



Section 4 Actuarial

**TO IMPROVE THE LEVEL OF BENEFITS AND DELIVERY
OF SERVICES PROVIDED TO MEMBERS AND
EMPLOYEES.**

ACTUARIAL CERTIFICATION LETTER



THE SEGAL COMPANY
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VIA E-MAIL AND USPS

October 18, 2011

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

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

Dear Members of the Board:

The Segal Company prepared the June 30, 2010 annual actuarial valuation of the City of Fresno Employees Retirement System. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No 25.

As part of the June 30, 2010 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data provided by the Plan's administrative staff for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the System's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period.

One of the general goals of an actuarial valuation is to establish rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Projected Unit Credit Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any prefunded actuarial accrued liability (PAAL). Actuarial gains and losses are incorporated into the PAAL and are amortized over the same period.



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

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

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

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

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

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2009 Experience Analysis and the June 30, 2010 Economic Assumptions Report. It is our opinion that the assumptions used in the June 30, 2010 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2012. The Retirement System utilizes the actuarial surplus to provide contribution rate offsets and a PRSB benefit. The impact of the application of the actuarial surplus on the future financial condition of the Plan has not been explicitly measured in the valuation.

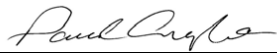
In the June 30, 2010 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 133.9% to 122.5%. The employer's contribution rate has increased from 6.67% of payroll to 10.21% of payroll, while the employee's contribution rate has increased from 5.03% of payroll to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

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

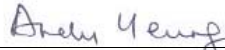
Board of Retirement
City of Fresno Employees Retirement System
October 18, 2011
Page 3

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

Sincerely,



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



Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Associate Actuary

ST/kek
Enclosures

SUMMARY OF ASSUMPTIONS AND FUNDING METHOD

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

ASSUMPTIONS

Valuation Interest Rate	8.00%
Inflation:	3.50%

POST-RETIREMENT MORTALITY

(a) SERVICE RETIREMENT

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

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

(b) DISABILITY RETIREMENT

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

Pre-Retirement Mortality

Based upon the 6/30/2010 Experience Analysis

WITHDRAWAL RATES

Based upon the 6/30/2010 Experience Analysis

DISABILITY RATES

Based upon the 6/30/2010 Experience Analysis

SERVICE RETIREMENT RATES

Based upon the 6/30/2010 Experience Analysis

ASSETS:

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

FUNDING METHOD:

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

DROP RATES

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

Members are assumed to remain in DROP for 6 years.

MARRIAGE RATES

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

Wives are 4 years younger than their husbands.

COLA ASSUMPTION

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

SALARY SCALE

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

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

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

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

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

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

All disabilities are assumed to be non-service connected.

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

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

SCHEDULE OF BENEFICIARIES ADDED OR REMOVED FROM ROLLS

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

* Annual allowance data not available prior to 2001.

SOLVENCY TEST (IN THOUSANDS)

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

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

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

MAJOR PROVISIONS OF THE RETIREMENT PLAN

ELIGIBLE EMPLOYEES

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

FINAL AVERAGE SALARY (FAS)

Highest three consecutive-year average using the rate of pay in effect at the time of Retirement.

NORMAL RETIREMENT

Requirement: age 55 and 5 years of service.

Benefit: Sum of (1) and (2) times (3)

- (1) 2% of FAS times years of service, not-to-exceed 25 years
- (2) 1% of FAS times years of service in excess of 25 years
- (3) RETIREMENT AGE FACTOR TABLE

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

EARLY RETIREMENT PROVISION

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

DEFERRED RETIREMENT OPTION (DROP)

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

DISABILITY RETIREMENT

Requirement: 10 years of service.

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

MEMBER CONTRIBUTION RATES

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

DEATH BEFORE RETIREMENT

- A. Before eligible to retire for disability (less than 5 years):
 - (1) One month's salary for each year of service, not-to-exceed six months.
 - (2) Return of contributions with interest.
- B. While eligible for service retirement:

Fifty percent (50%) of service retirement benefit to eligible beneficiary.
- C. With 5 or more years:

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

DEATH AFTER RETIREMENT

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

WITHDRAWAL OF BENEFITS

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

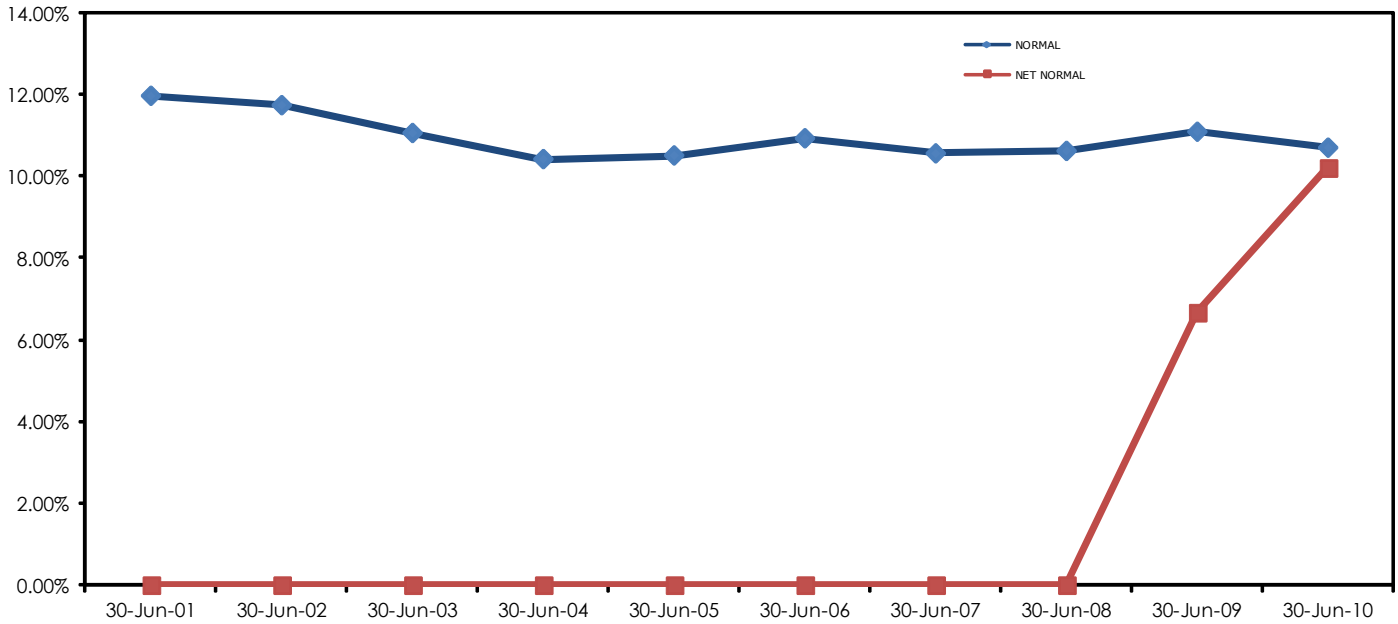
POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB)

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

COST OF LIVING BENEFITS

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

HISTORY OF EMPLOYER CONTRIBUTION RATES



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

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