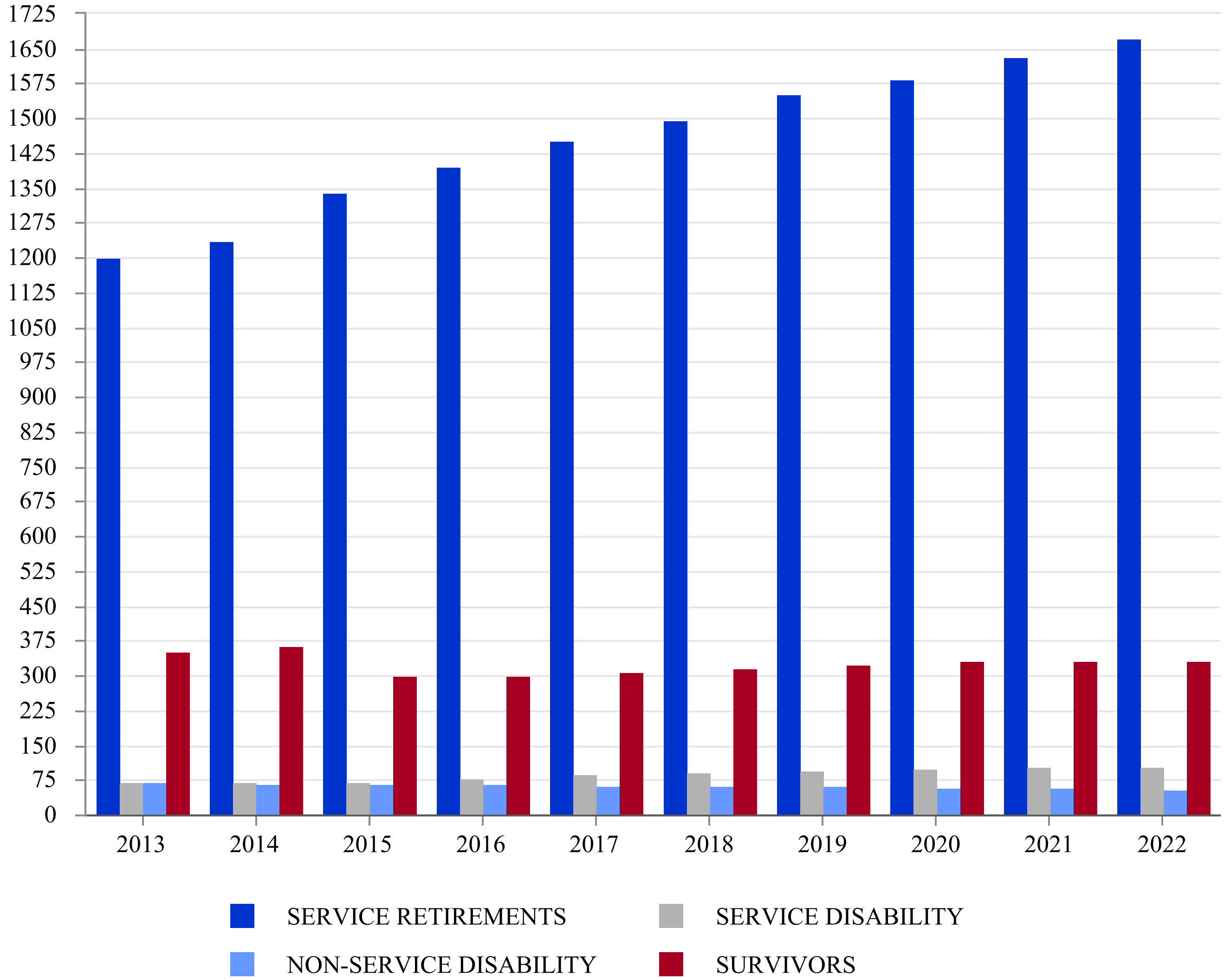
Last Ten Fiscal Years 2013 - 2022



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
ACTIVE VESTED	1,641	1,604	1,517	1,462	1,405	1,285	1,266	1,295	1,319	1,384
ACTIVE NON-VESTED	205	263	376	492	674	887	965	993	994	1,051
DEFERRED	205	209	236	261	251	251	247	243	248	202
TOTAL	2,051	2,076	2,129	2,215	2,330	2,423	2,478	2,531	2,561	2,637

Schedule and Graph of Retirees Pension Benefit Payments by Type of Benefit

Last Ten Fiscal Years 2013 - 2022



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
SERVICE RETIREMENTS	1,202	1,237	1,342	1,398	1,454	1,498	1,551	1,583	1,633	1,673
SERVICE DISABILITY	71	73	71	82	89	92	95	99	104	105
NON-SERVICE DISABILITY	73	68	68	67	63	63	65	62	61	57
SURVIVORS	354	363	302	302	310	317	324	332	331	332
TOTAL	1,700	1,741	1,783	1,849	1,916	1,970	2,035	2,076	2,129	2,167

Summary of Active Participants

YEAR	NUMBER OF MEMBERS	PENSIONABLE PAYROLL	ANNUAL AVERAGE SALARY	NET CHANGE IN AVERAGE SALARY
2022	2,435	$164,642,390	$67,615	1.53%
2021	2,313	$154,030,657	$66,593	1.98%
2020	2,288	$149,402,670	$65,298	5.26%
2019	2,231	$138,395,785	$62,033	4.88%
2018	2,172	$128,461,461	$59,144	3.32%
2017	2,079	$119,006,918	$57,242	3.05%
2016	1,954	$108,541,068	$55,548	(0.63%)
2015	1,893	$105,820,382	$55,901	0.46%
2014	1,867	$103,890,391	$55,646	(2.64%)
2013	1,846	$105,508,591	$57,155	(3.07%)

Summary of Retirees

YEAR	NUMBER OF RETIREES	ANNUAL BENEFITS TO PARTICIPANTS	ANNUAL AVERAGE ALLOWANCE (INDIVIDUAL)	NET CHANGE IN BENEFITS TO PARTICIPANTS
2022	2,167	$70,239,143	$32,413	2.24%
2021	2,129	$67,497,485	$31,704	3.50%
2020	2,076	$63,591,967	$30,632	2.50%
2019	2,035	$60,814,434	$29,884	4.68%
2018	1,970	$56,241,911	$28,549	0.64%
2017	1,916	$54,350,851	$28,367	2.44%
2016	1,849	$51,198,523	$27,690	0.61%
2015	1,783	$49,072,063	$27,522	1.14%
2014	1,741	$47,376,551	$27,212	0.82%
2013	1,700	$45,883,057	$26,990	4.72%

Member and City Contribution Rates

Last Ten Fiscal Years 2013 - 2022

As of June 30		Member Rates			City Contribution Rates				
		Basic at Entry Age							
Fiscal Year	Valuation Date	20	25	30	Basic	COLA	Total City Rate	Less Prefunded Actuarial Accrued Liability (PAAL)	Net City Contribution Rate
June 30, 2022	June 30, 2020	6.09%	7.15%	8.57%	10.51%	2.82%	13.33%	0.02%	13.35%
June 30, 2021	June 30, 2019	5.78%	6.79%	8.13%	10.55%	2.82%	13.37%	(0.34%)	13.03%
June 30, 2020	June 30, 2018	4.7%	5.56%	6.7%	9.09%	2.61%	11.70%	(0.59%)	11.11%
June 30, 2019	June 30, 2017	4.84%	5.72%	6.89%	9.14%	2.52%	11.66%	(1.08%)	10.58%
June 30, 2018	June 30, 2016	5.12%	6.05%	7.29%	9.18%	2.51%	11.69%	(0.3%)	11.39%
June 30, 2017	June 30, 2015	5.69%	6.69%	7.99%	9.5%	2.76%	12.26%	0.51%	12.77%
June 30, 2016	June 30, 2014	5.69%	6.68%	7.98%	9.31%	2.75%	12.06%	(0.02%)	12.04%
June 30, 2015	June 30, 2013	5.69%	6.68%	7.98%	9.02%	3.01%	12.03%	(0.38%)	11.65%
June 30, 2014	June 30, 2012	5.33%	6.28%	7.53%	8.63%	2.65%	11.28%	(0.27%)	11.01%
June 30, 2013	June 30, 2011	5.34%	6.29%	7.56%	8.75%	2.62%	11.37%	1.26%	12.63%

Data Source: Annual Actuarial Valuation Reports

Economic Assumptions and Funding Method

Last Ten Fiscal Years 2013 - 2022

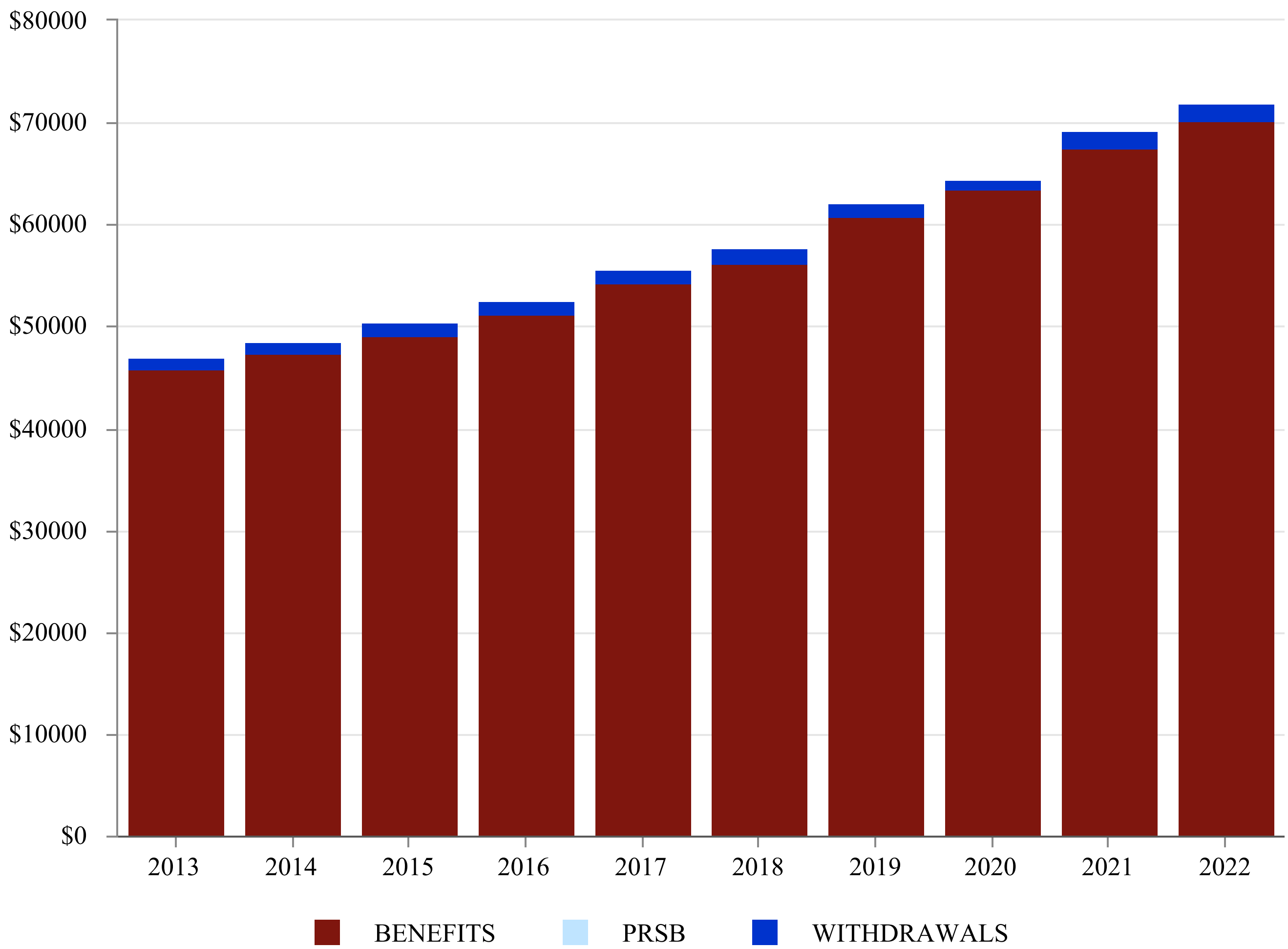
Valuation Date as of June 30	Interest	Salary Scale	Cost-of-Living Adjustment (COLA)	Inflation Component	Funding Method
June 30, 2022	6.75%	.50 - 8.5%	2.50%	2.50%	Entry Age Normal
June 30, 2021	7.00%	.50 - 8.0%	2.75%	2.75%	Entry Age Normal
June 30, 2020	7.00%	.50 - 8.0%	2.75%	2.75%	Entry Age Normal
June 30, 2019	7.00%	.25 - 8.0%	2.75%	2.75%	Entry Age Normal
June 30, 2018	7.25%	.25 - 8.0%	3.00%	3.00%	Entry Age Normal
June 30, 2017	7.25%	.25 - 8.0%	3.00%	3.00%	Entry Age Normal
June 30, 2016	7.25%	.25 - 8.0%	3.00%	3.00%	Entry Age Normal
June 30, 2015	7.50%	.50 - 8.0%	3.25%	3.25%	Entry Age Normal
June 30, 2014	7.50%	.60 - 8.5%	3.25%	3.25%	Entry Age Normal
June 30, 2013	7.50%	.60 - 8.5%	3.25%	3.25%	Entry Age Normal

Source: The Segal Company June 30, 2022, Actuarial Valuation Report

Benefits and Withdrawals Paid

Last Ten Fiscal Years 2013 - 2022

(In Thousands)

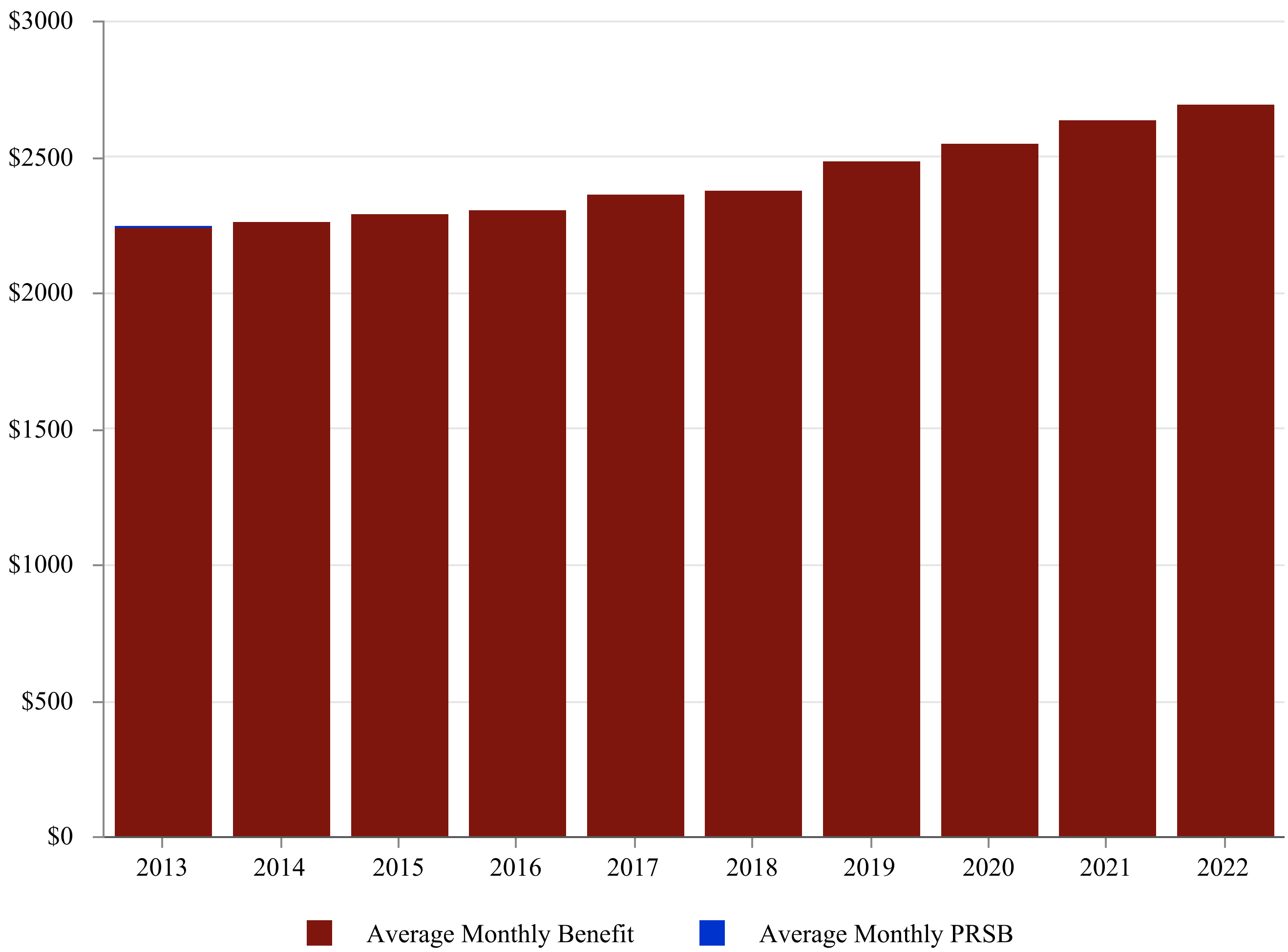


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
BENEFITS	$ 45,807	$ 47,368	$ 49,072	$ 51,199	$ 54,351	$ 56,242	$ 60,814	$ 63,592	$ 67,497	$ 70,239
PRSB	76	9	—	—	—	—	—	—	—	—
WITHDRAWALS	1,157	1,204	1,474	1,330	1,199	1,424	1,330	928	1,749	1,645
TOTAL	47,040	48,581	50,546	52,529	55,550	57,666	62,144	64,520	69,246	71,884

Average Monthly Benefits to Retirees

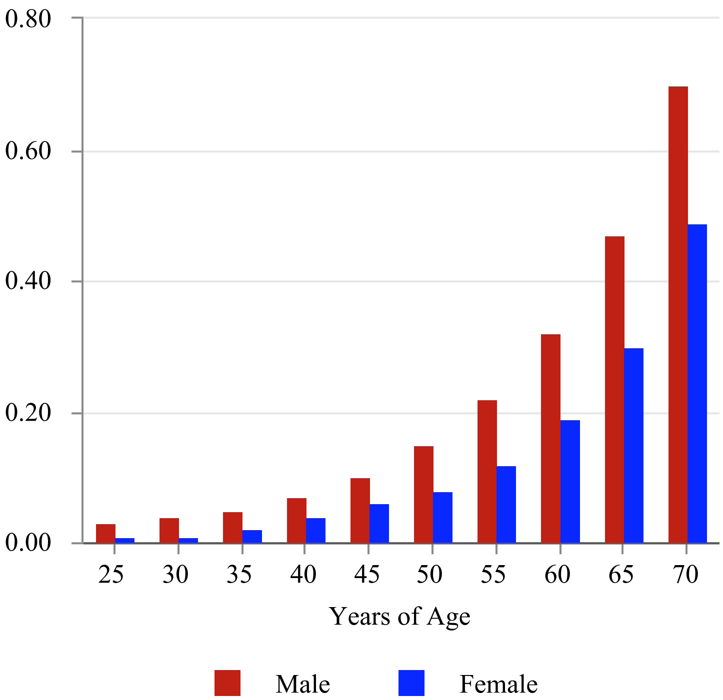
Last Ten Fiscal Years 2013 - 2022

(In Thousands)



Average Monthly	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Benefit	$2,245	$2,267	$2,294	$2,307	$2,364	$2,379	$2,490	$2,553	$2,642	$2,701
PRSB	4	—	—	—	—	—	—	—	—	—
Total Average Monthly	$2,249	$2,267	$2,294	$2,307	$2,364	$2,379	$2,490	$2,553	$2,642	$2,701

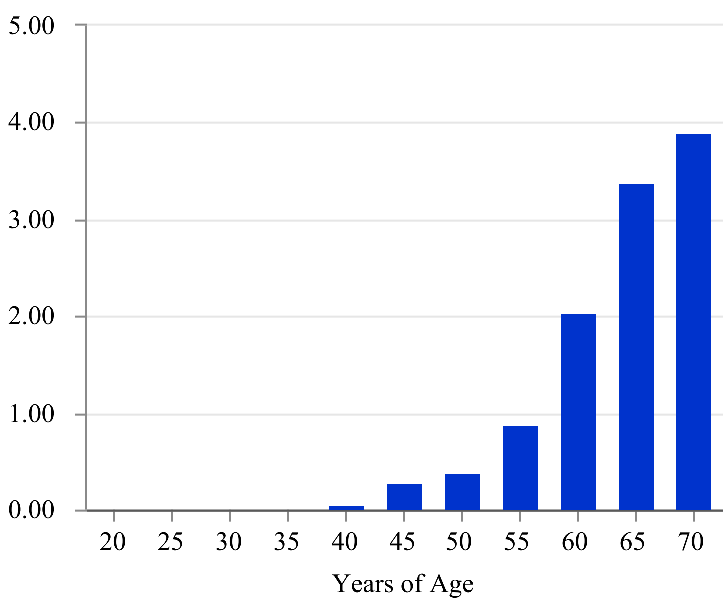
EXPECTATION OF LIFE
(Age and Service Retirees)



Separation Rates Prior to Retirement Due to Death* Rate %		
Age	**Male**	**Female**
25	0.03	0.01
30	0.04	0.01
35	0.05	0.02
40	0.07	0.04
45	0.10	0.06
50	0.15	0.08
55	0.22	0.12
60	0.32	0.19
65	0.47	0.30
70	0.70	0.49

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

EXPECTATION OF LIFE
(Disabled Retirees)



Separation Rates Prior to Retirement Due to Disability Rate %	
Age	**Rate (%)**
20	0.00
25	0.00
30	0.00
35	0.00
40	0.06
45	0.28
50	0.40
55	0.88
60	2.04
65	3.38
70	3.90

To attract, develop and retain competent and professional staff.

To achieve and maintain superior investment performance on a risk controlled basis measured by the Public Fund Universe.

COMPLIANCE

Independent Auditor's Internal Control Letter

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

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, in accordance with the 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, the financial statements of the City of Fresno Employees Retirement System (the System), a pension trust fund of the City of Fresno, California, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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 System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Independent Auditor's Internal Control Letter Continued

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 29, 2022