

Adopted Budget

Fiscal Year 2006/2007



City of Fresno
Retirement
Systems

CITY OF FRESNO RETIREMENT SYSTEMS

**ADOPTED BUDGET
FISCAL YEAR 2006/2007**

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June 5, 2006

Dear Retirement Board Members and Members of the Systems:

CFRS's stewardship of the City of Fresno Retirement Trust Funds requires adherence to the highest standard of fiduciary conduct in our management of the System's flow of funds. These Adopted Budgets set forth management's reports and best estimates of the budgets during the current and next fiscal years.

While the recent growth of the combined System assets has now surpassed the \$2 billion level, the Board's have achieved this substantial growth while maintaining a solid and consistent long term investment performance.

As we enter the third year of a strong financial recovery in the investment markets, the Budgets that the Boards are considering for adoption should continue to generate financial relief for the City of Fresno in the form of substantial reduced normal pension contributions as projected by the Board's actuary in the recent update of the Surplus Projection Studies.

AUTHORITY

CFRS's is administered pursuant to the Charter of the City of Fresno, Articles 2-17, 2-17A and 2-18 of the Fresno Municipal Code, other relevant State and Federal governing statutes, regulations and case law.

CFRS POLICIES DRIVE THE ALLOCATION OF RESOURCES

CFRS's Administrative and Trust Fund Budgets are managed in accordance with the law and the Board's adopted policies, including but not limited to the Board Rules of the Retirement Boards, CFRS's Mission and Goals and CFRS's Annual Budget Resolutions.

These key policies drive the allocation of staff and contractual resources within the budget process. These key policies are also mirrored in CFRS's Investment Objectives and Policy Statement, which governs the allocation of pension contributions, investment income and investment expenses.

Likewise, retirement benefit payments, refunds and actuarial matters are governed in accordance with the policies of the Retirement Boards.

**CITY OF FRESNO
FIRE & POLICE BOARD**

PAUL CLIBY, CHAIR

BRIAN BURRY, VICE CHAIR

CARLA LOMBARDI

KEN NERLAND

K.C. CHEN

**CITY OF FRESNO
EMPLOYEES BOARD**

CARLA LOMBARDI, VICE CHAIR

FRANK H. BALEKIAN, JR.

MARVELL FRENCH

KEN NERLAND

**RETIREMENT
ADMINISTRATOR**

STANLEY L. MCDIVITT

CFRS's BUSINESS PLAN AND BUDGET REPORTS

CHALLENGES AND ACCOMPLISHMENTS

In addition to CFRS's normal activities, the following accomplishments with unique challenges were met during the current fiscal year and new challenges for the coming fiscal year have been identified.

CFRS'S Realty Holding Corporation

After many months of reviewing plans, dealing with numerous structural issues, scheduling (and rescheduling) inspections, movers and interior design, the Retirement Office staff relocated from the second floor of Fresno City Hall into the remodeled building on the southeast corner of Fresno and "R" Streets in September 2005. In April 2006, the Fresno Dental Surgery Center began occupying the entire first floor of the building and lease negotiations were completed with the Central California Faculty Medical Group to occupy the remaining 2,500 square feet on the 2nd floor. The medical group tenant improvements are expected to be completed by October 2006, at which time the building will be fully occupied.

Benefit & Actuarial Services

Actuarial:

The Boards, with the assistance of its actuary and staff, completed a cost neutrality study of the City's DROP programs; updated the 2006 surplus projection studies and completed the annual actuarial valuations.

A Request for Proposal for Actuarial Services was issued and after prudent evaluation, the Boards retained The Segal Company to provide the Systems' actuarial services effective May 25, 2006.

Legal Services:

During the current fiscal year legal Counsel, the Board's actuary and staff continued to participate in the FORCE litigation Case, involving significant litigation issues surrounding pensionable compensation. After numerous recalculations for retirees, the parties have reached a preliminary agreement on the terms for the settlement of the FORCE Case for retirees. Hopefully, a settlement agreement is near for the Active members of the Employees Retirement System.

At the Boards direction, staff implemented the provisions of AB205 concerning domestic partners.

Investment Services

Investment Services Updates: After completing a major restructuring of the domestic large cap portfolio's at the beginning of the fiscal year, the Boards also completed an international equity manager search during the fiscal year and retained three new portfolio managers and terminating two managers. The Board's Investment Objectives and Policy Statement was updated to allow domestic fixed

income managers the opportunity to invest in preferred stocks, convertible bonds or hybrid securities trading in developed markets and an examination is in progress to update the policy for international equity.

The Boards' Investment Committee and staff, during the coming fiscal year, will initiate a Request for Proposal to evaluate third party providers of Proxy Voting Services and perform an Asset/Liability Model and Manager Structure study.

Board & Management Support Services

Benefits Administration System: The Boards' established a key component of Disaster Preparedness, by approving a contract with LRS for their PensionGold Secure Platinum support agreement which enables staff to continue operations regardless of the state of our own building in the case of a disaster. In the coming fiscal year another element of the Disaster Preparedness/Business Continuance Plan will be finalized as staff completes the development of an actual manual for staff or others to use in dealing with issues such as escaping the building, reporting for work, or dealing with a work interruption in the case of a disaster.

Staff continues to participate with LRS in the development of a disability tracking module within PensionGold. It is anticipated that the module will include historical data concerning each disability with the loading of such data completed by December 30, 2006.

CFRS's Website: CFRS's staff is currently working diligently with Levi, Ray & Shoupe to complete the site content and development of the new CFRS's website. Release of the new CFRS's website which includes the addition of retirement benefit and DROP balance calculators is anticipated at the end of July 2006.

In the coming year, staff will continue to improve the ease of use, appearance and content of CFRS's website for the members' convenience.

CFRS's Risk Management Program: During the current fiscal year, staff strengthened several elements of CFRS's risk management effort working closely with the Northern Trust Compliance System. In the coming fiscal year, staff hopes to further strengthen elements of CFRS's risk management effort by creating reports for the Investment Committee which further document adherence with the Boards' policies.

City Deferred Compensation Website: Staff will work to establish a Deferred Compensation website on the City's website to enhance the ability of employees to access information about deferred compensation and establish and maintain their accounts.

Image Document Management System: Staff will begin building the foundation for a sustainable image document management system during the coming fiscal year. When all of our documents and files are digitized and a copy of that data is stored off site, the basic disaster backup plans will be fully established.

FY 2007 BUDGET REPORT

This Report consists of the following sections:

Introduction

- Transmittal Report from Retirement Administrator
- CFRS's Budget Report for the Systems
- Strategic Staff Services
- CFRS's Budget Initiatives 2005-2006
- CFRS's Budget Initiatives 2006-2007
- Administrative Organizational Structure
- Professional Services Providers

Retirement Office Operating Budget

- Budget Report
- Annual Appropriation Resolution
- Annual Budget for Retirement Office
- Employee Detail – authorized positions
- Deferred Compensation Budget

Trust Fund Budgets

- Employees Retirement System Trust Fund Budget for FY 2007
- Fire and Police Retirement System Trust Fund Budget for FY 2007
- Combined Trust Fund Budgets for information purposes

All CFRS staff members have contributed to the development of our adopted budgets and I want to personally thank staff and our consultants.

For those wishing to review additional sources and uses information, CFRS's Comprehensive Annual Financial Reports, CFRS's Investment Objectives and Policy Statement and Actuarial Valuation Reports can be viewed at the CFRS's Office.

Respectfully submitted,

Stanley L. McDivitt
Retirement Administrator

Organizational Structure

ORGANIZATIONAL STRUCTURE

Administration of the System

The City of Fresno Retirement Systems (CFRS) is a defined benefit plan administered under the City of Fresno Charter and Municipal Code. The plan provides retirement, disability, survivor, and death benefits to eligible City employees and their eligible beneficiaries.

Description of the Systems

The Employees Retirement System was established on June 1, 1939 and is maintained and governed by Article 18 of Chapter 2 of the City of Fresno Municipal Code. The Employees Retirement System provides retirement benefits for all qualified non-sworn employees of the City of Fresno.

The Fire and Police Retirement System was established on July 1, 1955 and is maintained and governed by Articles 17 and 17A of the Fresno Municipal Code. The Fire and Police Retirement System provides retirement allowances to all full-time sworn safety members employed by the City of Fresno. The System provides lifetime retirement, disability and death benefits to its safety members.

Each System is administered by a five-member Retirement Board.

For the Employees System:

Two City Management employees who are appointed by the Mayor and confirmed by the City Council

Two elected employees: one elected Blue Collar employee and one elected White Collar employee

One Outside Member elected by the other four Board members.

For the Fire and Police System:

Two City Management employees who are appointed by the Mayor and confirmed by the City Council

Two elected employees: one elected Fire employee and one elected Police employee

One Outside Member elected by the other four Board members.

The four elected members serve four-year terms. The City Management and Outside members serve continuous terms.

**RETIREMENT BOARD MEMBERS
as of June 30, 2006**

Paul Cliby, Chair **Fire and Police Retirement Board**

elected by the Fire members

Paul is a Firefighter Specialist for the City of Fresno Fire Department. Paul joined the Fire and Police Board in 2002 and has served as Chair of the Fire & Police Board for the last 2 years. He is currently Chairman of the Investment Committee and is a member of the Administrative Committee. Paul's term expires on June 30, 2010.

Brian Burry, Vice Chair **Fire and Police Retirement Board**

elected by the Police members

Brian is a Police Officer for the City of Fresno. Brian was elected in 1996 and serves as Vice Chair of the Fire and Police Board and is currently a member of the Investment Committee. Brian's term expires on June 30, 2008.

Carla Lombardi, Vice-Chair **Employees & Fire and Police Retirement Boards**

appointed by the Mayor and confirmed by the City Council

Carla is a Management Analyst for the City of Fresno Fire Department. Carla was appointed to serve on both Boards in 1996 and has served as Vice Chair of the Employees Board for the last 5 years. She currently serves as Chair of the Administrative Committee and is a member of the Investment Committee. Her term is continuous.

Ken Nerland **Employees & Fire and Police Retirement Boards**

appointed by the Mayor and confirmed by the City Council

Ken is the Director of the General Services Department for the City of Fresno. Ken was appointed in 2005. His term is continuous.

Frank Balekian **Employees Retirement Board**

elected by Clerical and Supervisory members

Frank is an Accountant Auditor in the City of Fresno Finance Department. Frank was elected in 1984. His term expires on June 30, 2008.

Marvell French **Employees Retirement Board**

appointed by the Board

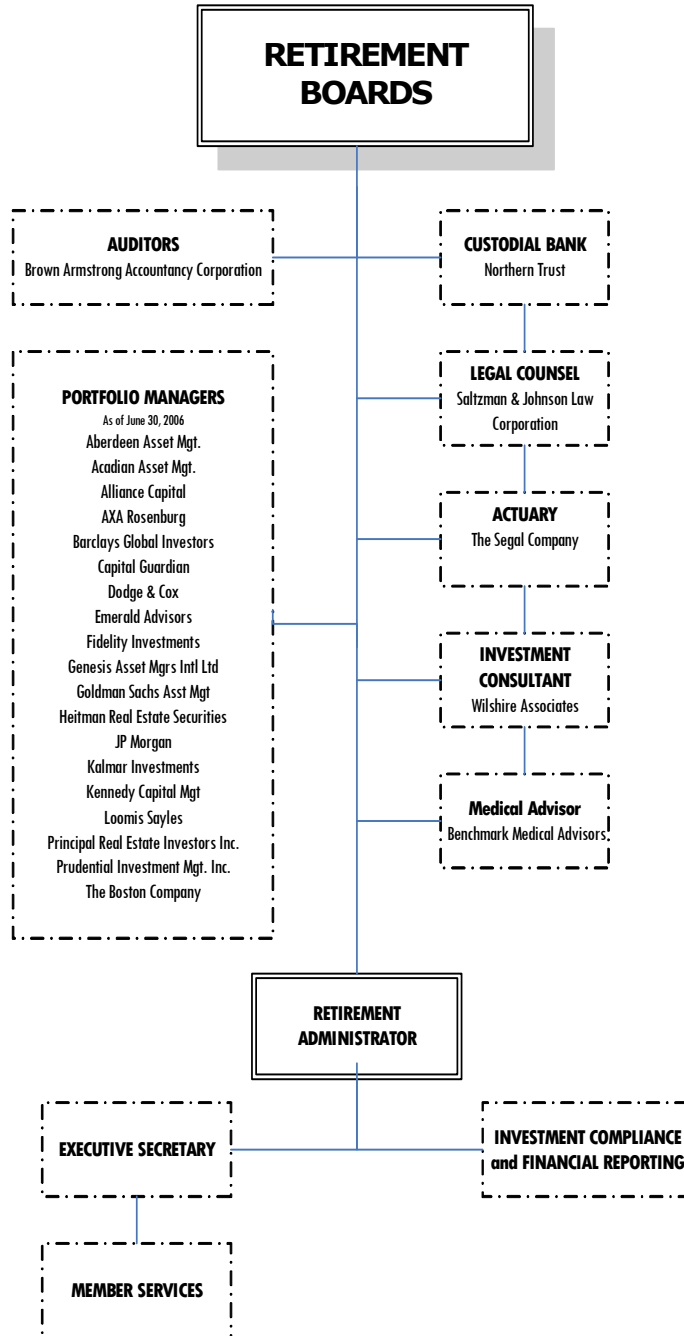
Marvell is Senior Vice-President of Premier Valley Bank. Marvell was appointed by the Employees Retirement Board in 2000 and is a member of the Administrative Committee. Marvell's term is continuous.

K.C. Chen, Ph.D., CFA **Fire and Police Retirement Board**

appointed by the Board

K.C. is a Theodore F. Brix Professor of Finance at California State University, Fresno. K.C. was appointed to the Fire and Police Retirement Board in February 2006. His term is continuous.

CITY OF FRESNO RETIREMENT SYSTEMS



Administration of the Systems

ADMINISTRATION OF THE SYSTEMS

CFRS is managed in accordance with the City Charter, the Municipal Code and the Board's adopted policies, including but not limited to the Regulations of the Retirement Boards, CFRS's Mission and Goals, CFRS's Strategic Services and CFRS's Annual Budget Initiatives.

These key policies are also mirrored in CFRS's Investment Objectives and Policy Statement, which governs the allocation and management of employer and member contributions and investment income, as well as investment expense.

Likewise, benefit payments, refunds and actuarial matters are governed in accordance with the Board Rules and Regulations of the Retirement Boards.

The Board defines its duties as follows:

- Grant Earned Benefits & Provide for the Disbursement of those Benefits
- Provide for the Investment & Safekeeping of Retirement Fund Assets
- Assure the Actuarial Soundness of the System
- Establish & Arrange for the Collection of Contributions
- Manage the Systems in accordance with the Law
- Define Fiduciary & Ministerial Responsibilities and Effectively Delegate them to Designated Fiduciaries
- Select & Monitor the Performance of Designated Fiduciaries, including but not limited to investment managers, consultants and other advisors
- Approve & Monitor Internal Controls & Audit Programs

The Boards have delegated responsibility for the management of the Systems to its Retirement Administrator.

CFRS's Staff: CFRS's operations are managed by the Retirement Administrator who serves at the pleasure of the Retirement Boards. The Administrator is a City Employee and CFRS member who serves under contract to the Boards. CFRS's staff is responsible for administering the policies and programs approved by the Boards. Reporting to the Administrator are the Assistant Retirement Administrator, the Benefits Manager and the Executive Secretary. The Benefits Manager and her staff administer CFRS's Benefit & Information Technology programs.

The Assistant Retirement Administrator and her staff are responsible for (1) establishing and maintaining internal controls designed to protect the assets of the Fund; (2) overseeing and monitoring the Board's independent investment managers and other consultants; (3) maintaining the accounting records of the Systems; (4) compiling data necessary for, and preparing, financial statements in conformity with generally accepted accounting principals and applicable requirements; and (5) preparing and monitoring CFRS's annual budgets.

CFRS's Staff

	2006	2007
Total Staffing	9	9
Benefits Section	4	4
Investment Section	2	2
Executive Section	3	3

Professional Services: The Boards retain independent advisors to perform specific professional services essential to the Funds. The Actuary provides the Systems with a review of the demographics and actuarial funded status of the Systems and recommends modifications to the economic and non-economic assumptions and member and employer contribution rates. The Investment Consultant assists the Boards with the development, implementation and monitoring of the Fund's asset allocation and manager structure; the maintenance of CFRS's Investment Plan; and the measurement of the managers' and the Fund's performance. Style-specific Asset Class Investment Managers are retained to invest and reinvest the assets of the Systems. A global custodian holds in trust the Fund's actively managed assets and provides accounting and performance reports for all investment assets.

City Services: CFRS utilizes the City where it is cost-effective to do so. Currently, CFRS uses the services of the Information Services Department for technical support and maintenance such as telecommunications, internet, and local area network (LAN), and Central Printing Services for City interoffice routing, regular and certified mail, courier services, mass printing and copier maintenance.

CFRS's Benefit Programs

CFRS exists for the sole purpose of administering the funding for and payment of benefits authorized by the City of Fresno Charter and Municipal Code.

Administrative and Professional Budget Policy:

- CFRS's budgets are a tool for financial planning and operational control.
- The budgets spell out how resources are being used in the current fiscal year and will be used in the coming fiscal year to accomplish the goals, programs, and projects identified in the budgets.
- The administrative and professional budgets shall be presented to the Retirement Boards annually.
- The Retirement Boards shall revise and approve the administrative budget annually.
- The Board shall approve its professional budgets in the individual contracts for professional services. Staff shall provide the Board with a projection of estimated contractual expenditures for the Board's review and acceptance annually.
- Quarterly comparisons of amounts spent versus the amounts budgeted shall be provided to the Board with routine checks that expenditures are being made according to plan in accordance with the Board's Administrative Oversight Policy.
- Comparisons of investment performance to various performance goals shall be provided to the Investment Committee monthly and quarterly.
- The aggregate expenditure level approved by the Boards may not be amended without the approval of the Boards.
- The Boards may amend Budget Category appropriations throughout the Fiscal Year. Such changes shall be by amendment to the Board's Budget Resolution for the fiscal year.
- The Boards have delegated the Retirement Administrator authority to approve on-going reallocation of monies among line items within each Category. However, the Boards have retained unto themselves the authority to reallocate monies between Categories. The Retirement Administrator will inform the Boards of all reallocations.

CFRS Benefits: CFRS administers retirement, disability and death benefits based on defined benefit formulas as defined in the Fresno Municipal Code.

CFRS's Professional Services Expenses: Staff prepares a professional services budget annually for review by the Boards. The professional services budget is utilized by the Boards to assess, meet, and monitor its contractual obligations related to the management of the Systems. The expenditure authority for each professional services contract is set forth in the terms of the contract. The Boards are authorized under the Charter and Municipal Code to expend funds from the Systems for specific professional services.

Professional Services expenses include investment management, investment consulting, global custody, actuarial and contract legal.

The Retirement Boards employ professional investment managers to maximize the return on assets and minimize risk. Investment Management expenses are primarily dependent upon the market value of the assets under management and the negotiated fee schedule of the individual Investment Management Agreements. They are performance driven to the extent that as market values increase so does management fees. The converse relationship is also true. Other professional service expenses related to investments are driven by contractual agreement.

Although investment fees are netted from investment income for financial reporting purposes, they are reflected at gross for budgetary purposes.

Investment management expenses are budgeted to increase at the same rate as projected annual market values. The accrual basis of accounting is used to record professional expenses for budget and financial statement purposes.

Performance of the investment managers is reviewed monthly and quarterly by the Investment Committee.

Professional service expenses are reviewed quarterly by the Administrative Committee to verify conformance with the respective contracts.

CFRS's Benefit Disbursements: Included within benefit disbursements are Service Retirements, Service Connected Disability Retirements, Non Service Connected Disability Retirements, DROP program benefits, QDRO benefits, monthly continuance benefits for Beneficiaries and Survivors of deceased members, one-time Lump Sum Death Benefits, refunds of Member Contributions and Interest, and Post Retirement Supplemental Benefits.

The budgeting of benefit disbursements is primarily dependent upon the projected number of employees in retirement, the projected number of beneficiaries and survivors receiving benefits, the number of active employees eligible for disability benefits, the number of active employees leaving the employment of the City prior to receiving pension benefits and the annual cost-of-living adjustments. In order to project annual benefit disbursements, a computation of historical increases in these categories is made, adjusted for any known variances and the expected cost-of-living adjustment, and the resulting factor is applied to the previous year's actual expenses. Benefit disbursements are vested rights and not subject to the Board's appropriation authority although the Boards do approve an appropriation for control purposes.

STRATEGIC STAFF SERVICES

MEMBER BENEFIT & ACTUARIAL SERVICES

- Implement the Benefit Services Plan, including individual member counseling
- Establish Eligibility & Process Applications for Membership & Benefits
- Provide for & Monitor Payment of Benefits & Refunds
- Accurately Maintain & Monitor Member & Benefit Databases
- Provide Timely, Accurate & Useful Services, Reports & Recommendations for Members, Retirees, Beneficiaries & the Board

INVESTMENT MANAGEMENT SERVICES

- Implement the Investment Plan
- Monitor Manager & Custodial Activity
- Project & Monitor Retirement Fund Cash Flows
- Provide Timely, Accurate & Useful Reports & Recommendations to the Boards

BOARD SUPPORT SERVICES

- Faithfully execute the Duties & Responsibilities Delegated by the Boards
- Support the Boards in its execution of their Powers & Duties
- Provide Timely, Accurate & Useful Information & Recommendations to the Boards
- Direct the Benefits, Investments & Management Services Programs
- Provide Member Education, Public Information & Inter-Agency Services
- Propose, Implement & Monitor Internal Control Systems

MANAGEMENT SERVICES

- Implement the Management Services Plan, including Human Resources, Information Systems, Fiscal, Accounting, Analytical, Facilities & Support Services
- Manage Contracts
- Maintain liaison with providers of City support services

CFRS's BUDGET INITIATIVES 2005-2006

I. Member Benefit Services Plan

- a) Evaluate the distribution of CFRS's Annual Member Statements via an electronic process: This project will be continued to the next fiscal year.
- b) Development of a separate CFRS's Web Site: Staff is currently working with LRS on Phase I release of the new CFRS's website on July 31, 2006.
- c) Implement web publication of CFRS's employee orientation, dissolution of marriage and retirement preparation pamphlets: Staff has prepared materials for the communications section of the new CFRS's website and will continue to develop additional publications in the next fiscal year..
- d) Evaluate new member seminars emphasizing financial planning strategies for members at an early stage in their career: Staff developed a new presentation for new employees in the Fire and Police Second Tier and will continue to expand presentations in the next fiscal year.
- e) Evaluate web based presentations to supplement member educational programs, including new employee orientation, financial planning seminars and brown bag presentations: Staff will be discussing with the Administrative Committee about contract for services in this area.
- f) Evaluate mass correspondence and/or distribution strategies: Staff has enhanced the distribution of the quarterly newsletter by use an electronic data address file.
- g) Issue newsletters and post them on CFRS's web site: Newsletters were posted on the City's Retirement website and newsletters will be posted on the new CFRS's website released in July.
- h) Review Member Benefit Services for risk exposure and Report to Boards: This is an ongoing assignment.

II. Actuarial Services Plan

- a) Revise Economic & Actuarial Assumptions, if appropriate: Minor adjustments were recommended and made by the Board's actuary.
- b) Complete June 30, 2005 Actuarial Valuations: Completed 2005 Actuarial Valuations and posted reports on the City's Retirement website.
- c) Complete DROP cost neutrality special study for both Systems: Completed special DROP cost neutrality studies and presented information to the Boards and City Council.
- d) Provide Technical Support to City and unions regarding retirement issues: This is an ongoing assignment that staff completes as necessary.

- e) Revise Surplus Projection Modeling and Analysis: Completed a 2006 Surplus Projection Study and presented information to the Boards and City Council.
- f) Review of Gabriel, Roeder & Smith performance and Contract: Reviewed contract, issued a Request for Proposal and retained The Segal Company to provide actuarial services effective May 25, 2006.
- g) Continue review and evaluation of a cost neutral early retirement and DROP for the Employees Retirement System: Staff continues to work with the Administrative Committee on this project.

III. Investment Management Services Plan

- a) Document risk-monitoring procedures: Staff updated the Northern Trust Compliance Module to reflect changes with the implementation of new large cap core equity managers and results are monitored on a daily basis. This is an ongoing project that staff updates as necessary.
- b) Implement conclusion originating from the studies of CFRS's Asset / Liability Model and Manager Structure: There was no Asset/Liability Study conducted in this fiscal year, a study will be conducted in the coming fiscal year.
- c) Review and amend, if necessary, CFRS's Investment Plan: The document was updated to reflect changes in allowable security types for Domestic Fixed Income.
- d) Perform Investment Manager search(es) as/if necessary: We performed an international equity search, terminated two existing managers and retained three new international equity managers.
- e) Review and implement, if necessary, inclusion of risk evaluations with the monthly reports: Monitored on a monthly basis by staff.
- f) Strengthen investment manager monitoring program: Monthly program monitored by staff.
- g) Perform annual review of all Investment Managers, Investment Consultants and the Global Custodian: We scheduled monthly meetings with each of the Systems' investment managers for presentation and portfolio performance reviews, conducted an annual review of Global Custodian including a review of securities lending and brokerage recapture programs, and participated in the Wilshire Associates evaluation of Investment Consultant, Michael Schlachter and his team.

IV. Board Support Services

- a) Evaluate CFRS's Total Plan Risk: This is an ongoing project.
- b) Strengthen Internal Control / Audit Documentation:
- c) Complete the Annual Independent Audit of CFRS's Financial Statements: Audits were completed timely.

- d) Publish Annual Comprehensive Annual Financial Reports CAFR Reports were issued timely.
- e) Review the Board's essential policy resolutions: Review of policies is an ongoing assignment.
- g) Continue development of CFRS's budget document Staff continues to enhance the annual budget document.

V. Management Services Plan

- a) Development of Emergency Procedures & Business Continuity Plans: The Boards' approved a contract with LRS for PensionGold Secure Platinum which enables staff to continue operations regardless of the state of our own building in the case of a disaster. Staff has drafted and will finalize an actual Disaster Preparedness and Emergency Procedures manual for staff or others to use in dealing with issues such as escaping the building, reporting for work, or dealing with a work interruption in the case of a disaster.
- b) Enhance Monthly Financial Reports: This is an ongoing project.
- c) Ensure that CFRS's technological infrastructure is secure and capable of supporting current and new applications: With the new LAN system, we have achieved our objectives for the year.
- d) Evaluate & implement integrated document creation, storage, retrieve and disposal procedures: This project will be started in FY 2007.
- e) Evaluate the life cycle replacement of servers, personal computers, laptops, printers and other electronic products and software: This is an on going project. Staff replaced two lap top computers in the fiscal year.
- f) Perform ongoing evaluation of communications technologies & applications: Since we now have all new systems, no additional evaluation was necessary.

VI. Human Resources Plan

- a) Initiate a discussion for a Management Succession Planning process: With the upcoming retirement of our Benefits Manager, staff will be discussing the issue with the Administrative Committee in FY 2007.
- b) Conduct Annual Performance Reviews with Each Employee: Current
- c) Continue Professional Development & Training: Training is on-going and monitored by management.

CFRS's BUDGET INITIATIVES 2006-2007

I. Member Benefit Services Plan

- a) Review and improve, as needed, the ease of use, appearance and content of the CFRS's website for the member's convenience.
- b) Evaluate new member seminars emphasizing financial planning strategies for members at an early stage in their career.
- c) Evaluate web based presentations to supplement member educational programs, including new employee orientation, financial planning seminars and brown bag presentations.
- d) Evaluate mass correspondence and/or distribution strategies.
- e) Review Member Benefit Services for risk exposure and Report to Boards.
- f) Complete implementation of Disability Tracking System for PensionGold.
- g) Design a complete payroll information download into PensionGold for maintenance of historical payroll data.

II. Actuarial Services Plan

- a) Revise Economic & Actuarial Assumptions, if appropriate.
- b) Complete June 30, 2006 Actuarial Valuations.
- c) Provide Technical Support to City and unions regarding retirement issues.
- d) Revise Surplus Projection Modeling and Analysis, if appropriate.
- e) Review of The Segal Company performance and Contract.

III. Investment Management Services Plan

- a) Enhance and document risk-monitoring procedures.
- b) Perform and implement conclusion originating from the studies of CFRS's Asset / Liability Model and Manager Structure, if appropriate.
- c) Review and amend, if necessary, CFRS's Investment Plan.
- d) Perform Investment Manager search(es) as/if necessary.
- e) Review and implement, if necessary, inclusion of risk evaluations with the monthly reports.
- f) Strengthen investment manager monitoring program.
- g) Perform annual review of all Investment Managers, Investment Consultants and the Global Custodian.

IV. Board Support Services

- a) Evaluate CFRS's Total Plan Risk.
- b) Strengthen Internal Control / Audit Documentation
- c) Complete the Annual Independent Audit of CFRS's Financial Statements
- d) Publish Annual Comprehensive Annual Financial Reports
- e) Review the Board's essential policy resolutions
- g) Continue development of CFRS's budget document

V. Management Services Plan

- a) Development of Emergency Procedures & Business Continuity Plans
- b) Enhance Monthly Financial Reports
- c) Ensure that CFRS's technological infrastructure is secure and capable of supporting current and new applications
- d) Evaluate & implement integrated document creation, storage, retrieve and disposal procedures
- e) Evaluate the life cycle replacement of servers, personal computers, laptops, printers and other electronic products and software
- f) Perform ongoing evaluation of communications technologies & applications

VI. Human Resources Plan

- a) Establish a Management Succession Plan
- b) Recruit and replace retiring Retirement Benefits Manager
- c) Conduct Annual Performance Reviews with Each Employee
- d) Continue Professional Development & Training
- e) Participate in citywide Classification and Compensation Study

Retirement Operating

City of Fresno Retirement Systems
ADOPTED BUDGET ▼ FY 2007

Operating Budget

Acct #	Account Description	Budget FY2006	Budget Subm. FY2007	Net Change From Prior Yr	Proposed Budget FY 2007	Change From Base
Employee Services						
55101	Permanent Salaries	482,900	519,800	36,900	519,800	36,900
51102	Permanent Finge	68,000	69,900	1,900	78,600	10,600
51103	Employee Leave Payoff-Non Term	6,800	6,000	(800)	39,400	32,600
51401	Premium Pay	17,000	0	(17,000)	10,000	(7,000)
	Employee Services Total	574,700	595,700	38,000	647,800	73,100
Operations & Maintenance						
51403	Commission Stipends (Board Members)	4,800	0	(4,800)	5,800	1,000
52302	Gen Svc Pens Oblig Bond Dbt Svc	17,200	16,500	(700)	16,500	(700)
52901	Recurring Vehicle Allowance	3,600	0	(3,600)	3,600	0
	Operations & Maintenance Total	25,600	16,500	(4,300)	25,900	300
InterDepartmental Charges						
59102	City Attorney - Variable Charges	4,000	0	(4,000)	4,000	0
59103	Budget (BMSD) - Variable Charges	1,200	1,300	100	1,300	100
59106	HR-Operations - Variable Charges	3,900	4,200	300	4,200	300
59107	Training Unit Charges HR	900	700	(200)	700	(200)
59108	HR-Labor Relations - Variable Charges	0	0	0	0	0
59109	Finance - Variable Charges	7,100	6,400	(700)	6,400	(700)
59114	Internal Audit - Variable Charges	500	500	0	500	0
59201	Fixed Interdept Reimb - Gen Fund	0	0	0	0	0
59302	Info Systems Service Charge	14,700	13,400	(1,300)	13,400	(1,300)
59303	Info Systems Equip Charge	12,700	12,700	0	12,700	0
59304	Property Self-Insurance Charges	100	100	0	100	0
59305	Liability Self-Insurance Charges	100	100	0	100	0
59306	Messenger / Mail / Copier Service Charges	41,900	43,200	1,300	43,200	1,300
59307	Telephone Service Charges	8,000	18,000	10,000	18,000	10,000
59320	Call Center Charges	600	3,000	2,400	3,000	2,400
	InterDepartmental Charges Total	95,700	103,600	7,900	107,600	11,900
Contingency						
61001	Contingency / Reserve	0	0	0	0	0
	Grand Total	696,000	715,800	41,600	781,300	85,300

Budgeted Revenues

Retirement Office
 FY 2007 Budgeted Revenues

Account Description	Budget FY 2006	Initial Budget FY 2007	Net Change	Budget Base FY 2007	Base Change FY 2007
Charges for Services					
Carryover from prior year	0	0	0	0	0
Reimb from City Def. Comp.	29,800	32,100	2,300	32,100	2,300
Reimb fm Employees Retirement Trust	341,000	341,850	850	374,600	33,600
Reimb fm Fire & Police Retirement Trust	341,000	341,850	850	374,600	33,600
Total Charges for Services	711,800	715,800	4,000	781,300	69,500

Employee Detail Authorized Positions

POS NBR	JOB CLASS		CLASS TITLE
4956	135051	Basquez, Pattie	RETIREMENT COUNSELOR II
5147	110003	Burrington, Karen	SR. ADMINISTRATIVE CLERK
235	135045	Eland, Carol	RETIREMENT BENEFITS MGR
233	135051	Gaab, Donna	RETIREMENT COUNSELOR II
4701	135051	Ketch, Andrea	RETIREMENT COUNSELOR II
3671	110052	Laygo, Pattie	EXECUTIVE SECRETARY
164	135030	McDivitt, Stanley	RETIREMENT ADMINISTRATOR
4700	135040	Riley, Kathleen	ASSIST RETIREMENT ADMIN
3982	130012	Rolle, Karen	ACCOUNTANT-AUDITOR II

Continuing Education and Travel Budget

TRAVEL DETAILS BY POSITION	Airline or Mileage	Reg. Fees	Hotel Costs	Meals	Total	Category Sub-Totals
Retirement Administrator						
(4) CALAPRS Administrators roundtable meetings	850	200	400	200	1,650	
(1) SACR'S Conferences	150	100	700	100	1,050	
CALAPERS General Assembly Conference	250	0	800	100	1,150	
CALAPERS Administrators Training Institute	175	700	0	100	975	
Risk Mgt/Investment/Manager/Custodian Conference	500	600	600	100	1,800	
Miscellaneous business travel	200			100	300	6,925
Assistant Retirement Administrator						
(4) CALAPRS Roundtable meetings	800	200	400	150	1,550	
(1) SACR'S Conferences	150	100	600	100	950	
CEBS RPA Program		1,000			1,000	
Risk Mgt/Investment Conference	500	600	600	100	1,800	5,300
Benefits Manager						
(4) CALAPRS Benefits Roundtable meetings	800	200	400	200	1,600	
Pension Gold Conference	600	0	500	100	1,200	2,800
Executive Secretary						
(2) CALAPRS Roundtable meetings	400	100	200	100	800	
CA Special Districts Association Training	200	500	400	100	1,200	2,000
Sr. Administrative Clerk (Karen B.)						
(2) CALAPRS Roundtable meetings	400	100	200	100	800	800
Accountant-Auditor (Karen)						
(2) CALAPRS Roundtable meetings	400	100	200	100	800	800
Benefits Counselor(Donna)						
Pension Gold Conference	600	0	500	100	1,200	
CEBS Programs	0	1,000	0	0	1,000	
CALAPRS Benefits Roundtable	0	50	200	50	300	2,500
Benefits Counselor (Andrea)						
Pension Gold Conference	600	0	500	100	1,200	
CEBS Programs	0	1,000	0	0	1,000	
CALAPRS Benefits Roundtable	0	50	200	50	300	2,500
Benefits Counselor (Patti)						
CEBS Programs	0	1,000	0	0	1,000	
CALAPRS Roundtable	0	50	200	50	300	1,300
Total Budget for Travel	7,575	7,650	7,600	2,100	24,925	24,925
Memberships & Dues						
GFOA					200	
AICPA Retirement Administrator					210	
CSCPA Retirement Administrator					100	
CPA License Retirement Administrator					100	
Total					610	
Subscriptions						
					500	
Total Budget for Memberships, Dues & Subscriptions					1,110	1,110

Deferred Compensation Administration Budget

Acct #	Account Description	Budget FY 2007	Deferred Compensation
Employee Services			
55101	Permanent Salaries	519,800	22,299
51102	Permanent Fringe	78,600	3,372
51103	Employee Leave Payoff-Non Term	7,400	317
51401	Premium Pay excluded in 51102	10,000	429
	Employee Services Total	615,800	26,418
Operations & Maintenance			
51403	Commission Stipends (Board members)	5,800	249
52302	Gen Svc Pens Oblig Bond Dbt Svc	16,500	708
52901	Recurring Vehicle Allowance	3,600	154
	Operations & Maintenance Total	25,900	1,111
InterDepartmental Charges			
59102	City Attorney - Variable Charges	4,000	172
59103	Budget (BMSD) - Variable Charges	1,300	56
59106	HR-Operations - Variable Charges	4,200	180
59107	HR- Training Unit	700	30
59108	HR-Labor Relations - Variable Charges	0	0
59109	Finance - Variable Charges	6,400	275
59114	Internal Audit - Variable Charges	500	21
59201	Fixed Interdept Reimb - Gen Fund	0	0
59302	Info Systems Service Charge	13,400	575
59303	Info Systems Equip Charge	12,700	545
59304	Property Self-Insurance Charges	100	4
59305	Liability Self-Insurance Charges	100	4
59306	Messenger / Mail / Copier Service Charges	43,200	1,853
59307	Telephone Service Charges	18,000	772
59320	Call Center Charges	3,000	129
	InterDepartmental Charges Total	107,600	4,616
Contingency			
61001	Contingency / Reserve	0	0
	Grand Total	749,300	32,100

For purposes of calculating Deferred Compensation Administrative Budget, the budget excludes vacation, holiday and applicable employee leave payoffs for retiring Retirement Benefits Manager.

Employees Retirement System

Employees Retirement System

Line Item Description	Budget FY2006	Est. FY2006	Budget FY 2007	Net Change
Benefit Services				
Monthly Benefit Payments	26,000,000	25,000,000	26,500,000	500,000
Post Retirement Supplemental Benefit	1,800,000	2,150,000	2,800,000	1,000,000
Deferred Retirement Option Payments	3,000,000	2,500,000	3,000,000	-
Employee Contribution Refunds	1,000,000	1,210,000	1,500,000	500,000
Settlement F.O.R.C.E. Litigation	0	0	5,200,000	5,200,000
Total Benefit Services	31,800,000	30,860,000	39,000,000	7,200,000
Operations				
Investment Expenses				
Foreign Income Taxes	500,000	420,000	500,000	-
Total Foreign Income Taxes	500,000	420,000	500,000	-
Professional Investment Svcs - Portfolio Mgrs & Consultants				
Alliance Capital	195,000	240,000	195,000	-
AXA Rosenberg	350,000	280,000	395,000	45,000
BGI	180,000	175,000	200,000	20,000
Capital Guardian	170,000	125,000	180,000	10,000
Goldman Sachs	135,000	115,000	135,000	-
Emerald Advisors	135,000	145,000	160,000	25,000
Kalmar Investments	205,000	205,000	230,000	25,000
Kennedy	470,000	450,000	480,000	10,000
INVENCO	325,000	330,000	330,000	5,000
Pyrford	360,000	355,000	385,000	25,000
Genesis	320,000	330,000	345,000	25,000
Aberdeen (Deutsche)	270,000	200,000	215,000	(55,000)
Dodge & Cox	150,000	140,000	150,000	-
Prudential	65,000	59,000	65,000	-
Loomis Sayles	205,000	200,000	220,000	15,000
J.P. Morgan	575,000	595,000	675,000	100,000
Heitman REIT	90,000	71,000	95,000	5,000
Principal REIT	90,000	95,000	100,000	10,000
Wilshire Associates	100,000	92,400	100,000	-
Northern Trust	60,000	37,000	60,000	-
Total Professional Investment Svcs - Portfolio Mgrs & Consultants	4,450,000	4,239,400	4,715,000	265,000
Total Investment Expenses	4,950,000	4,659,400	5,215,000	265,000
Professional Services - Consultants & Other				
Saltzman & Johnson	80,000	90,000	80,000	-
Gabriel, Roeder, Smith & Co.	60,000	75,000	80,000	20,000
Computer Systems Development & Maint. (Web Site Project)	35,000	25,000	40,000	5,000
Brown, Armstrong (Audit)	16,000	13,000	16,000	-
Publishing Svcs (Annual Reports, Employee Booklets)	15,000	2,500	15,000	-
Hearing Officers, Medical Examiners	31,500	24,500	35,000	3,500
Fiduciary Liability Insurance	96,000	96,000	100,000	4,000
Securities Litigation Monitoring Services	12,500	12,500	12,500	-
Other	-	-	10,000	10,000
Total Professional Services - Consultants & Other	346,000	338,500	388,500	42,500
Administrative Expenses				
Reimbursement to City for Board Member Time	15,000	10,000	15,000	-
Education & Conference	30,000	21,000	30,000	-
Due Diligence Site Visitation (Travel Costs)	25,000	9,000	25,000	-
Membership & Dues	2,600	1,700	2,600	-
Transfer to Retirement Office Fund (Emp.Svc & Id charges)	341,000	341,000	374,600	33,600
Lease Office Space	75,000	60,000	75,000	-
Retirement Staff Education and Conference	11,000	4,500	12,500	1,500
Postage and Overnight mail	2,000	1,200	2,000	-
Stationary and Supplies	4,500	6,500	6,000	1,500
Subscriptions & Publications	300	510	600	300
Miscellaneous Expense (Moving Expenses)	6,000	1,352	0	(6,000)
Total Administrative Expenses	512,400	456,762	543,300	30,900
Capital Budget				
New building furniture	37,500	31,000	-	(37,500)
Multi-Media System	37,500	13,500	30,000	(7,500)
Total Capital Budget	75,000	44,500	30,000	(45,000)
Total Administrative Expenses and Capital Budget	587,400	501,262	573,300	(14,100)
Total System Budget without contingency	37,683,400	36,359,162	45,176,800	7,493,400
Contingency Budget				
	2,000,000	2,000,000	2,000,000	-
Total System Budget	39,683,400	38,359,162	47,176,800	7,493,400

Fire and Police Retirement System

Fire and Police Retirement System

Line Item Description	Budget FY2006	Est. FY 2006	Budget FY 2007	Net Change
Benefit Services				
Monthly Benefit Payments	31,000,000	31,000,000	32,500,000	1,500,000
Post Retirement Supplemental Benefit	4,000,000	2,700,000	4,000,000	-
Deferred Retirement Option Payments	4,000,000	3,700,000	4,500,000	500,000
Employee Contribution Refunds	500,000	365,000	500,000	-
Total Benefit Services	39,500,000	37,765,000	41,500,000	2,000,000
Operations				
Investment Expenses				
Foreign Income Taxes	500,000	460,000	500,000	-
Total Foreign Income Taxes	500,000	460,000	500,000	-
Professional Investment Svcs - Portfolio Mgrs & Consultants				
Alliance Bernstein	215,000	268,000	215,000	-
AXA Rosenberg	390,000	310,000	435,000	45,000
BGI	200,000	192,000	220,000	20,000
Capital Guardian	190,000	137,000	200,000	10,000
Goldman Sachs	150,000	144,000	150,000	-
Emerald Advisors	155,000	159,000	180,000	25,000
Kalmar Investments	230,000	227,000	250,000	20,000
Kennedy	520,000	495,000	530,000	10,000
INVESCO	355,000	365,000	365,000	10,000
Pyrford	395,000	394,000	395,000	-
Genesis	360,000	366,000	380,000	20,000
Aberdeen (Deutsche)	310,000	221,000	250,000	(60,000)
Dodge & Cox	165,000	157,000	165,000	-
Prudential	70,000	65,000	70,000	-
Loomis Sayles	230,000	221,000	245,000	15,000
J.P. Morgan	640,000	660,000	745,000	105,000
Heitman REIT	100,000	79,000	105,000	5,000
Principal REIT	100,000	105,000	115,000	15,000
Wilshire Associates	100,000	103,000	105,000	5,000
Northern Trust	70,000	41,000	70,000	-
Total Professional Investment Svcs - Portfolio Mgrs & Consultants	4,945,000	4,709,000	5,190,000	245,000
Total Investment Expenses	5,445,000	5,169,000	5,690,000	245,000
Professional Services - Consultants & Other				
Saltzman & Johnson	115,000	91,886	115,000	-
Gabriel Roeder, Smith & Co.	60,000	75,000	85,000	25,000
Computer Systems Development & Maint.(Web Site Project)	35,000	35,000	40,000	5,000
Brown, Armstrong (Audit)	16,000	14,000	16,000	-
Publishing Svcs (Annual Reports, Employee Booklets)	15,000	2,500	15,000	-
Hearing Officers, Medical Examiners	51,500	44,500	55,000	3,500
Fiduciary Liability Insurance	96,000	96,000	100,000	4,000
Securities Litigation Monitoring Services	12,500	12,500	12,500	-
Other	-	-	10,000	10,000
Total Professional Services - Consultants & Other	401,000	371,386	448,500	47,500
Administrative Expenses				
Reimbursement to City for Board Member Time	20,000	6,000	20,000	-
Board Member Education & Conference	35,000	15,000	35,000	-
Due Diligence Site Visitation (Travel Costs)	25,000	6,450	25,000	-
Membership & Dues	2,000	1,700	2,000	-
Transfer to Retirement Office Operating Fund (Emp Services & Id's)	341,000	341,000	374,600	33,600
Lease Office Space	75,000	60,000	75,000	-
Retirement Staff Education and Conference	11,000	5,700	12,500	1,500
Postage and Overnight mail	2,000	1,200	2,000	-
Stationary and Supplies	4,500	6,500	6,000	1,500
Subscriptions & Publications	300	510	600	300
Miscellaneous Expense (Moving Expenses)	6,000	2,390	0	(6,000)
Total Administrative Expenses	521,800	446,450	552,700	30,900
Capital Budget				
New building furniture	37,500	31,000	0	(37,500)
Multi-Media System	37,500	13,355	30,000	(7,500)
Total Capital Budget	75,000	44,355	30,000	(45,000)
Total Administrative Expenses and Capital Budget	596,800	490,805	582,700	(14,100)
Total System Budget without contingency	45,942,800	43,796,191	48,221,200	2,278,400
Contingency Budget	2,000,000	2,000,000	2,000,000	-
Total System Budget	47,942,800	45,796,191	50,221,200	2,278,400

Combined Systems

City of Fresno Retirement Systems
ADOPTED BUDGET ▼ FY 2007

Combined Systems

Line Item Description	Budget FY2006	Est. FY 2006	Budget FY 2007	Net Change
Benefit Services				
Monthly Benefit Payments	57,000,000	56,000,000	59,000,000	2,000,000
Post Retirement Supplemental Benefit	5,800,000	4,850,000	6,800,000	1,000,000
Deferred Retirement Option Payments	7,000,000	6,200,000	7,500,000	500,000
Employee Contribution Refunds	1,500,000	1,575,000	2,000,000	500,000
Settlement F.O.R.C.E. Litigation	0	0	5,200,000	5,200,000
Total Benefit Services	71,300,000	68,625,000	80,500,000	9,200,000
Operations				
Investment Expenses				
Foreign Income Taxes	1,000,000	880,000	1,000,000	0
Total Foreign Income Taxes	1,000,000	880,000	1,000,000	0
Professional Investment Svcs - Portfolio Mgrs & Consultants				
Alliance Bernstein	410,000	508,000	410,000	0
AXA Rosenberg	740,000	590,000	830,000	90,000
BGI	380,000	367,000	420,000	40,000
Capital Guardian	360,000	262,000	380,000	20,000
Goldman Sachs	285,000	259,000	285,000	0
Emerald Advisors	290,000	304,000	340,000	50,000
Kalmar Investments	435,000	432,000	480,000	45,000
Kennedy	990,000	945,000	1,010,000	20,000
INVESCO	680,000	695,000	695,000	15,000
Pyrrford	755,000	749,000	780,000	25,000
Genesis	680,000	696,000	725,000	45,000
Aberdeen (Deutsche)	580,000	421,000	465,000	(115,000)
Dodge & Cox	315,000	297,000	315,000	0
Prudential	135,000	124,000	135,000	0
Loomis Sayles	435,000	421,000	465,000	30,000
J.P. Morgan	1,215,000	1,255,000	1,420,000	205,000
Heitman REIT	190,000	150,000	200,000	10,000
Principal REIT	190,000	200,000	215,000	25,000
Wilshire Associates	200,000	195,400	205,000	5,000
Northern Trust	130,000	78,000	130,000	0
Total Professional Investment Svcs - Portfolio Mgrs & Consultants	9,395,000	8,948,400	9,905,000	510,000
Total Investment Expenses	10,395,000	9,828,400	10,905,000	510,000
Professional Services - Consultants & Other				
Saltzman & Johnson	195,000	181,886	195,000	0
Gabriel Roeder, Smith & Co.	120,000	150,000	165,000	45,000
Computer Systems Development & Maint.(Web Site Project)	70,000	60,000	80,000	10,000
Brown, Armstrong (Audit)	32,000	27,000	32,000	0
Publishing Svcs (Annual Reports, Employee Booklets)	30,000	5,000	30,000	0
Hearing Officers, Medical Examiners	83,000	69,000	90,000	7,000
Fiduciary Liability Insurance	192,000	192,000	200,000	8,000
Securities Litigation Monitoring Services	25,000	25,000	25,000	0
Other	0	0	20,000	20,000
Total Professional Services - Consultants & Other	747,000	709,886	837,000	90,000
Administrative Expenses				
Reimbursement to City for Board Member Time	35,000	16,000	35,000	0
Board Member Education & Conference	65,000	36,000	65,000	0
Due Diligence Site Visitation (Travel Costs)	50,000	15,450	50,000	0
Membership & Dues	4,600	3,400	4,600	0
Transfer to Retirement Office Operating Fund (Emp Services & Id's)	682,000	682,000	749,200	67,200
Lease Office Space	150,000	120,000	150,000	0
Retirement Staff Education and Conference	22,000	10,200	25,000	3,000
Postage and Overnight mail	4,000	2,400	4,000	0
Stationary and Supplies	9,000	13,000	12,000	3,000
Subscriptions & Publications	600	1,020	1,200	600
Miscellaneous Expense	12,000	3,742	0	(12,000)
Total Administrative Expenses	1,034,200	903,212	1,096,000	61,800
Capital Budget				
New building furniture	75,000	62,000	0	(75,000)
Multi-Media System	75,000	26,855	60,000	(15,000)
Total Capital Budget	150,000	88,855	60,000	(90,000)
Total Administrative Expenses and Capital Budget	1,184,200	992,067	1,156,000	(28,200)
Total System Budget without contingency	83,626,200	80,155,353	93,398,000	9,771,800
Contingency Budget	4,000,000	4,000,000	4,000,000	0
Total System Budget	87,626,200	84,155,353	97,398,000	9,771,800