Popular Annual Financial Report

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

CITY OF FRESNO EMPLOYEES RETIREMENT SYSTEM

A MESSAGE TO MEMBERS

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

RETIREMENT BOARD

Phillip Hardcastle, Chair
Alma Torres, Vice Chair
Marvell French
David Cain
Ruthie Quinto

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GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Fresno Employees Retirement System for its Popular Annual Financial Report for the fiscal year ended June 30, 2022. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

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

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Fresno Employees Retirement System has received a Popular Award for the last four consecutive years (fiscal years ended 2019-2022). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA to determine its eligibility for another Award.

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Fresno Employees Retirement System
California**

For its Annual Financial Report
For the Fiscal Year Ended
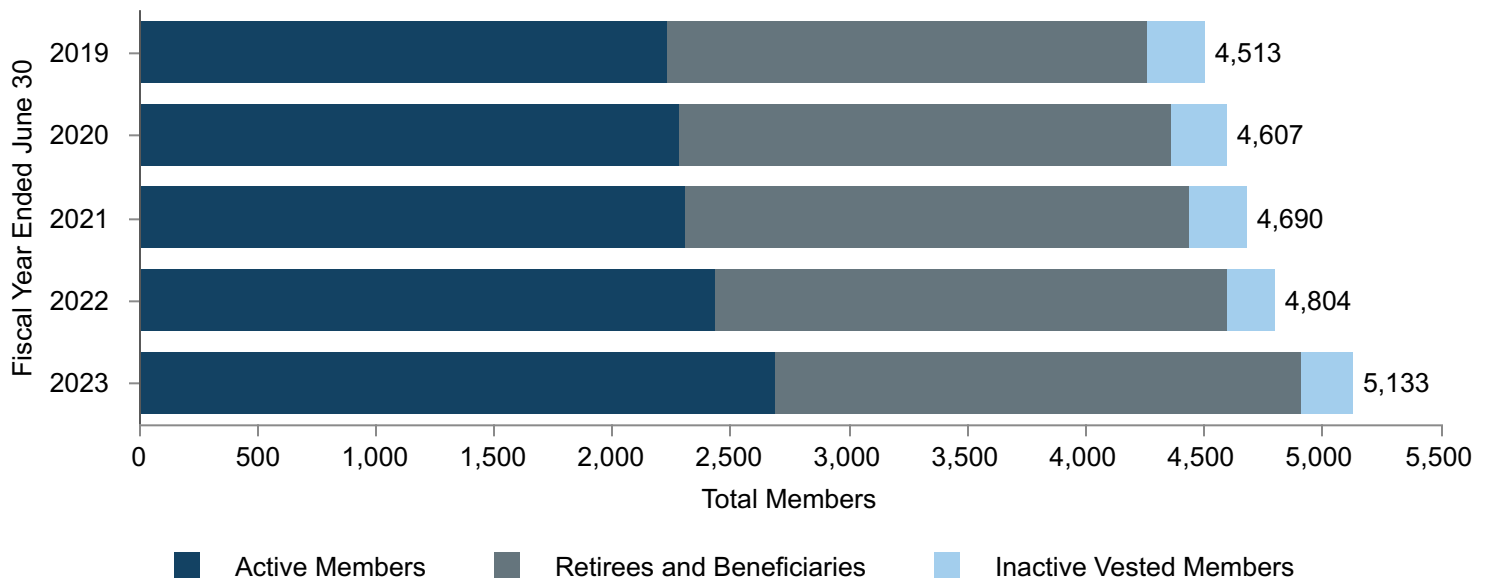
June 30, 2022

Christopher P. Morrill

Executive Director/CEO

Membership and Funded Status
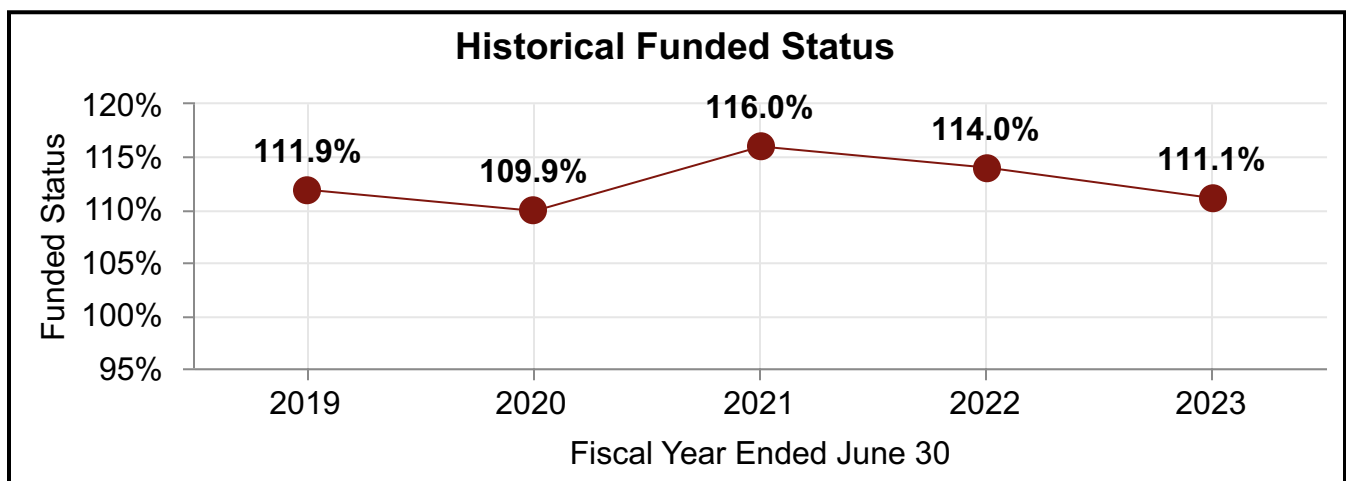
Membership Highlights

Total overall membership in the System increased by 6.85% to 5,133. The total number of active members (members currently employed) increased by 10.64% to 2,694. Retired membership increased 2.72% to 2,226. Inactive Vested membership (members who separated employment after five years) increased 5.45% to 213.
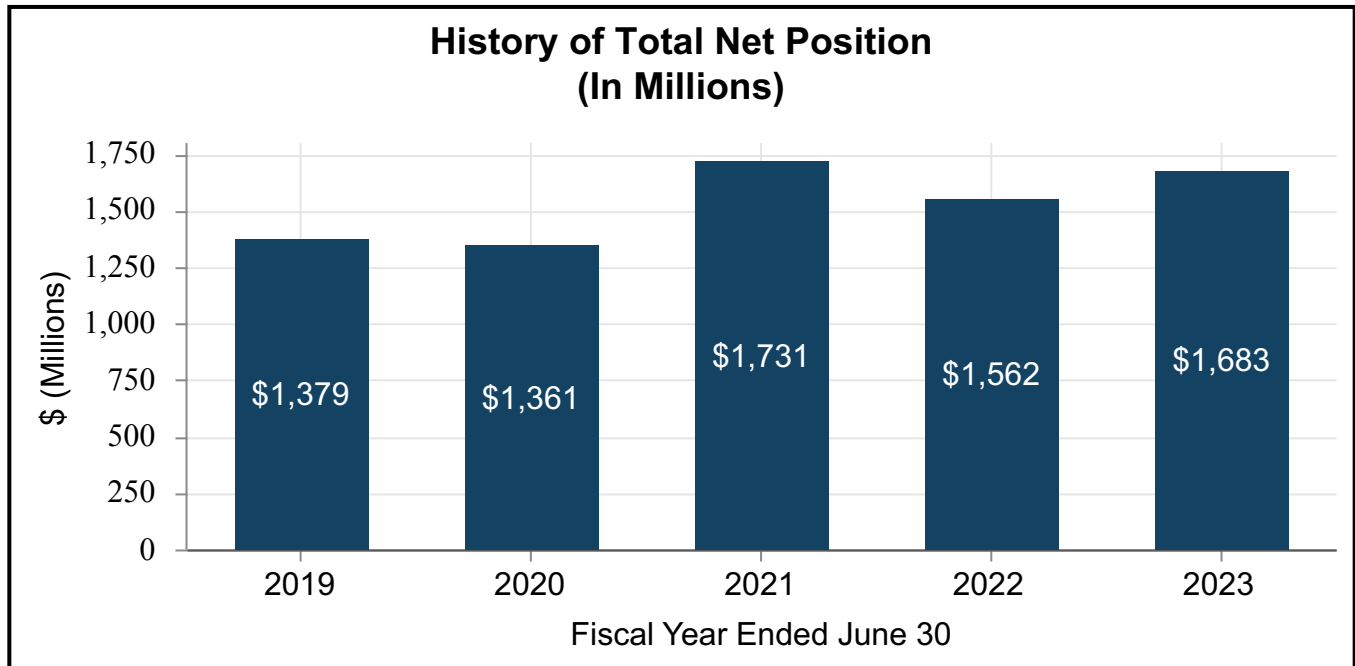
Membership History

Funded Status

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2023, the date of the last actuarial valuation, the funded ratio for the System was 111.1 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 $1.11 of assets available for payment as of that date. As of June 30, 2022, the date of the previous annual actuarial valuation, the funded ratio for the System was 114.0 percent; and as of June 30, 2021, the funded ratio for the System was 116.0 percent.

Total Net Position

History of Total Net Position
(In Millions)

Fiscal Year	Value
2019	$1,379
2020	$1,361
2021	$1,731
2022	$1,562
2023	$1,683

$ (Millions) — Fiscal Year Ended June 30

At June 30, 2023, the City of Fresno Employees Retirement System had total assets of $1.732 billion, less total liabilities of $49 million, for a total net position restricted for pension benefits of $1.683 billion compared to $1.562 billion at June 30, 2022. "Net Position Restricted for Pension Benefits" represents funds available to pay benefits. It is a point in time or a snapshot of account balances as of the fiscal year-end (i.e., June 30). It indicates the assets available for future payments to retirees and any current liabilities. Increases and decreases in Net Position Restricted for Pension Benefits, when analyzed over time, may serve as an indicator of whether the System's financial position is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the System's overall health.

|	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Current and Other Assets	$ 123,581,049	$ 61,314,319	$ 134,361,039	$ 77,603,540	$ 47,692,664
Investments at Fair Value	1,351,121,470	1,359,346,092	1,712,954,301	1,569,195,263	1,684,557,828
Total Assets	$1,474,702,519	$1,420,660,411	$1,847,315,340	$1,646,798,803	$1,732,250,492
Total Liabilities	95,287,389	59,823,508	116,077,927	84,611,323	48,937,542
Net Position Restricted for Pension Benefits	**$1,379,415,130**	**$1,360,836,903**	**$1,731,237,413**	**$1,562,187,480**	**$1,683,312,950**

Fund Revenues

Fund revenues for the fiscal year 2023 increased $296,260,331 or 311.47 percent over the prior year from $-95,115,697 to $201,144,634, which includes employee contributions of $14,894,336, employer contributions of $22,236,117, a net investment income gain of $163,716,667 and net securities lending income of $297,514.

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

Schedule and Graph of Fund Revenues By Source
For Fiscal Years Ended June 30, 2019 to 2023

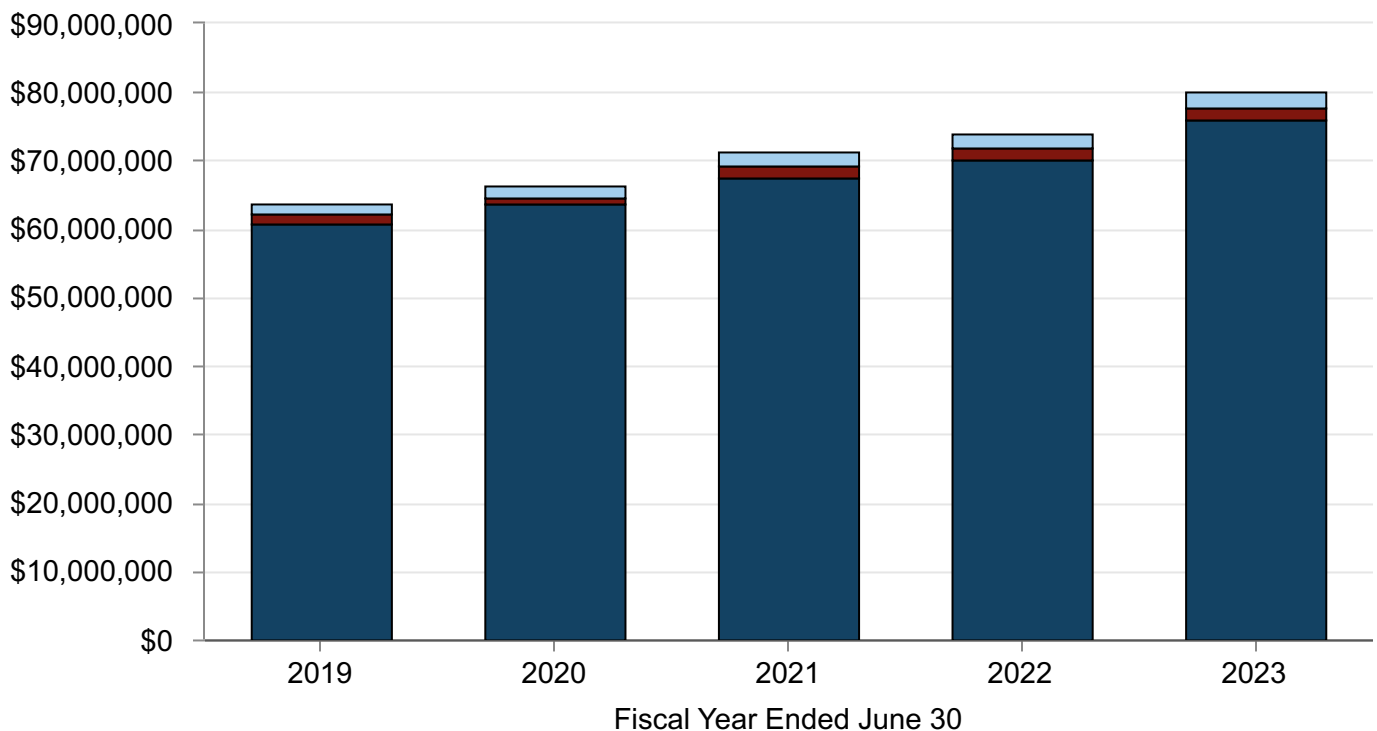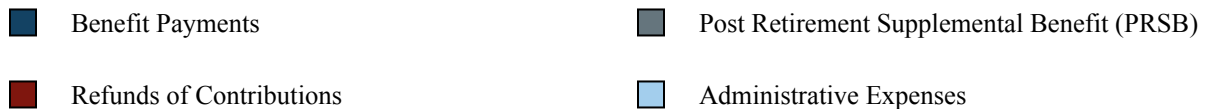|	2019	2020	2021	2022	2023
Employer Contributions	$ 14,627,425	$ 16,553,928	$ 20,144,322	$ 22,016,525	$ 22,236,117
Employee Contributions	10,515,533	11,027,519	13,749,909	15,492,662	14,894,336
Investment Income	69,388,982	20,108,722	407,810,699	(132,624,884)	164,014,181
TOTAL	**$ 94,531,940**	**$ 47,690,169**	**$ 441,704,930**	**$ (95,115,697)**	**$ 201,144,634**
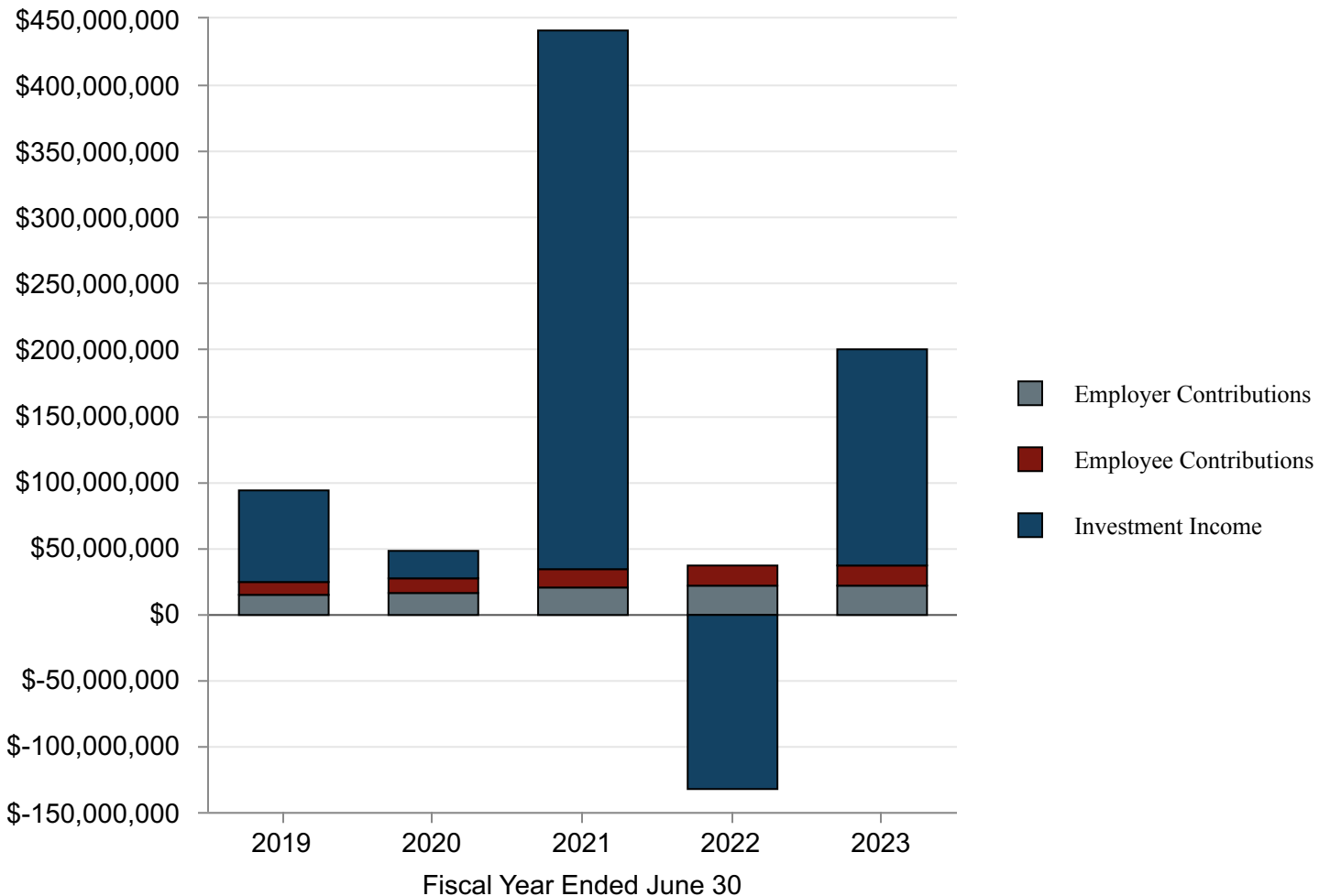
Fund Expenses

Fund Expenses for the fiscal year 2023 increased $6,084,928 or 8.23 percent over the prior fiscal year from $73,934,236 to $80,019,164, which includes benefit payments of $76,024,703, refunds of contributions of $1,848,595 and administrative expenses of $2,145,866.

The current year increase in expenses is due primarily to the increases in retirees and the respective retirement benefits paid in 2023 even though there were no Post Retirement Supplemental Benefits (PRSB) paid during calendar year 2023.

Schedule and Graph of Fund Expenditures By Type
For Fiscal Years Ended June 30, 2019 to 2023

	2019	2020	2021	2022	2023
Benefit Payments	$ 60,814,434	$ 63,591,967	$ 67,497,485	$ 70,239,143	$ 76,024,703
PRSB	—	—	—	—	—
Refunds of Contributions	1,329,651	927,501	1,748,572	1,645,235	1,848,595
Administrative Expenses	1,663,358	1,748,928	2,058,363	2,049,858	2,145,866
TOTAL	$ 63,807,443	$ 66,268,396	$ 71,304,420	$ 73,934,236	$ 80,019,164

■ Benefit Payments   ■ Post Retirement Supplemental Benefit (PRSB)

■ Refunds of Contributions   □ Administrative Expenses

Fiscal Year Ended June 30

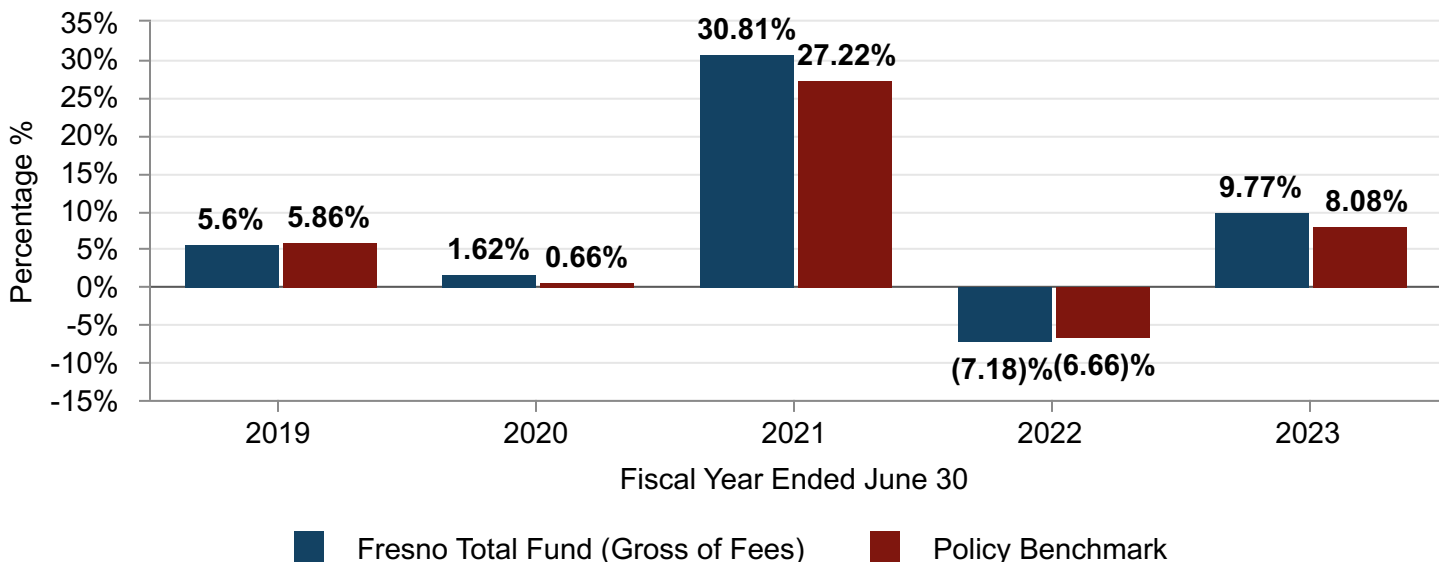# Investment Results, Target and Actual Allocations

The System generated a total investment return of 9.77 percent, gross of fees, as reported by the System's custodian, Northern Trust, for the fiscal year ended June 30, 2023. The fiscal year return was 3.02 percent more than the System's actuarial interest rate assumption of 6.75 percent, while outperforming its policy-weighted benchmark of 8.08 percent by 1.69 percent, and also outperforming its actual weighted benchmark of 8.82 percent by 0.95 percent. The System's ten-year annualized returns averaged 8.15 percent, outperforming its policy benchmarks return of 7.36 percent for the period by 0.79 percent.

The System remains highly funded and well positioned to serve our members and retirees. As illustrated by the System's 15, 20 and 25-year long-term gross of fees returns of 7.20 percent, 7.90 percent and 6.96 percent, respectively, as of June 30, 2023, the System has the ability to achieve its long-term objectives over extended periods. After paying all benefits and expenses of the System, the year-end value of the System reached $1.683 billion. Additional information regarding the framework for investing System's assets can be found in the Investment Policy Statement, which is available on System's website at www.cfrs-ca.org or by clicking here.

Highlighted below is the Investment Performance of the System's Investment Portfolio gross of fees provided by its custodian for Fiscal Year 2023:

	FY 2023
Domestic Equity	19.00%
International Equity	16.37%
Private Equity	(0.45)%
Rates/Credit	4.97%
Real Assets	(1.10)%
Multi-Assets	19.30%
Total Fund	9.77%

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

Investment Results, Target and Actual Allocations Continued

Target Asset Allocation
As of June 30, 2023

- **International Equities** 20.0%
- **Private Equity** 5.0%
- **Core Fixed Income** 13.0%
- **Private Debt/Credit** 12.0%
- **Core Real Estate** 10.0%
- **Non-Core Real Estate** 5.0%
- **Infrastructure** 7.0%
- **Alternative Credit** 4.0%
- **Domestic Equities** 24.0%
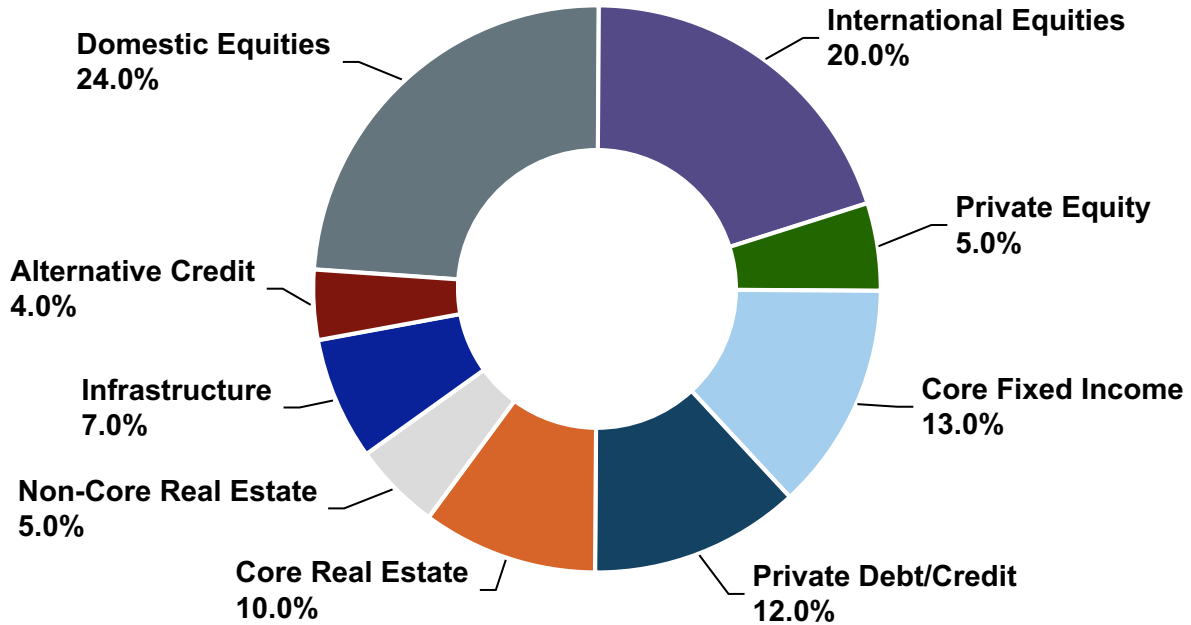
Actual Asset Allocation
As of June 30, 2023

- **International Equities** 22.4%
- **Private Equity** 5.9%
- **Core Fixed Income** 11.9%
- **Private Debt/Credit** 12.4%
- **Core Real Estate** 10.3%
- **Non-Core Real Estate** 4.8%
- **Infrastructure** 5.7%
- **Midsteam Energy** 0.9%
- **Domestic Equities** 25.7%