

Retirement Quarterly



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VISIT US MONDAY-FRIDAY, 8 AM TO 5 PM
2828 FRESNO STREET SUITE 201
FRESNO CA 93721

CALL FOR AN APPOINTMENT AT (559) 621-7080.

VISIT OUR WEBSITE AT WWW.CFRS-CA.ORG

EMAIL YOUR QUESTIONS OR COMMENTS TO
RETIRE@FRESNO.GOV.

Am I Someone Who Needs a Special Power of Attorney?

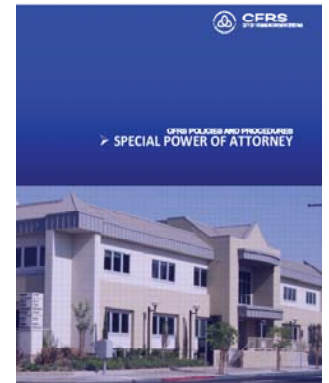
I'm not retired, why would I need a Power of Attorney?

Think Again! All active members and retirees should protect their CFRS benefits and consider executing a CFRS Special Power of Attorney. Having this document on file could prevent a delay in your retirement and in the receipt of your retirement benefits, in the event you become incapacitated and unable to apply for retirement on your own.

The CFRS Special Power of Attorney allows you to designate a representative or agent, known as your attorney-in-fact, to conduct your retirement affairs. Having a CFRS Special Power of Attorney on file with us ensures that your designated attorney-in-fact will be able to perform important duties concerning your CFRS business, such as address changes, federal or state tax withholding elections, lost or stolen retirement checks, endorsing checks, beneficiary designations, or retirement benefit elections should you become unable to act on your own behalf.

You must complete a Special Power of Attorney form while you are able to understand the powers you are granting. If you become unable to handle your affairs before completing a power of attorney, CFRS may find it necessary to withhold your retirement allowance until a court appoints a conservator.

Since appointment of a conservator can be expensive and time consuming, you may wish to safeguard against this possibility by completing the CFRS Special Power of Attorney form sooner rather than later.



Why It's Important for Active Members?

If you are eligible to retire and become mentally incapacitated while in active service and have a CFRS Special Power of Attorney on file:

- Your designated Attorney-in-Fact may apply for retirement benefits on your behalf.
- As a retiree, you would promptly receive the retirement benefits provided by your CFRS retirement plan.

If you are eligible to retire and become mentally incapacitated in active service without a durable Power of Attorney on file:

- No one would be legally authorized to apply for retirement on your behalf.
- Therefore, you would not be eligible to receive the retirement benefits provided by your CFRS retirement plan until a court-appointed conservator is named and the conservator applies for retirement on your behalf. This would require court proceedings which involve additional costs and would delay your retirement and the receipt of your retirement benefits.

Continued, see POA on page 3

At the October Board meeting, a restructuring of the Boards' governance structure was approved. As part of the restructuring, the Administrative Committee and the Investment Committee were disbanded and an additional Board meeting day was added.

Board meetings will now be held at 1:00 p.m. on the 2nd Wednesday and 4th Tuesday of every month.

All Board meetings are held in the Board Chamber at 2828 Fresno Street Suite 202.



INVESTMENT NEWS

Quarterly Investment Report

by Stanley McDivitt, Retirement Administrator

Status of Investment Committee Projects

During the 3rd quarter 2011, the Investment Committee continued its educational review of Asset Allocation analysis and conducted several educational sessions to review, discuss and analyze information presented by Wilshire Associates on value-added real estate, real assets and the current environment for these alternative type investments.

In October, as part of their restructuring of Board Governance, the Boards' disbanded their monthly Administrative and Investment Committee meetings and added an additional Joint Board meeting primarily for Investment related issues on the 4th Tuesday of every month at 1:00pm.

In the coming months the Retirement Boards will finalize work with Wilshire Associates on its Asset Allocation Study, review fixed income and real estate asset classes, begin a thorough review of its Investment Objectives and Policy Statement and determine its strategy to implement an updated Asset Allocation Plan.

The Economy

The index of U.S. leading economic indicators increased in September at a pace that suggests a slower rate of growth in the coming months. The September increase, the lowest since a decline in April, matched economists' projections. In September, the Fed announced a plan to spur the economy with lower borrowing costs by replacing \$400 billion of short-term Treasury securities in its portfolio with longer-term bonds. This month the Federal Reserve Chairman Ben Bernanke stated that the two-year-old recovery is "close to faltering," while repeating his forecast for a pickup in growth.

Recent economic reports have surprised on the upside and support the Fed's view, expressed in its September statement, that there will be "some pickup in the pace of recovery over coming quarters". Economists express their views "that we are moving into an expansion phase at a pace that is far below what an expansion usually is" and "with the momentum being is less and less positive".

Whereas the economic data for the 3rd Quarter 2011 show "lackluster to moderate growth" in the job market and the economy there are intermittent periods of growing consumer pessimism. With the unemployment rates above 9 percent and limited access to credit many Americans are kept from taking advantage of record-low mortgage rates. Foreclosures are adding to the supply of homes for sale and driving down home prices hence the real estate industry in general has made little progress more than two years after the Great Recession ended. All these factors have many economists indicating that further recovery is going to be long and arduous.

Despite the challenges that the economy faces the Retirement Systems remain well funded and have provided a solid rate of return from a long-term perspective. We remain confident that new investment opportunities will arise and with the required amount of due diligence and vigilance we will position the Systems investments for future long-term growth.

Investment Performance of the Systems

For the twelve months ending September 30, 2011, our System's cumulative investment returns were (0.41) percent. For the past five years our System's annualized return was 1.43 percent which compares very favorably with the five year return of the SP 500 return of (1.18) percent, the Russell 2000 return of (1.02) percent, MSCI ACWIexUS return of (1.12) and MSCI EAFE International Index return of (3.00) percent and the Barclay (BC) Aggregate bond index of 6.53 percent.

Global investment markets have experienced unprecedented turbulence over the past three years with losses in fiscal years 2008 and 2009 and market rebounds in fiscal years 2010 and 2011. As a result of this severe and continued volatility in the investment markets, the Systems' annualized returns are 6.70 percent over the past fifteen years, 0.16 percent above the Systems' weighted benchmark return of 6.54 percent and 1.30 percent below the target investment rate of 8.00 percent. Longer term annualized returns are 8.07 percent, 8.55 percent and 9.14 percent over the past twenty, twenty-five and twenty-six years as of September 30, 2011.

As of September 30, 2011, the Retirement System's portfolio had 56.8 percent in equities, 32.9 percent in fixed income, 10.2 percent in public and private open ended real estate investment funds. The investments were further diversified into the following asset classes and target percentages:

	<u>Actual</u>	<u>Target</u>
Large-Cap equities	20.4%	22.5%
Small-Cap equities	8.1%	7.5%
International equities	21.2%	22.8%
Emerging Market equities	7.1%	7.2%
Domestic fixed income	27.8%	25.0%
High Yield fixed income	5.1%	7.0%
Real estate	10.2%	10.0%
Cash	<u>0.1%</u>	<u>0.0%</u>
Total	100%	100.0%

This asset class diversification along with portfolio investment style diversification is all part of the Retirement Board's Investment Risk Management Program.

DEFERRED COMPENSATION MAXIMUM DEFERRAL LIMITS FOR 2012

The maximum elective deferral (contribution) limit for employees who participate in the City of Fresno's Deferred Compensation Plan is increased from \$16,500 to \$17,000 for calendar year 2012. The catch-up provision for those aged 50 and over remains unchanged at \$5,500. Employees who have prior unused maximum deferral amounts can contribute the lesser of twice the dollar limit of the maximum elective deferral limit, \$34,000 or the sum of the current year ceiling, \$17,000 and the unused portion of prior years ceilings each of the last three years before reaching normal retirement age under the Plan.

More information about the City of Fresno's Deferred Compensation Plan can be found at <http://www.fresno.gov/Government/DepartmentDirectory/Personnel/EmployeeBenefits/DeferredCompensationPlan.htm> or by contacting the Retirement Office at (559) 621-7080.

Power of Attorney Forms are NOT all the same!

- A durable power of attorney contains a “durability clause,” which is a provision permitting your designated attorney-in-fact to act on your behalf in the event you are unable to handle your affairs.
- A general power of attorney permits your attorney-in-fact to act on your behalf in all of your personal affairs.
- A special power of attorney grants only the powers that are specifically stated in the power of attorney document. It automatically terminates when you become incapacitated or unable to act on your behalf unless it contains a durability clause.

The CFRS power of attorney is a special power of attorney because it only authorizes your attorney-in-fact to handle your CFRS retirement affairs. Another type of special power of attorney with which you may be familiar is a special power of attorney for health care. CFRS cannot accept this type of special power of attorney for retirement issues. A special power of attorney automatically terminates when you become incapacitated or are unable to act on your own behalf unless it contains a durability clause.

The CFRS Special Power of Attorney is a specialized power of attorney that is specifically designed for CFRS retirement issues. The main advantage in using our special power of attorney form is that it contains a durability clause that specifically shows your intent to have your attorney-in-fact conduct business with us even if you become incapacitated.

While we prefer that CFRS members use the CFRS Special Power of Attorney form because it contains the durability clause, CFRS will also accept other power of attorney forms that grant the attorney-in-fact authority to conduct business with us. However, should your power of attorney form not contain a durability clause, CFRS will not be able to honor it if you become incapacitated.



FOR ADDITIONAL INFORMATION

Call the Retirement Office at (559) 621-7080, email Retire@fresno.gov, or visit the Systems website at www.CFRS-CA.org.



In accordance with Fresno Municipal Code, retirees may designate an adult disabled child as an eligible beneficiary for a benefit continuance.

The Retirement Boards were aware of a few situations where City employees have dependant disabled children, and in 2001, a Code amendment was adopted to allow a surviving disabled child to qualify to receive a continuation benefit.

For a child over the age of eighteen to be eligible for a continuance, all of the following conditions must be met:

- The child is disabled;
- The child’s disability is permanent or of extended duration;
- The child’s disability is due to a physical or mental injury or illness which was diagnosed by a physician prior to the child’s eighteenth birthday;
- The child is incapable of supporting himself or herself;
- The child’s disability is the primary factor in the child’s incapacity to support himself or herself;
- The child or his or her parent or guardian complies fully with the requirements of Article 10 of the Retirement Board’s Rules and Regulations.

CONTINUANCE TO AN ADULT DISABLED CHILD

The following exclusions apply:

- someone who is incarcerated in a county jail, state or federal, or penitentiary
- someone refusing to undergo reasonable treatment for the disability; or
- someone institutionalized at public expense
- the disability would not qualify

if the disability arose directly or indirectly from the use of alcohol or controlled substances.

Termination of Eligibility

A child shall cease to be eligible to receive an allowance as of the date any of the following apply:

- The child’s disability which existed at age eighteen ceases;
- The child, notwithstanding the disability, is capable of self-support;
- The child dies;
- The child marries;
- The child or his or her parent or guardian refuses or fails to provide the information required by the Retirement Board.

Attention: Retirees under age 50 who receive a service-connected disability retirement are required to report their earnings to the Retirement Office on a quarterly basis.

All quarterly Earnings Report Forms must be received by the Retirement Office no later than the 20th of January, April, July and October of each year. Earnings Report Forms received after the 20th of January, April, July and October will result in a reduction of your retirement benefit payment to your Annuity and Post Retirement Supplemental Benefit (PRSB), unless the 20th of January, April, July or October falls on a weekend or holiday, then the Form will be due the following Monday or day after a holiday. No other exceptions will be made.

Earnings Report Forms may be mailed, hand-delivered, emailed or faxed to the Retirement Office. If you have any questions, please contact the Retirement Office at (559) 621-7080.

RETIREMENTS

JULY 1 TO SEPT 30, 2011

Dennis Downs
Brett Barnard
Sean Holquin
Frank Paradise Jr.
Donna Valentino

APPOINTED BOARD MEMBERS SWORN-IN

At the Board meetings in August and October 2011, Police Capitan Michael Reid and Fire Battalion Chief Tim Henry were sworn-in as the Appointed Board Members on the Fire and Police Retirement Board.

In accordance with FMC 3-305, there shall be two members who are City management employees appointed by the Mayor and approved by the City Council.