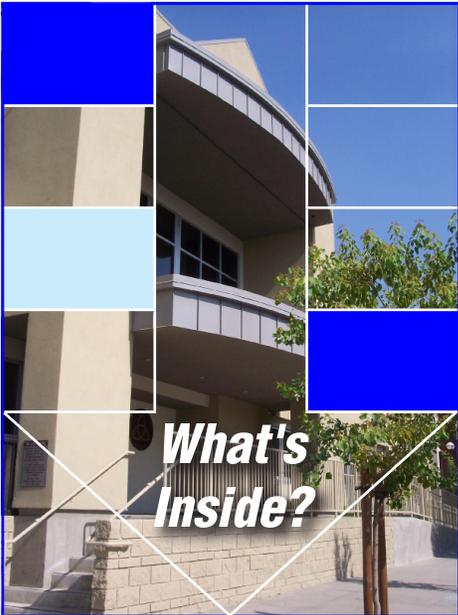


# Retirement Quarterly



What's  
Inside?

## BOARD APPROVES ANNUAL ACTIVE MEMBER INTEREST RATE FOR DROP

The Retirement Board recently approved the Annual DROP Interest Crediting Rate for Fiscal Year 2014 in the amount of 5.96 percent for all active member DROP accounts. The DROP interest crediting rate is based on the System's average investment earnings over the prior five years net of investment expenses. Under the provisions of the Fresno Municipal Code, the Board is annually required to adopt this active member DROP interest crediting rate.

### FY 14 DROP INTEREST RATE

Page 1

### INVESTMENT REPORT

Page 2

### MEMBER INFORMATION

Page 3

### RETIREES

Page 4



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](http://WWW.CFRS-CA.ORG)

EMAIL YOUR QUESTIONS OR COMMENTS TO  
[RETIRE@FRESNO.GOV](mailto:RETIRE@FRESNO.GOV).

## What is the DROP?

The DROP option simply enables an employee to freeze their retirement benefit calculation while continuing to work and accrue pension benefits. Had the employee not entered the DROP, they would still continue to earn additional retirement benefits under the base retirement formula times the employee's final average compensation. Therefore, the DROP member is accruing a similar benefit in an alternative fashion with different distribution options rather than accruing retirement service credit for the years they work while participating in the DROP. The employee will accumulate a DROP account balance consisting of monthly DROP amounts credited to their DROP account including interest credits based on the actual five year average investment earnings of the retirement system less investment costs. The DROP deposit also receives an annual cost of living increase based on the formula in the Code.

Upon retirement, the DROP member has the following distribution options:

- o lump sum payment, or
- o roll-over to an IRA account; or
- o an annuity of the DROP account balance or
- o any combination of first three distribution options.

The City continues to make retirement contributions for all employees of the system *whether or not the employee is in the DROP* in order to fully fund their overall pension obligation over an average period of time. DROP accounts are invested in the same diversified portfolio as the systems' other pension funds.



# Investment Report

by Stanley McDivitt, Retirement Administrator

## Status of Investment Projects

During the second quarter of 2013, the Joint Boards concluded its evaluation of Master Custodial Bank and Securities Lending Services providers and retained Northern Trust as Master Custodian for a new five-year contract commencing October 1, 2013.

The Boards began their review and discussion of multi-strategy fixed income and global tactical asset allocation products, and during Fiscal Year 2014 will conduct a new Asset Allocation study, and resume further evaluation and education related to private value-added real estate during the coming months.

## The Economy

Another downpour of volatility shook the markets in May and June 2013. Although investors are less surprised by the pattern this year as it is one that has plagued the markets for the past three years – as the weather warms the markets begin cooling off. This time the slowdown was not unexpected, and economists had it penciled into their forecasts for awhile.

When Federal Reserve Chairman Ben Bernanke indicated the central bank may begin tapering its monetary stimulus as early as September, stocks sold off, commodity prices fell and credit spreads widened. As a result there were few places for investors to take shelter.

The deceleration is coming in response to an identifiable cause – the biggest federal-budget tightening in more than 60 years – rather than speculative fears about a break-up among countries that use the euro, a Treasury-debt default or a hard landing for China’s economy. And the US looks better prepared to withstand it, thanks in part to a rebounding housing market.

The Boards continue to assess the risks and opportunities in the current climate. We recognize that market reaction to a less accommodative monetary stance from the Fed has been rapid and may already be largely incorporated into market prices. As such for this current period the worst may already be over.

## Investment Performance of the Systems

For the twelve months ending June 30, 2013, our System’s cumulative investment returns were 13.59 percent. Our one year results were higher than the average or median returns for California public pension systems, despite the overwhelming challenges of the economy. For the past three years our System’s annualized return was 12.13% which compares somewhat favorably with the three year return of the Weighted Total Policy Index return of 12.66 percent; SP 500 return of 18.45%, the Russell 2000 return of 18.67%, MSCI EAFE International Index return of 10.55% and the BC U.S. Aggregate bond index of 3.51%.

Despite the severe and continued volatility in the investment markets over the past five years, the Systems’ annualized returns are 5.31 percent; 7.65 percent over the past ten years which is 0.11 percent below the Systems’ weighted benchmark return of 7.76 percent and 0.15 percent above the new target investment rate of 7.50 percent. More importantly, the System’s annualized twenty-year return is 8.41%; twenty-five year return is 9.14% and since October 31, 1985, the annualized return is 9.51% as of June 30, 2013.

As of June 30, 2013, the Retirement System’s portfolio had 59.64 percent in equities, 29.26 percent in fixed income, 11.07percent in public and private open ended real estate investment funds. The investments were further diversified into the following asset classes and target percentages:

	Actual	Target
Large-Cap equities	1.75%	22.5%
Small-Cap equities	8.21%	7.5%
International equities	23.10%	25.0%
Emerging Market equities	6.57%	5.0%
Domestic fixed income	18.79%	25.0%
High Yield fixed income	10.47%	7.0%
Real estate	11.07%	10.0%
Cash	0.04%	0.0%
Total	100.00%	100.0%

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



# ANNUAL CONTRIBUTION STATEMENTS

By now, all active members should have received their annual member contribution statements. The Annual Member Contribution Statement includes the contributions you have made to the pension system, as well as the interest earned. This statement can be provided to financial institutions that require information regarding your pension benefit. **Remember -- You cannot borrow against your pension contributions!**

## Annual Elections for Chair and Vice Chair of the Retirement Board

At the Board meeting in July, annual elections were held for Chair and Vice Chair of the Retirement Boards. The Board elected JEFF BEATTY, as Chair and MARVELL FRENCH was re-elected as Vice Chair.

JEFF BEATTY is a Management Analyst in the Payroll Division of the Finance Department. Jeff was appointed by the Mayor in September 2012. His term is continuous.

MARVELL FRENCH is Senior Vice-President of Premier Valley Bank. Marvell was appointed by the Employees Retirement Board in 2000. Marvell's term is continuous.

Other Employees Retirement Board Members:

RANDY NASON  
Elected by Manual Workers  
Term ends: July 2014

PHILLIP HARDCASTLE  
Elected by Clerical and  
Supervisory Workers  
Term Ends: July 2016

MAYOR-APPOINTED MEMBER  
Vacant



## Is your Retirement Information Current and Complete?

When you were first employed by the City of Fresno, you completed a form which designated a beneficiary for your retirement benefits. For some of you, that may have been a long time ago and, since then, many things may have happened in your life to change your situation. Events such as marriage, divorce, the birth of a child, or the death of a parent, may have created a need to update or change your designated beneficiary. Have you updated the beneficiary form in your retirement file? If not, please consider doing it now. The Beneficiary Designation Form can be found on the Systems' website at <http://www.cfrs-ca.org/Employee/Benefits/Forms.asp>.

### Dissolution of Marriage or Registered Domestic Partnership May Affect your Retirement Benefit

When a divorce occurs or a registered domestic partnership terminates, spouses and registered domestic partners have community property rights under California Law. And, that includes your CFRS retirement benefit.

Legally CFRS retirement benefits are payable only to members and their survivors and beneficiaries--except in the case of dissolution of marriage or registered domestic partnership. Retirement benefits earned during a marriage or registered domestic partnership are considered community property, and must be considered in community property settlement agreements. Contact CFRS to see how this may affect your future retirement benefit.

#### Steps to take:

Notify CFRS when the dissolution action has been filed. CFRS requires a joinder, the legal process under the California Code that names CFRS as a part to the action in the dissolution proceeding.

Submit a draft of a domestic relations order (DRO) to CFRS for approval prior to signing and filing with the court. A DRO is a legal document signed by all parties and a judge that stipulates how retirement benefits should be divided. Upon request from you or your attorney, CFRS provides sample DROs to assist attorneys in drafting orders.

More information is available from the *Community Property* booklet available at [www.CFRS-CA.org](http://www.CFRS-CA.org) or all the Retirement Office at (559) 621-7080.

Active and deferred members who have dissolved a marriage or domestic partnership should contact CFRS well before retirement to ensure all legal requirements are met to avoid any delay in processing your retirement.



City of Fresno Retirement Systems  
2828 Fresno Street Suite 201  
Fresno CA 93721-1327

# Retirees

1/1/2013  
to  
6/30/2013

Nancy Algier  
Genaro Anaya  
Richard Anderson  
Joe Barcelos  
Raymundo Betancourt  
John Cabrera  
Terry Caufield  
Kenneth Chamberlain  
Ronald Cole  
Arturo Colmenero  
Leanne Cronin  
Douglas Crouch  
Rose Crump  
Gareth Davis

Greg Eisner  
Terry Fetters  
Garth Gaddy  
Dale Gibson  
David Hale  
Barbara Hall-Ates  
Cheryl Haroldsen  
Wayne Harrison  
Mary Ann Haynes  
John Hunt  
Douglas Landy  
Kerry Peyton  
James Quarello  
Rickey Quinn

Steven Reyes  
Robert Rodriguez  
Ramon Sanchez  
David Shenson  
John Simpson  
John Sudduth  
Michael Sweeney  
Carole Thompson  
Nick Tillery  
Armando Urbina  
Donald Walton  
Ronald Watson  
Carolyn White  
Kenneth Yoakum

## 2013/2014

RETIREMENT BENEFIT  
PAY DATES

July 31, 2013  
August 30, 2013  
September 30, 2013  
October 31, 2013  
November 29, 2013  
December 31, 2013  
January 31, 2014  
February 28, 2014  
March 31, 2014  
April 30, 2014  
May 30, 2014  
June 30, 2014