

City of Fresno Fire and Police Retirement System

*Actuarial Valuation and Review
as of June 30, 2007*

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December 4, 2007

*Board of Retirement
City of Fresno Fire and Police Retirement System
2828 Fresno Street, Room 201
Fresno, CA 93721-1327*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2007. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2008-2009 and analyzes the preceding year's experience.

The census and financial information were prepared by the City of Fresno Fire and Police Retirement System. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. In our opinion, the combined operation of the assumptions and the methods applied in this valuation fairly represent past and anticipated future experience of the Retirement System and meet the parameters required by GASB Statement 25. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:

*Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary
MYM/hy*

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Vice President and Associate Actuary*

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SECTION 1: Valuation Summary for the City of Fresno Fire and Police Retirement System

Purpose

This report has been prepared by The Segal Company to present a valuation of the City of Fresno Fire and Police Retirement System as of June 30, 2007. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement System, as administered by the Board of Retirement;
- The characteristics of covered active members, DROP participants, inactive vested members, and retired members and beneficiaries as of June 30, 2007, provided by the Retirement System;
- The assets of the System as of June 30, 2007, provided by the Retirement System;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. that the Board has adopted for the June 30, 2007 valuation.

The City of Fresno Fire and Police Retirement System's basic financial goal is to establish contributions that fully fund the Retirement System's liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates. As of June 30, 2007, there is an actuarial surplus (or prefunded actuarial accrued liability) as the System has valuation value of assets that are in excess of the actuarial accrued liability. The actuarial surplus in the Retirement System is used to reduce the City's contribution and to provide a Post Retirement Supplemental Benefit (PRSB). The allocation of surplus is provided in Appendix B of this report.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the Retirement System's assets, liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the Retirement System's staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior year's information.

SECTION 1: Valuation Summary for the City of Fresno Fire and Police Retirement System

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2008 through June 30, 2009.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- In the June 30, 2006 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities was 125.4%. In this June 30, 2007 valuation, the funding ratio has increased to 129.5%.
- The Retirement System's prefunded actuarial accrued liability (PAAL) as of June 30, 2006 was \$183.5 million. In this year's valuation, the PAAL has increased to \$227.7 million.
- The Plan had a net actuarial experience gain of about \$41.5 million. A reconciliation of the System's PAAL is provided in Section 3, Exhibit H.
- The aggregate employer rate calculated in this valuation has decreased from 8.01% of payroll to 7.32% of payroll. The reasons for this change are: (i) lower amount of credit from prepaid employer contributions (ii) higher than expected return on investments, (iii) higher than expected salary increases, (iv) higher than expected retiree COLA increases, (v) change in actuarial assumptions, (vi) extended conversion of sick leave and (vii) other experience gains or losses. A reconciliation of the Retirement System's aggregate employer rate is provided in Section 2, Subsection D (see Chart 14).
- The aggregate member rate calculated in this valuation has decreased slightly from 8.48% of payroll to 8.47% of payroll. The change in member rate is due to change in membership demographics. A reconciliation of the Retirement System's aggregate member rate is provided in Section 2, Subsection D (see Chart 15).
- The results of this valuation reflect changes in economic and non-economic actuarial assumptions adopted by the Board for the June 30, 2007 valuation. With the exception of the continuation of the 8.25% assumed rate of investment return, all of the actuarial assumptions recommended by Segal in the June 30, 2006 biennial experience study have been applied in this valuation. The adopted changes were documented in our Review of Economic Assumptions and our Actuarial Experience Study and are also outlined in Section 4, Exhibit IV of this report.
- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment gains as of June 30, 2007 is \$117.1 million. These investment gains will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will offset any investment losses that may occur after June 30, 2007. This implies that if the Retirement System earns the assumed net rate of investment return of 8.25% per year on a **market value** basis, it will result in investment gains on the actuarial value of assets in the next few years. So, if the actual market return

SECTION 1: Valuation Summary for the City of Fresno Fire and Police Retirement System

is equal to the assumed 8.25% rate and all other actuarial assumptions are met, the contribution requirements would decrease in each of the next few years.

- The City has agreed to liberalize the rules required for non-management Fire members to convert unused sick leave to increase final average salary at retirement. Based on a study performed by the System's prior actuary, it was determined that this would increase the benefits for eligible Fire members by about 9.7%. Since 27% of the System's active members are potentially eligible for this conversion, we have increased the actuarial accrued liability and normal cost rate for all active members by 2.6% to anticipate this conversion.

Impact of Future Experience on Contribution Rates

Future contribution requirements may differ from those determined in the valuation because of:

- 1) difference between actual experience and anticipated experience;
- 2) changes in actuarial assumptions or methods;
- 3) changes in statutory provisions; and
- 4) difference between the contribution rates determined by the valuation and those adopted by the Board.

SECTION 1: Valuation Summary for the City of Fresno Fire and Police Retirement System

Summary of Key Valuation Results (Dollar amounts in thousands)

	June 30, 2007		June 30, 2006	
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
Employer Contribution Rates:				
Tier 1 Normal Cost Rate	25.25%	\$6,249		
Tier 2 Normal Cost Rate	17.34%	11,851		
All Categories Combined	19.44%	18,100	19.03%	17,716
Surplus Offset	-9.66%	-8,989	-7.63%	-7,103
Prepaid Contributions	-2.46%	-2,289	-3.39%	-3,156
Required Contributions	7.32%	6,822	8.01%	7,457
Average Member Contribution Rates:				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
Tier 1	4.94%	\$501	5.01%	\$508
Tier 2	9.00%	6,112	9.00%	6,112
All Categories Combined	8.47%	6,613	8.48%	6,620
Funded Status:				
Actuarial Accrued Liability	\$773,236		\$722,722	
Valuation Value of Assets	\$1,000,961		\$906,223	
Funded Percentage	129.5%		125.4%	
Prefunded Actuarial Accrued Liability	\$227,725		\$183,501	
Key Economic Assumptions:				
Interest Rate	8.25%		8.25%	
Inflation Rate	3.75%		4.25%	
Across-the-Board Salary Increase	0.25%		0.00%	

⁽¹⁾ Based on projected fiscal year 2008-2009 annual payroll for active non-DROP and DROP members of \$93,096.

⁽²⁾ Based on projected fiscal year 2008-2009 annual payroll for members not in the DROP of \$78,056.

SECTION 1: Valuation Summary for the City of Fresno Fire and Police Retirement System

Summary of Key Valuation Demographic and Financial Data

	June 30, 2007	June 30, 2006	Percentage Change
Active Members:			
Non-DROP			
Number of members	956	928	3.0%
Average age	36.8	36.8	N/A
Average service	8.4	8.4	N/A
Projected total compensation ⁽¹⁾	\$75,054,546	\$69,268,193	8.4%
Average projected compensation	\$78,509	\$74,642	5.2%
DROP			
Number of members	174	169	3.0%
Average age	54.9	54.7	N/A
Average service	24.1	24.3	N/A
Projected total compensation ⁽¹⁾	\$14,461,649	\$13,224,715	9.4%
Average projected compensation	\$83,113	\$78,253	6.2%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	322	314	2.5%
Disability retired	293	282	3.9%
Beneficiaries	232	223	4.0%
Total	847	819	3.4%
Average age	66.2	65.7	N/A
Average monthly benefit ⁽²⁾	\$3,383	\$3,260	3.8%
Vested Terminated Members:			
Number of vested terminated members ⁽³⁾	69	44	56.8%
Average age	36.7	37.2	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets	\$1,193,398	\$1,044,738	14.2%
Return on market value of assets	16.81%	11.69%	N/A
Actuarial value of assets	\$1,076,254	\$970,209	10.9%
Return on actuarial value of assets	13.66%	10.17%	N/A
Valuation value of assets	\$1,000,961	\$906,223	10.5%
Return on valuation value of assets	13.03%	9.64%	N/A

⁽¹⁾ June 30, 2006 payroll was projected payroll for plan year 2006-2007. June 30, 2007 payroll was projected payroll for plan year 2007-2008.

⁽²⁾ Excludes supplemental benefits paid from PRSB.

⁽³⁾ Includes terminated members due a refund of member contributions.

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past four valuations can be seen in this chart.

CHART 1
Member Population: 2004 – 2007

Year Ended June 30	Active Members⁽¹⁾	Vested Terminated Members⁽²⁾	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2004	1,017	21	771	0.78
2005	1,065	31	797	0.78
2006	1,097	44	819	0.79
2007	1,130	69	847	0.81

⁽¹⁾Includes DROP members.

⁽²⁾Includes terminated members due a refund of member contributions.

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

Non-DROP Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 956 non-DROP active members with an average age of 36.8 years, average years of service of 8.4 and average compensation of \$78,509. The 928 non-DROP active members in the prior valuation had an average age of 36.8 years, average service of 8.4 and average compensation of \$74,642.

Inactive Members

In this year's valuation, there were 69 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 44 in the prior valuation

These graphs show a distribution of non-DROP active members by age and by years of service.

CHART 2
Distribution of Non-DROP Active Members by Age as of June 30, 2007

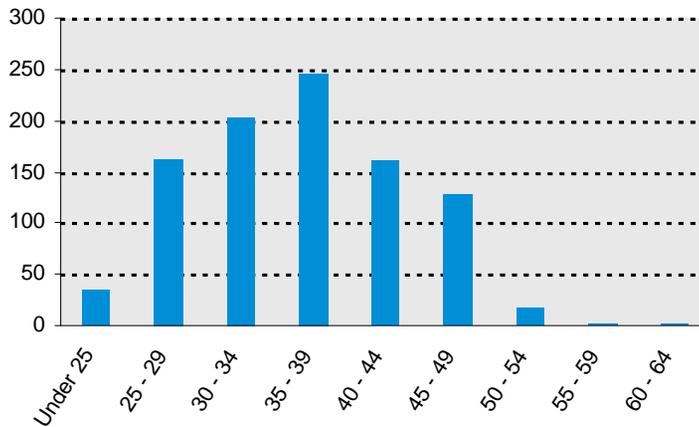
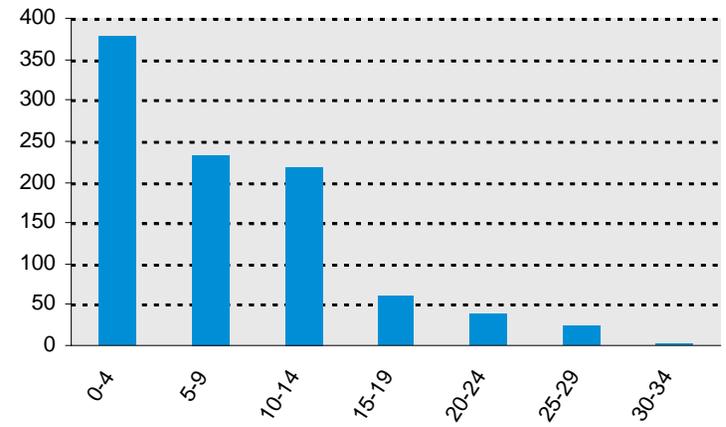


CHART 3
Distribution of Non-DROP Active Members by Years of Service as of June 30, 2007



SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

DROP Active Members

In this year's valuation, there were 174 DROP active members with an average age of 54.9 years, average years of service of 24.1 and average compensation of \$83,113. The 169 DROP active members in the prior valuation had an average age of 54.7 years, average service of 24.3 years and average compensation of \$78,253.

Retired Members and Beneficiaries

As of June 30, 2007, 615 retired members and 232 beneficiaries were receiving total monthly benefits of \$2,865,672. For comparison, in the previous valuation, there were 596 retired members and 223 beneficiaries receiving monthly benefits of \$2,669,700.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Members (Excl. Beneficiaries) by Type and by Monthly Amount as of June 30, 2007

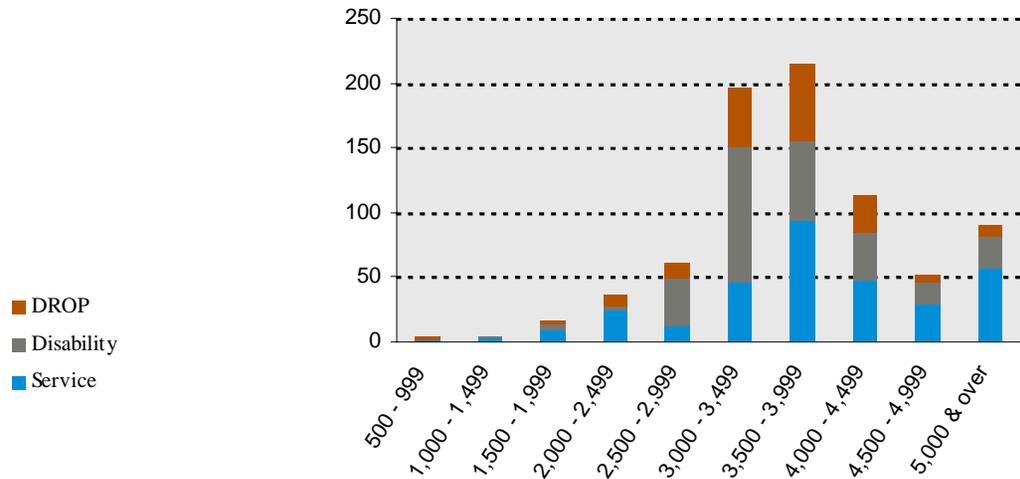
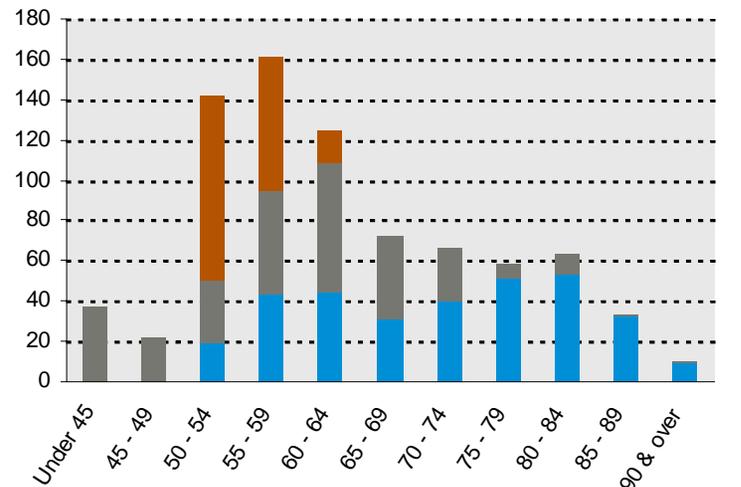


CHART 5
Distribution of Retired Members (Excl. Beneficiaries) by Type and by Age as of June 30, 2007



SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

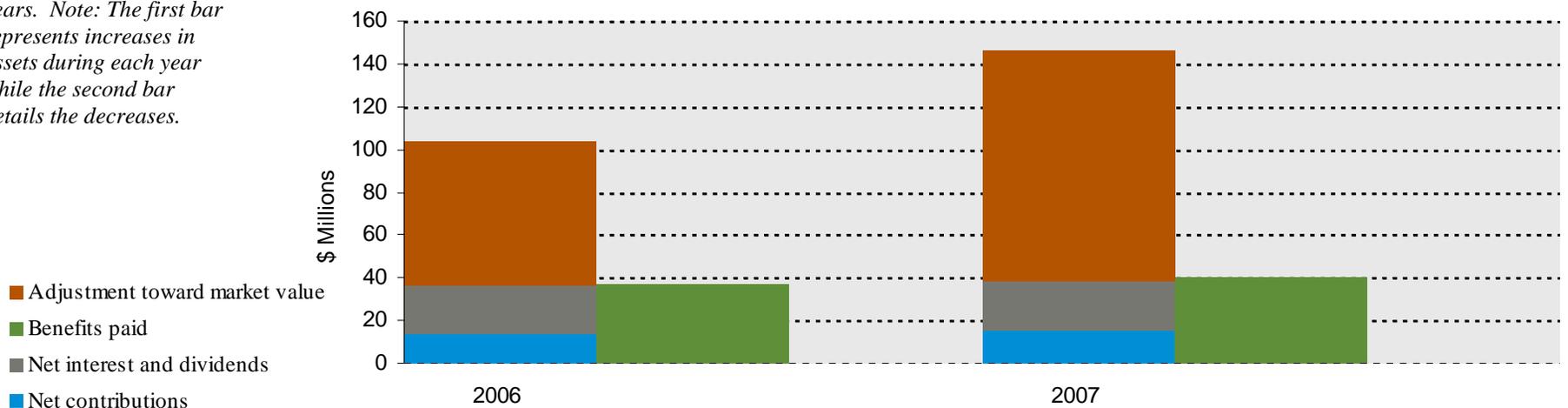
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. The adjustment toward market value shown in the chart is the “non-cash” earnings on investments implicitly included in the actuarial value of assets. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D and E.

The chart depicts the components of changes in the actuarial value of assets over the last two years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2006-2007



SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Retirement has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value of assets.

The determination of the Actuarial Value of Assets is provided on the following page.

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

CHART 7

Determination of Actuarial and Valuation Value of Assets for Year Ended June 30, 2007

Plan Year Ending June 30	Total Actual Market Return	Expected Return*	Investment Gain/(Loss)	Deferred Factor	Deferred Return
2003	N/A	N/A	\$ 5,269,653	0.0	\$0
2004	N/A	N/A	80,487,543	0.2	16,097,509
2005	\$ 91,761,097	\$64,599,953	27,161,144	0.4	10,864,458
2006	110,590,200	78,043,274	32,546,926	0.6	19,528,156
2007	173,484,408	85,166,893	88,317,515	0.8	70,654,012
					\$117,144,135
					1,193,398,333
1. Total Deferred Return					\$1,076,254,198
2. Net Market Value					75,293,000
3. Actuarial Value of Assets (Item 2 – Item 1)					\$1,000,961,198
4. Non-Valuation Reserves					
5. Valuation Value of Assets (Item 3 – Item 4)					

The chart shows the determination of the actuarial value of assets as of the valuation date.

**Based on expected return on market value of assets effective June 30, 2006.*

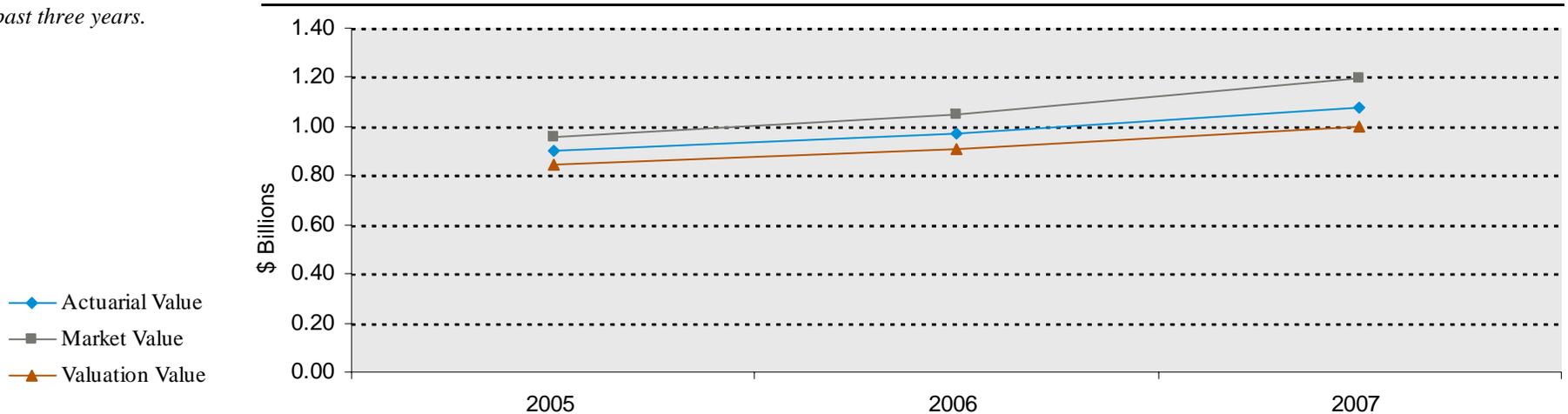
SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

The market value, actuarial value, and valuation value of assets are representations of the Retirement System's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets, but with less volatility. The valuation value of assets is the actuarial value, excluding any non-valuation reserves. The valuation asset value is significant because the Retirement System's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the prefunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in market value, actuarial value and valuation value over the past three years.

CHART 8

Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2005-2007



SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will

return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience gain was \$41.5 million, including a gain of \$42.8 million from investments and a loss of \$1.4 million from all other sources. The net experience variation from individual sources other than investments was 0.2% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9
Actuarial Experience for Year Ended June 30, 2007

1. Net gain/(loss) from investments ⁽¹⁾	\$42,833,000
2. Net gain/(loss) from other experience ⁽²⁾	<u>-1,380,000</u>
3. Net experience gain/(loss): (1) + (2)	\$41,453,000

⁽¹⁾ Details in Chart 10.

⁽²⁾ See Section 3, Exhibit H.

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Retirement System’s investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets was 8.25% (based on June 30, 2006 valuation). The actual rate of return on a valuation basis for the 2007 plan year was 13.03%.

Since the actual return for the year was more than the assumed return, the Retirement System experienced an actuarial gain during the year ended June 30, 2007 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10
Investment Experience for Year Ended June 30, 2007 – Valuation Value and Actuarial Value of Assets

	Valuation Value	Actuarial Value
1. Actual return	\$ 116,690,509	\$ 130,869,517
2. Average value of assets	895,246,736	957,796,732
3. Actual rate of return: (1) ÷ (2)	13.03%	13.66%
4. Assumed rate of return	8.25%	8.25%
5. Expected return: (2) x (4)	73,857,856	79,018,230
6. Actuarial gain/(loss): (1) – (5)	<u>\$42,832,653</u>	<u>\$51,851,287</u>

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial, valuation, and market basis for the last three years.

Based on the assumptions adopted by the Board for the June 30, 2007 valuation, we have maintained the investment return assumption at 8.25%.

CHART 11

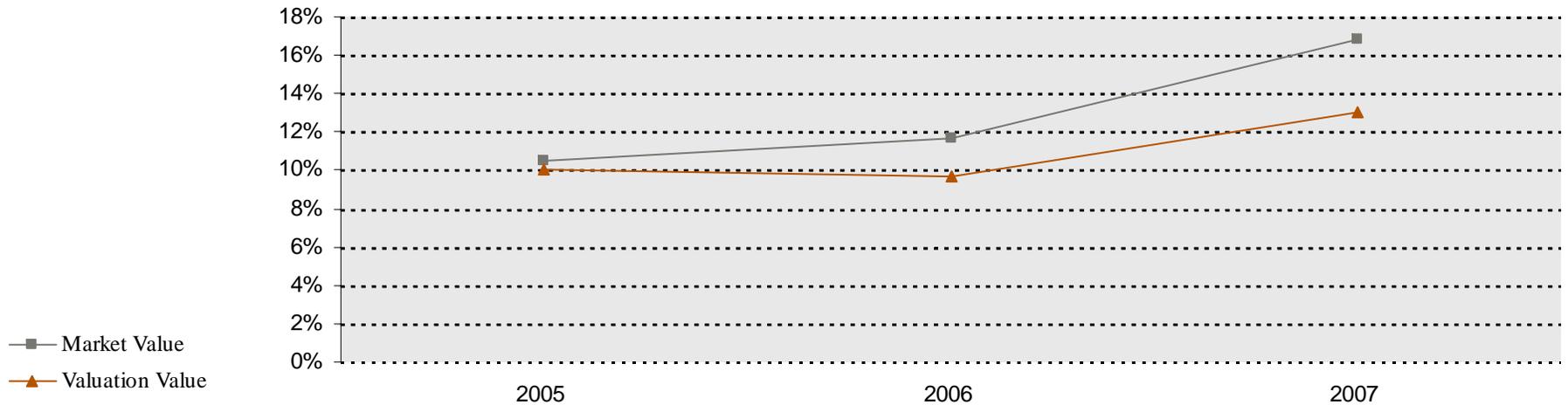
Investment Return – Actuarial Value, Valuation Value and Market Value: 2005 - 2007

Year Ended June 30	Valuation Value Investment Return		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2005	\$73,717,200	10.02%	N/A	N/A	\$91,761,097	10.45%
2006	80,618,910	9.64%	\$90,688,128	10.17%	110,590,200	11.69%
2007	116,690,509	13.03%	130,869,517	13.66%	173,484,408	16.81%

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

CHART 12
Market and Valuation Rates of Return for Years Ended June 30, 2005 – June 30, 2007



SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- actual turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),

- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended June 30, 2007 amounted to \$1.4 million which is 0.2% of the actuarial accrued liability. See Exhibit H for a detailed development of the prefunded actuarial accrued liability.

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

<i>Normal Cost</i>	The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.
<i>Contribution to the Unfunded Actuarial Accrued Liability (UAAL)</i>	The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a prefunded actuarial accrued liability) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the Retirement System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 4.00% (i.e., 3.75% inflation plus 0.25% real across-the-board salary increase).
	The recommended employer contributions are provided on Chart 13.
Member Contributions	
<i>Tier 1</i>	Provide 1/3 of the funding required to pay a benefit equal to 50% of FAS at age 50 (or when a member has 20 years of service if later but not later than age 60) to a member with 66 2/3% automatic continuance payable to his/her eligible spouse/domestic partner (§2-1715). The contribution will be prorated if the member has less than 20 years of service at age 60.
<i>Tier 2</i>	9% pay (§2-1715A)

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

CHART 13

Recommended Employer Contribution Rates (Dollar Amounts in Thousands)

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	<u>Rate</u>	<u>Estimated Annual Amount*</u>	<u>Rate</u>	<u>Estimated Annual Amount*</u>
Tier 1 Members				
Normal Cost	25.25%	\$6,249		
Tier 2 Members				
Normal Cost	17.34%	\$11,851		
All Categories Combined				
Normal Cost	19.44%	\$18,100	19.03%	\$17,716
Surplus Offset	-9.66%	-8,989	-7.63%	-7,103
Prepaid Contribution	<u>-2.46%</u>	<u>-2,289</u>	<u>-3.39%</u>	<u>-3,156</u>
Total Contribution	7.32%	\$6,822	8.01%	\$7,457

** Amounts are in thousands and are based on projected fiscal year 2008 – 2009 annual payroll for active non-DROP and DROP members (also in thousands):*

Tier 1	\$	24,749
Tier 2		<u>68,347</u>
Total	\$	93,096

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

The employer contribution rates as of June 30, 2007 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Employer Contribution

The chart below details the changes in the recommended employer contribution from the prior valuation to the current year's valuation.

The chart reconciles the employer contribution from the prior valuation to the amount determined in this valuation.

CHART 14

Reconciliation of Recommended Employer Contribution from June 30, 2006 to June 30, 2007 (Dollars in Thousands)

	Contribution Rate	Estimated Amount*
Recommended Contribution Rate as of June 30, 2006	8.01%	\$7,457
Effect of actuarial experience during 2006:		
1. Effect of investment gain	-2.85%	-\$2,653
2. Effect of higher than expected salary increases	0.29%	270
3. Effect of higher than expected retiree COLA increases	0.01%	9
4. Effect of change in assumptions adopted by the Board	-0.10%	-93
5. Effect of extended conversion of sick leave to final average salary for non-management Fire employees	1.18%	1,099
6. Effect of other experience (gains)/losses	0.14%	136
7. Effect of lower credit from prepaid employer contributions	0.64%	597
Subtotal	-0.69%	-\$635
Recommended Contribution Rate as of June 30, 2007	7.32%	\$6,822

* Based on projected fiscal year 2008 – 2009 annual payroll of \$93,096 for active non-DROP and DROP members.

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

The member contribution rates as of June 30, 2007 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Member Contribution Rate

The chart below details the changes in the recommended member contribution rate from the prior valuation to the current year's valuation.

CHART 15
Reconciliation of Recommended Member Contribution from June 30, 2006 to June 30, 2007 (Dollar Amounts in Thousands)

The chart reconciles the member contribution from the prior valuation to the amount determined in this valuation.

	Contribution Rate	Estimated Amount*
Average Contribution Rate as of June 30, 2006	8.48%	\$6,620
1. Effect of change in membership demographics	-0.01%	-\$7
Subtotal	-0.01%	-\$7
Average Contribution Rate as of June 30, 2007	8.47%	\$6,613

* Based on projected fiscal year 2008- 2009 annual payroll for members NOT in the DROP of \$78,056.

SECTION 2: Valuation Results for the City of Fresno Fire and Police Retirement System

E. INFORMATION REQUIRED BY GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contributions to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits I, II, and III.

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

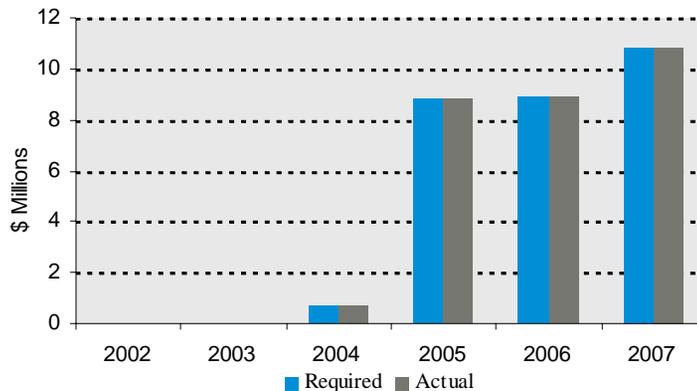
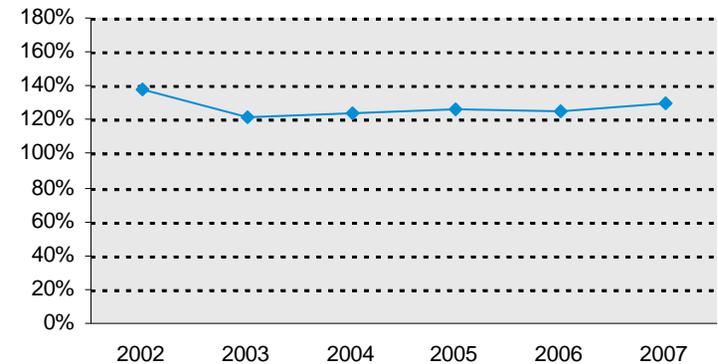


CHART 17
Funded Ratio



SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT A

Table of Plan Coverage

i. Tier 1

Category	Year Ended June 30		Change From Prior Year
	2007	2006	
Active members in valuation			
Non-DROP			
Number	105	132	-20.5%
Average age	46.7	46.5	N/A
Average service	21.6	21.1	N/A
Projected total compensation	\$9,752,178	\$11,259,890	-13.4%
Projected average compensation	\$92,878	\$85,302	8.9%
Member account balances	\$16,763,670	\$19,557,780	-14.3%
Total active vested members	105	132	-20.5%
DROP			
Number	169	165	2.4%
Average age	54.8	54.7	N/A
Average service	24.5	24.6	N/A
Projected total compensation	\$14,045,067	\$12,919,071	8.7%
Projected average compensation	\$83,107	\$78,297	6.1%
Vested terminated members			
Number	8	8	0.0%
Average age	47.9	46.9	N/A
Retired members			
Number in pay status	319	311	2.6%
Average age	71.6	71.2	N/A
Average monthly benefit ⁽¹⁾	\$4,059	\$3,866	5.0%
Disabled members			
Number in pay status	252	242	4.1%
Average age	61.8	61.0	N/A
Average monthly benefit ⁽¹⁾	\$3,855	\$3,717	3.7%
Beneficiaries			
Number in pay status	232	223	4.0%
Average age	68.2	68.1	N/A
Average monthly benefit ⁽¹⁾	\$2,043	\$2,013	1.5%

(1) Excludes supplemental benefits paid from PRSB.

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT A

Table of Plan Coverage

ii. Tier 2

Category	Year Ended June 30		Change From Prior Year
	2007	2006	
Active members in valuation			
Non-DROP			
Number	851	796	6.9%
Average age	35.6	35.2	N/A
Average service	6.7	6.3	N/A
Projected total compensation	\$65,302,368	\$58,008,304	12.6%
Projected average compensation	\$76,736	\$72,875	5.3%
Member account balances	\$46,005,710	\$38,520,066	19.4%
Total active vested members	472	438	7.8%
DROP			
Number	5	4	25.0%
Average age	57.0	56.1	N/A
Average service	10.2	9.0	N/A
Projected total compensation	\$416,582	\$305,644	36.3%
Projected average compensation	\$83,316	\$76,411	9.0%
Vested terminated members			
Number	61	36	69.4%
Average age	35.3	35.0	N/A
Retired members			
Number in pay status	3	3	0.0%
Average age	53.4	52.4	N/A
Average monthly benefit ⁽¹⁾	\$1,452	\$1,408	3.1%
Disabled members			
Number in pay status	41	40	2.5%
Average age	40.1	39.3	N/A
Average monthly benefit ⁽¹⁾	\$2,952	\$2,865	3.0%
Beneficiaries			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽¹⁾	N/A	N/A	N/A

(1) Excludes supplemental benefits paid from PRSB.

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT B

**Members in Active Service and Projected Average Compensation
By Age, Years of Service as of June 30, 2007– Non-DROP Active Members Only***

i. Tier 1

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	28	--	--	1	19	8	--	--	--	--
	\$91,920	--	--	\$144,660	\$82,752	\$107,102	--	--	--	--
45 - 49	71	--	--	--	19	29	21	2	--	--
	92,606	--	--	--	87,327	87,163	\$106,095	\$80,041	--	--
50 - 54	5	--	--	--	2	--	3	--	--	--
	104,258	--	--	--	90,746	--	113,266	--	--	--
55 - 59	1	--	--	--	1	--	--	--	--	--
	82,120	--	--	--	82,120	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
Total	105	--	--	1	41	37	24	2	--	--
	\$92,878	--	--	\$144,660	\$85,247	\$91,474	\$106,991	\$80,041	--	--

* Excludes 169 active members in DROP with projected average compensation of \$83,107.

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT B

**Members in Active Service and Projected Average Compensation
By Age, Years of Service as of June 30, 2007– Non-DROP Active Members Only***

ii. Tier 2

Age	Total	Years of Service							
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 25	34	34	--	--	--	--	--	--	--
	\$61,588	\$61,588	--	--	--	--	--	--	--
25 - 29	163	142	21	--	--	--	--	--	--
	68,635	66,216	\$84,991	--	--	--	--	--	--
30 - 34	204	112	75	17	--	--	--	--	--
	74,579	67,992	82,451	\$83,250	--	--	--	--	--
35 - 39	246	56	92	95	2	1	--	--	--
	80,557	70,532	82,040	84,647	\$99,081	\$79,855	--	--	--
40 - 44	133	23	31	71	8	--	--	--	--
	82,552	74,402	80,975	84,676	93,246	--	--	--	--
45 - 49	57	9	11	29	8	--	--	--	--
	83,003	78,630	82,814	84,648	82,215	--	--	--	--
50 - 54	12	2	2	6	2	--	--	--	--
	87,178	103,478	77,695	83,145	92,459	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
60 - 64	2	1	1	--	--	--	--	--	--
	116,570	155,178	77,962	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
70 & Over	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
Total	851	379	233	218	20	1	--	--	--
	\$76,736	\$68,186	\$82,278	\$84,506	\$89,338	\$79,855	--	--	--

* Excludes 5 active members in DROP with projected average compensation of \$83,316.

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT C

Reconciliation of Member Data – June 30, 2006 to June 30, 2007

	Non-DROP Active Members	Vested Terminated Members	Pensioners/ DROP	Disableds	Beneficiaries	Total
Number as of June 30, 2006	928	44	483	282	223	1,960
New members	81	0	0	0	0	81
Terminations – with vested rights	-18	18	0	0	0	0
Contributions Refunds	-9	0	0	0	0	-9
Retirements/ DROP	-26	0	26	0	0	0
New disabilities	-2	0	-11	13	0	0
Return to work	4	-4	0	0	0	0
Died with or without beneficiary	-2	0	-2	-2	9*	3
Data adjustments	0	11	0	0	0	11
Number as of June 30, 2007	956	69	496**	293	232	2,046

**This is the net increase in the number of beneficiaries after subtracting the number of beneficiaries who died during the year.*

*** Includes 169 and 174 active members in DROP as of June 30, 2006 and June 30, 2007, respectively.*

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2007	Year Ended June 30, 2006
Contribution income:		
Employer contributions	\$10,806,791	\$8,885,866
Employee contributions	5,393,526	5,335,793
Less administrative expenses	<u>-887,983</u>	<u>-802,502</u>
Net contribution income	\$15,312,334	\$13,419,157
Investment income:		
Interest, dividends and other income	\$30,256,830	\$28,688,753
Adjustment toward market value	107,618,890	68,289,208
Less investment fees	<u>-7,006,203</u>	<u>-6,289,833</u>
Net investment income	<u>130,869,517</u>	<u>90,688,128</u>
Total income available for benefits	\$146,181,851	\$104,107,285
Less benefit payments:		
Benefit payments	-\$36,810,507	-\$34,230,001
Post retirement supplemental benefits	-2,872,008	-2,548,218
Refunds of contributions	<u>-453,920</u>	<u>-303,442</u>
Net benefits payments	-\$40,136,435	-\$37,081,661
Change in reserve for future benefits	\$106,045,416	\$67,025,624

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT E

Summary Statement of Assets

	Year Ended June 30, 2007	Year Ended June 30, 2006
Cash equivalents	\$2,699,001	\$4,470,309
Accounts receivable:		
Receivables for investments sold	\$12,039,613	\$5,574,713
Interest and dividends	4,326,118	3,988,327
Others receivables	<u>2,006,771</u>	<u>1,073,489</u>
Total accounts receivable	18,372,502	10,636,529
Investments:		
Domestic and international equity	\$705,825,231	\$604,909,753
Government and corporate bonds	315,483,348	288,433,007
Real estate	114,730,183	107,593,578
Emerging market equity	39,013,071	31,430,154
Collateral held for securities lent	228,692,383	194,049,403
Other investments	<u>27,843,434</u>	<u>19,005,358</u>
Total investments at market value	<u>1,431,587,650</u>	<u>1,245,421,253</u>
Total assets	\$1,452,659,153	\$1,260,528,091
Less accounts payable:		
Collateral held for securities lent	-\$228,692,383	-\$194,049,403
Payable for investments and foreign currency purchased	-23,006,465	-12,743,484
Prepaid employer contributions	-2,542,961	-7,685,005
Other liabilities	<u>-5,019,011</u>	<u>-1,312,173</u>
Total accounts payable	-\$259,260,820	-\$215,790,065
Net assets at market value	<u>\$1,193,398,333</u>	<u>\$1,044,738,026</u>
Net assets at actuarial value	<u>\$1,076,254,198</u>	<u>\$970,208,782</u>
Net assets at valuation value	<u>\$1,000,961,198</u>	<u>\$906,222,782</u>

Note: Results may not total properly due to rounding.

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT F

Actuarial Balance Sheet

An overview of your System’s funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that will be made by the System for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the “liability” of the Plan.

Second, we determine how this liability will be met. These actuarial “assets” include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments.

Actuarial Balance Sheet (Dollar Amounts in Thousands)

Assets	<u>Total</u>
1. Total valuation assets	\$1,000,961
2. Present value of future member normal cost	\$61,356
3. Present value of future employer normal cost	\$139,220
4. Unfunded/(prefunded) actuarial accrued liability	-\$227,725
5. Total current and future assets	<u>\$973,812</u>
Liabilities	
6. Present value of benefits already granted, excludes current active DROP	\$457,878
7. Present value of benefits for current active DROP	\$137,544
8. Present value of benefits to be granted	<u>\$378,390</u>
9. Total liabilities	\$973,812

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT G

Summary of Reported Asset Information as of June 30, 2007

	Reserves(\$000)
Employer Advance/Retired Reserves	\$ 730,098
Reserve for Market Stabilization	287,378
Active Member Reserves	66,082
Other Reserve	34,547
DROP Reserve ⁽¹⁾	73,067
Reserve for PRSB ⁽¹⁾	2,226
Net Assets Held in Trust for Benefits	<u>\$ 1,193,398</u>

(1) Non-valuation reserve

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT H

Development of Unfunded /(Prefunded) Actuarial Accrued Liability as of June 30, 2007

	(Dollar amounts in Thousands)
1 Unfunded/(prefunded) actuarial accrued liability at beginning of year	-\$183,501
2 Gross Normal Cost at middle of year	22,375
3 Actual employer and member contributions	-16,200
4 Interest (whole year on (1) plus half year on (2) + (3))	<u>-14,884</u>
5 Expected unfunded/(prefunded) actuarial accrued liability at end of year	-\$192,210
6 Actuarial (gain)/loss due to all changes:	
<u>Experience (gain)/loss</u>	
a. Gain from investment	-\$42,833
b. Higher than expected salary increase	4,390
c. Higher than expected benefit increases for continuing retirees	216
d. Other experience (gain)/loss	-3,226
<u>Other changes</u>	
e. Change in actuarial assumptions	-1,862
f. Extended conversion of sick leave to increase final average salary for non-management Fire employees	<u>7,800</u>
g. Subtotal*	-\$35,515
7 Actual unfunded/(prefunded) actuarial accrued liability at end of year	-\$227,725

* The net actuarial experience gain was \$41,453 if we exclude the impact of the change in the actuarial assumptions (item 6e) and the conversion of sick leave (item 6f).

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit indexed for inflation. That limit is \$180,000 for 2007 and \$185,000 for 2008. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must generally be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contributions rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future net, in this case, of investment and administrative expenses.
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the level cost allocated to the current year of service.

Actuarial Accrued Liability For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded (Prefunded) Actuarial Accrued Liability:

The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan. There are many approaches to paying off the unfunded or prefunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the City of Fresno Fire and Police Retirement System

**Amortization of the Unfunded
(Prefunded) Actuarial
Accrued Liability:**

Payments made over a period of years equal in value to the Plan's unfunded or prefunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

EXHIBIT I

Supplementary Information Required by GASB – Schedule of Employer Contributions (Dollar Amounts in Thousands)

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2002	\$ 0	\$ 0	N/A
2003	0	0	N/A
2004	728	728	100.0%
2005	8,806	8,806	100.0%
2006	8,886	8,886	100.0%
2007	10,807	10,807	100.0%

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

EXHIBIT II

Supplementary Information Required by GASB – Schedule of Funding Progress (Dollar Amounts in Thousands)

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Prefunded AAL (b) - (a)	Funded Ratio (%) (a) / (b)	Covered Payroll (c)	Prefunded AAL as a Percentage of Covered Payroll (%) [(b) - (a)] / (c)
6/30/2002	\$814,680	\$590,855	\$223,825	137.9	\$64,937	344.7
6/30/2003	749,505	617,879	131,626	121.3	65,247	201.7
6/30/2004	793,059	642,194	150,865	123.5	68,483	220.3
6/30/2005	846,718	670,101	176,617	126.4	73,422	240.6
6/30/2006	906,223	722,722	183,501	125.4	82,493	222.4
6/30/2007	1,000,961	773,236	227,725	129.5	89,516	254.4

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

EXHIBIT III

Supplementary Information Required by GASB

Valuation date	June 30, 2007
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll for total Unfunded Actuarial Accrued Liability or Prefunded Actuarial Accrued Liability
Remaining amortization period	15 years open (non-declining) for all Prefunded Actuarial Accrued Liability
Asset valuation method	The Actuarial Value of Assets is determined by phasing in any difference between actual and expected return on actuarial value of assets over 5 years. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves (i.e. DROP Reserve, PRSB Reserve and City Surplus).
Actuarial assumptions:	
Investment rate of return	8.25%
Inflation rate	3.75%
Real across-the-board salary increase	0.25%
Projected salary increases*	4.00% to 10.00%
Cost of living adjustments	4.00% of Tier 1 retirement income and 3.00% of Tier 2 retirement income
Plan membership:	
Retired members and beneficiaries receiving benefits	847
Terminated members entitled to, but not yet receiving benefits	69
DROP members	174
Active members	<u>956</u>
Total	2,046

* Includes inflation at 3.75% plus real across-the-board salary increase of 0.25% plus merit and promotion increases. See Exhibit IV for these increases.

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

EXHIBIT IV

Actuarial Assumptions and Actuarial Cost Method

Post – Retirement Mortality Rates:

Healthy: 1994 Group Annuity Mortality Table (separate tables for males and females) set back one year.

Disabled: 1981 Safety Disability Mortality Table set back five years.

*Employee Contribution Rates
and Optional Benefits:*

1994 Group Annuity Mortality Table set back one year weighted 90% male and 10% female. For beneficiaries, 1994 Group Annuity Mortality Table set back one year weighted 10% male and 90% female.

Please note that in determining optional benefits for disabled members, the 1981 Safety Disabled Mortality Table set back five years is used instead.

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Termination Rates Before Retirement:

Rate (%)

Mortality

Tier 1 & Tier 2

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	0.06	0.03
30	0.08	0.03
35	0.08	0.04
40	0.10	0.07
45	0.15	0.09
50	0.23	0.13
55	0.40	0.21
60	0.71	0.39
65	1.29	0.76

All pre-retirement deaths are assumed to be duty.

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Termination Rates Before Retirement (Continued):

Rate (%)

Disability

<u>Age</u>	<u>Tier 1</u>		<u>Tier 2</u>	
	<u>Duty</u>	<u>Non-Duty</u>	<u>Duty</u>	<u>Non-Duty</u>
20	0.09	0.00	0.30	0.00
25	0.28	0.01	0.42	0.01
30	0.31	0.01	0.60	0.01
35	0.70	0.03	0.84	0.03
40	0.95	0.12	1.22	0.12
45	1.25	0.25	1.76	0.25
50	2.50	0.20	1.71	0.20
55	7.00	0.00	2.53	0.00
60	0.00	0.00	0.00	0.00

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Termination Rates Before Retirement (Continued):

Rate (%)												
Withdrawal (Refund of Contributions)												
	0-1 Yrs		1-2 Yrs		2-3 Yrs		3-4 Yrs		4-10 Yrs		10+ Yrs	
<u>Age</u>	<u>Tier1</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 2</u>								
20	4.47	8.94	4.47	4.47	4.47	3.00	4.47	2.50	2.87	2.50	2.87	2.50
25	4.47	8.94	4.47	4.47	4.47	3.00	4.47	2.50	2.87	2.50	2.87	2.50
30	4.47	8.94	4.47	4.47	4.47	3.00	4.47	2.50	1.95	1.95	1.77	1.77
35	4.47	8.94	4.47	4.47	4.47	3.00	4.47	2.50	0.83	0.83	0.58	0.58
40	4.47	8.94	4.47	4.47	4.47	3.00	4.47	2.50	0.38	0.38	0.20	0.20
45	4.47	8.94	4.47	4.47	4.47	3.00	4.47	2.50	0.20	0.20	0.03	0.03
50	4.47	8.94	4.47	4.47	4.47	3.00	4.47	2.50	0.00	0.00	0.00	0.00
55	4.47	8.94	4.47	4.47	4.47	3.00	4.47	2.50	0.00	0.00	0.00	0.00
60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Termination Rates Before Retirement (Continued):

Rate (%)

Vested Termination (Deferred Vested Benefit)

Age	Tier 1	Tier 2
20	0.70	0.70
25	0.70	0.70
30	0.70	0.70
35	0.70	0.70
40	0.70	0.60
45	0.60	0.35
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Retirement Rates:

Age	Rate (%)	
	Tier 1	Tier 2
50	12.72	5.31
51	7.63	4.12
52	7.63	4.64
53	5.09	14.28
54	5.09	16.74
55	10.60	19.46
56	13.77	11.72
57	14.03	7.82
58	16.66	9.69
59	29.67	9.17
60	100.00	100.00

DROP Assumptions:	Tier 1	Tier 2
First Year Eligible	100%	50%
Second Year Eligible	0%	25%
Third Year Eligible	0%	10%
Thereafter	0%	0%

Members are assumed to remain in DROP for 4 years

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

**Retirement Age and Benefit for
Deferred Vested Members**

For current deferred vested members, the retirement assumption is age 50.

It is assumed that 50% of future deferred vested members will continue to work for a reciprocal employer. For those that continue to work for a reciprocal employer, a 4.20% compensation increase per annum is assumed.

Future Benefit Accruals:

1.0 year of service per year.

Unknown Data for Members:

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

**Inclusion of Deferred Vested
Members:**

All deferred vested members are included in the valuation.

Percent Married:

85%

Age of Spouse:

Wives are 4 years younger than their husbands.

Net Investment Return:

8.25%, net of administration and investment expenses.

**Employee Contribution
Crediting Rate:**

8.25%, assumed in the valuation.

Consumer Price Index:

Increase of 4.00% per year, retiree COLA increases due to CPI are limited to maximum at 4.00% per year for Tier 1 and 3.00% for Tier 2.

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.75% per year plus 0.25% real across-the-board salary increase; plus the following Merit and Promotion increases based on completed years of service and age.

5 or less years of service:

<u>Service</u>	<u>Annual Increase</u>
0-1	6.00%
1-2	5.75%
2-3	5.50%
3-4	5.25%
4-5	5.25%

More than 5 years of service:

<u>Age</u>	<u>Annual Increase</u>
25-29	1.70%
30-34	1.30%
35-39	1.10%
40-44	0.50%
45-49	0.25%
50-54	0.15%
55+	0.00%

There is an additional 0.75% increase at the time of service retirement to reflect the average leave time cash outs for management employees.

To reflect the conversion of sick leave to increase final average salary for non-management Fire members, we have increased the normal cost and actuarial accrued liability for all active members by 2.6% to anticipate the conversion.

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Actuarial Value of Assets:	The Actuarial Value of Assets is determined by phasing in any difference between actual and expected return on market value of assets over 5 years.
Valuation Value of Assets:	The Actuarial Value of Assets reduced by the value of the non-valuation reserves.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Normal Cost and Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal cost is calculated on an aggregate basis by taking the present value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a Normal Cost Rate. This Normal Cost rate is then multiplied by the total current salaries.

Changes in Actuarial Assumptions: Based on our Experience Study and Review of Economic Assumptions, the following assumptions have been changed. Previously, those assumptions were as follows:

Post – Retirement Mortality Rates:

- Healthy:* 1994 Uninsured Pensioner Mortality Table (separate tables for males and females). For males, the table is set back two years and for females, the table is set forward one year.
- Employee Contribution Rates:* 1994 Uninsured Pensioner Mortality Table (separate tables for members and beneficiaries). For members, the table used is the male table set back two years. For beneficiaries, the table used is the female table set forward one year.
- Optional Benefits:* 1994 Uninsured Pensioner Mortality Table (separate tables for members, and beneficiaries). For members, the table used is the male table with no set back. For beneficiaries, the table used is the female table with a one year set forward.

Please note that for disabled members, the 1981 Safety Disabled Mortality Table set back five years is used instead.

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Previous Actuarial Assumptions (continued):

Termination Rates Before Retirement:

		Rate (%)			
		Mortality			
		Tier 1		Tier 2	
<u>Age</u>	<u>Duty</u>	<u>Non-Duty</u>	<u>Duty</u>	<u>Non-Duty</u>	
25	0.04	0.05	0.04	0.04	
30	0.05	0.05	0.04	0.05	
35	0.06	0.06	0.05	0.06	
40	0.07	0.06	0.07	0.07	
45	0.12	0.08	0.12	0.12	
50	0.17	0.11	0.17	0.17	
55	0.00	0.19	0.00	0.00	
60	0.00	0.00	0.00	0.00	

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Previous Actuarial Assumptions (continued):

Retirement Rates:

Age	Rate(%)	
	Tier 1	Tier 2
50	12.72	5.31
51	7.63	4.12
52	7.63	4.64
53	5.09	14.28
54	5.09	16.74
55	10.60	19.46
56	13.77	11.72
57	14.03	7.82
58	16.66	9.69
59	29.67	9.17
60	100.00	100.00

DROP Assumptions:	Tier 1	Tier 2
First Year Eligible	100%	50%
Second Year Eligible	0%	25%
Third Year Eligible	0%	10%
Thereafter	0%	0%

Members are assumed to remain in DROP for 3 years.

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Previous Actuarial Assumptions (continued):

**Retirement Age and Benefit for
Deferred Vested Members**

For current deferred vested members, the retirement assumption is age 50.
We assume that no future deferred vested members will continue to work for a reciprocal employer.

Consumer Price Index:

Increase of 4.25% per year, retiree COLA increases due to CPI are limited to maximum at 4.25% per year for Tier 1 and 2.75% for Tier 2.

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 4.25% per year plus 0.00% real across-the-board salary increase; plus the following Merit and Promotion increases based on completed years of service and age.

5 or less years of: 5.25%

More than 5 years of Service

<u>Age</u>	<u>Annual Increase</u>
25-29	1.65%
30-34	1.25%
35-39	1.05%
40-44	0.50%
45-49	0.25%
50+	0.00%

There is an additional 0.75% increase at the time of service retirement to reflect the average leave time cash outs for management employees.

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

EXHIBIT V

Summary of Plan Provisions

This exhibit summarizes the major provisions of the Retirement System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership Eligibility:

	All sworn Fire, Police, and Airport Public Safety personnel are eligible.
<i>Tier 1</i>	Safety members hired before August 27, 1990.
<i>Tier 2</i>	Safety members hired on or after August 27, 1990.

Final Compensation (FAS) for Benefit Determination:

<i>Tier 1</i>	Final highest consecutive thirty-six months of compensation earnable calculated using the rate of pay actually earned by the member in effect at the time of retirement. Some members are also entitled to final compensation determined based on a rank average (§2-1701 and §2-1701.1).
<i>Tier 2</i>	Highest consecutive thirty-six months of compensation earnable calculated using the rate of pay actually earned by the member in effect at the time of retirement (§2-1701A).

Service: Years of service (Yrs).

Service Retirement Eligibility:

<i>Tier 1</i>	Age 50 with 10 years of service, or age 65 regardless of service (§2-1726).
<i>Tier 2</i>	Age 50 with 5 years of service, or age 65 regardless of service (§2-1726A).

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Benefit Formula:

Tier 1 (§2-1727)

If a member has at least 20 years of service at age 50:

Yrs before 50 (limited to 20) * 2.75% * FAS + Yrs after 50 (limited to 10) * 2.00% * FAS

If a member has less than 20 years of service at age 50:

Yrs (limited to 20) * 2.75% * FAS + Yrs of service in excess of 20 (limited to 10) * 2.00% * FAS

Tier 2 (§2-1727A)

Retirement Age	Benefit Formula
50	2.00% x FAS x Yrs
51	2.14% x FAS x Yrs
52	2.28% x FAS x Yrs
53	2.42% x FAS x Yrs
54	2.56% x FAS x Yrs
55+	2.70% x FAS x Yrs

Maximum Benefit

(§2-1727 and §2-1727A): 75% of FAS

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Deferred Retirement

Option Program (DROP):

<i>Eligibility</i>	Same as Service Retirement.
<i>Benefits Under DROP</i>	DROP benefits (calculated using age, service and salary at the commencement date of participation in DROP) will be credited to a DROP account with interest at rates determined by the Board. Members will no longer be required to make member contributions. Members may participate in DROP for up to ten years (§2-1744 and §2-1744A).

Ordinary Disability:

<u><i>Tier 1</i></u>	
<i>Eligibility</i>	Ten years of service (§2-1729).
<i>Benefit Formula</i>	Greater of 1.65% x FAS x Yrs, 36.67% of FAS or Service Retirement benefit (§2-1730).
<u><i>Tier 2</i></u>	
<i>Eligibility</i>	Ten years of service (§2-1729A).
<i>Benefit Formula</i>	Greater of 1.5% x FAS x Yrs, 33.00% of FAS or Service Retirement benefit (§2-1730A).

Duty Disability:

<u><i>Tier 1</i></u>	
<i>Eligibility</i>	No age or service requirements (§2-1729).
<i>Benefit Formula</i>	55% of FAS or Service Retirement benefit, if greater (§2-1730).
<u><i>Tier 2</i></u>	
<i>Eligibility</i>	No age or service requirements (§2-1729A)
<i>Benefit Formula</i>	50% of FAS or Service Retirement benefit, if greater (§2-1730A).

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Pre-Retirement Death:

All Members

Eligibility

None.

Basic Lump Sum Benefit

Refund of employee contributions with interest, plus one month's compensation for each year of service, to a maximum of six month's compensation (§2-1723 and §2-1723A for Tier 1 and Tier 2, respectively).

Death in Line of Duty

55% (50% for Tier 2) of FAS or Service Retirement benefit, if greater and, payable to spouse/domestic partner or minor children (§2-1723 and 2-1723A for Tier 1 and Tier 2, respectively).

OR

Vested Members

Eligibility

Ten (five for Tier 2) years of service.

Basic Benefit

66-2/3% of member's unmodified allowance continued to eligible Spouse/Domestic Partner (§2-1732 and §2-1732A for Tier 1 and Tier 2, respectively).

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Death After Retirement:

All Members

Service or

Ordinary Disability Retirement

66 2/3 % of member's unmodified allowance continued to eligible spouse/domestic partner (§2-1732 and §2-1732A for Tier 1 and Tier 2, respectively).

Line-of-Duty Disability

100% of member's allowance continued to eligible spouse/domestic partner (§2-1732 and §2-1732A for Tier 1 and Tier 2, respectively).

Withdrawal Benefits:

*Less than Five Years of Service
(Ten Years for Tier 1)*

Refund of accumulated employee contributions with interest.

*Five or More Years of Service
(Ten Years for Tier 1)*

If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire (§2-1735 and §2-1735A for Tier 1 and Tier 2, respectively).

Post-retirement

Cost-of-Living Benefits:

Tier 1

Future changes based on Consumer Price Index to a maximum of 5% per year. Some members are entitled to a cost-of-living benefit based on a rank average (§2-1701.1).

Tier 2

Future changes based on Consumer Price Index to a maximum of 3% per year (§2-1727A).

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Member Contributions:	Please refer to Appendix A for specific rates.
<i>Tier 1</i>	Provide 1/3 of the funding required to pay a benefit equal to 50% of FAS at age 50 (or when a member has 20 years of service if later but not later than age 60) to a member with 66 2/3% automatic continuance payable to his/her eligible spouse/domestic partner (§2-1715). The contribution will be prorated if the member has less than 20 years of service at age 60.
<i>Tier 2</i>	9% pay (§2-1715A)
<i>Tier 1</i>	<i>Refund of contribution paid for 66 2/3% automatic continuance. Provide a refund of contributions at service or disability retirement for those members without an eligible spouse/domestic partner (§2-1715).</i>

City Contributions: The amortization period for Prefunded Actuarial Accrued Liability is amortized over an open non-declining 15-year period.

Post Retirement Supplement

Benefit (PRSB) PSRB may be paid to active and retired DROP participants and eligible retirees and beneficiaries (§2-1745 and §2-1745A for Tier 1 and Tier 2, respectively). This benefit has been excluded from this valuation.

NOTE: *The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the Retirement System should find the plan summary not in accordance with the actual provisions, the Retirement System should alert the actuary so they can both be sure the proper provisions are valued.*

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Appendix A
Member Contributions Rates

Comparison of member rates calculated in the June 30, 2006 and June 30, 2007 valuations:

	<u>June 30, 2007 Actuarial Valuation</u>		<u>June 30, 2006 Actuarial Valuation</u>	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
Tier 1 Members	4.94%	\$501	5.01%	\$508
Tier 2 Members	9.00%	\$6,112	9.00%	\$6,112
All member categories Combined	8.47%	\$6,613	8.48%	\$6,620

** Amounts are in thousands and are based on the projected fiscal year 2008 – 2009 annual payroll for members NOT in the DROP (also in thousands):*

	<u>Excludes DROP Members</u>
Tier 1	\$ 10,142
Tier 2	67,914
Total	\$ 78,056

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Appendix A

Member Contribution Rates (Continued)

**Tier 1 Members' Contribution Rates based on the June 30, 2007
Actuarial Valuation as a percentage of payroll**

Entry Age	<u>Exact Age</u>		<u>¼ Age</u>		<u>½ Age</u>		<u>¾ Age</u>	
	Rate	Dependent Portion	Rate	Dependent Portion	Rate	Dependent Portion	Rate	Dependent Portion
20	3.76%	0.05261	3.81%	0.05261	3.85%	0.05261	3.90%	0.05261
21	3.95%	0.05261	4.00%	0.05261	4.05%	0.05261	4.10%	0.05261
22	4.15%	0.05261	4.21%	0.05261	4.26%	0.05261	4.32%	0.05261
23	4.37%	0.05261	4.43%	0.05261	4.49%	0.05261	4.55%	0.05261
24	4.61%	0.05261	4.68%	0.05261	4.75%	0.05261	4.81%	0.05261
25	4.88%	0.05261	4.95%	0.05261	5.02%	0.05261	5.09%	0.05261
26	5.17%	0.05261	5.25%	0.05261	5.33%	0.05261	5.41%	0.05261
27	5.49%	0.05261	5.57%	0.05261	5.66%	0.05261	5.75%	0.05261
28	5.83%	0.05261	5.93%	0.05261	6.03%	0.05261	6.12%	0.05261
29	6.22%	0.05261	6.33%	0.05261	6.43%	0.05261	6.54%	0.05261
30	6.65%	0.05261	6.63%	0.05343	6.61%	0.05426	6.59%	0.05508
31	6.58%	0.05591	6.56%	0.05678	6.54%	0.05765	6.52%	0.05852
32	6.51%	0.05940	6.49%	0.06031	6.47%	0.06123	6.45%	0.06215
33	6.43%	0.06307	6.42%	0.06403	6.40%	0.06499	6.38%	0.06595
34	6.36%	0.06691	6.34%	0.06792	6.33%	0.06893	6.31%	0.06994
35	6.29%	0.07095	6.27%	0.07202	6.26%	0.07308	6.24%	0.07414
36	6.23%	0.07520	6.21%	0.07632	6.20%	0.07743	6.18%	0.07855
37	6.16%	0.07966	6.15%	0.08083	6.13%	0.08199	6.11%	0.08316
38	6.09%	0.08432	6.07%	0.08553	6.06%	0.08674	6.04%	0.08795
39	6.02%	0.08916	6.00%	0.09041	5.98%	0.09165	5.96%	0.09290
40	5.94%	0.09415	5.98%	0.09415	6.01%	0.09415	6.05%	0.09415
41	6.08%	0.09415	6.12%	0.09415	6.15%	0.09415	6.19%	0.09415
42	6.22%	0.09415	6.26%	0.09415	6.30%	0.09415	6.33%	0.09415
43	6.37%	0.09415	6.41%	0.09415	6.44%	0.09415	6.48%	0.09415
44	6.52%	0.09415	6.56%	0.09415	6.60%	0.09415	6.64%	0.09415

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Appendix A

Member Contribution Rates (Continued)

Entry Age	<u>Exact Age</u>		<u>¼ Age</u>		<u>½ Age</u>		<u>¾ Age</u>	
	Rate	Dependent Portion	Rate	Dependent Portion	Rate	Dependent Portion	Rate	Dependent Portion
45	6.67%	0.09415	6.72%	0.09415	6.76%	0.09415	6.80%	0.09415
46	6.84%	0.09415	6.88%	0.09415	6.92%	0.09415	6.97%	0.09415
47	7.01%	0.09415	7.05%	0.09415	7.10%	0.09415	7.14%	0.09415
48	7.19%	0.09415	7.24%	0.09415	7.28%	0.09415	7.33%	0.09415
49	7.38%	0.09415	7.43%	0.09415	7.48%	0.09415	7.53%	0.09415
50	7.58%	0.09415	7.63%	0.09415	7.69%	0.09415	7.75%	0.09415
51	7.80%	0.09415	7.86%	0.09415	7.92%	0.09415	7.99%	0.09415
52	8.05%	0.09415	8.08%	0.09415	8.12%	0.09415	8.16%	0.09415
53	8.19%	0.09415	8.21%	0.09415	8.22%	0.09415	8.23%	0.09415
54	8.25%	0.09415	8.24%	0.09415	8.23%	0.09415	8.22%	0.09415
55	8.21%	0.09415	8.20%	0.09415	8.19%	0.09415	8.18%	0.09415
56	8.17%	0.09415	8.15%	0.09415	8.14%	0.09415	8.12%	0.09415
57	8.11%	0.09415	8.19%	0.09415	8.26%	0.09415	8.34%	0.09415
58	8.42%	0.09415	8.50%	0.09415	8.59%	0.09415	8.67%	0.09415
59	8.75%	0.09415	8.75%	0.09415	8.75%	0.09415	8.75%	0.09415

Interest: 8.25%

Mortality: GAM 94 set back one year weighted 90% Male and 10% Female for member
 GAM 94 set back one year weighted 10% Male and 90% Female for beneficiary

Salary Increase: See Exhibit IV in Section 4.

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Appendix B

Allocation of Actuarial Surplus

	June 30	
	2007	2006
Surplus as of Date of Valuation (Table 1)	\$227,725,593	\$183,500,609
Actuarial Surplus (Table 1)	150,402,033	111,228,392
Distributable Actuarial Surplus as of date of valuation (Table 2)	13,647,750	9,942,126
Allocation of Distributable Surplus as of Date of Valuation:		
City Allocation (Table 3)	9,098,500	6,628,084
PRSB Allocation (Table 3)	<u>4,549,250</u>	<u>3,314,042</u>
Total	<u>\$13,647,750</u>	<u>\$9,942,126</u>
Allocation of Projected Distributable Surplus as of Date of Next Valuation:		
City Allocation (Table 3)	\$8,989,456	\$6,558,012

The Allocation of Distributable Actuarial Surplus is sufficient to:

- Offset the City's contribution requirement for the 2008-2009 fiscal year from \$18,100,536 to \$9,111,080 (see Table 4) before consideration of additional contribution offset from prepaid employer contribution; and
- Provide a PRSB benefit of \$420.43 per month over the 2008 calendar year (Table 5).

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Appendix B (continued)

Allocation of Actuarial Surplus

	June 30	
	2007	2006
Table 1: Calculation of Actuarial Surplus		
(1) Valuation Value of Assets	\$1,000,961,198	\$906,222,782
(2) Actuarial Accrued Liability	773,235,605	722,722,173
(3) Surplus: (1) – (2)	227,725,593	183,500,609
(4) Contingency Reserve: 10% of (2)	77,323,560	72,272,217
(5) Actuarial Surplus: (3) – (4)	150,402,033	111,228,392
Table 2: Determination of Distributable Actuarial Surplus		
(1) Actuarial Surplus (Table 1)	\$150,402,033	\$111,228,392
(2) Amortization of Balance of Actuarial Surplus:		
a. Amortization Period	15	15
b. Amortization Factor	0.090742	0.089385
c. Amortization of Balance of Actuarial Surplus (1) x (2b)	\$13,647,750	\$9,942,126
(3) Projected Surplus for Next Year 1.0825 x (1) – 1.04125 x (2c)	148,599,481	110,052,496
(4) Amortization of Balance of Projected Actuarial Surplus:		
a. Amortization Period	15	15
b. Amortization Factor	0.090742	0.089385
c. Amortization of Balance of Projected Actuarial Surplus (3) x (4b)	\$13,484,184	\$9,837,019

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Appendix B (continued)

Allocation of Actuarial Surplus

	June 30	
	2007	2006
Table 3: Allocation of Distributable Actuarial Surplus:		
(1) Distributable Actuarial Surplus	\$13,647,750	\$9,942,126
(2) City Allocation: (1) x 2/3	9,098,500	6,628,084
(3) PRSB Allocation: (1) – (2)	4,549,250	3,314,042
<p>The City Allocation (2) (along with any City Surplus Reserve and City Prepaid Contribution Accounts) is available to reduce the City’s contributions for the fiscal year that commences immediately following the date of the valuation.</p> <p>The PRSB Allocations (along with the PRSB Reserve Account) is available to provide retirees, beneficiaries and DROP participants a monthly PRSB benefit during the calendar year that commences 6 months following the date of the valuation. The benefit is derived in Table 5.</p>		
(4) Next Year Projected Distributable Actuarial Surplus	13,484,184	9,837,019
(5) City Allocation (4) x 2/3	8,989,456	6,558,012
<p>The City allocation (5) (along with any City Surplus Reserve and City Prepaid Contribution Accounts) is available to reduce City contributions for the fiscal year that commences 12 months following the date of the valuation. Table 4 provides the projected City contribution requirements.</p> <p>The actual rather than the projected surplus will be used to determine the next calendar year’s PRSB benefit.</p>		

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Appendix B (continued)

Allocation of Actuarial Surplus

	Fiscal Year 2008-2009			Fiscal Year 2007-2008		
	Tier 1	Tier 2	Total	Tier 1	Tier 2	Total
Table 4: City Contribution Requirements:						
(1) City normal cost rate	25.25%	17.34%	19.44%	25.66%	16.28%	19.03%
(2) Projected Annual Payroll	\$24,748,950	\$68,347,326	\$93,096,276	\$23,797,067	\$65,718,582	\$89,515,649
(3) City Allocation of Distributable Actuarial Surplus	3,103,560	5,885,896	8,989,456	3,306,003	5,792,497	9,098,500
(4) City Surplus Reserve Account (From Prior Years)	0	0	0	0	0	0
(5) Total Contribution Offsets (3) + (4)	3,103,560	5,885,896	8,989,456	3,306,003	5,792,497	9,098,500
(6) Total Contribution Requirement (1) * (2)	6,249,110	11,851,426	18,100,536	6,106,327	10,698,985	16,805,312
(7) City Contribution Requirement Prior To Application of Prepaid Employer Contribution Account (6) – (5), not less than 0	3,145,550	5,965,530	9,111,080	2,800,324	4,906,488	7,706,812
(8) Contribution Rate Adopted by the City for Fiscal Year 2006-2007						8.01%
(9) Projected City Contributions Based on Rate Adopted by the City (8) * (2)				\$1,906,145	\$5,264,058	\$7,170,203
(10) Net Additional City Contribution Before Application of Prepaid Employer Contribution Account (7) – (9)	3,145,550	5,965,530	9,111,080	894,179	-357,570	536,609
(11) City’s Prepaid Employer Contribution Account Balance			2,198,338			2,542,961
(12) ½ year interest on (11)			90,682			104,897
(13) City’s Fiscal Year Contribution After Application of Prepaid Employer Contribution Account (10) – (11) – (12), not less than 0	2,355,278	4,466,782	6,822,060	0	0	0
(14) Projected City Surplus Reserve Account for future years			0			0
(15) Projected Residual Prepaid Employer Contribution Account at Year End. (11) + (12) – (10) adjusted with ½ year interest, not less than 0			0			2,198,338

SECTION 4: Reporting Information for the City of Fresno Fire and Police Retirement System

Appendix B (continued)

Allocation of Actuarial Surplus

	June 30	
	2007	2006
Table 5: Calculation of PRSB and PRSB Reserve Account:		
(1) PRSB Allocation of Distributable Actuarial Surplus	\$4,549,250	\$3,314,042
(2) 95% x (1)	\$4,321,788	\$3,148,340
(3) Number of eligible participants (Retirees, Beneficiaries & DROP Participants)	935	911
(4) Preliminary Monthly PRSB Benefit (2) / (3) / 12	\$385.19	\$287.99
(5) Monthly Retiree Medical Trust Premium for the calendar year that commences 6 months following the date of valuation	\$822.00	\$819.00
(6) Benefit Shortfall: (5) – (4)	\$436.81	\$531.01
(7) PRSB Reserve Account	\$2,226,000	\$2,100,000
(8) Estimated July 1 to December 31 PRSB Payments	\$1,830,655	\$1,681,014
(9) Net PRSB Reserve Account 6 months following the date of valuation	\$395,345	\$418,986
(10) Draw from PRSB Reserve Account (lesser of (9) / (3) / 12 or (6))	\$35.24	\$38.33
(11) Final monthly PRSB Benefit for next calendar year: (4) + (10)	\$420.43	\$326.32
(12) Estimated PRSB Reserve Account at the end of the next calendar year (1) + (9) – [(11) * (3) * 12]	\$227,370	\$165,698

Note: The actual, rather than projected June 30, 2008 surplus, will be used to determine the 2009 calendar year PRSB benefit.

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