



2009

Comprehensive Annual Financial Report

For the Years Ended June 30, 2009 and 2008

City of Fresno Employees Retirement System

(A Pension Trust Fund of the City of Fresno)

Fresno, California

CITY OF FRESNO EMPLOYEES RETIREMENT SYSTEM

Comprehensive Annual Financial Report

For the Years ended June 30, 2009 and 2008

STANLEY L. McDIVITT

Retirement Administrator

KATHLEEN RILEY BROWN

Assistant Retirement Administrator

YVONNE ARELLANO

Benefits Manager



A PENSION TRUST FUND FOR THE CITY OF FRESNO (CALIFORNIA)

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SECTION 1

INTRODUCTORY SECTION

Caring For Your Future...





CITY OF FRESNO EMPLOYEES RETIREMENT SYSTEM

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Retirement Administrator

Stanley L. McDivitt

LETTER OF TRANSMITTAL

Dear Board Members:

As Retirement Administrator of the City of Fresno Employees Retirement System, it is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2009 and 2008.

Over the past two years, the global investment markets have been experiencing unprecedented turbulence which culminated in the severe downturn of all equity, fixed income and real estate markets following the bankruptcy of Lehman Brothers in September 2008. Despite all of the known and unknown economic and financial market challenges that arose, the Board carefully managed the investment portfolio through last year's continued downturn in the global markets. We remain confident that new investment opportunities will arise and the Boards with the required amount of due diligence and vigilance will position the Systems investments for future long-term growth.

Given the magnitude of the investment market decline, although our System's returns were down significantly in fiscal year 2009, the System's returns were favorable when compared to other institutional investors. The System's one-year return was negative 20.12 percent, down 2.13 percent below its policy benchmark return of -17.99 percent; and underperforming its actuarial interest rate assumption of 8.25 percent by 28.37 percent. The five-year annualized return of 1.84 percent was positive but underperformed its actuarial interest rate assumption of 8.25 percent by 6.41 percent and its policy benchmark return of 2.57 percent by 0.73 percent. The System's fifteen-year annualized return at 7.70 percent exceeded its policy benchmarks for that period by 0.42 percent but underperformed the actuarial interest rate assumption by 0.55 percent for the same period.

The Employees System remains highly funded and well positioned to serve our members and retirees. The System's 15 year long-term return of 7.70 percent as of June 30, 2009, illustrates the System's ability to achieve our long-term objectives over extended periods of time. On a market value basis, the portfolio along with all other public pension systems suffered significant losses as of the end of the 2009 fiscal year. On an actuarial basis those losses will be fully recognized over a five-year period during which signs of a recovery have already begun occurring with the System's current 2010 fiscal-year-to-date return of approximately 12.00 percent as of October 31, 2009. Meanwhile, the System's actuarial and market value funding status continues to be the highest of any public pension defined benefit plan in California.

Given the dramatic downturn in the global financial markets over the past two years, it is likely that the funding status will decrease over the next five fiscal years from 142.2 percent as of June 30, 2008 to current market value levels leaving the System's future funding level somewhere between 95 to 100 percent. Although further deterioration of the funding status is expected in the near future there is the possibility that any underfunding status will be slight. The Board continues to demonstrate its commitment to our membership, ensuring that participants' future retirements are realized through the protection and efficient administration of the System.

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The Comprehensive Annual Financial Report (CAFR) of the City of Fresno Employees Retirement System for the years ended June 30, 2009 and 2008 is submitted herewith. Information contained in this report is designed to provide a complete and accurate review of the year's operations. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the System. For a general overview of the City of Fresno Employees Retirement System's finances, please refer to the Management's Discussion and Analysis letter in the Financial Section of this report. The CAFR consists of six sections:

The Introductory Section contains our Mission Statement, a Letter of Transmittal, a description of the System's management and organizational structure, a listing of the professional service providers, and the Government Financial Officers Association's Certificate of Achievement for Excellence in Financial Reporting.

The Financial Section contains the opinion of the independent auditor, Brown Armstrong Accountancy Corporation, Management's Discussion and Analysis Letter and the basic financial statements of the System.

The Investment Section includes the Retirement Administrator's Investment Report, a letter from the System's Investment Consultant, Wilshire Associates Inc., recapping the fiscal year investment results and activities, along with performance and asset allocation information.

The Actuarial Section includes the certification letter produced by the independent actuary, The Segal Company, along with supporting schedules and information.

The Statistical Section contains significant detailed data pertaining to the System.

The Compliance Section contains the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

I trust that you and the members of the System will find this CAFR helpful in understanding the System, and our commitment to financial integrity and member services.

THE EMPLOYEES RETIREMENT SYSTEM AND ITS SERVICES

The Employees Retirement System was established on June 1, 1939, under Charter Section 910 and is governed by Article 5 of Chapter 3 of the City of Fresno Municipal Code. The System provides retirement allowances and other benefits to the non-safety members employed by the City of Fresno. The System also provides lifetime retirement, disability, and death benefits to its members. The Retirement Board is responsible for the prudent investment of member and employer contributions, and defraying reasonable expenses of administration.

The Employees Retirement Board is responsible for establishing policies governing the administration of the System, making benefit determinations, and managing the investment of the System's assets. The Board operates under the authority vested in Article 5 of Chapter 3 of the Fresno Municipal Code and the California Pension Protection Act of 1992. Article XVI, Section 17(b) of the Constitution of the State of California provides that "the members of the Retirement Board of a public retirement system shall discharge their duties ... solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the System. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty." Section 17(a) further provides that the Board has ... "the sole and exclusive responsibility to administer the System in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries."

The Retirement Board has five (5) members, two (2) management employees who are appointed by the Mayor and confirmed by the City Council, one (1) employee who is elected by the manual workers of the System, and one (1) employee who is elected by the clerical or supervisory workers of the System, both of which serve a four-year term. The fifth and final member of the Board is a qualified elector of the City, not connected with its government, elected by the previously designated four members.

The Board oversees the Retirement Administrator and staff in the performance of their duties in accordance with the Municipal Code and the Boards' Rules, Regulations and Policies.

MAJOR INITIATIVES

During the fiscal year 2009, the Board, jointly with the Fire & Police Retirement System Board prudently evaluated the performance of its portfolio managers and focused on a thorough, comprehensive review of the Systems' historical Asset Allocation decisions; manager search and retention, process and procedures; and performance compared to other

Public Pension Systems to ensure that the processes and procedures are effective and meet or exceed the necessary standards that are required to thrive in any given financial investment market.

The Boards conducted an analysis and search for investment related legal services and retained the firm of K&L | Gates LLP. K&L | Gates reviewed and evaluated our master agreement for investment managers and will review and evaluate disclosure and agreement documents relating to the Systems' evaluation of Core and Valued-Added Real Estate products. Given the current state of the economy, the Board is continuing its efforts to ensure that a thorough evaluation of the real estate market conditions is completed before moving forward with proposals concerning real estate opportunities.

The Boards retained the application services and software provided by eVestment Alliance for access as a user subscriber of eVestment Alliance, for a one year period.

In an effort to better protect the Systems, the Board's addition of eVestment Alliance's web-based database will provide additional information, independence and transparency to the Systems' investment manager search selection process.

PROFESSIONAL SERVICES

Professional Consultants and Investment Managers are retained by the Board to provide professional services essential to the effective and efficient operation of the System.

An opinion from the certified public accountant and the actuary are included in this report along with a summary investment report from the Board's Investment Consultant. The Consultants and Investment Managers retained by the Board are listed in the following section of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fresno Employees Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of public employee retirement system comprehensive annual financial reports. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City of Fresno Employees Retirement System has received a Certificate of Achievement for the last eleven years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACTUARIAL FUNDING STATUS

The System's funding objective is to meet long-term benefit promises by retaining a well-funded plan status and obtaining superior investment returns while minimizing employer contributions. The Board's objective for employer contributions is to establish a rate as a level percent of member payroll. The greater the level of overall plan funding, the larger the ratio of assets accumulated compared to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the benefits earned by participants are funded during their working careers and not by future generations of taxpayers.

The June 30, 2008, actuarial valuation is presented in this CAFR. As of June 30, 2008, the funded ratio of the Employees Retirement System was 142.2 percent. The funded ratio was determined by using the actuarial value of the assets in accordance

with Governmental Accounting Standards Board Statement No. 25. The actuarial accrued liability of the System at June 30, 2008 amounted to \$689,832,998. The actuarial value of assets at June 30, 2008 amounted to \$1,029,028,000. The market value of the assets at June 30, 2008 amounted to \$969,031,000.

The Board engages an independent actuarial consulting firm to conduct annual actuarial valuations of the System. The valuation purpose is to reassess the magnitude of the benefit commitments. This is compared to the assets expected to be available to support those commitments so employer and member contributions can be adjusted accordingly. Recommendations are presented to the Board for consideration. The Segal Company is the System's independent actuarial consultant.

The Actuarial Section of this report contains a more detailed discussion of funding.

ACCOUNTING SYSTEM & REPORTS

The management of the System is responsible for establishing and maintaining an internal control structure designed to ensure that the System assets are protected from loss, theft, or misuse. Responsibility for the accuracy, completeness, and fair presentation of the information, and all disclosures, rests with the management of the System.

The accounting firm of Brown Armstrong Accountancy Corporation provides financial audit services. The financial audit ensures that the System's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. The System recognizes that even sound internal controls have their inherent limitations. Internal controls are reviewed to ensure that the System's operating policies and procedures are being adhered to and that controls are adequate to ensure accurate and reliable financial reporting and to safeguard the System's assets.

This report has been prepared in accordance with generally accepted accounting principles as

promulgated by the Governmental Accounting Standards Board (GASB) and its predecessor, the National Council on Governmental Accounting. The financial statements are presented in accordance with guidelines established by GASB No. 25, Financial Reporting for Defined Benefit Plans, and incorporate the provisions of GASB No. 34, GASB No. 40, GASB No. 44 and GASB No. 50. GASB No. 43 is the Financial Reporting disclosure for Other Post-employment Benefits (OPEB). The System is not obligated to provide or fund any other post employment benefits as retirees do not receive paid healthcare benefits from the System.

The System's transactions are reported on the accrual basis of accounting. Revenues are taken into account when earned, regardless of the date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when the payment is made.

INVESTMENTS

Article XVI, Section 17(c) of the Constitution of the State of California, provides that "the members of the Retirement Board of a public pension or retirement system shall discharge their duties ... with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aim." By permitting further diversification of investments within a fund, the prudent expert rule may enable a fund to reduce overall risk and increase returns. A summary of the asset allocation can be found in the Investment Section of this report.

The prudent expert rule permits the Board to establish an investment policy based upon professional advice and counsel, and allows for delegation of investment authority to professional investment advisors. The Investment Objectives and Policy Statement of the Board outline the responsibility for the investment of the fund and the degree of risk that is deemed appropriate for the fund. Investment advisors are to execute the policy in accordance with the Board policy and guidelines.

For the fiscal years ended June 30, 2009 and June 30, 2008, the System's investments provided a -20.12 percent and -6.05 percent rate of return, respectively. The System's annualized rate of return over the last three years was -4.14 percent; for the past five years the annualized return was 1.84 percent and for the past ten years, the annualized return was 3.02 percent.

ACKNOWLEDGMENTS

The compilation of this report reflects the combined effort of the System's staff under the leadership of the Board. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of the System.

On behalf of the Board, I would like to express my appreciation for the dedication and efforts of my staff members, Kathleen Riley Brown, Yvonne Arellano, Alberto Magallanes, Karen Rolle, Pattie Laygo, Donna Gaab, Andrea Ketch, Patricia Basquez, Alexander Villa; and to the Boards' consultants, for their assistance in the preparation of this report and for their ongoing commitment to serve the Board and the members of the System. I also would like to thank the Board members for their support in accomplishing the many tasks and goals over the past year.

Respectfully Submitted,



Stanley L. McDivitt
Retirement Administrator

November 25, 2009

RETIREMENT BOARD MEMBERS

As of June 30, 2009



KEN NERLAND

CHAIR

Appointed by
Mayor and City Council



DANNY AGUIRRE

Elected by
Manual Workers



JEFF BEATTY

VICE CHAIR

Elected by
Clerical and Supervisory Members



CARLA LOMBARDI

Appointed by
Mayor and City Council



MARVELL FRENCH

Appointed by
Retirement Board

RETIREMENT ADMINISTRATIVE STAFF



BACK ROW (LEFT TO RIGHT)

PATTI BASQUEZ, RETIREMENT COUNSELOR; ALEX VILLA, SENIOR ADMINISTRATIVE CLERK, DONNA GAAB, RETIREMENT COUNSELOR, ANDREA KETCH, RETIREMENT COUNSELOR, PATTIE LAYGO, EXECUTIVE ASSISTANT, KAREN ROLLE, ACCOUNTANT-AUDITOR

FRONT ROW (LEFT TO RIGHT)

ALBERTO MAGALLANES, SENIOR ACCOUNTANT-AUDITOR, KATHLEEN RILEY BROWN, ASSISTANT RETIREMENT ADMINISTRATOR, STANLEY MCDIVITT, RETIREMENT ADMINISTRATOR, YVONNE ARELLANO, RETIREMENT BENEFITS MANAGER

ADMINISTRATION

The Administrative Section is responsible for the administration of the City of Fresno Employees Retirement System, including the risk management of the investment activities in accordance with the policies, regulations, and general guidelines of the Retirement Board. It is also responsible for interfacing with the investment managers, the investment consultant, the actuary, legal counsel, custodial bank, and any other consultants authorized by the Board. (See page xii for outside consultants, page xiii for investment managers, and page 49 for a schedule of brokerage commissions.)

MEMBER SERVICES

This section is responsible for providing all benefit services to the members of the System. This includes benefit calculations, investigation of claims for disability retirement, preparation of data to support applications for retirement, preparation of the retiree payroll, membership counseling, and membership training.

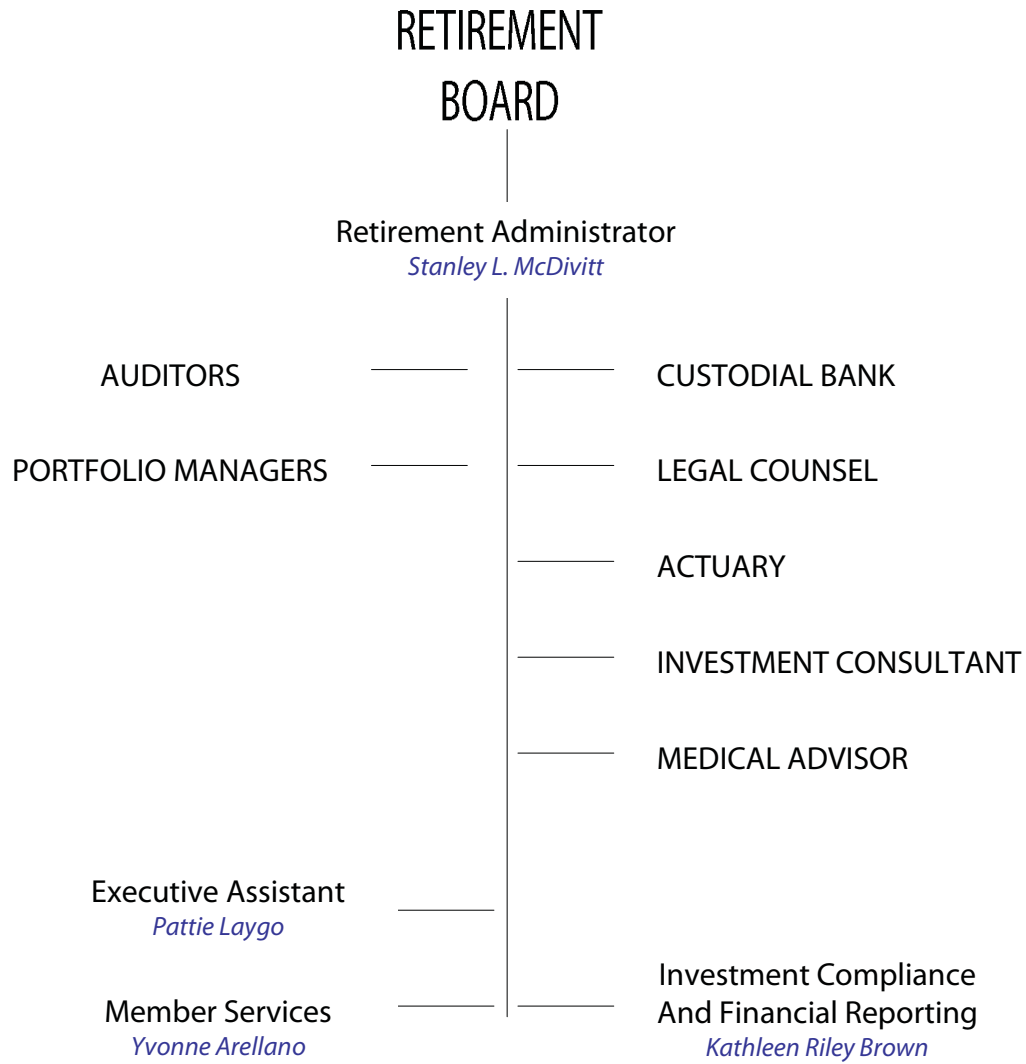
INVESTMENT COMPLIANCE AND FINANCIAL REPORTING

This section is responsible for monitoring compliance with the Board's Investment Objectives and Policy Statement and for all of the financial records and reports including financial statements, control and balancing of payroll and members' contributions and reconciliation of investments.

EXECUTIVE ASSISTANT

This position is responsible for providing administrative and clerical support services for the Board and the retirement staff.

ORGANIZATIONAL STRUCTURE



PROFESSIONAL SERVICES

Custodial Bank

NORTHERN TRUST
Chicago, Illinois

Legal Advisor

SALTZMAN AND JOHNSON LAW CORPORATION
San Francisco, California

Investment Legal Advisor

K&L | Gates LLP
Boston, Massachusetts

Investment Consultant

WILSHIRE ASSOCIATES INC.
Santa Monica, California

Actuary

THE SEGAL COMPANY
San Francisco, California

Medical Advisor

BENCHMARK MEDICAL CONSULTANTS
Sacramento, California

Independent Auditor

BROWN ARMSTRONG ACCOUNTANCY CORPORATION
Bakersfield, California

PORTFOLIO MANAGERS

DOMESTIC EQUITY

Large Cap

Alliance Bernstein, New York, NY
AXA Rosenberg, Orinda, CA
Barclays Global Investors, San Francisco, CA
Capital Guardian, Los Angeles, CA

Small Cap

Barclays Global Investors, San Francisco, CA
Kalmar Investments Inc., Wilmington, DE
Kennedy Capital Mgt. Inc., St. Louis, MO

INTERNATIONAL & EMERGING MARKETS

International

Acadian Asset Mgt., Boston, MA
Baillie Gifford & Co., Edinburgh, Scotland
Principal Global Investors, Des Moines, IA
Pyramis Global Advisors Trust Co., Boston, MA

Emerging Market

Batterymarch Financial Management, Inc., Boston, MA
Wellington Management Company, LLP, Boston, MA

Fixed Income

Aberdeen Asset Mgt., Philadelphia, PA
Dodge & Cox, San Francisco, CA
Prudential Investment Mgt, Inc., Newark, NJ

High Yield

Loomis Sayles, Boston, MA

REAL ESTATE

Private Real Estate Investments

JP Morgan Fleming Asset Mgt, New York, NY

Real Estate Investment Trust (REIT)

Heitman, LLC., Chicago, IL
Principal Real Estate Investors, Des Moines, IA

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fresno Employees
Retirement System
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

Also awarded 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005,
2006, 2007, 2008

SECTION 2

FINANCIAL SECTION

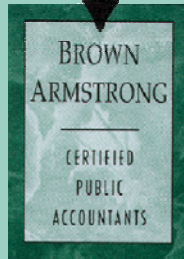
FINANCIAL SECTION

Caring For Your Future...



INDEPENDENT AUDITOR'S REPORT

Peter C. Brown, CPA
 Burton H. Armstrong, CPA, MST
 Andrew J. Paulden, CPA
 Steven R. Starbuck, CPA
 Chris M. Thornburgh, CPA
 Eric H. Xin, CPA, MBA
 Richard L. Halle, CPA, MST
 Aileen K. Keeter, CPA



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INDEPENDENT AUDITOR'S REPORT

To The Board of Retirement
 City of Fresno Employees Retirement System
 Fresno, California

We have audited the accompanying Statement of Plan Net Assets Available for Benefits of the City of Fresno Employees Retirement System as of June 30, 2009 and 2008, and the related Statement of Changes in Plan Net Assets Available for Benefits for the years then ended. These financial statements are the responsibility of the management of the City of Fresno Employees Retirement System. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, in 2008/09, the System adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan Net assets of the City of Fresno Employees Retirement System, as of June 30, 2009 and 2008, and its Changes in Plan Net Assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified as Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A. However, we did not audit the MD&A and express no opinion on it. The RSI has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedules and the Investment, Actuarial, and Statistical Sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. The Supplemental Schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the Investment, Actuarial and Statistical sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009, on our consideration of the City of Fresno Employees Retirement System internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
November 25, 2009



MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to provide this overview and analysis of the financial activities of the City of Fresno Employees Retirement System for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal beginning on page iii of this report.

FINANCIAL HIGHLIGHTS

The net assets of the System are held in trust for payment of pension benefits to participants and their beneficiaries and all of the net assets are available to meet the System's ongoing obligations.

At the close of the fiscal year 2009, the assets of the System exceed its liabilities by \$735,578,804; as of fiscal year 2008, the assets of the System exceeded its liabilities by \$969,030,584 and as of fiscal year 2007, the assets of the System exceeded its liabilities by \$1,068,859,346.

The System's total net assets held in trust for pension benefits decreased by \$233,451,780 or -24.09 percent for fiscal year 2009; decreased by \$99,828,762 or -9.34 percent for fiscal year 2008; and increased by \$122,990,498 or 13.0 percent for fiscal year 2007, primarily as a result of the performance of the investment markets.

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2008, the date of the last actuarial valuation, the funded ratio for the Systems was 142.2 percent. In general, this indicates that for every dollar of benefits due we have approximately \$1.42 of assets available for payment as of that date.

As of the June 30, 2007, the date of the previous annual actuarial valuation, the funded ratio for the

System was 146.8 percent; and as of June 30, 2006, the funded ratio for the System was 138.1 percent.

REVENUES ARE ADDITIONS TO PLAN NET ASSETS

Revenues for the fiscal year 2009 decreased \$130,042,744 or 208.2 percent over the prior year from \$-62,461,336 to \$-192,504,080 which includes member contributions of \$5,845,044, employer contributions of \$1,345,274, a net investment income loss of \$200,504,487 and net securities lending income of \$810,089.

Prior fiscal year 2008 revenues decreased \$225,667,602 or 138.3 percent over the previous fiscal year 2007 from \$163,206,266 to \$-62,461,336 which includes member contributions of \$5,665,627, employer contributions of \$354,894, a net investment income of \$-69,498,414 and net securities lending income of \$1,016,557.

For fiscal year 2007 revenues increased \$58,476,243 or 55.8 percent from \$104,730,023 to \$163,206,266 which included member contributions of \$5,094,188, net investment income of \$156,000,084 and securities lending income of \$545,779.

EXPENSES ARE DEDUCTIONS IN PLAN NET ASSETS

Expenses for the fiscal year increased \$3,580,274 or 9.58 percent over the prior fiscal year from \$37,367,426 to \$40,947,700.

Prior fiscal year 2008 expenses decreased \$2,848,342 or 7.08 percent over the fiscal year 2007 from \$40,215,768 to \$37,367,426.

Fiscal year 2007 expenses increased approximately 28.00 percent from \$31,426,260 to \$40,215,768 over fiscal year 2006 expenses.

The current year increase in expenses is due primarily to the increases in retirees and the respective retirement

benefits paid in 2009 along with an increase in the Post Retirement Supplemental Benefits paid over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the System's financial statements, which are comprised of these components:

1. Statement of Plan Net Assets Available for Benefits
2. Statement of Changes in Plan Net Assets Available for Benefits
3. Notes to the Financial Statements

Please note, however, that this report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Plan Net Assets Available for Benefits is a point in time or a snapshot of account balances as of the fiscal year end. It indicates the assets available for future payments to retirees and any current liabilities.

The Statement of Changes in Plan Net Assets Available for Benefits, on the other hand, provides a view of current year additions to and deductions from the System. Both statements are in compliance with Governmental Accounting Standards Board (GASB) Pronouncements. These pronouncements require certain disclosures and require State and Local governments to report using the full accrual method of accounting. The System complies with all material requirements of these pronouncements.

The System's funding ratio at June 30, 2008 was 142.2 percent, which means the System's fund has approximately \$1.42 available for each \$1.00 of liability. The Statement of Plan Net Assets Available for Benefits and the Statement of Changes in Plan Net Assets Available for Benefits reports information about the System's activities.

These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. All investment gains and losses are shown at trade date, not settlement date. In addition, both realized and unrealized gains and losses are shown on investments.

These two statements report the System's net assets held in trust for pension benefits (net assets), which is the difference between assets and liabilities. This is generally considered to be a good way to measure the System's financial position. Over time, increases and decreases in the System's net assets are indicators of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring the System's overall health.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the System's progress in funding its obligations to provide pension benefits to members.

The schedules of administrative expenses, investment manager fees and other investment expenses, and payments to consultants are presented immediately following the required supplementary information.

FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indication of the System's financial position. The assets of the System exceeded its liabilities at the close of the fiscal year 2009 by \$735,578,804. All of the net assets are available to meet the System's ongoing obligations to plan participants and their beneficiaries.

The fund's combined net assets held in trust for pension benefits have generally increased each fiscal year since 1995 with the exception of losses incurred in fiscal years 2001, 2002, 2008 and now 2009. In fiscal year 2009, net assets decreased by 24.09 percent; and in 2008, net assets decreased by 9.34 percent due to a declines in the global investment markets, while in 2007, net assets increased by 13.0 percent.

The System averaged an annualized investment return of 3.02 percent over the past ten years. While this means that the ten year annualized investment return has underperformed the actuarial assumption of 8.25 percent by 5.23 percent, it has exceeded the weighted policy benchmark for that same period by 0.09 percent.

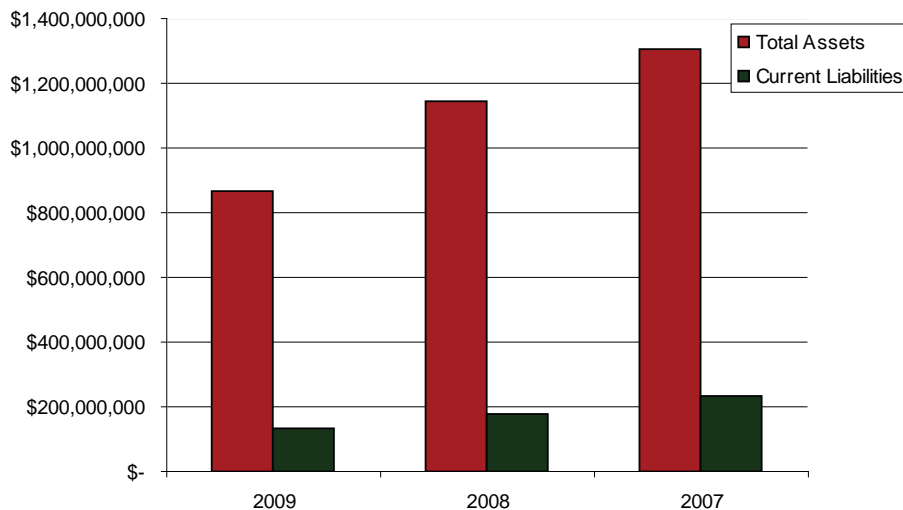
Despite volatility in the stock market, management and the System's actuary concur that the System remains in a very strong financial position to meet its obligations to the plan participants and beneficiaries. The System's current financial position is a result of a very sound and carefully managed investment and risk management program.

TABLE 1 - EMPLOYEES RETIREMENT SYSTEM NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2009, 2008 AND 2007

	FY 2009	FY 2008	FY 2009 Increase/ (Decrease) Amount	FY 2009 Increase/ (Decrease) Percent
Current and Other Assets	\$ 125,344,264	\$ 173,867,809	\$ (48,523,545)	-27.91%
Investments at Fair Value	742,266,253	972,609,226	(230,342,973)	-23.68%
Total Assets	\$ 867,610,517	\$1,146,477,035	\$ (278,866,518)	-24.32%
Current Liabilities	132,031,713	177,446,451	(45,414,738)	-25.59%
Net Assets	\$ 735,578,804	\$ 969,030,584	\$ (233,451,780)	-24.09%

	FY 2008	FY 2007	FY 2008 Increase/ (Decrease) Amount	FY 2008 Increase/ (Decrease) Percent
Current and Other Assets	\$ 173,867,809	\$ 222,908,068	\$ (49,040,259)	-22.00%
Investments at Fair Value	972,609,226	1,080,673,613	(108,064,387)	-10.00%
Total Assets	\$1,146,477,035	\$1,303,581,681	\$(157,104,646)	-12.05%
Current Liabilities	177,446,451	234,722,335	(57,275,884)	-24.40%
Net Assets	\$ 969,030,584	\$1,068,859,346	\$ (99,828,762)	-9.34%

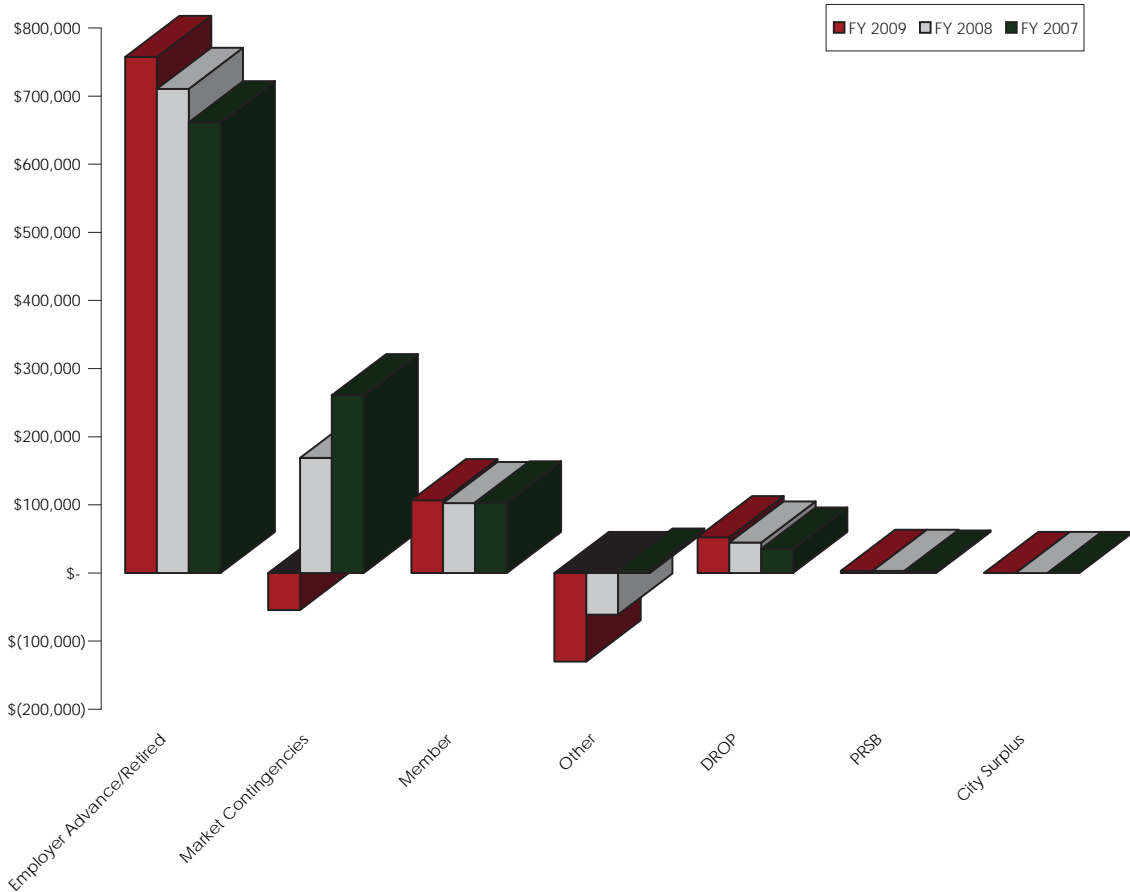


RESERVES

The System's reserves are established from contributions and the accumulation of investment income, after satisfying investment and administrative expenses. Under GASB Statement No. 25, investments are stated at fair value instead of at cost and fair value includes the recognition of unrealized gains and losses in the current period. These unrealized gains and losses are held in a reserve account called the Market Contingencies Reserve.

TABLE 2 – EMPLOYEES RETIREMENT SYSTEM'S RESERVES
FOR THE YEARS ENDED JUNE 30, 2009, 2008 AND 2007 (IN THOUSANDS)

	2009	2008	2007
Employer Advance/Retired Reserves	\$757,306	\$710,630	\$661,619
Member Reserves	106,844	102,672	103,769
DROP Reserves	52,494	44,812	35,813
PRSB Reserves	3,053	3,255	1,963
Market Contingencies Reserves	(54,225)	168,896	261,011
Other Reserves	(129,893)	(61,235)	4,684
City Surplus Reserves	-	-	-
Net Assets Available for Benefits	\$735,579	\$969,030	\$1,068,859



CAPITAL ASSETS

The capital assets of the System presently consist of furniture for the 7,900 square foot office space occupied by the Retirement Administrative Office.

SYSTEM'S ACTIVITIES

Primarily due to the downturn in performance of the global investment markets, the System's assets decreased \$233,451,780 for the fiscal year resulting in a 24.09 percent decrease in net assets for the fiscal year ended June 30, 2009. Due to the downturn in performance of the global investment markets in the prior fiscal year, the System's assets decreased \$99,828,762 resulting in a 9.34 percent decrease in net asset for the fiscal year ended June 30, 2008. While fiscal year ended June 30, 2007, due to steady growth in real estate and equity markets returns as well as an increase in revenue earned from securities lending, the System's assets increased \$122,990,498 for the fiscal year resulting in a 13.00 percent increase in net assets for the fiscal year ended June 30, 2007.

Key elements of these decreases are described in the sections below.

REVENUES - ADDITIONS TO SYSTEM'S NET ASSETS

The reserves needed to finance retirement benefits are normally accumulated through the collection of employer and employee contributions and through earnings on investment income [net of investment expense]. Revenues for the fiscal year ended June 30, 2009 totaled \$-192,504,080.

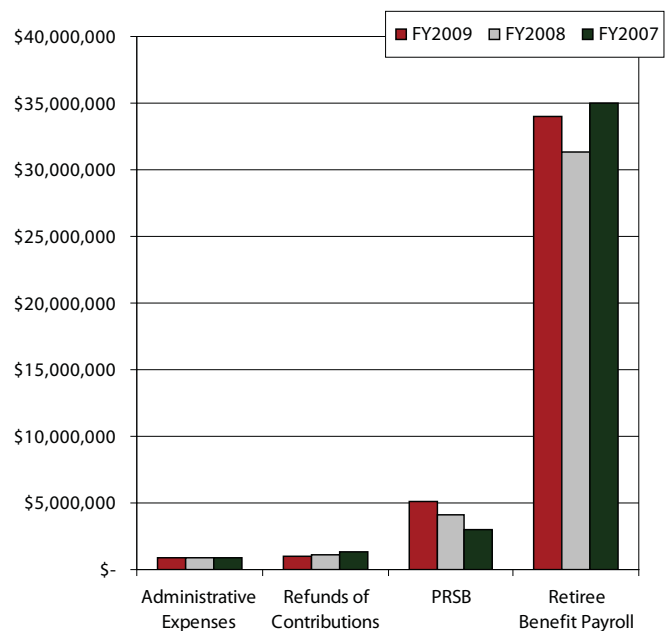
For the fiscal year ended June 30, 2009, overall revenues had decreased by \$130,042,744 or 208.20% percent from the prior year, primarily due to the performance of the investment markets; for fiscal year ended June 30, 2008, overall revenues decreased by \$225,667,602 or -138.27%; and for fiscal year ended June 30, 2007, overall revenues increased by \$58,476,243 or 55.84 percent from the prior year. The investment section of this report reviews the details of results of investment activity for the fiscal year ended June 30, 2009.

EXPENSES - DEDUCTIONS FROM SYSTEM'S NET ASSETS

The System was created to provide lifetime retirement annuities, survivor benefits and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the plan, refunds of contributions to terminated employees, and the cost of administering the System.

Deductions for the fiscal year ended June 30, 2009, totaled \$40,947,700 which was an increase of 9.58 percent over the prior fiscal year. The decrease in benefits paid resulted primarily from a decrease in the amount of contributions refunded to terminated members and a one-time retroactive litigation settlement benefit payment paid in the prior year which significantly increased benefit payments in the prior year.

The System's decreases in total expenses are reflective of the decline in global investment markets and incorporate inflation and the growth in the membership and services provided. The System has consistently met its Administrative Expense Budget. There are no material variances between planned expenditures and actual expenditures.



CHANGES IN PLAN NET ASSETS (CONDENSED)

FOR THE YEARS ENDED JUNE 30, 2009, 2008 AND 2007

	FY 2009	FY 2008	FY 2009 Increase/(Decrease) Amount	FY 2009 Increase/(Decrease) Percent
Additions (Declines)				
Employee Contributions	\$5,845,044	\$5,665,627	\$179,417	3.17%
Employer Contributions	1,345,274	354,894	990,380	279.06%
Net Investment Income (Loss) *	(199,694,398)	(68,481,857)	(131,212,541)	-191.60%
Total Additions (Declines)	\$(192,504,080)	\$(62,461,336)	\$(130,042,744)	-208.20%
Deductions				
Retiree Benefit Payroll	33,946,712	31,285,999	2,660,713	8.50%
Refunds of Contributions	1,022,243	1,111,562	(89,319)	-8.04%
PRSB	5,084,478	4,071,510	1,012,968	24.88%
Administrative Expenses	894,267	898,355	(4,088)	-0.46%
Total Deductions	\$40,947,700	\$37,367,426	\$3,580,274	9.58%
Increase (Decrease) in Plan Net Assets	(233,451,780)	(99,828,762)	(133,623,018)	-133.85%
Beginning Plan Net Assets	969,030,584	1,068,859,346	(99,828,762)	-9.34%
Ending Plan Net Assets	\$735,578,804	\$969,030,584	\$(233,451,780)	-24.09%

* Net of investment expense of \$4,723,249 and \$5,955,230 for June 30, 2009 and 2008, respectively.

	FY 2008	FY 2007	FY 2008 Increase/(Decrease) Amount	FY 2008 Increase/(Decrease) Percent
Additions (Declines)				
Employee Contributions	\$5,665,627	\$5,094,188	\$571,439	11.22%
Employer Contributions	354,894	1,566,215	(1,211,321)	-77.34%
Net Investment Income *	(68,481,857)	156,545,863	(225,027,720)	-143.75%
Total Additions (Declines)	\$(62,461,336)	\$163,206,266	\$(225,667,602)	-138.27%
Deductions				
Retiree Benefit Payroll	31,285,999	34,981,738	(3,695,739)	-10.56%
Refunds of Contributions	1,111,562	1,350,623	(239,061)	-17.70%
PRSB	4,071,510	2,966,913	1,104,597	37.23%
Administrative Expenses	898,355	916,494	(18,139)	-1.98%
Total Deductions	\$37,367,426	\$40,215,768	\$(2,848,342)	-7.08%
Increase (Decrease) in Plan Net Assets	(99,828,762)	122,990,498	(222,819,260)	-181.17%
Beginning Plan Net Assets	1,068,859,346	945,868,848	122,990,498	13.00%
Ending Plan Net Assets	\$969,030,584	\$1,068,859,346	\$(99,828,762)	-9.34%

* Net of investment expense of \$5,955,230 and \$6,225,385 for June 30, 2008 and 2007, respectively.

SYSTEM'S FIDUCIARY RESPONSIBILITIES

The System's Board and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the assets must be used exclusively for the benefit of plan participants and their beneficiaries.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investment managers, and creditors with a general overview of the City of Fresno Employees Retirement System's finances, and to show accountability for the funds it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to:

City of Fresno Employees Retirement System
2828 Fresno Street Suite 201
Fresno, California 93721-1327

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Stanley L. McDivitt', with a stylized flourish at the end.

Stanley L. McDivitt
Retirement Administrator

November 25, 2009

STATEMENT OF PLAN NET ASSETS AVAILABLE FOR BENEFITS

AS OF JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash (Note 6)	\$ 862,300	\$ 1,925,327
Collateral Held for Securities Lent (Note 8)	107,455,620	159,026,067
Receivables		
Receivables for Investments Sold	8,065,297	7,413,664
Interest and Dividends	3,534,494	3,739,422
Other Receivables	5,256,254	1,596,003
Total Receivables	16,856,045	12,749,089
Prepaid Expenses	109,767	105,045
Total Current Assets	125,283,732	173,805,528
Investments at Fair Value (Note 6)		
(Cost of \$786,229,948 in 2009 and \$946,800,887 in 2008)		
Domestic Equity	193,087,111	351,169,481
International Equity	184,229,080	186,745,940
Government Bonds	113,517,600	135,495,656
Corporate Bonds	127,064,660	150,820,057
Real Estate	73,145,372	105,206,253
Emerging Market Equity	35,009,363	27,807,080
Short Term Investments	16,213,067	15,364,759
Total Investments	742,266,253	972,609,226
Capital Assets Net of Accumulated Depreciation (Note 11)	60,532	62,281
Total Assets	867,610,517	1,146,477,035
LIABILITIES		
Collateral Held for Securities Lent (Note 8)	107,455,620	159,026,067
Payable for Investments Purchased	13,447,754	11,233,459
Prepaid Employer Contributions (Note 4)	3,088,481	4,106,927
Other Liabilities	2,763,098	1,426,365
Payable for Foreign Currency Purchased	5,276,760	1,653,633
Total Liabilities	132,031,713	177,446,451
Net Assets Held In Trust for Benefits	\$735,578,804	\$ 969,030,584

The notes to the financial statements on pages 14 to 28 are an integral part of this statement.

STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS JUNE 30, 2009 AND 2008

	2009	2008
ADDITIONS		
Contributions		
Employer	\$ 1,345,274	\$ 354,894
System Members	5,845,044	5,665,627
Total Contributions	7,190,318	6,020,521
Investment Income		
Net Appreciation (Depreciation) in Value of Investments	(223,121,456)	(92,114,521)
Interest	16,671,904	16,492,071
Dividends	10,595,933	11,984,326
Other Investment Related	72,381	94,940
Total Investment Income (Loss)	(195,781,238)	(63,543,184)
Less: Investment Expense	(4,723,249)	(5,955,230)
Total Net Investment Income (Loss)	(200,504,487)	(69,498,414)
Securities Lending Income		
Securities Lending Earnings (Note 8)	1,731,978	7,596,520
Less: Securities Lending Expense	(921,889)	(6,579,963)
Net Securities Lending Income	810,089	1,016,557
Total Additions (Declines)	(192,504,080)	(62,461,336)
DEDUCTIONS		
Benefit Payments	33,946,712	31,285,999
Post Retirement Supplemental Benefits	5,084,478	4,071,510
Refunds of Contributions	1,022,243	1,111,562
Administrative Expense	894,267	898,355
Total Deductions	40,947,700	37,367,426
Net Increase (Decrease)	(233,451,780)	(99,828,762)
NET ASSETS HELD IN TRUST FOR BENEFITS		
July 1	969,030,584	1,068,859,346
June 30	\$ 735,578,804	\$ 969,030,584

NOTES TO FINANCIAL STATEMENTS

1 DESCRIPTION OF THE SYSTEM

The Employees Retirement System ("System") was established on June 1, 1939, and is governed by Article 5 of Chapter 3 of the City of Fresno Municipal Code. It is administered by the Retirement Board but not under the control of the City Council. The System is a single employer public employee retirement system that includes substantially all full-time employees, other than sworn officers of the Fire and Police Departments.

Total participants of the System were comprised as follows at June 30, 2009 and 2008:

	2009	2008
Active Members		
Vested	1,657	1,626
Non-vested	840	889
Total Active Members	<u>2,497</u>	<u>2,515</u>
Retirees and Beneficiaries of Deceased Retirees		
Currently Receiving Benefits	1,402	1,363
Inactive Vested Members	184	192
Total	<u>4,083</u>	<u>4,070</u>

Pension benefits are based upon a combination of age, years of service, monthly salary, and the option selected by the participant. Death and disability benefits are additionally based upon whether the death occurred before or after retirement. Members' contributions, including interest, are 100 percent vested at all times. Employer contributions do not become vested until completion of 5 years of credited service when they become 100 percent vested, but are not payable until the member attains the age of 55.

Contributions are made by the members and the employer at rates recommended by the System's independent actuary and adopted by the Retirement Board. Employee contribution rates vary according to age and are designed to provide funding for approximately one-third of retirement benefit basic normal costs and one-half of the cost of living component.

The City's contribution rate is designed to provide funding for the remaining regular retirement and cost-of-living benefits, as well as all regular disability and survivors' benefits.

Cost-of-living increases for retirees under the Employees Retirement System are provided for in the Municipal Code, and are determined by changes in the Consumer Price Index.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Retirement System, with its own governing board, is an independent governmental entity separate and distinct from the City of Fresno. The System's annual financial statements are included in the City of Fresno Annual Financial Report as a pension trust fund.

Basis of Accounting

The System uses the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plan per Section 3-523 and 3-529 of the Municipal Code.

Securities lending transactions are accounted for in accordance with GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, which establishes reporting standards for securities lending transactions. In accordance with Statement No. 28, cash received as collateral on securities lending transactions and investments made with that cash are reported as assets, and liabilities resulting from these transactions are reported in the Statement of Plan Net Assets. In addition, the costs of securities lending transactions are reported as an expense in the Statement of Changes in Plan Net Assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Valuation of Investments

System investments are reported at fair value, calculated as cost plus unrealized gains or losses. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage-backed pass-through certificates are carried at fair value.

Cost values, as shown, are derived from Master Custodial Transaction Records. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the System administrator to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements

The provisions of Governmental Standards (GASB) Statement No. 52, Land and other Real Estate held as Investments by Endowments, is to be implemented as of June 30, 2009, however, this provision is not applicable to the City of Fresno Employees Retirement System.

Governmental Standards (GASB) Statements No. 55 and 56 were also implemented as of June 30, 2009. Statement No. 55, incorporating the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature, did not cause any real changes to the preparation process of the financial statements and did not have a significant impact on the financial statements, thus the Board does not expect this statement will result in a change in

current practice. Statement No. 56, incorporating into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards, did not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. Thus, this provision did not cause any real changes to the preparation process of the financial statements and did not have a significant impact on the financial statements.

For the prior fiscal year ended June 30, 2008, the System implemented the provisions of Governmental Standards (GASB) Statement No. 50 Pension Disclosures – the objective of which is to amend note disclosure and required supplementary information (RSI) standards of GASB Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and No. 27, Accounting for Pensions by State and Local Governmental Employers, to conform with applicable changes adopted in Statements No. 43, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. GASB Statement No. 50 is intended to improve the transparency and decision usefulness of reported information about pensions by state and local governmental plans and employers.

For defined benefit pension plans, GASB Statement No. 50 requires disclosure of the funded status of the plan as of the most recent actuarial valuation date in the Notes to Financial Statements section and a reference linking the funding status disclosure in the notes to financial statements to the required schedule of funding progress in the Required Supplemental Schedules. It also requires defined benefit pension plans to disclose in the notes to financial statements the methods and assumptions used to determine the fair value of investments, if the fair value is based on other than quoted market prices.

GASB Statement No. 50 also amends Statement No. 27 to require note disclosure of the required contribution rates of the employer(s) in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, how the contractually required contribution rate is determined (for example, by statute or by contract, or on an actuarially determined basis) or if that cost-sharing plan is financed on a pay-as-you-go basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Reclassifications

Certain amounts in the financial statements have been reclassified to be consistent and comparable from year to year.

3 CONTRIBUTIONS

Authority to Collect

The responsibility for both City and employee contributions to the System is mandated by the City of Fresno Municipal Code Sections 3-523 and 3-529.

Funding Status & Method

The funding ratio as of June 30, 2008 was 142.2% using the projected unit credit cost method. The System's actuary uses a five year smoothing of market gains and losses to derive the actuarial value of assets. As of the fiscal year ended June 30, 2008, the actuarial value of assets was \$980.9 million. The Schedule of Funding Progress provided by the actuary (as shown on page 17 and on page 31) does not include other designated reserves (other reserves) and the liabilities associated with these reserves.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

The liability is being funded on the Projected Unit Credit Cost method and currently has a Prefunded Actuarial Accrued Liability (PAAL). Under this method, the employer contribution rate provides for the current cost (normal cost) plus a level percentage of payroll to amortize any prefunded actuarial accrued liability (PAAL). Actuarial gains and losses are incorporated into the PAAL and are amortized over a 15-year period.

The progress being made towards meeting the System's funding objective through June 30, 2008 is illustrated in the Schedule of Funding Progress shown on page 17 and in the Required Supplemental Schedule on page 31.

Funding Policy

The City currently funds, at a minimum, the amounts recommended by the actuary and approved by the Retirement Board. Such amounts are determined using the projected unit credit method. This method produces an employer contribution rate consisting of amounts for (a) normal cost and (b) amortization of any unfunded or prefunded actuarial accrued liability. However, prefunded actuarial accrued liability or excess earnings and prepaid City contributions deposited into the System have funded the fiscal year 2009, 2008 and 2007 City contributions.

These minimum contributions are recognized currently in the statement of changes in net assets available for benefits. Employees' contributions are funded and recognized currently through payroll deductions in amounts recommended by the actuary. Costs of administering the System are charged against System assets.

Total contributions to the System for fiscal year 2009 totaled \$7,190,318. Employees contributed \$5,845,044 and the City contributions of \$1,345,274 came from prepaid contributions on deposit with the System. The remaining employer contributions were offset by the prefunded actuarial accrued liability of the System.

Contributions aggregating \$7,190,318 (\$1,345,274 employer prepaid contributions and \$5,845,044 employee contributions) were made in fiscal year 2009, based on an actuarial valuation determined as of June 30, 2007, which became effective for the year ended June 30, 2009. During fiscal year 2009, the employer contribution rate was set at 10.56%; however, no cash contributions were required from the City as the employer contribution came from prepaid contributions of \$1,345,274 on deposit with the System and the prefunded actuarial accrued liability of the System. Employer and System member contributions represented 1.02 percent and 4.41 percent, respectively, of the fiscal year 2009 covered payroll.

3 CONTRIBUTIONS CONTINUED

SCHEDULE OF FUNDING PROGRESS

FOR THE THREE YEARS ENDING JUNE 30, 2009

(Dollars in Millions)

Actuarial Valuation Date	(1) *Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) (Prefunded) / Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) (Prefunded) / Unfunded AAL Percentage of Covered Payroll (4) / (5)
2006	\$848	\$614	138.1%	\$(234)	\$111	(209.7)%
2007	\$927	\$631	146.8%	\$(295)	\$122	(241.5)%
2008	\$981	\$690	142.2%	\$(291)	\$133	(218.7)%

The valuation interest rate is 8.25%; total salary scale increases of 3.75% (3.75% for inflation) plus 0.25% across the board salary increase; plus merit and promotion increases based on completed years of service were based on the June 30, 2006 Experience

Analysis and the June 30, 2007 Economic Assumptions Report. These actuarial assumptions were adopted by the Retirement Board on January 14, 2009, for implementation as of July 1, 2009.

LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date June 30, 2008

Actuarial Cost Method Projected Unit Credit Actuarial Cost Method Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.

Asset Valuation Method Actuarial Value, 5 year Smoothed Market Value recognizing differences between the total market value and the expected investment return.

Actuarial Assumptions

Investment Rate of Return	8.25%
Projected Salary Increases	4.30% to 12% Plus Merit and Promotion increases (Service and Age)
Attributed to Inflation	3.75%
Cost of Living Adjustments	3.75%

3 CONTRIBUTIONS CONTINUED

Contributions aggregating \$6,020,521 (\$354,894 employer prepaid contributions and \$5,665,627 employee contributions) were made in fiscal year 2008, based on an actuarial valuation determined as of June 30, 2006, which became effective for the year ended June 30, 2008. During fiscal year 2008, the Employer contribution rate was set at 10.93%; however, no cash contributions were required from the City as the employer contribution came from prepaid contributions of \$354,894 on deposit with the System and the prefunded actuarial accrued liability of the System. Employer and System member contributions represented 0.27 percent and 4.37 percent, respectively, of the fiscal year 2008 covered payroll.

Contributions Required and Contributions Made

The City's required normal contributions to the System for 2009, were offset by the System's prefunded actuarial accrued liability in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 2007, as follows:

Normal Cost:

Annual Required Contribution Amount	\$ 13,944,718
Less: Prefunded Actuarial Accrued Liability Applied	(12,599,444)
<hr/> Net Annual Required Contributions	<hr/> \$ 1,345,274
Pensionable Payroll Amount (Fiscal Year 2009)	<hr/> \$ 132,511,895

4 PREPAID EMPLOYER CONTRIBUTIONS

In July of 1994, the City of Fresno deposited \$5,524,810 as prepaid contributions to the Employees Retirement System. The balance of the prepayment earns annual interest at the rate of 8.25 percent until prepaid contributions are used to fund the City's required normal contributions to the System. When prepaid contributions are used the amount of the annual revenue recognition is credited to the employer contributions.

For fiscal year 2009, a portion of the City's required normal contributions were offset by prepaid employer contributions of \$1,345,274. The City's prepaid contribution balance as of June 30, 2009, \$3,088,481, is classified as prepaid employer contributions to the System.

Balance June 30, 2008	\$4,106,927
Prepaid Employer Contributions Used	(1,345,274)
Interest Credited for Fiscal Year 2009	326,828
<hr/> Balance at June 30, 2009	<hr/> \$3,088,481

5 NET ASSETS AVAILABLE FOR BENEFITS

Net assets available for benefits are segregated into Active Members Reserve (members' accumulated contributions) and reserves established by the Board for various benefit payments.

Reserves are established by the System from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. Note: The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due.

The System's major reserves are as follows:

ACTIVE MEMBER RESERVES represent the total accumulated member contributions. Additions include member contributions and investment earnings; deductions include refunds of member contributions and transfers to Employer Advance/Retired Reserves.

5 NET ASSETS AVAILABLE FOR BENEFITS CONTINUED

EMPLOYER ADVANCE/RETIRED RESERVES represent the total accumulated employer contributions for future retirement payments to current active and vested terminated members and the total accumulated transfers from Active Member Reserves and investment earnings, less payments to retired members and transfers to the DROP Reserve. Additions include contributions from the employer, transfers from Active Member Reserve and investment earnings; deductions include payments to retired members and transfers to the DROP Reserve.

DEFERRED RETIREMENT OPTION PROGRAM RESERVE ("DROP RESERVE") represents funds reserved for Deferred Retirement Option Benefits accumulated by members.

POST RETIREMENT SUPPLEMENTAL RESERVE represents surplus earnings that have been allocated but not distributed to eligible retirees in accordance with Municipal Code Section 3-567 "Post-Retirement Supplemental Benefit."

CITY SURPLUS RESERVE represents surplus earnings that have been allocated but not used as a reduction to offset or eliminate the City's pension contributions in accordance with the conditions and requirements of Municipal Code Section 3-567 "Post-Retirement Supplemental Benefit."

MARKET STABILIZATION RESERVE represents accumulated unrealized gains or losses recognized in the financial statements as a result of reporting investments at fair value instead of cost. This unrealized appreciation or depreciation of assets is recorded in the Market Stabilization Reserve to reflect market fluctuations and is reported in accordance with Government Accounting Standards Board Statement No. 25.

OTHER RESERVE represents an accumulation of the market appreciation in the value of the System's assets less investment income and charged with investment and other investment related expenses. The Other Reserve is funded entirely from these investment earnings. Transfers of undistributed earnings from the Other Reserve account to reserve accounts are made at an annual rate of 8.25 percent of the average of the beginning and ending balances in the transferee reserve.

Interest is allocated at an actuarially determined interest rate as approved by the Board and is credited monthly to the Active Member Reserve and the Employer Advance/Retired Reserves. Active members in the Deferred Retirement Option Program accrue interest on their accumulated DROP accounts monthly at an interest rate annually adopted by the Board. Any remaining net investment earnings are allocated to Other Reserve.

The amount of reserves for the year ended June 30, 2009 and 2008 consisted of the following (in thousands):

	2009	2008
Employer Advance/Retired Reserves	\$ 757,306	\$ 710,630
Active Member Reserves	106,844	102,672
DROP Reserve	52,494	44,812
Reserve for PRSB	3,053	3,255
Reserve for Market Contingencies	(54,225)	168,896
Other Reserves	(129,893)	(61,235)
Net Assets Available for Benefits	\$ 735,579	\$ 969,030

6 DEPOSITS AND INVESTMENTS

The System's investment guidelines reflect the duties imposed by an investment standard known as the "prudent expert rule." The prudent expert rule establishes a standard for all fiduciaries which includes anyone who has discretionary authority with respect to the System's investments.

Northern Trust serves as custodian of the System's investments. The System's asset classes include U.S. Equity, International Equity, Emerging Market Equity, U.S. Fixed Income, and Real Estate. Any class may be held in direct form, pooled form, or both. The System has eighteen external investment managers, managing twenty individual portfolios.

Investments at June 30, 2009 and 2008 consist of the following:

	2009	2008
Investments at Fair Value		
Domestic Equity	\$ 193,087,111	\$ 351,169,481
International Equity	184,229,080	186,745,940
Government Bonds	113,517,600	135,495,656
Corporate Bonds	127,064,660	150,820,057
Real Estate	73,145,372	105,206,253
Emerging Market Equity	35,009,363	27,807,080
Short Term Investments	16,213,067	15,364,759
Total Investments at Fair Value	\$ 742,266,253	\$ 972,609,226

The Board has established a policy for investing, specifying the following target allocations with a minimum and maximum range for each of these asset classes:

Asset Class	Minimum	Target	Maximum
Large Cap Equities	18.5%	22.5%	26.5%
Small Capital Equities	4.5%	7.5%	10.5%
International Equities	21.0%	25.0%	29.0%
Emerging Market Equities	0.0%	5.0%	7.0%
Real Estate	8.0%	10.0%	12.0%
Domestic Fixed Income	20.0%	25.0%	30.0%
High Yield Bonds	0.0%	5.0%	8.0%
Cash	0.0%	0.0%	2.0%
		100%	

Allowable securities must meet the reporting requirements of the Securities and Exchange Commission and must meet a "prudent expert" standard for investing. In no case may the System have five or more percent of System net assets invested in any one organization.

The Board's investment policies and guidelines permit investment in numerous specified asset classes to take advantage of the non correlated economic behavior of diverse asset classes. The result is a well-diversified portfolio.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Retirement System investment securities are not exposed to custodial credit risk since all securities are registered in the Systems' name and held by the Systems' custodial bank.

6 DEPOSITS AND INVESTMENTS CONTINUED

Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the System will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Any cash associated with the System's investment portfolios not invested at the end of a day are temporarily swept overnight to Northern Trust Collective Short-Term Investment Fund.

That portion of the System's cash held by the City as part of the City's cash investment pool totaled \$22,140 and \$269,352 at June 30, 2009 and 2008, respectively. Accordingly the System's Investments in the pool are held in the name of the City and are not specifically identifiable.

Disclosure of the legal and contractual provisions of the City's investment policy and carrying amounts by type of investments may be found in the notes to the City's separate Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009.

Credit and Interest Rate Risk

Credit risk associated with the System's debt securities is identified by their ratings in the table below. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The System has no general policy on credit and interest rate risk. The System limits its investments in below investment grade bonds and monitors the interest rate risk inherent in its portfolio by measuring the duration of its portfolio.

The average duration of the System's debt portfolios in years is also listed in the table below:

Type of Investment	Fair Value	Credit Quality	Duration
Asset Backed Securities	\$ 4,244,873	A	1.21
Commercial Mortgage-Backed	9,960,626	AA+	4.96
Corporate Bonds	102,753,864	BBB-	5.59
Corporate Convertible Bonds	3,422,404	CCC-	3.70
Guaranteed Fixed Income	807,496	AAA	2.44
Other Fixed Income	33,651	NR	0.00
Convertible Equity	350,954	B-	10.80
Preferred Stock	133,059	CC	0.00
Government Agencies	7,408,810	AAA	4.37
Government Bonds	25,853,115	AAA	5.05
Government Mortgage Backed Securities	72,250,091	AAA	3.57
Index Linked Government Bonds	83,928	BB-	1.08
Municipal/Provincial Bonds	4,015,238	A+	7.74
Non-Government backed C.M.O.s	9,264,151	BBB	1.54
Total Credit Risk Fixed Income	\$ 240,582,260		

6 DEPOSITS AND INVESTMENTS CONTINUED

Per section 5.4(6) of the System's Investment Policy Statement, no more than 5 percent of an investment manager's fixed income portfolio may be invested in below investment grade rated securities (BB or B rated bonds). No securities rated below single B may be purchased at any time. Therefore, at least 95 percent of the manager's fixed income portfolio must be invested in investment grade securities. Long duration bond portfolios shall maintain an average credit quality of AA- or better. Intermediate Bond portfolios shall maintain an average credit quality of AA or better.

High yield fixed income portfolios, in accordance with section 5.4(7) of the System's Investment Policy Statement, shall maintain an average credit quality rating of at least B1/B+ at all times. No more than 20 percent of a high yield manager's portfolio may be invested in bonds rated Caa1/CCC+ or lower with non-rated bonds being limited to 5 percent of the portfolio with both limits subject to maintaining the average portfolio credit quality requirement of B1/B+.

Firms that manage fixed income portfolios will continually monitor the risk associated with their fixed income investments. They will be expected to report

as a component of their quarterly report, a risk/reward analysis of the management decisions relative to their benchmarks. Statistics that relate performance variance to effective duration decisions will be included in each quarterly report.

Concentration Risk

The Investment portfolio as of June 30, 2009 contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5 percent or more of the total investment portfolio.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The System has no general investment policy with respect to foreign currency risk. The System's investment policy guidelines allow international developed and emerging equity managers to hedge their currency risks in foreign countries through the purchase of derivatives. Used as a defensive measure and in an effort to control the risks associated with international portfolios, international equity investment managers are permitted to invest in forward currency contracts, swaps currency futures, and exchanged-traded index futures that represent broad equity exposure to countries represented in their respective benchmark index.

6 DEPOSITS AND INVESTMENTS CONTINUED

The following positions represent the System's exposure to foreign currency risk as of June 30, 2009.

Equities:				
Base Currency:		Fair Value in USD	Cash and Cash Equivalents:	Fair Value in USD
Australian Dollar	AUD	\$ 12,192,089	Australian Dollar	\$ 362
Brazilian Real	BRL	2,642,208	Canadian Dollar	17,722
Canadian Dollar	CAD	4,450,809	Swiss Franc	85,268
Swiss Franc	CHF	10,554,938	Danish Krone	2,868
Colombian Peso	COP	113,086	Euro	245,742
Danish Krone	DKK	2,794,921	British Pound Sterling	52,048
Egyptian Pound	EGP	519,505	Hong Kong Dollar	66,830
Euro	EUR	50,313,581	Indonesian Rupiah	1,072
British Pound Sterling	GBP	31,468,764	Iceland Krona	4,058
Hong Kong Dollar	HKD	12,726,662	Japanese Yen	198,265
Hungarian Forint	HUF	197,863	Malaysian Ringgit	145
Indonesian Rupiah	IDR	611,328	Norwegian Krone	92,718
New Israeli Shekel	ILS	78,558	New Zealand Dollar	9,456
Indian Rupee	INR	1,266,000	Swedish Krona	67,156
Japanese Yen	JPY	37,343,903	Singapore Dollar	57,874
South Korean Won	KRW	4,789,547	South African Rand	8,289
Mexican Peso	MXN	338,243		
Malaysian Ringgit	MYR	287,209	Total Non-USD Cash (in USD)	\$ 909,873
Norwegian Krone	NOK	2,640,830		
New Zealand Dollar	NZD	406,273		
Swedish Krona	SEK	3,747,223		
Singapore Dollar	SGD	5,218,195		
Thai Baht	THB	557,552		
Turkish Lira	TRY	1,329,789		
New Taiwan Dollar	TWD	2,990,530		
South African Rand	ZAR	3,595,085		
Total Non-USD Equities (in USD)		\$193,174,691		

6 DEPOSITS AND INVESTMENTS CONTINUED

Per section 5.4(5) of the System's Investment Objectives and Policy Statement, assets in international equity portfolios will be primarily composed of foreign ordinary shares and ADR's. Primarily large capitalization securities may be held, although investments in small and mid capitalization securities are also allowed. Firms will continually monitor their country, currency, sector and security selection risks associated with their international portfolios. All of the risks will be included in the manager's quarterly reports and performance attribution based on these factors will also be included.

The System's complete Investment Objectives and Policy Statement can be found on the System's website at www.CFRS-CA.org or by contacting the Retirement Office at 2828 Fresno Street Suite 201, Fresno, CA 93721.

7 DERIVATIVES

The Retirement Board has authorized certain investment managers to invest in or otherwise enter into transactions involving derivative financial instruments when, in the judgment of management, such transactions are consistent with the investment objectives established for a specific investment manager's assignment. The acceptable investment purposes for the use of derivatives are as follows:

- a. Mitigation of risk (or risk reduction).
- b. A useful substitute for an existing, traditional investment.
- c. To provide investment value to the portfolio while being consistent with the System's overall and specific investment policies.
- d. To obtain investment exposure which is appropriate for the manager's investment strategy and the System's investment guidelines, but which could not be made through traditional investment securities.

The Retirement Board monitors and reviews each investment manager's securities and derivative position as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall portfolio performance and cannot be evaluated in isolation.

Derivative financial instruments held by the System consist of the following:

Cash securities that contain derivative features, include callable bonds, structural notes and collateralized mortgage obligations (CMO's). These instruments are generally traded in over-the-counter bond markets.

Financial instruments whose value is dependent upon a contractual price or rate relative to one or more reference prices or rates, applied to a notional amount, including interest rate futures, options, swaps and caps, and foreign currency futures and forward contracts. Some of these instruments are exchange-traded and others are traded over-the-counter (OTC).

Market Risk

Market risk is the risk of change in value of an instrument in response to changes in a market price or index. While all investments are subject to market risk, derivatives often have a higher degree of market risk than other types of investment instruments. Values of cash securities containing derivative features are often more susceptible to market risk than other types of fixed income securities, because the amounts and/or timing of their scheduled cash flows may fluctuate under changing market conditions, according to their contractual terms. For other types of derivatives, amounts of contractual cash flows may be either positive or negative depending upon prevailing market conditions relative to the reference prices or rates, and thus the values of such instruments may be positive or negative, despite the fact that little or no cash is initially exchanged to enter into such contracts.

7 DERIVATIVES CONTINUED

Credit Risk

Credit risk of cash securities containing derivative features, as explained, is based upon the credit worthiness of the issuers of such securities. The Retirement Board establishes minimum credit requirements for such securities. The other derivative instruments described above are subject to credit risk to the extent their value is a positive market value, and the counter party to such contract fails to perform under the terms of the instrument.

Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchanges margin requirements. Equity Index Swaps are derivatives and represent an agreement between two parties to swap two sets of equity values.

Equity Futures are contracts used to replicate an underlying stock market index. These futures can be used for hedging against an existing equity position, or speculating on future movements of the index.

As of June 30, 2009, the Employees Retirement Systems held a total value of \$450,684 in derivative holdings. These holdings consisted of the S&P 500 Equity Futures as a component of the System's investments in Barclay's Global Investors (BGI) S&P 500 Equity Index, BGI's Alpha Tilts and BGI's Russell 2000 Growth Funds, and Swaps held in BGI's Securities Lending Cash Collateral Funds for the S&P 500 Equity Index and Russell 2000 Growth Funds.

The sum of all counterparty exposure for which there is a positive replacement cost to the fund is \$12,654; the amount of collateral held by the fund to secure the sum of all counterparty exposure is \$437; and the net exposure is \$12,217.

The details of these derivative holdings are as follows:

S&P 500 Equity Futures (as a component of Barclays Global Investors Equity Index Fund A)		\$ 17,752
Swaps held in Securities Lending Cash Collateral Funds of Barclays Global Investors Equity Index Fund A		
Total Return Swap	\$1,415	
Credit Derivative Swap	<u>1,162</u>	
Total Swaps		2,577
S&P 500 Equity Futures (as a component of Barclays Global Investors Alpha Tilts Fund)		152,335
S&P 500 Equity Futures (as a component of Barclays Global Investors Russell 2000 Growth Fund)		261,109
Swaps held in Securities Lending Cash Collateral Funds of Barclays Global Investors Russell 2000 Growth Fund		
Total Return Swap	\$9,287	
Credit Derivative Swap	<u>7,624</u>	
Total Swaps		<u>16,911</u>
Fair Value of Derivatives Held at June 30, 2009		<u>\$ 450,684</u>

8 SECURITIES LENDING

The City of Fresno Municipal Code and the Retirement Board's policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Systems have contracted with Northern Trust, their custodian, to manage the securities lending program for the Systems and all securities held in a separately managed account are available for lending. As securities lending agent, Northern Trust calculates collateral margins and accepts collateral in the form of cash or marketable securities and irrevocable bank letters of credit for all securities lending transactions. Transactions are collateralized at 102 percent of market value (contract value) for domestic securities and 105 percent of market value (contract value) for international securities. Collateral is marked to market daily. When a loan is secured by cash, a rebate is negotiated and the cash collateral is invested according to the guidelines in the collateral pool.

As designated by the Board, cash collateral is invested in Northern Trust's Core U.S.A. Collateral Section (short-term investment pool), which, as of June 30, 2009 had a weighted average duration of 15 days, average maturity is 169 days and an average monthly yield of 0.622 percent. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the Northern Trust Core U.S.A. Collateral Section and a definitive statement of that relationship cannot be formulated by the System. As of June 30, 2009, the CORE USA Cash Collateral Fund had 0.663% exposure in subprime residential mortgage-backed securities, in the first-pay triple A tranches (as rated by at least one rating agency) and there were no known credit risks related to the securities lending transactions.

Northern Trust will ensure that, in any agreement with a borrower, it retains its absolute right to terminate the agreement without cause, upon short notice and without any penalty. The System cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower

default, Northern Trust indemnifies the System against losses and will replace or reimburse the System for any borrowed securities not replaced. In general, the average term of all System loans is overnight or "on demand". All securities loans can be terminated on demand by either the lender or the borrower, although the average term of the System's loans was approximately 59 days as of June 30, 2009.

Prior to June 30, 2008, due to the nature of the securities lending program and Northern Trust's collateralization of loans at 102 percent and 105 percent plus accrued interest for fixed income securities, we believed that there were no material credit risks to the System as defined in GASB Statement No. 28 and GASB Statement No. 40 by our participation in the securities lending program. However, with the short-term illiquid and volatile environment for fixed income markets, we believe that there is more risk in the credit quality of the collateral pool than previously anticipated. Reduced demand in securities lending given recent brokerage firm failures is an indication of the overall increasing risks associated with securities lending.

As of September 2008, the System's securities lending account contained a total collateral deficiency of \$1.8 million. The collateral deficiency in the securities lending collateral pool was determined following the bankruptcy of Lehman Brothers. The amount of the aggregate collateral deficiency was based on the difference between the market value of the collateral pool's cash investment assets as of the close of business on September 18, 2008, and the book value of the assets. This value also includes realized losses from the segregation or sale of impaired or distressed assets.

Details of the securities lending collateral deficiency as of June 30, 2009, are as follows:

Total Collateral Deficiency Amount:	\$1,773,173
Total Realized Losses to Date:	\$ 242,996
Purchase of Sub-Fund Unit Assets to Date:	\$ 29,436
Amount Due to Custodian for Realized Losses and Purchases for Sub-Fund Unit Assets:	\$ 272,432
Remaining Collateral Deficiency Amount:	\$1,500,741

8 SECURITIES LENDING CONTINUED

The remaining Collateral Deficiency amount may be subject to relief through potential future positive changes in the difference between the market value of the collateral pool's cash investment assets and the book value of those assets.

The System's securities lending income is as follows:

	2009	2008
Gross Income	\$ 1,731,978	\$ 7,596,520
Expenses:		
Borrower Rebates	754,110	6,301,785
Bank Fees	167,779	278,178
Total Expenses	921,889	6,579,963
Net Income from Securities Lending	\$ 810,089	\$ 1,016,557

FAIR VALUE OF LOANED SECURITIES AS OF JUNE 30, 2009

Collateralized by	Cash	Securities	Total
U.S. Government & Agency	\$ 23,670,677	\$ 320,357	\$ 23,991,034
Domestic Equities	49,252,792	(65,624)	\$ 49,187,168
Domestic Fixed	10,535,107	(194,420)	\$ 10,340,687
International Equities	23,688,201	248,530	\$ 23,936,731
Total Value	\$ 107,146,777	\$ 308,843	\$ 107,455,620

FAIR VALUE OF COLLATERAL RECEIVED FOR LOANED SECURITIES AS OF JUNE 30, 2009

Collateralized by	Cash	Securities	Total
U.S. Government & Agency	\$ 23,133,141	\$ 312,160	\$ 23,445,301
Domestic Equities	47,805,525	(65,229)	\$ 47,740,296
Domestic Fixed	10,260,084	(190,972)	\$ 10,069,112
International Equities	22,326,896	234,490	\$ 22,561,386
Total Value	\$ 103,525,646	\$ 290,449	\$ 103,816,095

9 ADMINISTRATIVE EXPENSES

Section 3-532 of the Fresno Municipal Code provides that all administrative costs of the System shall be a charge against the assets of the System. Per the Municipal Code, the Administrative expenses are a component of the City's contribution calculation.

10 POST RETIREMENT SUPPLEMENTAL BENEFIT PROGRAM (PRSB)

The System is not obligated to provide for or fund any other post-employment benefits as retirees do not receive paid healthcare benefits from the Systems. The Post-Retirement Supplemental Benefit ("PRSB") Program was created as a contingent program to provide supplemental distributions to eligible retirees which they could use to pay for various post-retirement expenses. The Retirement Board will annually review the actuarial valuation report and declare an actuarial surplus, if available, in accordance with the procedures in Municipal Code Section 3-567.

If an actuarial surplus is declared by the Board, the surplus is allocated into two components. One component composed of two-thirds of the declared surplus shall be used to reduce or eliminate the City's pension contributions. Any unused portion shall be reserved in the City Surplus Reserve and drawn upon in subsequent years if needed. The remaining one-third component shall be distributed among eligible post-retirement supplemental benefit recipients in accordance with procedures in Municipal Code Section 3-567(f)(4). Any unused portion shall be reserved in the PRSB Reserve and drawn upon in subsequent years if needed.

For the fiscal year ended June 30, 2009, the System distributed PRSB benefits in the amount of \$5,084,478 to eligible retirees and offset required City pension contributions by \$12,599,444. As of June 30, 2009, the City Surplus Reserve balance was \$0 and the PRSB Reserve balance was approximately \$3,052,799, of which \$2,580,234 is committed for PRSB distribution for the months of July through December 2009.

11 CAPITAL ASSETS

Capital assets are carried at cost, net of accumulated depreciation. Capital assets with an initial cost of \$250 or more and an estimated useful life in excess of one year are capitalized and depreciated using the straight-line method. Capital assets presently consist of furniture for the System's Retirement Offices located at 2828 Fresno Street, Fresno, California.

12 LEASES

Under the lease agreement with CFRS Realty Holding Corporation, the holding corporation formed jointly by the Retirement Boards to take ownership of the building, effective September 19, 2005, the City of Fresno Employees and City of Fresno Fire and Police Retirement Boards and their staff occupy approximately 7,900 square feet of the second floor of the renovated building at 2828 Fresno Street. The term of the lease is ten years with an option for two additional five year extensions.

Under the terms of the lease agreement the Systems share equally a base rent of \$10,706 per month which amounts to \$1.35 per square foot per month, triple net.

13 RELATED PARTY TRANSACTIONS

The Retirement System is involved in various business transactions with the City of Fresno, the primary plan sponsor. These include reimbursement to the City for the salary and benefits of Retirement Staff members paid through the City, reimbursement to the City Human Resources Department for personnel consulting services, and reimbursement to the City Information Services Department for computer and telephone support.

The Retirement Systems lease office space from the CFRS Realty Holding Corporation, a title holding company controlled jointly by the City of Fresno Employees and City of Fresno Fire and Police Retirement Systems. See note 12 for a description of this arrangement.

SECTION 2

FINANCIAL SECTION

• REQUIRED SUPPLEMENTAL SCHEDULES

REQUIRED SUPPLEMENTAL
SCHEDULES

Caring For Your Future...



REQUIRED SUPPLEMENTAL SCHEDULES

FOR THE YEARS JUNE 30, 2009 AND 2008

The information presented in the Supplemental Schedules was determined as part of the actuarial valuations as part of the most recent actuarial valuation date, June 30, 2008.

1 SCHEDULE OF FUNDING PROGRESS

(Dollars in Millions)

Actuarial Valuation Date	(1) *Actuarial Value of Assets	(2) Actuarial Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) (Prefunded) / Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) (Prefunded) / Unfunded AAL Percentage of Covered Payroll (4) / (5)
1998	\$625	\$409	152.8%	\$(216)	\$70	(309.4)%
1999	\$702	\$427	164.7%	\$(276)	\$76	(361.3)%
2000	\$771	\$471	163.5%	\$(299)	\$85	(353.5)%
2001	\$782	\$501	156.2%	\$(281)	\$90	(311.9)%
2002	\$749	\$530	141.3%	\$(219)	\$93	(235.2)%
2003	\$699	\$546	128.1%	\$(153)	\$97	(157.4)%
2004	\$742	\$554	133.8%	\$(187)	\$100	(187.9)%
2005	\$791	\$566	139.8%	\$(225)	\$103	(219.7)%
2006	\$848	\$614	138.1%	\$(234)	\$111	(209.7)%
2007	\$927	\$631	146.8%	\$(295)	\$122	(241.5)%
2008	\$981	\$690	142.2%	\$(291)	\$133	(218.7)%

2 SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollars in Thousands)

Year Ended June 30	Actuarially Required Contribution	Contributions as a % of ARC
2009	\$ 1,345	100%
2008	\$ 355	100%
2007	\$ 1,566	100%
2006	\$ 0	100%
2005	\$ 0	100%
2004	\$ 0	100%
2003	\$ 0	100%
2002	\$ 0	100%
2001	\$ 0	100%
2000	\$ 0	100%
1999	\$ 0	100%

NOTES TO THE REQUIRED SUPPLEMENTAL SCHEDULES

FOR THE YEARS JUNE 30, 2009 AND 2008

ACTUARIAL ASSUMPTION

The Segal Company, the System's actuary, performed an actuarial valuation as of June 30, 2008. The actuarial assumptions used to compute the contribution requirements and to determine funding status are as follows:

1. Annual inflation is assumed at 3.75%.
2. Annual investment return is assumed to be 8.25%.
3. The City contribution rate is set at 10.62% (normal cost of 10.62% is offset by applying prefunded actuarial accrued liability of 8.75% and prepaid contribution of 1.87%).
4. Average employee contribution rate is 5.04%, (basic only) although individual rates depend upon entry age.
5. Accrued benefits and costs are calculated using the projected unit credit method.
6. Withdrawal, disability and salary increase assumptions are based on actual System experience.
7. Post retirement mortality assumptions are based on the Society of Actuaries' 1994 Group Annuity Mortality Table, weighted for males 65% and for females 35%.
8. Actuarial valuation of assets is based upon a five-year smoothed recognition of realized and unrealized capital gains and losses which are more or less than the actuarial assumed return of 8.25%.
9. Projected salary Increase assumption is assumed to be 3.75% plus 0.25% across the board salary increases, plus merit and promotion increases based on completed years of service.
10. Post retirement benefit increases are based on CPI for each year to a maximum of 3.75% per year.
11. The amortization period for Prefunded Actuarial Accrued Liability is an open non-declining 15-year period.

These actuarial assumptions were adopted by the Retirement Board on January 14, 2009 for implementation as of July 1, 2009.

SECTION 2

FINANCIAL SECTION

• SUPPLEMENTAL SCHEDULES

Caring For Your Future...



SUPPLEMENTAL SCHEDULES

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEARS JUNE 30, 2009 AND 2008

	2009	2008
Personnel Services		
Staff Salaries	\$ 335,971	\$ 294,729
Fringe Benefits	49,337	47,253
Total Personnel Services	\$ 385,308	\$ 341,982
Professional Services		
Actuarial	\$ 45,000	\$ 85,798
Legal Counsel	53,518	101,114
Information Systems Services	30,339	34,996
Specialized Services	72,307	51,042
Total Professional Services	\$ 201,164	\$ 272,950
Communication		
Printing	\$ 29,586	\$ 34,307
Telephone	6,372	5,398
Postage	1,566	1,268
Total Communication	\$ 37,524	\$ 40,973
Rentals		
Office Rent	\$ 64,241	\$ 61,072
Common Area Maintenance (CAM) Charges	23,836	20,379
Total Office Rent	\$ 88,077	\$ 81,451
Other		
Education and Conference	\$ 36,695	\$ 26,920
Membership & Dues	1,940	1,770
Subscriptions & Publications	396	220
Office Supplies	5,499	6,726
Insurance	99,190	85,537
Miscellaneous	3,053	3,741
Reimbursement to City for Services	30,215	31,052
Depreciation	5,206	5,033
Total Other	\$ 182,194	\$ 160,999
Total Administrative Expenses	\$ 894,267	\$ 898,355

SCHEDULE OF INVESTMENT MANAGEMENT FEES AND OTHER RELATED EXPENSES

FOR THE YEARS JUNE 30, 2009 AND 2008

	2009	2008
Investment Manager Fees		
Equity		
Domestic	\$ 1,060,625	\$ 1,957,581
International	922,044	1,198,191
Fixed Income		
Domestic	599,236	632,548
Real Estate	899,488	879,491
Total Investment Manager Fees	3,481,393	4,667,811
Other Investment Expenses		
Foreign Income Taxes	795,738	787,792
Custodial Services	40,388	38,693
Investment Consultant	76,786	123,061
Investment Legal Counsel	2,116	-
Prepaid Employer Contribution Interest Expense	326,828	337,873
Total Other Investment Expenses	1,241,856	1,287,419
Total Fees & Other Investment Expenses	4,723,249	5,955,230
Securities Lending Expenses		
Borrowers Rebates	754,110	6,301,785
Agent Fees	167,779	278,178
Total Securities Lending Expenses	921,889	6,579,963
Total Investment Expenses	\$ 5,645,138	\$ 12,535,193

SCHEDULE OF PAYMENTS TO CONSULTANTS

FOR THE YEARS JUNE 30, 2009 AND 2008

	2009	2008
Legal Services	\$ 53,518	\$ 101,114
Actuarial Services	45,000	85,798
Miscellaneous	66,436	39,011
City Information Services	30,339	34,996
Medical Consultant	5,871	12,031
Total Payments to Consultants	\$ 201,164	\$ 272,950

SECTION 3

INVESTMENT SECTION

Caring For Your Future...



INVESTMENT REPORT FROM THE RETIREMENT ADMINISTRATOR

ANALYSIS OF ISSUES AFFECTING OUR PORTFOLIO IN FY 2009

Last year was another challenging year for all global investment markets and public pension funds and the Employees Retirement System was no exception. The continued prudent leadership of the Employee Retirement System Board is undoubtedly the most important factor in the long-term success of our System. Our Board understands that the Retirement System's portfolio requires a sound and stable strategy for meeting investment goals over the long-term and that in times of unprecedented financial market volatility a well-diversified portfolio with strong controls to manage risk and ensure compliance are likely to produce superior performance relative to its indices over the long term. To that end, the Board reviews its asset liability structure periodically to evaluate the appropriateness of the portfolio's assumptions and asset mix.

The Board conducted an evaluation of the System's Asset Allocation Plan and assumptions and approved Phase I implementation of a new Asset Allocation and Target Mix Allocations in July 2008. The new Asset Allocation Plan increased the target allocation from 20% to 30% for international equity (developed and emerging market) portfolios and reduced domestic equity (large and small cap) from 40% to 30%. The Board also approved a plan to rebalance domestic equity with the termination of the Goldman Sachs Enhanced Large Cap Equity portfolio and further reductions of all domestic large cap equity portfolios as necessary to fund the maximum amount to international equity.

The Board approved the retention of four new international equity managers and the termination of the interim BGI International

Alpha Tilts Fund and Genesis Emerging Markets Equity managers based upon the outcome of the international equity (developed and emerging markets) manager search. Effective September 1, 2008, the Board hired Baillie Gifford and Principal Global to manage international equity (ACWIXUS and EAFE) mandates respectively, and hired Batterymarch and Wellington to manage international emerging markets equity portfolios.

In general, the System's portfolio correlates fairly well with the performance of the U.S. stock market. During the fiscal years ended June 30, 2009 and 2008, market sentiment as well as performance were severely affected by the following global economic and market developments: (1) continued U.S. housing recession; (2) escalating fallout from the subprime mortgage defaults and foreclosures; (3) relatively low long-term interest rates and extended tightening of the lending monetary policy; (4) further weakening of consumer confidence and spending; (5) Lehman Brothers bankruptcy and the unraveling of the financial system stemming from the brokerage and investment bank debacle; (6) uncertainty and risks associated with geopolitical tensions; and (7) the general concerns about inflation and the economy.

During the fiscal year 2009, the Board focused on a thorough, comprehensive review of the System's historical Asset Allocation decisions; manager search and retention, process and procedures; and performance compared to other Public Pension Systems to ensure that the processes and procedures are effective and meet or exceed the necessary standards that are required to thrive in any given financial investment market.

Despite the overwhelming challenges that the economy faced which appear to have been even more profound than a recession and financial crisis, the System remains very well funded and have provided a solid rate of return from a long-term perspective.

INVESTMENT PERFORMANCE

Highlighted Investment Performance of the City of Fresno Employees Retirement System Investment Portfolio for FY 2009:

	Return
Total Fund	-20.12%
Domestic Equity	-26.90%
International Equity	-34.05%
Fixed Income	1.04%
Real Estate	-31.07%
Fiscal Year End	
Fund Value:	\$735,578,804

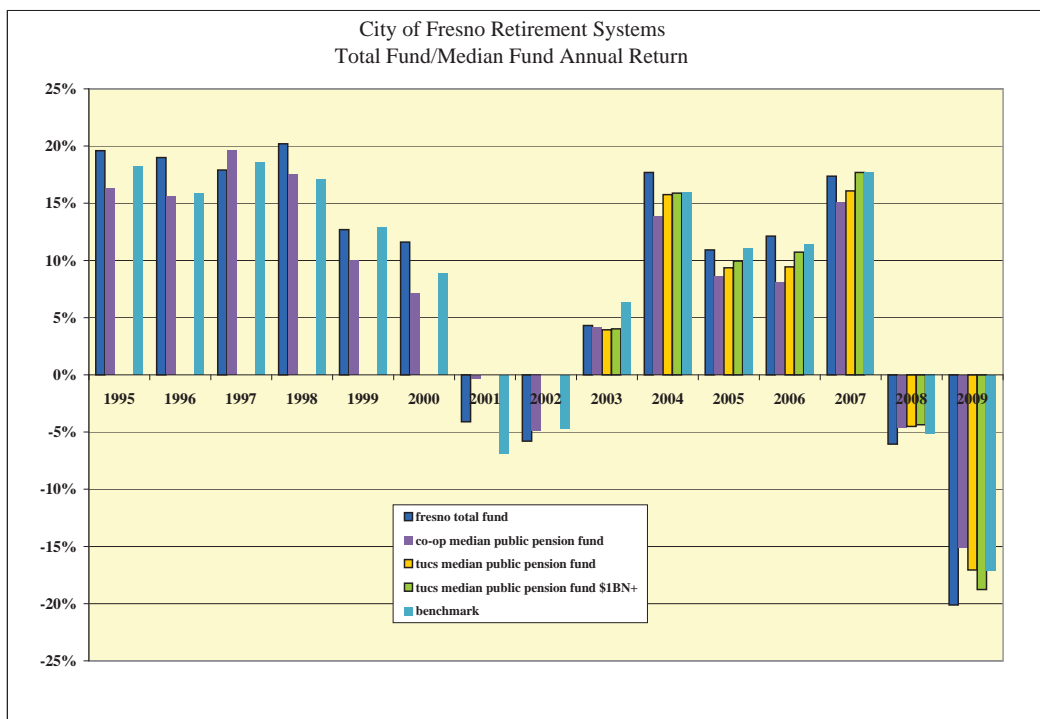
- 3) To achieve rates of return above inflation;
- 4) To comply with legal statutes and regulations; and
- 5) To maintain a fully funded pension status.

These are the fundamental goals as stated in the Board’s Investment Objectives and Policy Statement. The Employees Retirement Board has strong controls in place to manage the overall investment objectives of the Employees Retirement System assets and hold the fiduciary responsibility for the System.

The principal goals of the System’s Retirement Board in managing the Retirement System’s Investment Portfolios are the following:

- 1) To fund the System’s benefit payments
- 2) To assume a prudent risk posture to minimize the cost of meeting the obligations of the System;

The System’s Total Fund Returns Versus Wilshire Associates Public Pension Funds (Gross of Fee) Returns for the Period Ended June 30, 2009, ranked the System in the fourth quartile (87th percentile) of our Investment Consultant’s universe of public funds. Over the past ten years, the Systems’ investment returns have remained sound and outperformed its policy benchmark and the median fund returns as shown in the following chart.



	Jun-95	Jun-96	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09
Fresno Total Fund	19.60%	19.00%	17.90%	20.20%	12.70%	11.60%	-4.10%	-5.80%	4.31%	17.70%	10.92%	12.12%	17.36%	-6.05%	-20.12%
Co-op Median Public Pension Fund	16.30%	15.60%	19.60%	17.50%	10.00%	7.10%	-0.30%	-4.90%	4.15%	13.83%	8.63%	8.08%	15.06%	-4.56%	-15.11%
TUCS Median Public Pension Fund	--	--	--	--	--	--	--	--	3.94%	15.75%	9.36%	9.44%	16.08%	-4.51%	-17.06%
TUCS median public pension fund \$11	--	--	--	--	--	--	--	--	4.02%	15.88%	9.95%	10.72%	17.69%	-4.36%	-18.76%
Benchmark	18.24%	15.87%	18.58%	17.07%	12.90%	8.85%	-6.84%	-4.67%	6.35%	15.94%	11.09%	11.42%	17.70%	-5.16%	-17.05%

SUMMARY OF PORTFOLIO RESULTS

The fiscal year, ended June 30, 2009, marked an extraordinarily volatile year which ended with significant negative performance for the City of Fresno Employees Retirement System. The System experienced a total investment loss from this market downturn and resulting economic recession of 20.12 percent for the fiscal year ended June 30, 2009, underperforming the System's actuarial interest rate assumption of 8.25 percent by 28.37 percent and underperforming the System's policy benchmark (a weighted average of the Fund's asset classes and their respective benchmarks) return of -17.99 percent by -2.13 percent. Over the longer term, our investment results remain sound with annualized returns 7.70 percent over the past fifteen years. The System's ten-year annualized returns averaged 3.02 percent exceeding its policy benchmarks for the period by 0.09 percent. After paying all benefits and expenses of the System, the year-end value of the System dropped to \$735.6 million.

The System's return of -20.12 percent for the Fiscal Year ended June 30, 2009 outperformed the Wilshire 5000, a broad index of stock prices which fell -26.40 percent. The global equity markets experienced a dramatic rally during the second quarter of 2009 with rewards of positive performance in almost every sector. For the quarter ended June 30, 2009, the System's return of 13.86 percent slightly underperformed the S&P 500 return of 15.93 percent and the Wilshire 5000 return of 16.69 percent. This result indicates that the System outperformed the broader investment market over the fiscal year despite the second quarter positive performance of the broader investment market.

The fundamental evaluations of equity and fixed income reached their lowest levels in decades in March 2009. Many academic studies suggest that about 80-90 percent of a portfolio's investment results are derived from its asset allocation and that a well-diversified investment portfolio is more likely to produce better performance relative to its indexes. In times of unprecedented market volatility, portfolio diversification takes on even greater

significance in controlling risk. The System's longer term success can be attributed to the well-thought-out asset allocation strategy adopted by the Employees Retirement Board and to the System's investment staff's timely implementation and rigorous monitoring of the System's investments, asset performance and risk in collaboration with the outside investment consultant.

GENERAL INFORMATION

The System's investment assets are managed by external investment management firms. Professional investment consultants, along with staff, closely monitor the activity of these managers and assist the Board with the implementation of investment policies and long-term strategies. The System's goal is to fund benefit payments, while assuming a risk posture that is consistent with the Board's risk tolerance, protecting against loss of purchasing power by achieving rates of return above inflation, and to maintain a fully funded pension status.

SUMMARY OF GENERAL INVESTMENT GUIDELINES, POLICIES AND PROCEDURES

The Retirement Board, having sole and exclusive authority and sole and exclusive fiduciary responsibility for the investment and administration of the System, and its assets, has adopted an Investment Objectives and Policy Statement which reflects the Board's policies for management of the System's investments. The Board reserves the right to amend, supplement or rescind this Statement at any time. This Investment Objectives and Policy Statement establishes the investment program goals and policies, asset allocation policies, performance objectives, investment management policies and risk controls. It also defines the principal duties of the Board, staff, investment managers, master custodian and consultants.

The System's primary investment objective is to take prudent risk, as necessary, to minimize the cost of meeting the obligations of the System. The purpose of the Investment Objectives and Policy Statement is to express in operational terms: Return expectations, prudence with respect to risk and compliance with statutes and regulations.

An integral part of the overall investment policy is the strategic asset allocation policy. This allocation mix is designed to provide an optimal mix of asset categories with return expectations that reflect expected risk. This emphasizes a maximum diversification of the portfolio that protects the System from declines that a particular asset class may experience in a given period. Both traditional assets (cash, bonds, domestic stocks, fixed income and mortgages) and nontraditional assets (real estate, international stock and emerging equity market stock) are included in the mix.

Total portfolio return, over the long term, is directed toward achieving and maintaining a fully funded status for the System. Prudent risk taking is warranted within the context of overall portfolio diversification to meet this objective. All activities will be conducted so as to serve the best interests of the System's members and beneficiaries.

SUMMARY OF PROXY VOTING GUIDELINES AND PROCEDURES

In recognition of its duty to manage retirement plan assets in the best interest of the plan participants, the Board has established proxy voting guidelines and procedures which are intended to assist in the faithful discharge of the Board's duty to vote proxies on behalf of plan participants. These guidelines consist of preferences with respect to specific, recurring proxy-voting issues followed by a general statement of voting policies. The System will at all times strive to cast proxy votes so as to advance the overall good of the System.

The Board incorporates International equity proxy voting guidelines for share-blocking markets into its Proxy Voting policy. Share-blocking markets are markets of countries outside the U.S. and Canada, which restrict trade activity by shareholders who vote proxies. For portfolio managers managing assets in these international developed and emerging market countries, the requirement to vote proxies may prevent the full exercise of their fiduciary duty to manage the portfolio in the best interest of the Systems. Therefore, under these circumstances, the portfolio manager is granted the authority to choose whether or not to vote proxies in share-blocking markets based upon the manager's determination of what is in the best interest of the Systems.

SPECIFIC INVESTMENT RESULTS BY ASSET CLASSIFICATION

As of June 30, 2009, the Retirement System's portfolio was under-weighted in total equities, with 57.1 percent in total equities versus the target of 60.0 percent. Domestic equities were under-weighted with 27.8 percent versus the target of 30.0 percent, while international equity with 22.9 percent developed and 6.4 percent emerging markets was slightly under-weight total international equity with 29.3 percent versus the target of 30.0 percent. Fixed income was 33.3 percent, 3.3 percent above its target of 30.0 percent and real estate at 9.6 percent was slightly under-weight its target of 10.0 percent.

The investments were further diversified into the following asset classes and target percentages:

	Actual	Target
Asset Classification		
Domestic Equities:		
Large-Cap Equities	19.8%	22.5%
Small Cap Equities	8.0%	7.5%
International Equities:		
Developed Equities	22.9%	25.0%
Emerging Market Equities	6.4%	5.0%
Fixed Income		
Domestic Fixed Income	27.3%	25.0%
High Yield Fixed Income	6.0%	5.0%
RealEstate		
Private Real Estate	7.0%	6.0%
Public (REITs)	2.6%	4.0%
Cash	0.0%	0.0%
Total	100.0%	100.0%

This asset class diversification along with portfolio investment style diversification is all part of the Retirement Board's Investment Risk Management Program. The investment returns presented herein are based on a time-weighted rate of return methodology based upon market values.

Respectfully submitted,


Stanley L. McDivitt
Retirement Administrator

November 25, 2009

INVESTMENT CONSULTANT'S REPORT



October 21, 2009

City of Fresno Employees and Fire & Police Retirement Boards
2828 Fresno Street, Suite 201
Fresno, California 93721-1327

Introduction and Overview

Performance in fiscal year 2009 was disappointing and broke a string of successes over the last several years. For the fiscal year ended June 30, 2009, the combined systems experienced a total loss of -20.12% gross of fees, the second year in the last seven that the systems have not generated a positive return and the second year in the last six in which the systems' return did not exceed the actuarial interest rate assumption. Over the last year, the fund underperformed its benchmark¹ return of -17.05% by 3.07% (gross of fees). Fortunately, due to the double digit returns of fiscal year 2004 through 2007, and the experience with very high investment returns through the late 1990s, the combined systems continue to maintain a healthy funding level despite the weaker investment performance in the past two fiscal years.

The Systems' total return over the past five years has been an annualized average of +1.84% gross of fees versus the fund benchmark return of +2.77% and the 8.25% actuarial interest rate assumption. Over the past five years, the Systems have underperformed the benchmark by 0.93% gross of fees. During the past ten years, the combined Systems achieved a total annualized return of +3.02% gross of fees versus a return of +3.17% for the composite benchmark. Over this time period, the Systems underperformed the benchmark by 0.15% per year.

Summary of Investment Results

The investment information is presented in conformance with the Global Investment Performance Standards of the Chartered Financial Analyst Institute (CFAI, formerly AIMR).

The quarterly performance of the Systems' total fund composite reflected the extremely high level of stock market volatility over the past year. From mid-2008 through the first weeks of March 2009, U.S. and global equity and credit benchmarks tumbled precipitously, as the powerful headwinds that were gathering developed into a full-fledged recession. In December 2008, the National Bureau of Economic Research declared that a recession had begun 12 months earlier. By the end of 2008, the economy was contracting at a pace of over 5.5% annually. This worsened in the first quarter of 2009 to -6%. Consumer spending weakened dramatically with the U.S. economy losing 2.9 million jobs in 2008. The job market continued to deteriorate in the first half of 2009 and shows only modest signs of improvement even now. The weak economy and financial crises prompted aggressive fiscal and monetary policy responses by the Federal Reserve and federal government in efforts to revive the economy.

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In this environment, all types of risky assets declined as investors shied away from the investments which historically had produced the highest returns. Against this backdrop, the Systems returned -9.97% gross of fees in the third calendar quarter of 2008 (first fiscal quarter), underperforming the benchmark return of -8.15%. This performance ranked the Systems in the bottom 10% of all pension funds in our database (90th percentile). When the equity markets fell in the fourth calendar quarter, the Systems assets dropped, as well. In this quarter, the Systems returned -16.55% gross of fees, underperforming the benchmark return of -15.42%, and ranking in the 97th (97th percentile) of all pension funds in this quarter. In the first calendar quarter of 2009, the Systems outperformed their benchmark, returning -6.61% gross of fees versus -7.85% for the index. This performance placed the combined Systems in the 78th percentile of our database.

Markets bottomed in the first two weeks of March, and capital markets around the globe staged a substantial rally. Global equity markets were up more than 30% from the bottom through June, while credit markets began to normalize. Sectors like high yield which were hit the hardest in late 2008 and early 2009, recovered sharply. As such, in the second calendar quarter of 2009, the Systems returned +13.86% gross of fees, underperforming the benchmark return of +15.88% but ranking the Systems in the top 8% of funds in our database (8th percentile).

For the year ending June 30, 2009, the Systems' gross of fee performance of -20.12% trailed the benchmark return of -17.05% and ranked in the fourth quartile (87th percentile) of all public pension funds gross of fee performance in our database.

Asset Allocation

At the end of the fiscal year, investment allocations in all asset classes were close to their policy targets and within reasonable rebalancing ranges.

Brokerage Recapture Programs

A brokerage recapture program is in place with several brokerage firms. A significant percentage of equity trading is being executed through the program, generally at a low cost, and has resulted in a meaningful cost recapture.

Performance Comparison

The following table compares the total return for the Systems to all other public pension funds in the TUCS universe and the Systems' benchmark. The table illustrates that the Systems' performance over the last two years has lagged that of the median public pension fund. However, over the five years prior (2003 – 2007), the Systems ranked above the median on a consistent basis.



	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09
fresno total fund	4.31%	17.70%	10.92%	12.12%	17.36%	-6.05%	-20.12%
TUCS median public pension fund	3.94%	15.75%	9.36%	9.44%	16.08%	-4.51%	-17.06%
TUCS median public pension fund \$1BN+	4.02%	15.88%	9.95%	10.72%	17.69%	-4.36%	-18.76%
benchmark	6.35%	15.94%	11.09%	11.42%	17.70%	-5.16%	-17.05%

Summary

The fiscal year 2009 was a turbulent and challenging environment for all investors. Risky assets around the globe fell sharply through most of the first three quarters of the fiscal year before trimming losses in the final quarter. While the short term outlook for the stock markets and the economy is uncertain, we remain confident that the Systems have an appropriate asset allocation mix that will maximize the potential for return while minimizing unwanted risks. The Systems also continue to take a pro-active approach in evaluating additional opportunities to enhance both the Systems asset allocation and the existing manager lineup. As such, Wilshire is confident in the longer-term outlook for the plan as the Systems continue to meet participant needs through timely benefit payments and a high level of service.

Sincerely,

Thomas Toth, CFA
Vice President

¹ City of Fresno Total Fund Policy Index

Policy Index	10/01/08 - 6/30/09	7/01/06 - 9/30/08	2/01/05 - 6/30/06	7/01/04 - 1/31/05	7/01/03 - 6/30/04	4/01/01 - 6/30/03	3/01/97 - 3/31/01	9/13/95 - 2/28/97
Wilshire 5000 Index	30.0%	40.0%	40.0%	40.0%	42.0%	45.0%	46.0%	51.0%
MSCI ACWI x-US	30.0%	-	-	-	-	-	-	-
MSCI EAFE Index	-	17.0%	17.0%	17.0%	15.0%	9.0%	10.0%	7.0%
MSCI EMF Index	-	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	-
Barclays Aggregate	25.0%	25.0%	25.0%	25.0%	28.0%	28.0%	25.0%	37.0%
Barclays High Yield	5.0%	5.0%	5.0%	5.0%	4.0%	2.0%	-	-
Barclays Gov/Credit/LB	-	-	-	-	-	7.0%	5.0%	-
JPMorgan Non US Govt Bond	-	-	-	-	-	-	8.0%	4.0%
NCREIF	6.0%	6.0%	7.5%	10.0%	8.0%	7.0%	4.0%	1.0%
Wilshire Real Estate Securities Index	4.0%	4.0%	2.5%	-	-	-	-	-
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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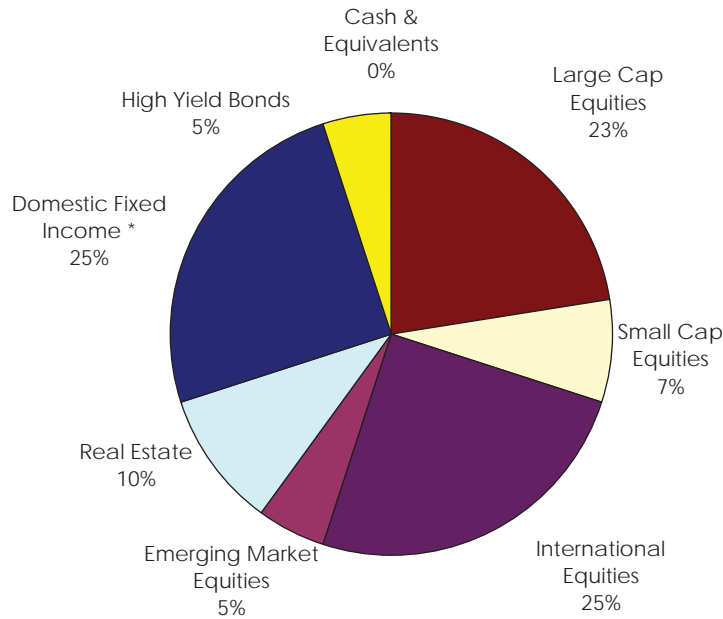
INVESTMENT RESULTS

Calculations are prepared using a time-weighted rate of return based on the market values.

	annualized			
	1 year	3 years	5 years	10 years
Domestic Equity				
Total Large Cap Domestic Equity	-28.10	-9.51	-2.30	-2.70
Median Large Cap Equity	-25.59	-6.88	-0.77	0.40
Benchmark: S&P 500	-26.21	-8.22	-2.24	-2.22
Total Small Cap Domestic Equity	-22.93	-8.73	-0.67	1.93
Median Small Cap Equity	-25.55	-8.64	-0.34	5.94
Benchmark: Russell 2000	-25.01	-9.89	-1.71	2.38
International Equity				
Total International Equity (EAFE)	-35.87	-9.39	0.48	1.50
Median International Equity (EAFE)	-30.72	-6.53	3.95	4.13
Benchmark: MSCI EAFE (\$g)	-30.96	-7.51	2.79	1.59
Emerging Market Equity				
Total Emerging Market Equity	-25.63	2.88	15.23	11.90
Median Emerging Market Equity	-29.20	3.48	15.48	11.13
Benchmark: MSCI EMF (\$g)	-27.82	3.27	15.08	9.02
Fixed Income				
Total Fixed Income	1.04	4.19	4.19	5.65
Median Fixed Income	4.93	5.51	4.68	5.83
Benchmark: Barclays Aggregate Bond Index	6.05	6.43	5.01	5.98
Real Estate				
Total Real Estate	-31.07	-6.98	3.19	6.37
Median Real Estate	-30.30	-4.73	3.49	6.25
Benchmark: Weighted Indexes	-27.83	-6.24	3.35	6.33
Total Fund				
Retirement System	-20.12	-4.14	1.84	3.02
Median TUCS Public Fund	-17.06	-2.60	2.19	--
Median TUCS Public Fund \$1BN+	-18.76	-2.69	2.36	--
Benchmark: Weighted Indexes	-17.05	-2.53	2.77	3.17

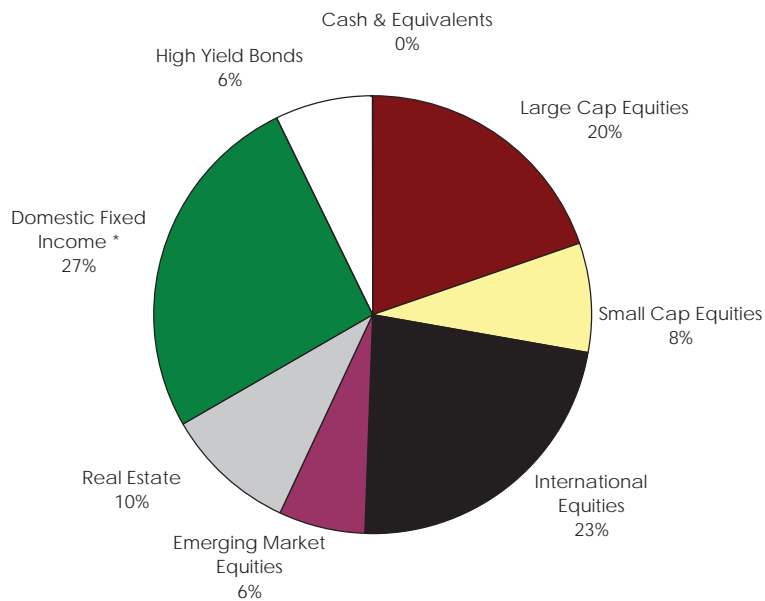
TARGET ALLOCATION

AS OF JUNE 30, 2009



ACTUAL ASSET ALLOCATION

AS OF JUNE 30, 2009



Asset Class	Current Target	Allocation Range	Actual
Large Cap Equities	22.5%	18.5% - 26.5%	19.8%
Small Cap Equities	7.5%	4.5% - 10.50%	8.0%
International Equities	25.0%	21% - 29%	22.9%
Emerging Market Equities	5.0%	0% - 7%	6.4%
Real Estate	10.0%	8% - 12%	9.6%
Domestic Fixed Income *	25.0%	20% - 30%	27.3%
High Yield Bonds	5.0%	0% - 8%	6.0%
Cash & Equivalents	0.0%	0% - 2%	0.07%

* 2% High Yield Bonds Managed Within Domestic Fixed Income

LARGEST STOCK HOLDING (BY MARKET VALUE)

AS OF JUNE 30, 2009

	Shares	Stock Holding	Market Value
1)	108,646	Nestle SA Comstk	\$ 4,087,883
2)	44,633	Sanofi-Aventis Eur2	2,621,267
3)	60,868	ADR Petroleo Brasileiro	2,494,364
4)	88,703	Brit Amer Tobacco	2,443,928
5)	16,441	Goldman Sachs Group Inc Com	2,424,116
6)	50,931	Astrazeneca	2,239,886
7)	89,687	Royal Dutch Shell	2,239,237
8)	30,655	Chevron Corp Com	2,030,883
9)	37,472	Total EUR2.5	2,022,515
10)	58,828	JPMorgan Chase & Co Com	2,006,621
Total Largest Stock Holdings			\$ 24,610,700

LARGEST BOND HOLDINGS (BY MARKET VALUE)

AS OF JUNE 30, 2009

	Share/Par Value	Bond Holding	Coupon Rate	Maturity Date	Market Value
1)	3,760,176	US Treas Nts	3.375%	15 Sept 2009	\$ 3,784,410
2)	2,312,014	FNMA Pool	6.500%	1 May 2038	2,465,592
3)	2,018,256	FNMA Pool	6.500%	1 Oct 2037	2,145,749
4)	2,115,099	US Treas Nts	0.875%	31 Mar 2011	2,112,208
5)	1,992,893	US Treas Nts	0.875%	31 Dec 2010	1,995,618
6)	2,056,346	US Treas Nts	3.125%	15 May 2019	1,988,878
7)	1,675,409	FNMA Pool	5.500%	1 Aug 2023	1,743,816
8)	1,692,079	Xerox Corp	6.400%	15 Mar 2016	1,556,713
9)	1,586,324	AOL Time Warner	7.625%	15 Apr 2031	1,542,155
10)	1,274,747	FNMA Pool	6.000%	1 Apr 2035	1,342,494
Total Largest Bond Holdings					\$ 20,677,633

A complete list of portfolio holdings is available upon request.

The System participates in a commission recapture program offered by Northern Trust Securities Inc. (NTSI). Investment Managers are instructed to seek best execution and to seek to minimize omission and market impact costs when trading securities. Consistent with the pursuit of best execution, equity manager's participating in the Brokerage Commission Recapture Program are to give consideration to executing a portion of the trades

for their account through brokerage firms identified by NTSI as eligible Broker Dealer firms. The System receives a rebate in the amount of 70% of the total commissions directed through the NTSI Network. For FY 2009, the net income from Brokerage Commission Recapture was \$52,893. During this period, the overall participating rate by the System's equity managers was 10.32%. The percentage of equity trading being executed through the program is generally at a low cost and has resulted in a meaningful cost recapture.

SCHEDULE OF COMMISSIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Brokerage Firm	Total Commissions	Number of Shares	Commission Cost/Share
Lehman Brothers International EUR	\$ 43,039	1,302,945	0.0330
JP Morgan Securities Limited	39,429	540,841	0.0729
Merrill Lynch Intl Ltd Equities	34,790	3,956,373	0.0088
Deutsche Bank Securities	27,040	35,952,292	0.0008
Ridge Clearing & Outsourcing SOL Inc	25,026	1,668,369	0.0150
Credit Suisse First Boston Corporation	24,640	35,445,994	0.0007
Goldman Sachs & Co	22,515	5,865,107	0.0038
CSFB London	19,487	2,040,254	0.0096
CSFB New York	19,466	5,597,561	0.0035
ADP Clearing & Outsourcing Inc	19,153	1,756,631	0.0109
	\$ 274,585	94,126,367	0.0029
All Other Brokerage Firms	670,310	10,261,777,534	0.0001
TOTAL	\$ 944,895	10,355,903,901	0.0001

INVESTMENT SUMMARY

	Investment Value as of June 30, 2009	Percent of Fund
Equity		
Domestic	\$193,087,111	26.0%
International	184,229,080	24.8%
Emerging Market Equity	35,009,363	4.7%
Fixed Income		
Domestic	240,582,260	32.4%
Real Estate	73,145,372	9.9%
Short Term Investments	16,213,067	2.2%
Total	\$742,266,253	100.0%

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SECTION 4

ACTUARIAL SECTION

ACTUARIAL SECTION

Caring For Your Future...



ACTUARIAL CERTIFICATION LETTER



THE SEGAL COMPANY
100 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

VIA E-MAIL AND USPS

November 17, 2009

Board of Retirement
City of Fresno Employees Retirement System
2828 Fresno Street, Suite 201
Fresno, CA 93721-1327

**Re: City of Fresno Employees Retirement System
June 30, 2008 Actuarial Valuation**

Dear Members of the Board:

The Segal Company prepared the June 30, 2008 annual actuarial valuation of the City of Fresno Employees Retirement System. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No 25.

As part of the June 30, 2008 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data provided by the Plan's administrative staff for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the System's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period.

One of the general goals of an actuarial valuation is to establish rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Projected Unit Credit Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any prefunded actuarial accrued liability (PAAL). Actuarial gains and losses are incorporated into the PAAL and are amortized over the same period.



Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, D.C.

Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
MEXICO CITY OSLO PARIS

Board of Retirement
City of Fresno Employees Retirement System
November 17, 2009
Page 2

The PAAL is amortized as a level percentage of payroll over a 15-year period. The progress being made towards meeting the funding objective through June 30, 2008 is illustrated in the Schedule of Funding Progress.

A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the System’s CAFR is provided below:

1. Summary of Actuarial Assumptions and Methods;
2. Solvency test;
3. Actuarial Analysis of Financial Experience; and
4. Schedule of Funding Progress.⁽¹⁾

⁽¹⁾ *The schedule of funding progress is the only schedule that Segal has prepared for the Financial Section of the CAFR. The other schedules, such as the schedule of gross and net employer contributions, in the Financial Section of the CAFR have been prepared by the Retirement System.*

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2006 Experience Analysis and the June 30, 2007 Economic Assumptions Report. It is our opinion that the assumptions used in the June 30, 2008 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2009.

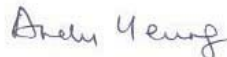
In the June 30, 2008 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 146.8% to 142.2%. The employer’s rate has remained at 0.00% of payroll, while the employee’s rate has increased from 5.02% of payroll to 5.04% of payroll.

The undersigned are members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

Sincerely,



Paul Angelo, FSA, EA, MAAA, FCA
Senior Vice President & Actuary



Andy Yeung, ASA, EA, MAAA
Vice President & Associate Actuary

MYM/kek
Enclosures

SUMMARY OF ASSUMPTIONS AND FUNDING METHOD

These actuarial assumptions and methods based on June 30, 2008 data were adopted by the Employees Retirement Board on January 14, 2009, and were effective for fiscal year 2009.

Assumptions

Valuation Interest Rate	8.25%
Inflation:	3.75%

Post-Retirement Mortality

(a) Service Retirement

Member 1994 Male Group Annuity Mortality Table weighted 65% male and 35% female.
Beneficiary: 1994 Group Annuity Mortality Table weighted 35% male and 65% female.

(b) Disability Retirement

Member: 1981 Disability Mortality Table for General Members, setback four-years

Pre-Retirement Mortality

Based upon the 6/30/2006 Experience Analysis

Withdrawal Rates

Based upon the 6/30/2006 Experience Analysis

Disability Rates

Based upon the 6/30/2006 Experience Analysis

Service Retirement Rates

Based upon the 6/30/2006 Experience Analysis

Assets

Five-year smoothed recognition of realized and unrealized capital gains and losses greater or less than actuarial assumed rate.

Funding Method

The System's liability is being funded on the Projected Unit Credit Actuarial Cost method.

DROP Rates

1st year eligible	40% participation
2nd year eligible	15% participation
3rd & 4th year eligible	10% participation
Thereafter	0% participation

Members are assumed to remain in DROP for 4 years.

Marriage Rates

It is assumed that 80% of all male members and 70% of all female members will be married at retirement.

Wives are 4 years younger than their husbands.

COLA Assumption

3.75% per year; Retiree COLA increases due to CPI are limited to maximum at 3.75% per year.

Salary Scale

Made up of merit and longevity and inflation components. The inflation component is equal to 3.75%; plus 0.25% real across-the-board salary increase. The merit and longevity component varies by service and is illustrated below:

Years Since Hire	Merit & Longevity Assumption
< 1 year	8.00%
1 year	6.00%
2 years	5.00%
3 years	3.70%
4 years	3.10%
5 years	2.10%
6 years	1.10%
7 years	0.90%
8 years	0.70%
9 or more years	0.30%

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

Rate (%)		
Mortality		
Tier 1 & Tier 2		
Age	Male	Female
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.

Rate (%)				
Disability				
Age	Tier 1		Tier 2	
	Duty	Non-Duty	Duty	Non-Duty
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

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Active/DROP	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
June 30, 2008	Active Members	2245	\$117,793,489	\$52,469	5.3%
	DROP Participants	264	15,316,424	58,017	2.4%
	Totals	2509	\$133,109,913	\$53,053	
June 30, 2007	Active Members	2195	\$109,370,886	\$49,827	4.6%
	DROP Participants	228	12,861,061	56,657	9.3%
	Totals	2423	\$122,231,947	\$50,447	
June 30, 2006	Active Members	2097	\$99,875,529	\$47,628	7.4%
	DROP Participants	222	11,502,836	51,815	4.6%
	Totals	2319	\$111,378,365	\$48,029	
June 30, 2005	Active Members	2061	\$91,411,031	\$44,353	1.7%
	DROP Participants	225	11,146,645	49,541	1.7%
	Totals	2286	\$102,557,676	\$44,863	
June 30, 2004	Active Members	2037	\$88,877,515	\$43,632	2.1%
	DROP Participants	223	10,867,428	48,733	2.0%
	Totals	2260	\$99,744,943	\$44,135	
June 30, 2003	Active Members	2044	\$87,366,386	\$42,743	1.3%
	DROP Participants	209	9,982,140	47,761	5.8%
	Totals	2253	\$97,348,526	\$43,208	
June 30, 2002	Active Members	1994	\$84,149,313	\$42,201	2.5%
	DROP Participants	198	8,936,515	45,134	0.3%
	Totals	2192	\$93,085,828	\$42,466	
June 30, 2001	Active Members	1971	\$81,175,630	\$41,185	3.5%
	DROP Participants	200	9,001,264	45,006	3.7%
	Totals	2171	\$90,176,894	\$41,537	
June 30, 2000	Active Members	1934	\$76,988,782	\$39,808	9.1%
	DROP Participants	178	7,728,203	43,417	4.2%
	Totals	2112	\$84,716,985	\$40,112	
June 30, 1999	Active Members	1902	\$69,370,703	\$36,473	4.5%
	DROP Participants	168	7,001,540	41,676	5.6%
	Totals	2070	\$76,372,243	\$36,895	
June 30, 1998	Active Members	1864	\$65,056,340	\$34,901	-1.40%
	DROP Participants	120	4,737,340	39,478	Base Year
	Totals	1984	\$69,793,680	\$35,178	-0.06%
June 30, 1997	Active Members	1957	\$69,286,627	\$35,405	1.20%
June 30, 1996	Active Members	1930	\$67,499,533	\$34,974	7.40%
June 30, 1995	Active Members	1891	\$61,590,138	\$32,570	6.00%
June 30, 1993	Active Members	2026	\$62,263,875	\$30,732	1.08%
June 30, 1991	Active Members	1879	\$52,133,387	\$27,745	

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED OR REMOVED FROM ROLLS

Year Ended	Added to Rols		Removed from Rols		Rols at End of Year		% Increase in Retiree Allowance	Average Annual Allowance
	Number	Annual Allowance*	Number	Annual Allowance*	Number	Annual Allowance		
June 30, 2009	87	\$1,406,728	(48)	\$(682,366)	1402	\$39,031,190	7.32	\$27,840
June 30, 2008	113	\$3,136,606	(49)	\$(706,739)	1363	\$35,357,509	(11.20)	\$25,941
June 30, 2007	94	\$1,153,762	(45)	\$(614,078)	1299	\$37,948,651	24.17	\$29,214
June 30, 2006	99	\$1,150,756	(44)	\$(523,431)	1250	\$29,409,733	6.32	\$23,528
June 30, 2005	97	\$1,132,389	(56)	\$(579,306)	1195	\$26,444,153	(3.81)	\$22,129
June 30, 2004	109	\$521,390	(62)	\$(689,676)	1154	\$26,548,396	(8.93)	\$23,006
June 30, 2003	83	\$605,134	(40)	\$(455,621)	1107	\$27,963,534	(3.37)	\$25,261
June 30, 2002	102	\$4,826,331	(40)	\$(504,816)	1064	\$27,814,021	11.50	\$26,141
June 30, 2001	43	\$846,004	(32)	\$(374,325)	1002	\$23,492,506	7.45	\$23,446
June 30, 2000	94		(39)		991	\$21,622,858	12.92	\$21,819
June 30, 1999	38		-19		936	\$18,085,727	9.76	\$19,322

* Annual allowance data not available prior to 2001.

SOLVENCY TEST (IN THOUSANDS)

Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Asset		
	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)		Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)
6/30/2008	\$90,891	\$475,565	\$123,377	\$980,961	100%	100%	100%
6/30/2007	91,230	421,463	118,612	926,525	100%	100%	100%
6/30/2006	88,538	414,218	111,157	847,516	100%	100%	100%
6/30/2005	88,322	360,303	116,925	790,858	100%	100%	100%
6/30/2004	87,756	352,680	113,930	741,766	100%	100%	100%
6/30/2003	87,876	334,590	123,221	698,885	100%	100%	100%
6/30/2002	85,532	324,254	120,019	748,762	100%	100%	100%
6/30/2001	84,217	300,562	115,707	781,831	100%	100%	100%
6/30/2000	82,588	280,005	108,614	770,649	100%	100%	100%
6/30/1999	85,630	259,886	81,022	702,481	100%	100%	100%
6/30/1998	81,736	240,587	86,852	625,121	100%	100%	100%
6/30/1997	88,020	210,441	103,906	538,055	100%	100%	100%
6/30/1996	81,336	195,619	100,764	460,073	100%	100%	100%
6/30/1994	69,292	185,946	103,164	371,158	100%	100%	100%
6/30/1992	57,006	158,809	105,013	269,203	100%	100%	50.84%

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

(Amounts in Thousands)	Plan Years									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Prior Valuation Actuarial Accrued Liability	\$631	\$614	\$566	\$554	\$546	\$530	\$501	\$471	\$49	\$31
Expected Increase from Prior Valuation	-	-	-	-	-	29	28	-	-	-
Salary Increase (Greater) Less than Expected	8	7	-	5	5	(9)	3	3	10	(3)
Asset Return (Less) Greater than Expected	-	-	-	7	(34)	-	(7)	27	35	33
Other Experience	10	6	2	-	17	-	-	-	-	2
Economic Assumption Changes	-	(31)	-	-	17	-	-	-	11	(12)
Noneconomic Assumption Changes	-	-	-	-	3	(4)	5	-	(12)	(2)
Normal Cost	22	21	19							
Interest	51	50	46							
Payments	(32)	(36)	(29)							
Change in Valuation Programs and Methods	-	-	10							
Ending Actuarial Accrued Liability	\$690	\$631	\$614	\$566	\$554	\$546	\$530	\$501	\$93	\$49

MAJOR PROVISIONS OF THE RETIREMENT PLAN

ELIGIBLE EMPLOYEES

All non-Fire and Police employees who enter service after July 1, 1952, and are certified from a civil service list for permanent employment.

FINAL AVERAGE SALARY (FAS)

Highest three consecutive-year average.

Requirement: age 55 and 5 years of service.

Benefit: Sum of (1) and (2) times (3)

- (1) 2% of FAS times years of service, not-to-exceed 25 years
- (2) 1% of FAS times years of service in excess of 25 years
- (3) RETIREMENT AGE FACTOR TABLE

Age	Factor	Age	Factor
55	1.000	61	1.140
56	1.020	62	1.180
57	1.040	63	1.220
58	1.060	64	1.260
59	1.080	65	1.300
60	1.100	Add .01 for every quarter after age 65.	

DEFERRED RETIREMENT OPTION (DROP)

An employee who is age 55 with 5 years of service may DROP. Retirement amount is calculated and monthly deposits are made to the employee's DROP account while employee continues to work up to maximum of 10 years.

DISABILITY RETIREMENT

Requirement: 10 years of service.

Benefit: 1.8 percent times FAS times years of service, if exceeds 1/3 of FAS; or 33-1/3%, or service retirement, if higher.

MEMBER CONTRIBUTION RATES

Basic rates on a formula reflecting the age at entry into the System. The rates are such as to provide an average annuity, at age 55, of 1/150 of FAS for each of the first 25 years of service, plus 1/300 of FAS for each year of service after 25. Member cost-of-living rates are designed to pay for one-half of the future cost-of-living increases.

DEATH BEFORE RETIREMENT

- A. Before eligible to retire for disability (less than 5 years):
 - (1) One month's salary for each year of service, not-to-exceed six months.
 - (2) Return of contributions with interest.
- B. While eligible for service retirement:

Fifty percent (50%) of service retirement benefit to eligible beneficiary.
- C. With 5 or more years:

Fifty percent (50%) of service retirement benefit formula at age 55, based on years of service at death.

DEATH AFTER RETIREMENT

Fifty percent (50%) of the member's allowance continued to eligible spouse for life.

WITHDRAWAL OF BENEFITS

If less than five years of service, return of contributions. If more than five years of service, right to have vested deferred retirement benefit at normal retirement date.

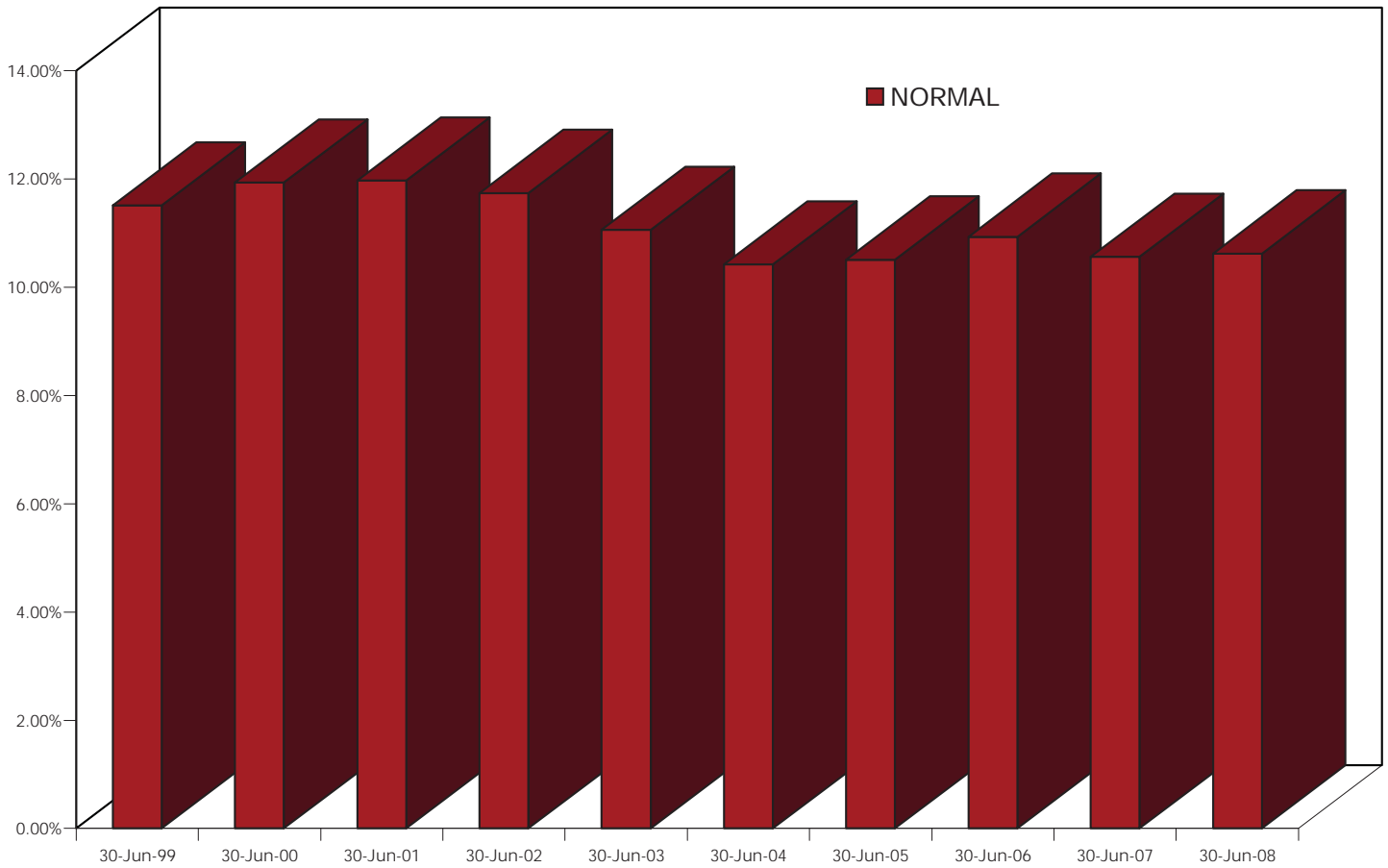
POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB)

On August 27, 1998, the City Council adopted the Post Retirement Supplemental Benefit (PRSB) Program which is intended to provide assistance to retirees to pay for various post-retirement expenses. Annually, after an actuarial study has been performed, the Retirement Board will review the availability of surplus earnings in the System and determine whether a benefit can be paid to eligible PRSB recipients. If a surplus is declared by the Board, PRSB benefit payments will be calculated for eligible recipients and payments for the following calendar year will begin in January.

COST OF LIVING BENEFITS

Based on the percentage change in Consumer Price Index (U.S. city-average for urban wage earners and clerical works – all items), limited to a five percent (5%) maximum change per year each July 1.

HISTORY OF EMPLOYER NET CONTRIBUTION RATES



VALUATION DATE	30-Jun-99	30-Jun-00	30-Jun-01	30-Jun-02	30-Jun-03	30-Jun-04	30-Jun-05	30-Jun-06	30-Jun-07	30-Jun-08
NORMAL	11.51%	11.93%	11.97%	11.74%	11.06%	10.42%	10.51%	10.93%	10.56%	10.62%
PREFUNDED LIABILITY	11.51%	11.93%	11.97%	11.74%	11.06%	10.42%	10.51%	10.93%	10.56%	10.62%
NET NORMAL	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
UNFUNDED LIABILITY	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NET NORMAL	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

SECTION 5

STATISTICAL SECTION

STATISTICAL SECTION

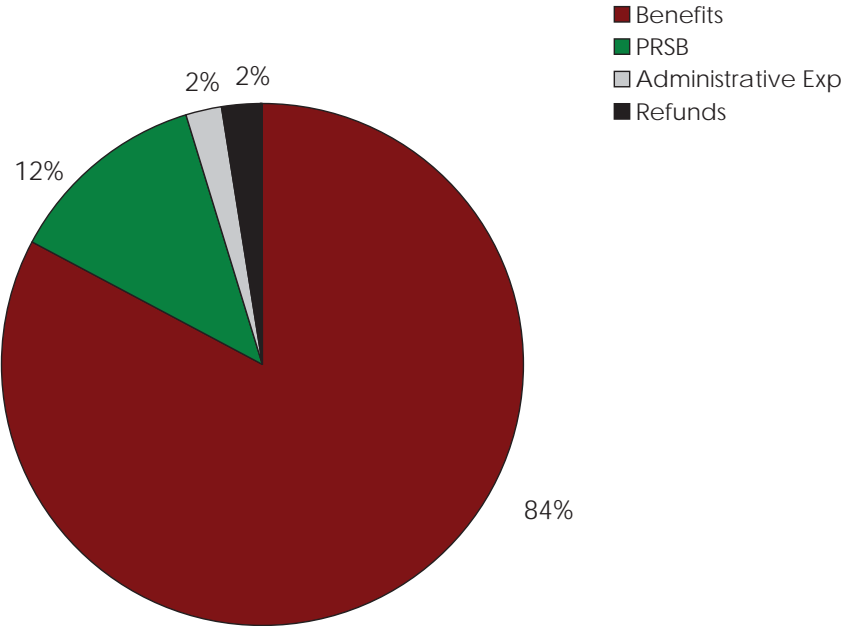
Caring For Your Future...



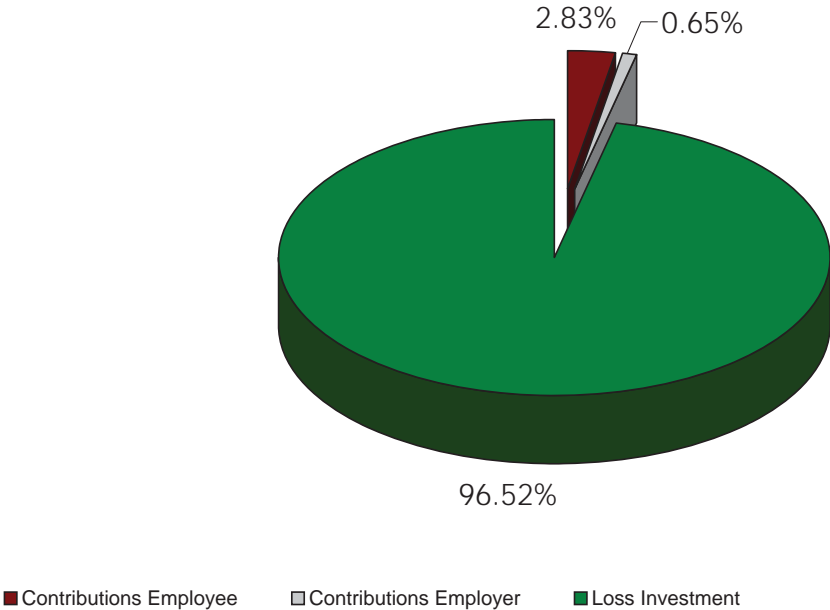
This section provides additional historical perspective, context, and detail in order to provide a more comprehensive understanding of this year's financial statements, note disclosures, and supplementary information which covers the benefits provided by the City of Fresno Employees Retirement System. This section also provides multi-year trend of financial and operation information to

facilitate comprehensive understanding of how the organization's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the System's net assets, benefits, refunds, contribution rates and different types of retirement benefits. The financial and operating trend information is located on the following pages.

FY 2009 EXPENSES BY TYPE



FY 2009 REVENUES BY SOURCE

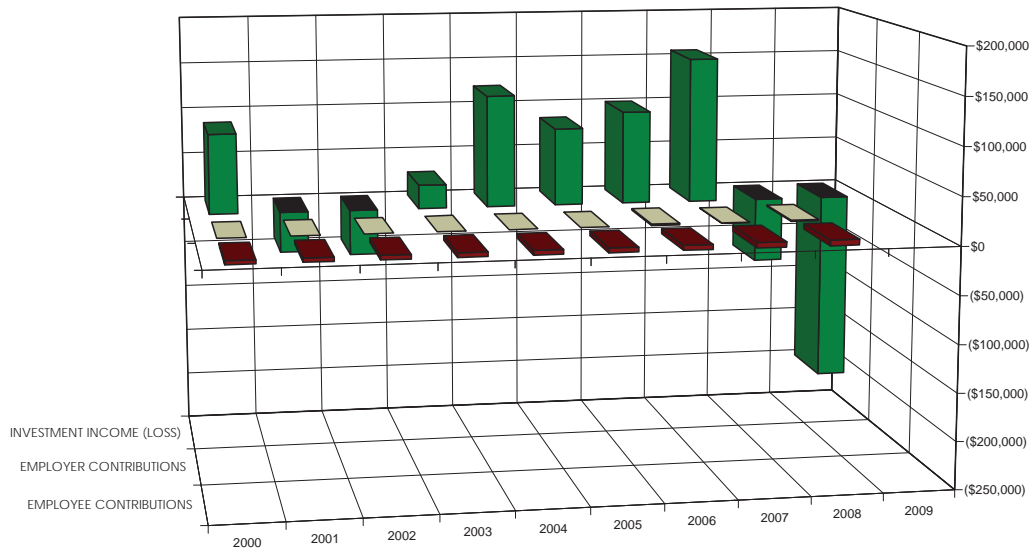


CHANGES IN PLAN NET ASSETS LAST TEN FISCAL YEARS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues (Additions)										
Employer Contributions	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 1.6	\$ 0.4	\$ 1.3
Member Contributions	3.8	4.0	4.2	4.5	4.7	4.7	4.6	5.1	5.7	5.8
Net Investment Income (Loss)	86.1	(43.2)	(48.2)	25.6	120.7	83.5	100.1	156.5	(69.5)	(199.7)
Total Revenues (Additions)	\$ 89.9	\$ (39.2)	\$(44.0)	\$ 30.1	\$ 125.4	\$ 88.2	\$ 104.7	\$ 163.2	\$ (62.4)	\$ (192.6)
Expenses (Deductions)										
Total Benefit Expenses	\$ 17.8	\$ 19.0	\$ 21.3	\$ 22.3	\$ 2.4	\$ 25.3	\$ 27.3	\$ 35.0	\$ 31.3	\$ 33.9
PRSB	3.8	4.5	6.5	5.6	2.4	1.2	2.1	3.0	4.1	5.1
Refunds	1.0	1.4	1.3	1.3	0.7	1.0	1.2	1.4	1.1	1.0
Administrative Expense	0.5	0.5	0.5	0.5	0.5	0.6	0.8	0.9	0.9	0.9
Total Expenses (Deductions)	23.1	25.4	29.6	29.7	6.0	28.1	31.4	40.3	37.4	40.9
Change in Plan Net Assets	\$ 66.8	\$ (64.6)	\$(73.6)	\$ 0.4	\$ 119.4	\$ 60.1	\$ 73.3	\$ 122.9	\$ (99.8)	\$ (233.5)

FY 2009 REVENUES BY SOURCE

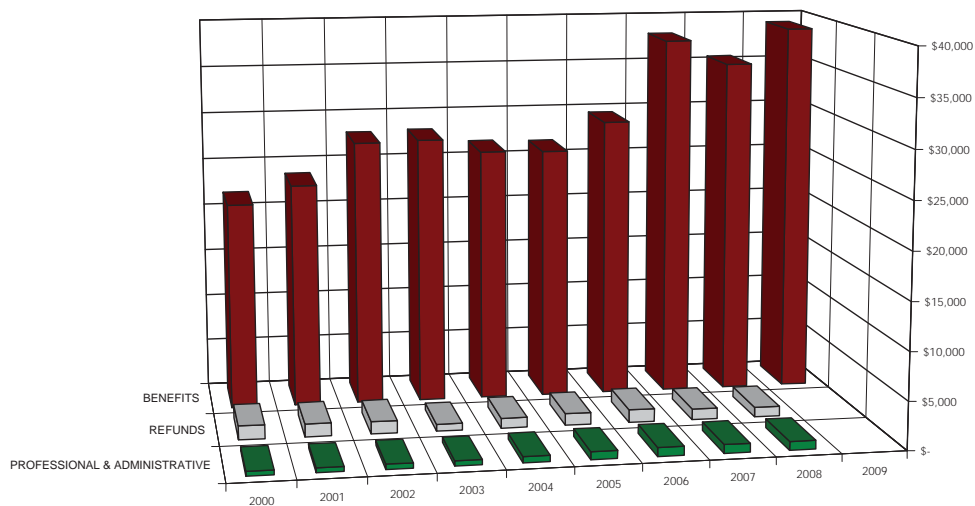
(IN THOUSANDS)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EMPLOYER CONTRIBUTIONS	-	-	-	-	-	-	-	1,566	355	1,345
EMPLOYEE CONTRIBUTIONS	\$ 3,824	\$ 3,991	\$ 4,192	\$ 4,483	\$ 4,680	\$ 4,750	\$ 4,643	\$ 5,094	\$ 5,666	\$ 5,845
INVESTMENT INCOME (LOSS)	86,101	(43,180)	(48,168)	25,645	120,679	83,471	100,087	156,546	(68,482)	(199,694)
TOTAL	\$ 125,001	\$ (39,189)	\$ (43,976)	\$ 30,128	\$ 125,359	\$ 88,221	\$ 104,730	\$ 163,206	\$ (62,461)	\$ (192,504)

FY 2009 EXPENSES BY TYPE

(IN THOUSANDS)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
PROFESSIONAL & ADMINISTRATIVE	\$447	\$481	\$486	\$530	\$535	\$642	\$798	\$916	\$898	\$894
REFUNDS	1,013	1,443	1,349	1,282	710	1,026	1,218	1,351	1,111	1,022
BENEFITS	21,623	23,493	27,814	27,964	26,549	26,444	29,410	37,949	35,358	39,031
TOTAL	\$23,083	\$25,417	\$29,649	\$29,776	\$27,794	\$28,112	\$31,426	\$40,216	\$37,367	\$40,947

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Retirement Effective Dates	Years of Credited Service						Fiscal Year Average/New Retirants
	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/08 to 6/30/09							
Average Monthly Pension Benefits	\$773	\$1,356	\$2,610	\$2,460	\$3,925	\$4,449	\$2,049
Number of New Retired Members	17	17	12	11	6	4	67
Period 7/1/07 to 6/30/08							
Average Monthly Pension Benefits	\$711	\$1,498	\$2,346	\$3,240	\$3,008	\$3,916	\$2,308
Number of New Retired Members	12	13	19	10	12	7	73
Period 7/1/06 to 6/30/07							
Average Monthly Pension Benefits	\$851	\$1,585	\$2,233	\$2,368	\$2,706	\$2,284	\$2,074
Number of New Retired Members	8	17	11	7	21	5	69
Period 7/1/05 to 6/30/06							
Average Monthly Pension Benefits	\$690	\$1,459	\$1,818	\$2,959	\$3,663	\$2,825	\$2,114
Number of New Retired Members	15	15	10	12	10	12	74
Period 7/1/04 to 6/30/05							
Average Monthly Pension Benefits	\$684	\$1,244	\$1,857	\$2,294	\$2,907	\$3,140	\$2,021
Number of New Retired Members	7	11	18	13	17	11	77
Period 7/1/03 to 6/30/04							
Average Monthly Pension Benefits	\$611	\$1,262	\$1,314	\$2,085	\$2,760	\$3,325	\$1,893
Number of New Retired Members	8	14	7	11	17	13	70
Period 7/1/02 to 6/30/03							
Average Monthly Pension Benefits	\$881	\$1,447	\$2,036	\$2,340	\$2,822	\$3,716	\$2,207
Number of New Retired Members	3	12	8	9	17	12	61
Period 7/1/01 to 6/30/02							
Average Monthly Pension Benefits	\$992	\$1,886	\$2,180	\$2,543	\$3,090	\$4,284	\$2,496
Number of New Retired Members	10	18	11	9	19	14	81
Period 7/1/00 to 6/30/01							
Average Monthly Pension Benefits	\$1,037	\$1,505	\$2,009	\$2,358	\$2,793	\$3,302	\$2,167
Number of New Retired Members	6	8	9	6	13	9	51
Period 7/1/99 to 6/30/00							
Average Monthly Pension Benefits	\$942	\$1,606	\$2,188	\$2,313	\$2,895	\$2,806	\$2,125
Number of New Retired Members	4	8	5	13	10	13	53
Period 7/1/98 to 6/30/99							
Average Monthly Pension Benefits	\$732	\$877	\$1,964	\$1,382	\$2,222	\$2,273	\$1,575
Number of New Retired Members	2	14	3	6	6	6	37

RETIRED MEMBERS BY TYPE OF BENEFIT

(AS OF JUNE 30, 2009)

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*		
		1	2	3
\$1 - \$1,000	155	71	18	66
\$1,001 - \$2,000	520	265	92	163
\$2,001 - \$3,000	399	309	35	55
\$3,001 - \$4,000	186	167	13	6
\$4,001 - \$5,000	88	78	6	4
\$5,001 - \$6,000	36	31	5	0
\$6,001 - \$7,000	6	6	0	0
> \$7,000	12	8	2	2
Total	1402	935	171	296

*Type of Retirement

- 1 - Service Retiree
- 2 - Disability Retiree
- 3 - Beneficiary/Continuant/Survivor

Amount of Monthly Benefit	Number of Retired Members	Option Selected**			
		Unmodified	Option 1	Option 2	Option 3
\$1 - \$1,000	155	101	34	15	5
\$1,001 - \$2,000	520	281	170	54	15
\$2,001 - \$3,000	399	210	124	47	18
\$3,001 - \$4,000	186	100	38	32	16
\$4,001 - \$5,000	88	48	23	10	7
\$5,001 - \$6,000	36	19	8	7	2
\$6,001 - \$7,000	6	4	0	2	0
> \$7,000	12	7	1	3	1
Total	1402	770	398	170	64

**Option Selected

- Unmodified - Beneficiary receives 50% of the member's allowance
- Option 1 - Beneficiary receives lump sum of member's unused contributions
- Option 2 - Beneficiary receives 100% of member's reduced monthly benefit
- Option 3 - Beneficiary receives 75% of member's reduced monthly benefit

Data Source: PensionGold Administration System

FY 2009 EXPENSES BY TYPE

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Service Retiree Payroll	\$19.3	\$21.3	\$25.2	\$25.3	\$24.0	\$24.2	\$26.6	\$34.2	\$31.9	\$35.2
Disability Retiree Payroll	2.3	2.2	2.6	2.7	2.5	2.3	2.8	3.7	3.5	3.8
Separation	1.0	1.3	1.3	1.2	0.6	0.9	1.1	1.0	1.0	0.7
Death Benefit	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Misc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.2
Total Benefit Expenses	\$22.6	\$24.9	\$29.1	\$29.3	\$27.2	\$27.5	\$30.6	\$39.3	\$36.5	\$40.0

* Refunds by type not readily available will be provided in future years.

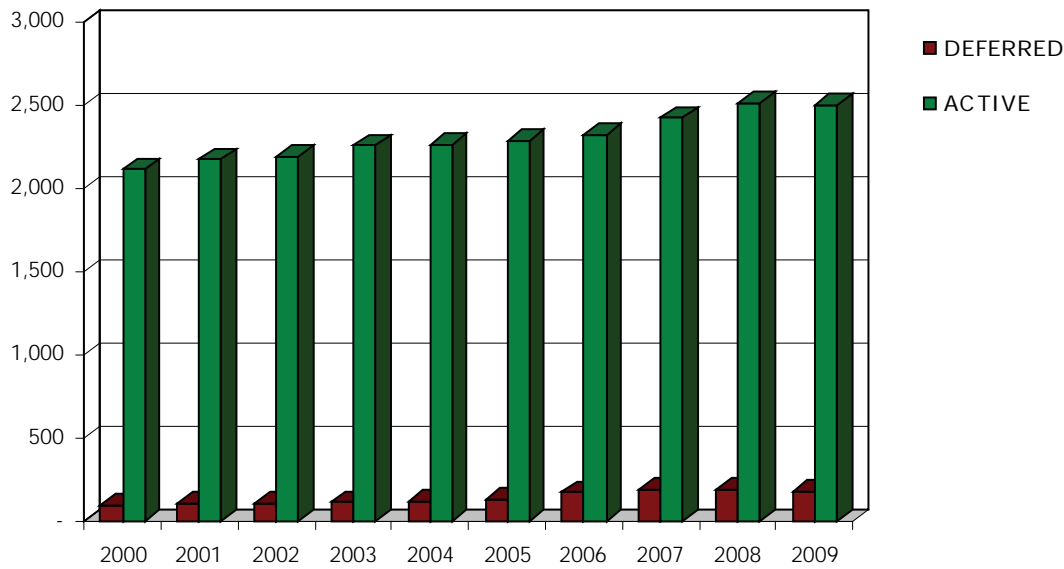
ACTIVE / DEFERRED MEMBERS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Active Vested	1,400	1,446	1,443	1,468	1,536	1,583	1,629	1,701	1,626	1,657
Active Non Vested	712	725	743	786	724	704	689	722	889	840
Deferred	100	106	113	114	123	132	174	193	192	184
Total	2,212	2,277	2,299	2,368	2,383	2,419	2,492	2,616	2,707	2,681

RETIRED MEMBERS

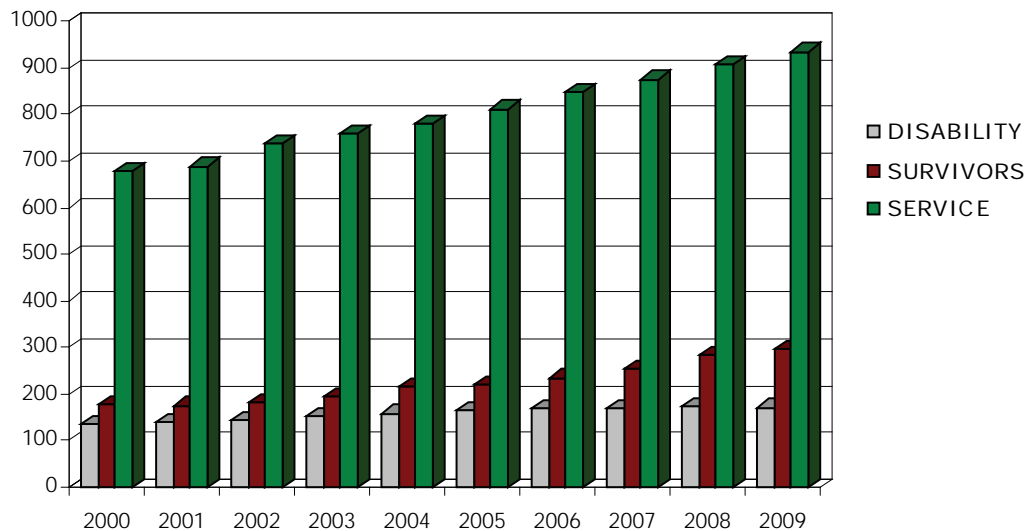
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Service	679	689	737	760	781	812	848	876	908	935
Disability	135	138	144	152	158	164	168	170	172	171
Survivors	177	175	183	195	215	219	234	253	283	296
TOTAL	991	1,002	1,064	1,107	1,154	1,195	1,250	1,299	1,363	1,402

MEMBERSHIP HISTORY (ACTIVE AND DEFERRED)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
DEFERRED	100	106	113	114	123	132	174	193	192	184
ACTIVE	2,112	2,171	2,186	2,254	2,260	2,287	2,318	2,423	2,515	2,497
TOTAL	2,212	2,277	2,299	2,368	2,383	2,419	2,492	2,616	2,707	2,681

SCHEDULE BY RETIRED MEMBERS BY TYPE OF BENEFIT



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
DISABILITY	135	138	144	152	158	164	168	170	172	171
SURVIVORS	177	175	183	195	215	219	234	253	283	296
SERVICE	679	689	737	760	781	812	848	876	908	935
TOTAL	991	1,002	1,064	1,107	1,154	1,195	1,250	1,299	1,363	1,402

SUMMARY OF ACTIVE PARTICIPANTS

YEAR	NUMBER	PENSIONABLE PAYROLL	ANNUAL AVERAGE SALARY	NET CHANGE IN AVERAGE SALARY
1988	1,600	\$ 37,321,719	\$ 23,326	0.00%
1989	1,752	44,520,591	25,411	8.94%
1990	1,868	50,822,514	27,207	7.07%
1991	1,879	52,133,387	27,745	1.98%
1992	1,879	62,422,933	33,221	19.74%
1993	2,016	66,199,898	32,837	-1.16%
1994	1,966	62,221,292	31,649	-3.62%
1995	1,893	63,613,482	33,605	6.18%
1996	1,927	65,084,621	33,828	0.66%
1997	1,953	69,115,258	35,389	4.62%
1998	1,988	69,986,473	35,204	-0.52%
1999	2,068	74,529,074	36,039	2.37%
2000	2,112	81,285,066	38,487	6.79%
2001	2,171	85,715,989	39,482	2.59%
2002	2,186	89,275,955	40,840	3.44%
2003	2,254	95,602,991	42,415	3.86%
2004	2,260	99,251,574	43,917	3.54%
2005	2,287	102,001,794	44,601	1.56%
2006	2,318	106,482,630	45,937	3.00%
2007	2,423	114,233,621	47,146	2.63%
2008	2,515	129,440,108	51,467	9.17%
2009	2,497	132,511,895	53,068	3.11%

The fiscal year 2008 increase in pensionable compensation is a reflection of the rare occurrence, approximately every 11 years, in which there are 27 rather than 26 payroll periods reportable.

SUMMARY OF RETIRED MEMBERSHIP

YEAR	AT END OF YEAR	ANNUAL BENEFITS TO PARTICIPANTS	ANNUAL AVERAGE ALLOWANCE (INDIVIDUAL)	NET CHANGE IN BENEFITS TO PARTICIPANTS
1988	637	\$ 8,315,552	\$ 13,054	14.54%
1989	723	8,784,048	12,149	-6.93%
1990	751	9,324,265	12,416	2.19%
1991	749	10,015,617	13,372	7.70%
1992	784	10,741,680	13,701	2.46%
1993	811	11,621,551	14,330	4.59%
1994	836	12,437,981	14,878	3.82%
1995	852	13,252,179	15,554	4.54%
1996	907	14,353,364	15,825	1.74%
1997	915	15,213,149	16,626	5.06%
1998	916	16,142,881	17,623	6.00%
1999	936	18,085,727	19,322	9.64%
2000	991	21,622,858	21,819	12.92%
2001	1,002	23,492,505	23,446	7.45%
2002	1,064	27,814,021	26,141	11.50%
2003	1,107	27,963,534	25,261	-3.37%
2004	1,154	26,548,396	23,006	-8.93%
2005	1,195	26,444,153	22,129	-3.81%
2006	1,250	29,409,733	23,528	6.32%
2007	1,299	37,948,651	29,214	24.17%
2008	1,363	35,357,509	25,941	-11.20%
2009	1,402	39,031,190	27,840	7.32%

MEMBER CONTRIBUTION RATES

VALUATION DATE	EFFECTIVE DATE	BASIC AT ENTRY AGE		
		20	25	30
JUNE 30, 2008	7/1/09- 6/30/10	2.99%	3.59%	4.38%
JUNE 30, 2007	7/1/08- 6/30/09	2.99%	3.59%	4.38%
JUNE 30, 2006	7/1/07- 6/30/08	3.02%	3.62%	4.42%
JUNE 30, 2005	7/1/06- 6/30/07	2.90%	3.48%	4.25%
JUNE 30, 2004	7/1/05- 6/30/06	2.90%	3.48%	4.25%
JUNE 30, 2003	7/1/04 - 6/30/05	3.31%	3.90%	4.69%
JUNE 30, 2002	7/1/03 - 6/30/04	3.31%	3.90%	4.69%
JUNE 30, 2001	7/1/02 - 6/30/03	3.31%	3.91%	4.70%
JUNE 30, 2000	7/1/01 - 6/30/02	3.31%	3.91%	4.70%
JUNE 30, 1999	7/1/00 - 6/30/01	3.31%	3.91%	4.70%
JUNE 30, 1998	7/1/99 - 6/30/00	3.47%	4.06%	4.85%
JUNE 30, 1997	7/1/98 - 6/30/99	3.34%	3.91%	4.67%
JUNE 30, 1996	7/1/97 - 6/30/98	3.34%	3.91%	4.67%
JUNE 30, 1994	7/1/95 - 6/30/96	3.86%	3.95%	4.60%
JUNE 30, 1992	7/1/93 - 6/30/95	4.32%	4.86%	5.58%
JUNE 30, 1990	7/1/91 - 6/30/93	4.21%	4.74%	5.43%
JUNE 30, 1988	7/1/89 - 6/30/91	4.21%	4.74%	5.43%
JUNE 30 1985	7/1/86 - 6/30/89	4.62%	5.13%	5.81%
JUNE 30, 1982	7/1/84 - 6/30/86	4.62%	5.13%	5.81%
JUNE 30, 1979	4/16/80 - 6/30/84	4.23%	4.58%	5.21%
JUNE 30, 1976	7/01/77 - 4/15/80	3.85%	4.35%	5.04%

CITY CONTRIBUTION RATES

VALUATION DATE	EFFECTIVE DATE	CITY RATE		TOTAL CITY RATE	PREFUNDED ACTUARIAL ACCRUED LIAB. (PAAL)	PAAL ADJUSTED CONTRIBUTION RATES
		BASIC	COL			
JUNE 30, 2008	7/1/09 - 6/30/10	8.09%	2.53%	10.62%	-10.62%	0.00%
JUNE 30, 2007	7/1/08 - 6/30/09	8.02%	2.54%	10.56%	-10.56%	0.00%
JUNE 30, 2006	7/1/07 - 6/30/08	7.96%	2.97%	10.93%	-10.93%	0.00%
JUNE 30, 2005	7/1/06 - 6/30/07	7.39%	3.12%	10.51%	-10.51%	0.00%
JUNE 30, 2004	7/1/05 - 6/30/06	7.31%	3.11%	10.42%	-10.42%	0.00%
JUNE 30, 2003	7/1/04 - 6/30/05	7.73%	3.33%	11.06%	-11.06%	0.00%
JUNE 30, 2002	7/1/03 - 6/30/04	8.33%	3.41%	11.74%	-11.74%	0.00%
JUNE 30, 2001	7/1/02 - 6/30/03	8.53%	3.44%	11.97%	-11.97%	0.00%
JUNE 30, 2000	7/1/01 - 6/30/02	8.49%	3.44%	11.93%	-11.93%	0.00%
JUNE 30, 1999	7/1/00 - 6/30/01	7.98%	3.53%	11.51%	-11.51%	0.00%
JUNE 30, 1998	7/1/99 - 6/30/00	8.09%	3.57%	11.66%	-11.66%	0.00%
JUNE 30, 1997	7/1/98 - 6/30/99	6.83%	3.50%	10.33%	-9.01%	1.32%
JUNE 30, 1996	7/1/97 - 6/30/98	6.41%	3.46%	9.87%	-8.09%	1.78%
JUNE 30, 1994	7/1/96 - 6/30/97	6.29%	3.33%	9.62%	0%	9.62%
JUNE 30, 1992	7/1/94 - 6/30/95	8.52%	10.88%	19.40%	0%	19.40%
JUNE 30, 1992	7/1/93 - 7/1/94	8.34%	10.12%	18.46%	0%	18.46%
JUNE 30, 1990	7/1/91 - 6/30/93	11.72%	5.80%	17.52%	0%	17.52%
JUNE 30, 1988	7/1/89 - 6/30/91	11.92%	6.38%	18.30%	0%	18.30%
JUNE 30, 1985	7/1/87 - 6/30/89	10.47%	8.63%	19.10%	0%	19.10%
JUNE 30, 1985	7/1/85 - 6/30/87	10.47%	6.84%	17.31%	0%	17.31%
JUNE 30, 1982	7/1/84 - 6/30/85	10.10%	8.14%	16.70%	0%	16.70%
JUNE 30, 1979	3/1/82 - 6/30/84	9.67%	6.36%	16.03%	0%	16.03%
JUNE 30, 1979	4/16/80 - 2/28/82	12.56%	6.84%	15.11%	0%	15.11%
JUNE 30, 1976	7/1/77 - 4/15/80	12.41%	2.55%	14.96%	0%	14.96%

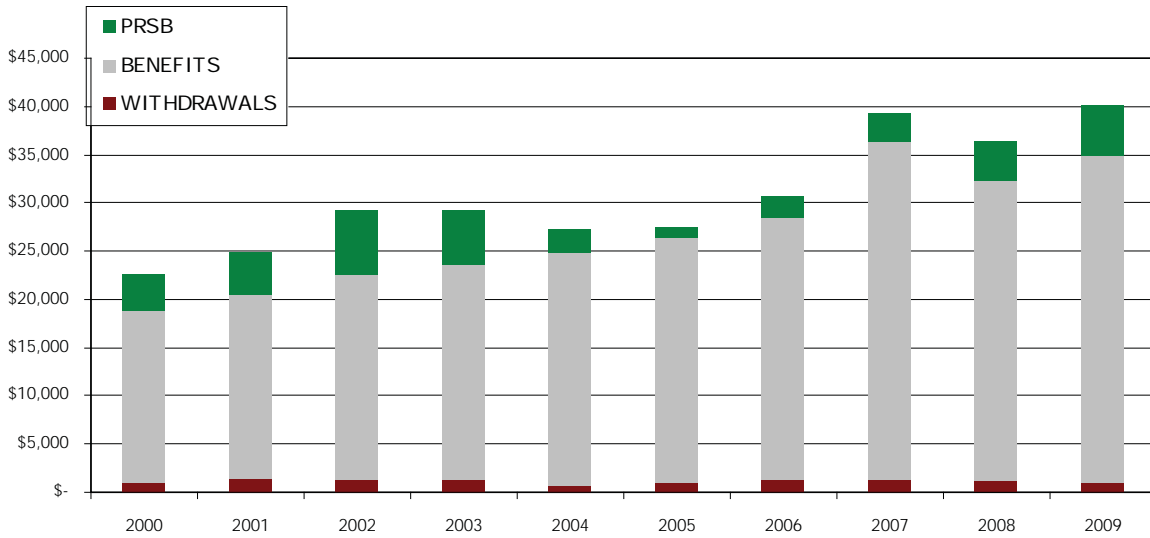
Due to surplus earnings in the System, a prefunded actuarial accrued liability emerged as of the actuarial report dated June 30, 1996. The City's normal contributions have been actuarially offset by the prefunded actuarial accrued liability.

ECONOMIC ASSUMPTIONS AND FUNDING METHOD

Valuation Date	Interest	Salary Scale	Cost of Living	Inflation Component	Funding Method
June 30, 2008	8.25%	4.8%	3.75%	3.75%	Projected Unit Credit
June 30, 2007	8.25%	4.8%	3.75%	3.75%	Projected Unit Credit
June 30, 2006	8.25%	4.8%	4.25%	4.25%	Projected Unit Credit
June 30, 2005	8.25%	4.8%	4.25%	4.25%	Projected Unit Credit
June 30, 2004	8.25%	4.8%	4.25%	4.25%	Projected Unit Credit
June 30, 2003	8.25%	4.8%	4.25%	4.5%	Projected Unit Credit
June 30, 2002	8.25%	4.8%	4.25%	4.5%	Projected Unit Credit
June 30, 2001	8.25%	4.8%	4.25%	4.5%	Projected Unit Credit
June 30, 2000	8.25%	4.8%	4.25%	4.5%	Projected Unit Credit
June 30, 1999	8.25%	4.8%	4.25%	4.5%	Projected Unit Credit
June 30, 1998	8.25%	.30 - 8%	4.25%	4.75%	Projected Unit Credit
June 30, 1997	8.25%	.25 - 8%	5%	4.75%	Projected Unit Credit
June 30, 1996	8.25%	.25 - 8%	5%	4.5%	Projected Unit Credit
June 30, 1994	8%	.25 - 8%	5%	3 - 5%	Projected Unit Credit
June 30, 1992	8%	6%	5%	5%	Projected Unit Credit
June 30, 1990	8%	6%	5%	5%	Projected Unit Credit
June 30, 1988	8%	6%	5%	5%	Projected Unit Credit
June 30, 1985	7.50%	5-1/2%	4% - Active 5% - Retired	4%	Projected Unit Credit
June 30, 1982	7%	5-1/2%	4% - Active 5% - Retired	4%	Projected Unit Credit
Marples	8-1/2%	Merit +6%	5%	6%	Aggregate
June 30, 1979	6-1/2%	Merit 3-1/2%	3-1/2%	3-1/2%	Basic - Entry Age Normal COL - Attained Age Normal
June 30, 1976	6%	Merit +1%	5% with partial funding	1%	Basic - Entry Age Normal COL - Attained Age Normal
June 30, 1972	4-3/4	Merit Only	Not recognized	None	Entry Age Normal

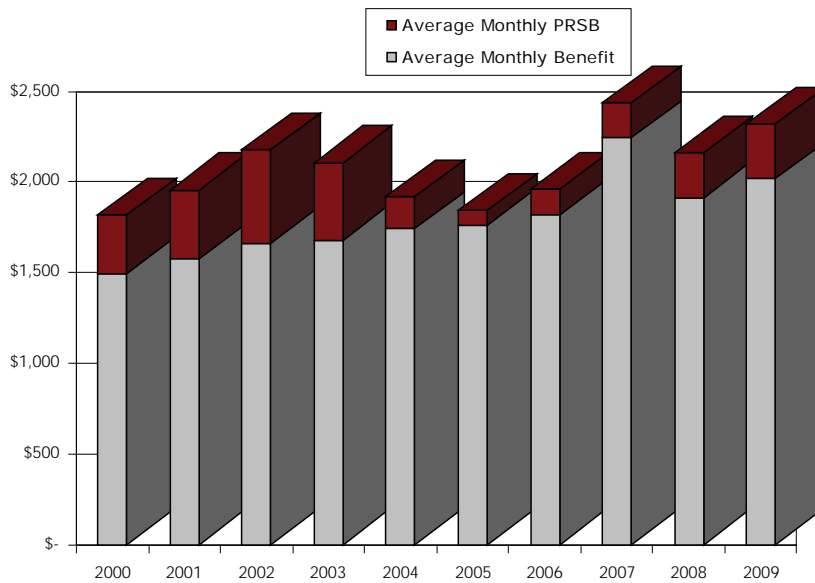
Source: The Segal Company 6/30/2007 AAV/AA (pg. 31)

BENEFITS AND WITHDRAWALS PAID



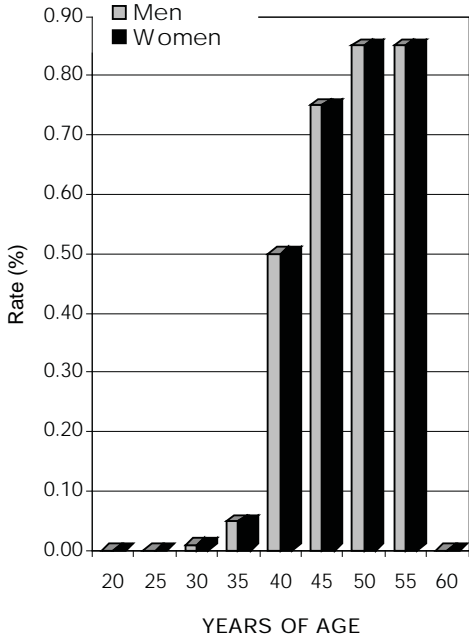
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
WITHDRAWALS	\$1,013	\$1,443	\$1,349	\$1,283	\$710	\$1,026	\$1,219	\$1,350	\$1,112	\$1,022
BENEFITS	17,799	18,963	21,269	22,332	24,118	25,287	27,261	34,982	31,286	33,947
PRSB	3,824	4,530	6,545	5,632	2,430	1,157	2,149	2,967	4,072	5,084

AVERAGE MONTHLY BENEFITS TO PARTICIPANTS



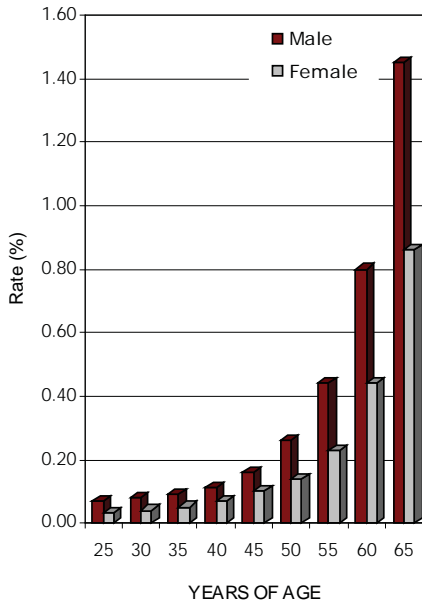
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Average Monthly Benefit	\$1,497	\$1,577	\$1,666	\$1,681	\$1,742	\$1,763	\$1,817	\$2,244	\$1,913	\$2,018
Average Monthly PRSB	322	377	513	424	175	81	143	190	249	302
Average Monthly Benefit Total	\$1,818	\$1,954	\$2,178	\$2,105	\$1,917	\$1,844	\$1,961	\$2,435	\$2,162	\$2,320

**EXPECTATION OF LIFE
(Disabled Retirees)**



EXPECTATION OF LIFE Disabled Retirees 1981 General Disability Table (x-4) for General Members		
Age	Men	Women
20	0.00	0.00
25	0.00	0.00
30	0.01	0.01
35	0.05	0.05
40	0.50	0.50
45	0.75	0.75
50	0.85	0.85
55	0.85	0.85
60	0.00	0.00

**EXPECTATION OF LIFE
(Age and Service Retirees)**



EXPECTATION OF LIFE Age and Service Retirees 1994 Group Mortality Table		
Age	Male	Female
25	0.07	0.03
30	0.08	0.04
35	0.09	0.05
40	0.11	0.07
45	0.16	0.10
50	0.26	0.14
55	0.44	0.23
60	0.80	0.44
65	1.45	0.86

SECTION 6

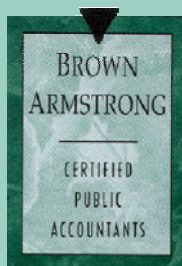
COMPLIANCE SECTION

Caring For Your Future...



INDEPENDENT AUDITOR'S INTERNAL CONTROL LETTER

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 Andrew J. Paulden, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Retirement
 City of Fresno Employees Retirement System
 Fresno, California

We have audited the basic financial statements of the City of Fresno Employees Retirement System as of and for the year ended June 30, 2009, which collectively comprise the City of Fresno Employee Retirement System's basic financial statements and have issued our report thereon dated November 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fresno Employees Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fresno Employees Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fresno Employees Retirement System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Fresno Employees Retirement System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Fresno Employees Retirement System's financial statements that is more than inconsequential will not be prevented or detected by the City of Fresno Employees Retirement System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Fresno Employees Retirement System's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fresno Employees Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management and the Board of Retirement and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited once it has been approved by the Board of Retirement.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
November 25, 2009