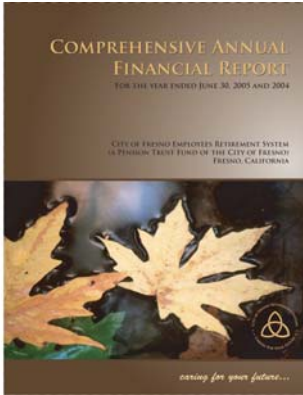




# Comprehensive Annual Financial Report (CAFR) and Annual Report to Members



Every year, the Retirement System publishes a Comprehensive Annual Financial Report (CAFR) and its companion publication Summary Annual Report to Members. The CAFR and the Annual

Report to Members summarize the financial activity of the prior year ending June 30. The CAFR is audited by the System's independent auditor, who has issued an unqualified audit opinion letter and a report on the System's Compliance and Internal Controls over Financial Reporting. It found that there are no instances of non-compliance and no matters involving the internal controls over financial reporting and its operation.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fresno Fire and Police Retirement System for the comprehensive annual financial reports for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. These reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Summary Annual Report to Members will soon be distributed to members and retirees, and the CAFRS have been distributed to the investment community and the City of Fresno.

We encourage you to review the Annual Report. Both documents are available on Retirement's Web Page at: <http://www.fresno.gov/retirement>. ■

# Board Adopts NEW RATES



At the Board meeting in December, the Fire and Police Retirement Board held a public hearing to review and consider adoption of a monthly benefit amount for the Post Retirement Supplemental Benefit (PRSB) for the calendar year 2006. Upon review of the actuarial valuation prepared by Gabriel Roeder Smith & Company, the Board determined that the PRSB benefit will be \$307.54 per month for calendar year 2006. All qualified retirees and beneficiaries will receive this amount with their retirement benefit checks through calendar year 2006. The \$307.54 will first appear on the January 31, 2006, retirement benefit.

Also at the Board meeting in December, the Board adopted employees contribution rates for the fiscal year 2006/2007. The Tier 1 members' contribution rates in the actuary's valuation will be slightly increased. Tier 2 member contribution rates will not change because contribution rates for Tier 2 are fixed at 9 percent. The City's normal contribution rates for the Fire and Police Retirement System will be 24.71 percent (an increase of .59) for the Tier 1 and 17.43 percent (no change) for Tier 2. The combined or blended rate is 20.02 percent (a decrease of .17 percent from the prior year of 20.19 percent). The prefunded actuarial accrued liabilities and the City's prepaid contributions will partially offset the City's normal pension contribution rates, leaving the City with a net 5.38 percent normal pension contribution rate. Upon application of the financial reporting requirements, the actuary determined that the actuarial value of the System's assets was \$846.7 million (with an asset market value of \$957.8 million) and the related actuarial accrued liabilities was \$670.1 million. The funded ratio as of June 30, 2005, was 126.0 percent, which is a 2.4 percent increase. Adopted rates will be effective July 1, 2006. ■

# IDENTITY THEFT: PROTECTING YOUR PRIVACY

One doesn't have to look very far to see how vulnerable an individual's privacy is today, and how damaging the loss of privacy can be. Almost 35,000 California residents and over 140,000 individuals throughout the nation had to be notified that their personal information may have been compromised. According to the Identify Theft Resource Center, it can cost someone several thousand dollars and many hours to restore one's good credit standing once it has been damaged by identify theft. In a Federal Trade Commission estimate, identity theft victimizes nearly 10 million Americans each year, costing businesses approximately \$45 billion per year and consumers, about 5 billion per year.

What is the Retirement System doing to protect the private information you share with us?

The City of Fresno Retirement System (CFRS) has taken great pains to ensure that our members'

private information is well protected. We supply our staff with privacy training and have implemented a number of physical, as well as electronic safeguards to maintain the security of your data. Our new facility is equipped with key card and doorway access controls. We also have video surveillance and shred all member related paper trash. CFRS does not sell or share your personal information with anyone, and we use this information only to process your benefit. Rest assured, it is CFRS priority to make sure your personal information is secure with us.

What can you do to protect yourself from identity theft?

- If you don't have one already -- get a shredder. One of the most popular ways to steal personal information is still "dumpster diving" --going through your trash to retrieve: bank statements, bills, check stubs, preapproved credit card offers, or anything that might show your personal information.
- Carry only credit and identification cards you need,

make a list of the cards you carry and keep the list in a safe place.

- Do not give personal and financial information to people you don't know or whose identity you have not verified. Be particularly cautious about unsolicited phone calls, emails or US mail claiming to come from a legitimate source and asking you for personal information for "verification" or other official-sounding purposes.
- Keep all credit card receipts and statements in a safe place.
- Review your bank and credit card statement every month as soon as they are received.
- Review a copy of your credit report from all three credit reporting agencies at least once a year.

### *Did You Know?*

Almost 25% of identity theft or credit fraud complaints involve seniors, but the average age is 41.

--<https://www.econsumer.equifax.com>

## 2006 RETIREMENT PAYMENT DATES

<b>01/31/2006</b>	<b>04/28/2006</b>	<b>07/31/2006</b>	<b>10/31/2006</b>
<b>02/28/2006</b>	<b>05/31/2006</b>	<b>08/31/2006</b>	<b>11/30/2006</b>
<b>03/31/2006</b>	<b>06/30/2006</b>	<b>09/29/2006</b>	<b>12/29/2006</b>

Direct Deposits are posted to your account on benefit dates. If you do not have direct deposit, your benefit check is mailed on benefit dates.

# INVESTMENT REPORT

by Stanley McDivitt, Retirement Administrator

## Investment Committee Projects

The Investment Committee is currently conducting an analysis of international equity investment managers. The Committee will review responses to the Request for Qualifications and evaluate those firms that manage international equity portfolios and determine whether it will add a new manager for further diversification of this asset class and/or replace an existing manager due to short-term underperformance.

Currently, the Boards' delegate to their investment managers the responsibility for voting proxy ballots. In the coming months, the Committee will issue a Request for Qualifications to analyze and evaluate the services provided by third-party proxy voting services. The Boards' primary objective is to have proxy ballots voted according to the best economic interest of the Systems' members.

## The Economy

On December 13, 2005, the Federal Reserve raised its target for the Fed funds rate by 25 basis points to 4.25%, marking the 13th straight increase since June 2004. With the weaker-than-expected economic data at year-end, and consumer spending flat in the fourth quarter for the first time since 1991, forecasts are that the federal-funds rate could rise just one or two more times in the next few months and stabilize at 5% by spring.

## Investment Performance of the System

For the current twelve months ending December 31, 2005, our System's cumulative investment return, before fees, was 9.23 percent. Our three-year annualized investment return was 15.04 percent, our five-year annualized investment return was 6.10 percent and our ten-year annualized investment return was 9.43 percent. For the past twelve months, domestic equities returned 8.49 percent, international equities returned 14.03 percent, fixed income generated a 2.83 percent return and real estate performed extremely well with a 23.65 percent return.

Our investment results remain very solid when compared to various indexes for the same twelve months. The S&P 500 Index was 4.91 percent, the Russell 2000 Growth Index was 4.15 percent and the MSCI EAFE International equity index was 13.54 percent for the same twelve-month period.

The equity investments were further diversified into the following asset classes:

Large-Cap equities	29.8%
Small-Cap equities	10.5%
International equities	18.6%
Emerging Market equities	3.5%
Domestic fixed income	28.2%
Real estate	9.4%
Total	100%

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



David Case  
William Childrey  
Robert Coley

John Follis  
Walter Golden  
Gary Hains

Freeman Hunter Jr  
Robert Melton  
Lawrence Rounsivill  
Sherri Thornhill

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