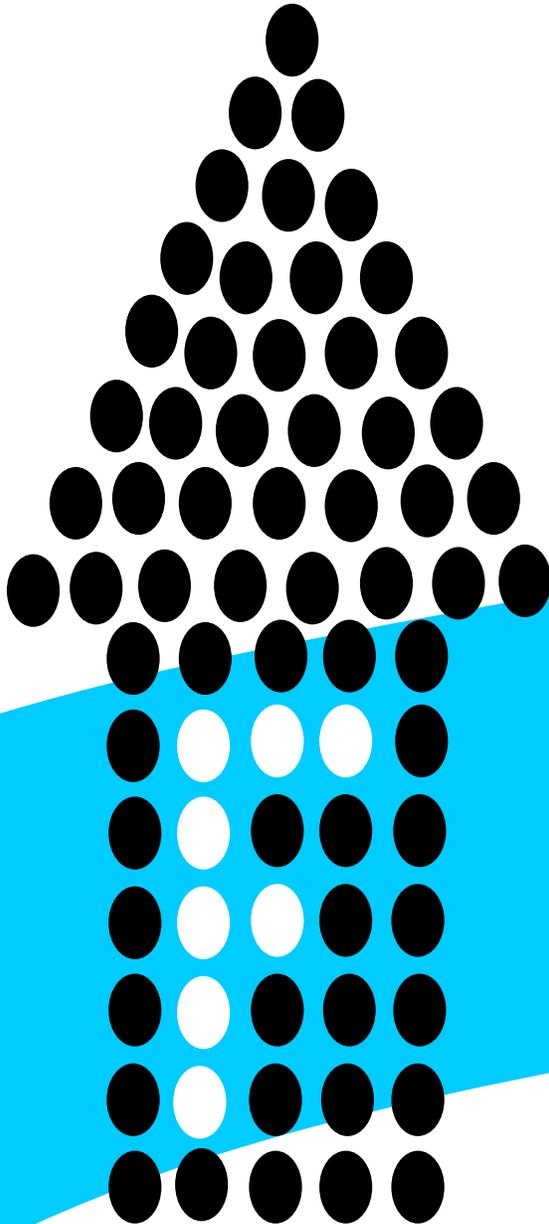


COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF FRESNO FIRE AND POLICE RETIREMENT SYSTEM

A Pension Trust Fund of the City of Fresno (California)



**CARING
FOR YOUR
FUTURE**

Stanley McDivitt
Retirement Administrator

Kathleen Riley Brown
Assistant Retirement Administrator

Yvonne Timberlake
Retirement Benefits Manager

2828 FRESNO STREET SUITE 201
FRESNO CA 93721-1327
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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

City of Fresno Fire and Police Retirement System

Fresno, California

*The **FIRE AND POLICE RETIREMENT SYSTEM** was established on July 1, 1995 and is maintained and governed by Articles 3 and 4 of the Fresno Municipal Code. The Fire and Police Retirement System (the System) provides retirement allowances to all full-time sworn safety members employed by the City of Fresno. The System provides lifetime retirement, disability, and death benefits to its safety members.*

MISSION STATEMENT

To protect and provide System benefits through the highest quality delivery of service for our members and the employer prudently fulfilling our fiduciary duties of investment and conservation of Trust assets.

BOARD AND STAFF COMMITMENT

We promise to carry out our Mission through a competent, professional, impartial and open decision-making process. In providing benefits and services, all persons will be treated fairly, with courtesy and respect. Assets will be invested and administered to balance the need to control risk with superior performance. We expect excellence in all activities. We will also be accountable and act in accordance with the law.

GOALS

To create an environment in which Board Members can maximize their performance as trustees. To improve business processes and our delivery of services provided to members and retirees. To improve communications with members, retirees and the employer. To attract, develop and retain competent and professional staff. To achieve and maintain a superior investment performance on a risk controlled basis as measured by the Public Fund Universe.

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INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

CITY OF FRESNO FIRE AND POLICE RETIREMENT SYSTEM

Letter of Transmittal

Fire and Police Retirement System Board Members

Retirement Administrator and Administrative Staff

Organizational Structure

Professional Services Consultants

Investment Portfolio Managers

Certificate of Achievement in Financial Reporting

LETTER OF TRANSMITTAL

City of Fresno Retirement Systems
2828 Fresno Street Suite 201
Fresno, CA 93721



STANLEY L. McDIVITT
RETIREMENT ADMINISTRATOR

December 23, 2015

Dear Board Members:

As Retirement Administrator of the City of Fresno Fire and Police Retirement System, it is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2015 and 2014.

For almost seven years, the world has been in a monetary state of emergency, with the largest developed nations' central banks holding interest rates near zero in an effort to jolt economies out of the doldrums. Increasingly, markets are acting as though this bizarre situation will last a while longer, and for public pension systems that is a troubling sign. However, the Fed did successfully end its long-term bond buying program, with no perceptible impact on long-term interest rates. The market successfully took up the \$85 billion per month that the Fed was absorbing before “tapering” started. That’s a good sign for the health of financial markets.

For much of fiscal year 2015, the dominant question among investors has been when the U.S. Federal Reserve, encouraged by economic recovery, will start pulling back stimulus by raising rates from zero. And, the other narrative which followed is: What if the slowdown in China and other emerging markets becomes a bigger deal, pulling the rest of the world down with it? Will the Fed and other central banks be able to raise rates at all?

Oil prices fell precipitously during the second half of 2014, which prompted a similarly precipitous decline in the number of American rigs actively producing petroleum. The rapid retreat of the U.S. energy sector was among the factors depressing economic growth in the first half of 2015.

The post-financial crisis world seems to be far less-secure. The disappointing and uneven pace of the global recovery has created struggles for communities around the world. Those enduring poor fortune can begin to question whether the system is working for them and come to see the forces of change as enemies. Leveraged governments appear to have neither the appetite nor the funds to respond aggressively to domestic or international threats. Restoring sustainable economic growth after the global financial crisis has been and will continue to be hard work.

LETTER OF TRANSMITTAL *(Continued)*

Despite the persistent and overwhelming challenges of the global economy, the City of Fresno Fire and Police Retirement System (the System) is at a fully funded status on both a market value and actuarial basis at 122.8 percent and 119.6 percent, respectively. From a long-term perspective the System is positioned to provide a solid rate of return that is equal to or better than the respective asset classes market indices even as we enter yet another year that may be filled with uncertainties in the global economic and financial markets. The Retirement Board (the Board) carefully managed the investment portfolio through last year's continued turbulence in the global financial markets and we remain confident that new investment opportunities will arise and the Board, with the required amount of due diligence and vigilance, will position the System's investments for future long-term growth.

In fiscal year 2015, the System's gross of fee returns provided by its custodian Northern Trust, when compared to other institutional investors and weighted policy benchmarks, were very favorable. The System's gross of fees one-year return was 3.33 percent; 0.94 percent above its policy benchmark return of 2.39 percent; underperforming its actuarial interest rate assumption of 7.50 percent by 4.17 percent. The five-year annualized gross of fees return of 11.37 percent was positive and above its policy benchmark return of 10.83 percent by 0.54 percent. The System's ten-year annualized gross of fees return at 6.88 percent slightly exceeded its policy benchmarks for that period by 0.07 percent while underperforming its actuarial interest rate assumption by 0.62 percent for the same period.

The Fire and Police Retirement System remains highly funded and well positioned to serve our members and retirees. The System's 20 and 25-year long-term gross of fees returns of 8.39 percent and 8.85 percent, respectively, as of June 30, 2015, illustrate the System's ability to achieve our long-term objectives over extended periods of time. Meanwhile, the System's actuarial and market value funding status continues to be the highest of any public safety pension defined benefit plan in California.

The Comprehensive Annual Financial Report (CAFR)

The Comprehensive Annual Financial Report ("CAFR") of the City of Fresno Fire and Police Retirement System for the years ended June 30, 2015 and 2014 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 Fire and Police Retirement System's finances, please refer to the Management's Discussion and Analysis 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 services providers, and the Government Finance 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 and the basic financial statements of the System.

LETTER OF TRANSMITTAL *(Continued)*

The **Investment Section** includes an Investment Report from the Retirement Administrator, a letter from the System's Investment Consultant, NEPC LLC, 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 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*.

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 FIRE AND POLICE RETIREMENT SYSTEM AND ITS SERVICES

The Fire and Police Retirement System was established on July 1, 1955, under charter Section 910 and is governed by Articles 3 and 4 of Chapter 3 of the City of Fresno Municipal Code. Effective August 27, 1990, the City of Fresno (the City) added a Second Tier that includes all full-time sworn Fire, Police, and Airport Safety personnel hired on or after that date. The System provides retirement allowances to all full-time sworn safety members employed by the City of Fresno. In accordance with the provisions of the City of Fresno Municipal Code, the System provides lifetime retirement, disability, and death benefits to its safety members.

The Fire and Police 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 3 and 4 of Chapter 3 of the City of 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 is also responsible for the prudent investment of member and employer contributions, and defraying reasonable expenses of administration.

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 sworn Fire Department members of the System, and one (1) employee who is elected by the Police and Airport Safety Officers of the System, both of which

LETTER OF TRANSMITTAL *(Continued)*

serve a four-year term. The fifth and final member of the Board shall be a qualified elector of the County of Fresno, 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 Board's Rules, Regulations and Policies.

Major Initiatives

The Board, jointly with the Employees Retirement System Board (the Boards), performed an investment manager search, due diligence review and selection of Emerging Markets Equity managers retaining two new emerging market managers, Acadian (Boston, MA) and Axiom (Greenwich, CT) each to manage a separate account of approximately \$38.0 million, effective August 1, 2014.

In February 2015, the Boards concluded further evaluation, education and analysis of diverse asset classes leading to the adoption of a new Asset Allocation Study and Asset Allocation Targets.

The Boards continued further evaluation and education related to direct lending with an introduction provided by two investment firms, White Oak and TCW, and details about the various types of loans and structures available through different lending products. Following these educational presentations which provided information on covenants and risk associated with direct lending, including leverage, the Boards authorized their investment consulting firm NEPC to issue an RFP for Direct Lending Manager search. Sixteen firms responded and following further review and evaluation of their products, six top firms were reviewed and two firms were ultimately selected for further review and due diligence. The Direct Lending Manager search will be completed during the third quarter 2015.

During fiscal year 2013, the Boards jointly approved a major two-year project to program and install an upgrade to our original pension administration system that was installed in 1997. The LRS Pension Gold Retirement Solutions' Version 3 project is an upgrade to a web based, fully integrated software administrative system that includes imaging of documents, workflow processes and a new member portal allowing members secure access to their information in our system including Deferred Retirement Option Program (DROP) account information. This project began in fiscal year 2013 with the kickoff of the Project Work Plan Development and Requirements Confirmation phases of the project. Document Imaging commenced in February 2013 and staff remarkably accomplished imaging of all active member and retiree files by the end of fiscal year 2014. Design, programming and User Acceptance Testing began on the new PG3 System in June 2013 with final user acceptance testing of the product completed on June 30, 2015. The new PG3 System went live effective July 1, 2015. A limited rollout of the Member Direct module is scheduled for December 2015 with full features expected to be rolled out by March 2016.

With the assistance of its actuary and staff, the Board completed the annual actuarial valuation for June 30, 2015 and 2014. Following implementation of Governmental Accounting Standards Board (GASB) Statement No. 67 which redefines pension liability and expense for financial reporting purposes, the actuaries implemented for the

LETTER OF TRANSMITTAL *(Continued)*

City of Fresno the new GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria.

Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Professional Services

Professional Services Consultants and Investment Portfolio 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 Fire and Police Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2014. 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 Fire and Police Retirement System has received a Certificate of Achievement for the last seventeen 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.

LETTER OF TRANSMITTAL *(Continued)*

Actuarial Funding Status and Net Pension Liability

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, 2015 actuarial valuation is presented in this CAFR. As of June 30, 2015, the funded ratio of the Fire and Police Retirement System was 119.6 percent. The ratio of the valuation value of assets to actuarial accrued liabilities was 113.6 percent as of the June 30, 2014 valuation. The funding ratios as of June 30, 2015 and 2014 if measured using the market value of assets instead of the valuation value of assets are 122.8 percent and 124.4 percent, respectively. The funded ratios were determined by using the actuarial value of the assets in accordance with actuarial standards.

Governmental Accounting Standards Board (GASB) Statement No. 67 became effective June 30, 2014 and is for Plan financial reporting. It replaces GASB Statement No. 25 which was previously the basis upon which the actuary determined the actuarial accrued liabilities. Statement No. 67 requires the utilization of slightly different assumption methodology for the calculation of the System's net pension liability. Statement 68 replaces Statement 27 and is effective June 30, 2015 for employer reporting. It is important to note that the new GASB Statement No. 67 redefines pension liability and expense for financial reporting purposes only, and does not apply to contribution amounts for pension funding purposes.

The actuarial accrued liability of the System at June 30, 2015, for funding purposes, amounted to \$1,019,916,000; the valuation value of assets amounted to \$1,220,268,961 and the market value of assets (including non-valuation reserves) amounted to \$1,376,717,663. At June 30, 2014, the actuarial valuation value of assets amounted to \$1,142,648,968; the market value of assets (including non-valuation reserves) amounted to \$1,366,921,699.

Under the GASB Statement No. 67 Financial Reporting methodology, the net pension liability of the System as of June 30, 2015 indicates a surplus of \$196,821,511; while on an actuarial funding basis the valuation value of assets basis reflects a surplus of \$200,352,961 and a funding ratio of 119.6 percent.

The Board engages an independent actuarial consulting firm to conduct annual actuarial valuations of the System. The purpose of the actuarial valuation is to reassess the magnitude of the benefit commitments. This is compared to the assets expected to be available to support those commitments. 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.

LETTER OF TRANSMITTAL *(Continued)*

Accounting System & Reports

The management of the System is responsible for establishing and maintaining an internal control structure designed to ensure that 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 internal controls are designed to provide reasonable but not absolute assurance that these objectives are met. 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 the controls are adequate to ensure accurate and reliable financial reporting and to safeguard the System's assets. The objective is to provide a reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements given the prudent need to ensure that the cost of a control should not exceed the benefits to be derived.

This report has been prepared in accordance with Generally Accepted Accounting Principles for State and Local Governments (GAAP) as established by the Governmental Accounting Standards Board (GASB).

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 standard 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 and in Note 2 – Summary of Significant Accounting Policies (see section Investments).

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.

LETTER OF TRANSMITTAL *(Continued)*

For the fiscal years ended June 30, 2015 and June 30, 2014, the System's investments provided a 3.33 percent and 17.58 percent gross of fees rate of return, respectively.

Acknowledgements

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 Timberlake, Alberto Magallanes, Karen Espiritu, Pattie Laygo, Andrea Ketch, Phillip Carbajal, Patricia Basquez, Stanton Perkins and 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

December 23, 2015

Retirement Board Members

As of June 30, 2015



Chair

Oscar Williams

Appointed September 2008

Term Continuous

Outside Member Appointed by the Retirement Board



Vice Chair

David Newton

Elected June 2012

Term Expired July 2016

Represents Police Members



Michael Reid

Appointed August 2011

Term Continuous

Appointed by the Mayor and Confirmed by the Fresno City Council



Tim Henry

Appointed August 2011

Term Continuous

Appointed by the Mayor and Confirmed by the Fresno City Council

Vacant as Of June 30, 2015

Elected Member for Term ending July 2018

Represents Fire Members

RETIREMENT ADMINISTRATIVE STAFF



FRONT ROW (LEFT TO RIGHT):

Karen Espiritu, Accountant Auditor, Yvonne Timberlake, Retirement Benefits Manager, Kathleen Riley Brown, Assistant Retirement Administrator, Stanley McDivitt, Retirement Administrator; Patti Basquez, Retirement Counselor, Andrea Ketch, Senior Retirement Counselor, Pattie Laygo, Executive Assistant.

BACK ROW (LEFT TO RIGHT):

Alberto Magallanes, Senior Accountant Auditor, Stanton Perkins, Programmer Analyst, Phillip Carbajal, Retirement Counselor

ADMINISTRATION OF THE SYSTEM

Administration

The Administrative Section is responsible for the administration of the City of Fresno Fire and Police 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 pages xiv and xv for outside consultants and investment managers and page 70 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.

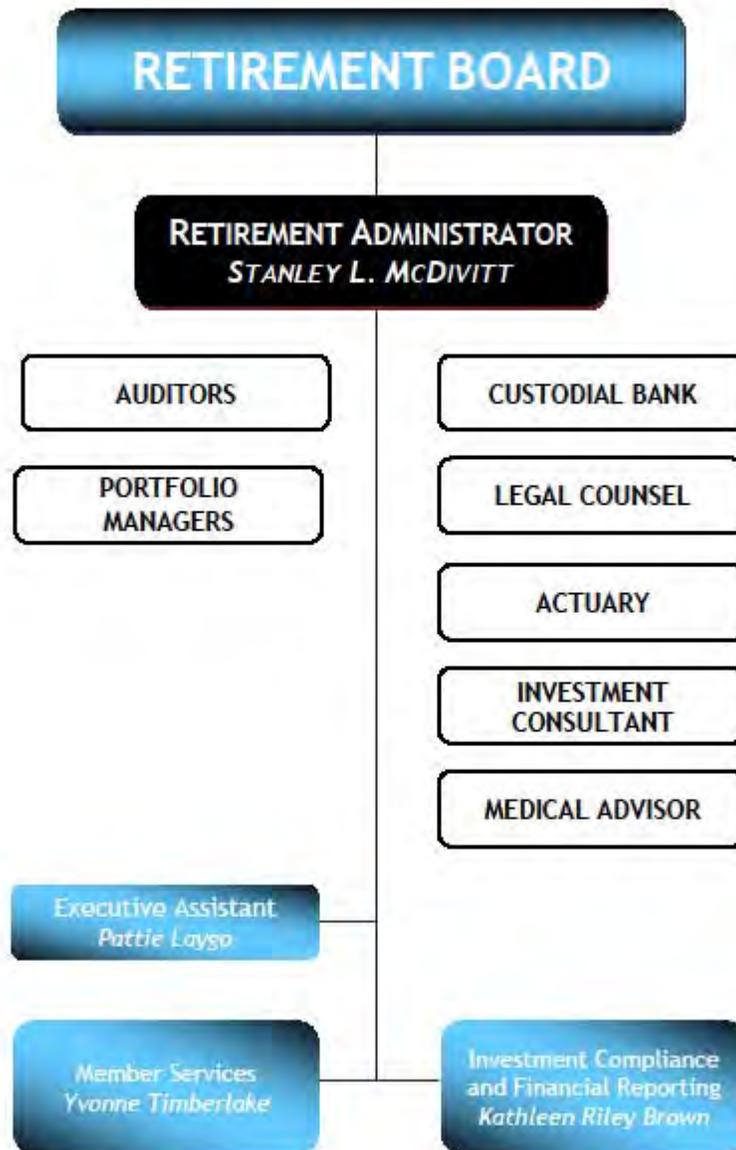
Investment Compliance and Financial Reporting

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 CONSULTANTS

Custodial Bank

NORTHERN TRUST
Chicago, Illinois

Investment Consultant

NEPC, LLC
Boston, Massachusetts

General Legal Advisor

SALTZMAN AND JOHNSON
LAW CORPORATION
San Francisco, California

Actuary

THE SEGAL COMPANY
San Francisco, California

Tax Counsel

ICE MILLER LLP
Indianapolis, Indiana

Medical Advisor

BENCHMARK, AN EXAMWORKS
COMPANY, INC.
Sacramento, California

Investment Legal Advisor

FOLEY & LARDNER LLP
Boston, Massachusetts

Independent Auditor

BROWN ARMSTRONG ACCOUNTANCY
CORPORATION
Bakersfield, California

Investment Portfolio Managers

Domestic Equity

LARGE CAP

BlackRock, San Francisco, CA
JP Morgan Asset Mgmt, New York, NY

SMALL CAP

Eagle Asset Management, Inc., St. Petersburg, FL
Kennedy Capital Mgt. Inc., St. Louis, MO

International & Emerging Markets

INTERNATIONAL

BlackRock, San Francisco, CA
Baillie Gifford & Co., Edinburgh, Scotland
Principal Global Investors, DesMoines, IA

EMERGING MARKET

Acadian Asset Management, LLC, Boston, MA
Axiom International Investors, LLC, Boston, MA

Fixed Income

CORE FIXED INCOME

Dodge & Cox, San Francisco, CA
Prudential Investment Mgt, Inc., Newark, NJ
PIMCO, Newport Beach, CA

HIGH YIELD

Loomis Sayles, Boston, MA
MacKay Shields, New York, NY

Real Estate

PRIVATE REAL ESTATE INVESTMENTS

JP Morgan Asset Mgt, New York, NY

REAL ESTATE INVESTMENT TRUST (REIT)

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



Also awarded 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, and 2014.

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FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Financial

CITY OF FRESNO FIRE AND POLICE RETIREMENT SYSTEM

Independent Auditor's Report

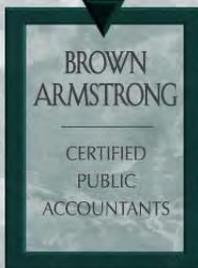
Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

Independent Auditor's Report



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PASADENA OFFICE

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FAX 626.204.6547

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

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

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement
City of Fresno Fire and Police Retirement System
Fresno, California

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the City of Fresno Fire and Police Retirement System (the System), as of and for the years ended June 30, 2015 and 2014, and the related Statement of Changes in Fiduciary Net Position for the years then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent Auditor's Report (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective Fiduciary Net Position of the System, as of June 30, 2015 and 2014, and its Statement of Changes in Fiduciary Net Position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The Introductory Section; Other Supplementary Information; and 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.

The Other Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory, Investment, Actuarial, and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the System's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Bakersfield, California
December 23, 2015

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

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MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to provide this overview and analysis of the financial activities of the City of Fresno Fire and Police Retirement System (the System) for the fiscal years ended June 30, 2015 and 2014. 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 ii of this report.

FINANCIAL HIGHLIGHTS

The System's net position restricted for pension benefits are for payment of pension benefits to participants and their beneficiaries and all of the net position is restricted to meet the System's ongoing obligations.

At the close of the fiscal year 2015, the assets of the System exceed its current liabilities by \$1,376,717,663; as of fiscal year 2014, the assets of the System exceeded its liabilities by \$1,366,921,699; and as of fiscal year 2013, the assets of the System exceeded its liabilities by \$1,193,053,930.

The System's net position restricted for pension benefits increased by \$9,795,964 or 0.72 percent as of fiscal year 2015; for the prior fiscal year 2014 total net position increased by \$173,867,769 or 14.57 percent; and for fiscal year 2013 the total net position increased by \$112,660,522 or 10.43 percent, all 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, 2015, the date of

the last actuarial valuation, the funded ratio for the System was 119.6 percent. In general, this indicates that for every dollar of benefits due we have approximately \$1.20 of assets available for payment as of that date.

As of June 30, 2014, the date of the previous annual actuarial valuation, the funded ratio for the System was 113.6 percent; and as of June 30, 2013, the funded ratio for the System was 106.4 percent.

ADDITIONS TO FIDUCIARY NET POSITION

Additions for the fiscal year 2015 decreased \$162,191,435 or 71.23 percent over the prior year from \$227,707,151 to \$65,515,716 which includes member contributions of \$7,385,169, employer contributions of \$18,966,930, a net investment income gain of \$38,704,747 and net securities lending income of \$458,870.

Fiscal year 2014 increased \$60,882,369 or 36.49 percent over the prior year from \$166,824,782 to \$227,707,151 which includes member contributions of \$7,294,314, employer contributions of \$18,574,840, a net investment income gain of \$201,290,327 and net securities lending income of \$547,670.

For fiscal year 2013 additions increased \$142,611,092 or 588.97 percent over the prior year from \$24,213,690 to \$166,824,782 which includes member contributions of \$7,398,730, employer contributions of \$18,724,714, a net investment income gain of \$140,035,776 and net securities lending income of \$665,562.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

DEDUCTIONS FROM FIDUCIARY NET POSITION

Deductions for the fiscal year 2015 increased \$1,880,370 or 3.49 percent over the prior fiscal year from \$53,839,382 to \$55,719,752.

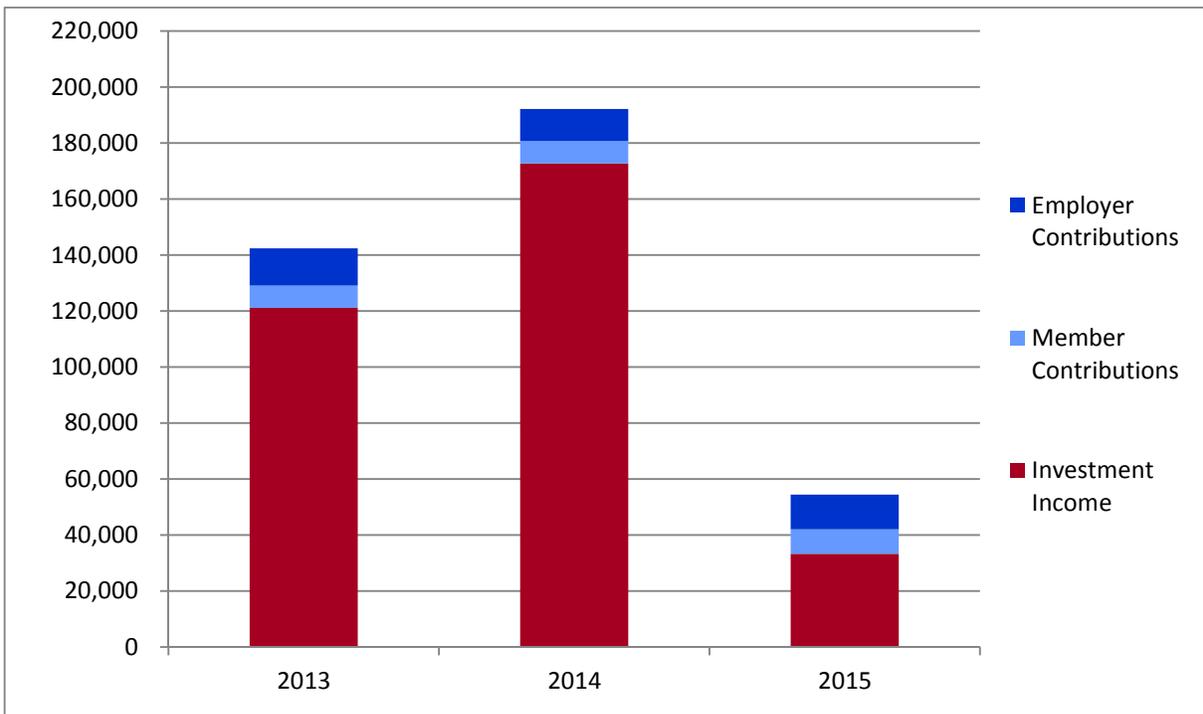
Fiscal year 2014 deductions decreased \$324,878 or 0.60 percent over the prior fiscal year from \$54,164,260 to \$53,839,382.

Fiscal year 2013 deductions increased \$1,132,402 or 2.14 percent over the prior fiscal year from \$53,031,858 to \$54,164,260.

The current year increase in deductions is due primarily to an increase in the number of retirees, refund of contributions requested and a modest increase in the Post Retirement Supplemental Benefit (PRSB) payments for calendar year 2015.

Schedule and Graph of Additions By Source
For the Fiscal Years Ended June 30, 2015, 2014 and 2013 (In Thousands)

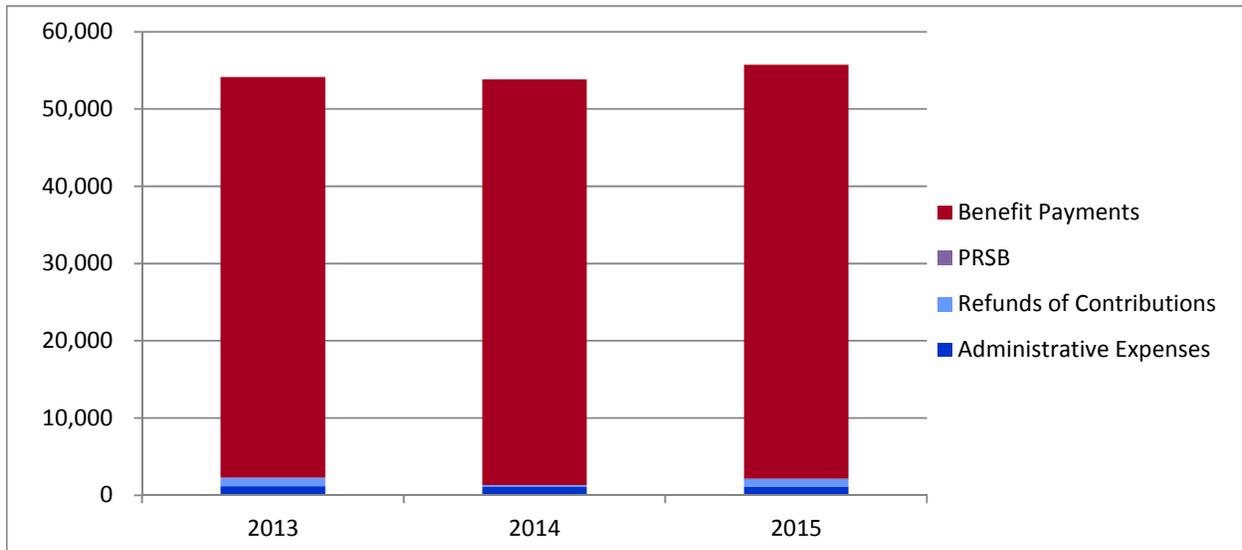
	2013	2014	2015
Employer Contributions	\$18,725	\$18,575	\$18,967
Member Contributions	7,398	7,294	7,385
Investment Income	140,702	201,838	39,164
TOTAL	\$166,825	\$227,707	\$65,516



MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Schedule and Graph of Deductions By Type
For the Fiscal Years Ended June 30, 2015, 2014 and 2013 (In Thousands)

	2013	2014	2015
Benefit Payments	\$51,827	\$52,513	\$53,471
PRSB	185	61	240
Refunds of Contributions	970	146	901
Administrative Expenses	1,182	1,119	1,108
TOTAL	\$54,164	\$53,839	\$55,720



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:

Statement of Fiduciary Net Position – The Statement of Fiduciary Net Position presents the major categories of assets and liabilities and their related value as of the System’s fiscal year ended June 30, 2015. “Net Position Restricted for Pension Benefits” represents funds available to pay benefits and it 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 Fiduciary Net Position includes prior year-end balances for comparative purposes. Increases and decreases in Net Position Restricted for Pension Benefits, when analyzed over time, may serve as an indicator of whether the System’s financial position is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the System’s overall health.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position –

This Statement of Changes in Fiduciary Net Position provides information about the financial activities during the reporting period that increased and decreased the Net Position Restricted for Pension Benefits. For comparative purposes, prior year-end balances are also provided.

The two statements above 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 additions and deductions 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.

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 basis of accounting. The System complies with all material requirements of these pronouncements.

Notes to the Basic Financial Statements - The Notes to the Basic Financial Statements are an integral part of the basic financial statements and provide additional information that is essential to acquire a full understanding of the information and data provided in the two statements discussed above. The notes include further discussion and details regarding the System's key policies, programs, investments and activities that occurred during the year.

Required Supplementary Information – The Required Supplementary Information presents historical trend information concerning the changes in net pension liability, employer contributions and investment returns, and includes notes that explain factors that significantly affect trends in the amounts reported, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions over time. The information is based on actuarial valuations prepared for the plan. The actuarial valuation report includes additional actuarial information that contributes to the understanding of the changes in the net pension liability of the defined benefit pension plan over the past ten years as presented in the schedule. The actuarial information is based upon assumptions made regarding future events at the time the valuations are performed and are derived for both financial reporting and funding purposes.

Other Supplementary Information – The Other Supplementary Information presented immediately following the required supplementary information includes schedules pertaining to the System's administrative expenses, investment management fees and other investment related expenses, and payments to consultants and other professional services providers.

The System's funding ratio at June 30, 2015, was 119.6 percent, which means the System's fund has approximately \$1.20 available for each \$1.00 of liability. The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report information about the System's financial activities during the reporting period that increased and decreased the Net Position Restricted for Pension Benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis

Net Position

As previously noted, net position restricted for benefits may serve over time as a useful indication of the System's financial position. The net position restricted for pension benefit payments of the System exceeded its liabilities at the close of the fiscal year 2015 by \$1,376,717,663. All of the net position is restricted to meet the System's ongoing obligations to plan participants and their beneficiaries.

In fiscal year 2015, the System's restricted fiduciary net position, representing assets available to pay current and future member pension benefits, increased by 0.72 percent largely due to volatility and fluctuations lowering performance of the global investment markets; and in 2014, the System's restricted fiduciary net position increased by 14.57 percent due to strong investment performance; while in 2013, the System's restricted fiduciary net position increased by 10.43 percent, primarily due to strong performance of the global investment markets. (See Table 1).

In order to determine whether the \$1.377 billion in net position will be sufficient to meet future obligations, the System's independent actuary performed an actuarial valuation as of June 30, 2015. The result of this valuation determines what future contributions by Plan members and the City of Fresno are needed to pay all expected future benefits. The valuation takes into account the Board's funding policy which includes a provision to smooth the impact of market volatility by spreading each year's gains or losses over five years.

There has been extreme volatility in the various economies of the world and throughout the global financial markets over the past twenty to twenty-five years, therefore, it is of utmost importance to examine the System's investment returns with a long-term view rather than a short-term focus which tends to distort the perception of how well the investments have actually performed. As an example, you cannot isolate the high returns during the Tech Bubble in the 1990's without including the Tech Bubble corrections in the early 2000's.

Historical long-term performance rates of returns demonstrate that the System has been able to meet or exceed its actuarial assumed rate of return of 7.50 percent over long periods. As of June 30, 2015, the System's 25-year annualized return is 8.85 percent and its 20-year annualized return is 8.39 percent.

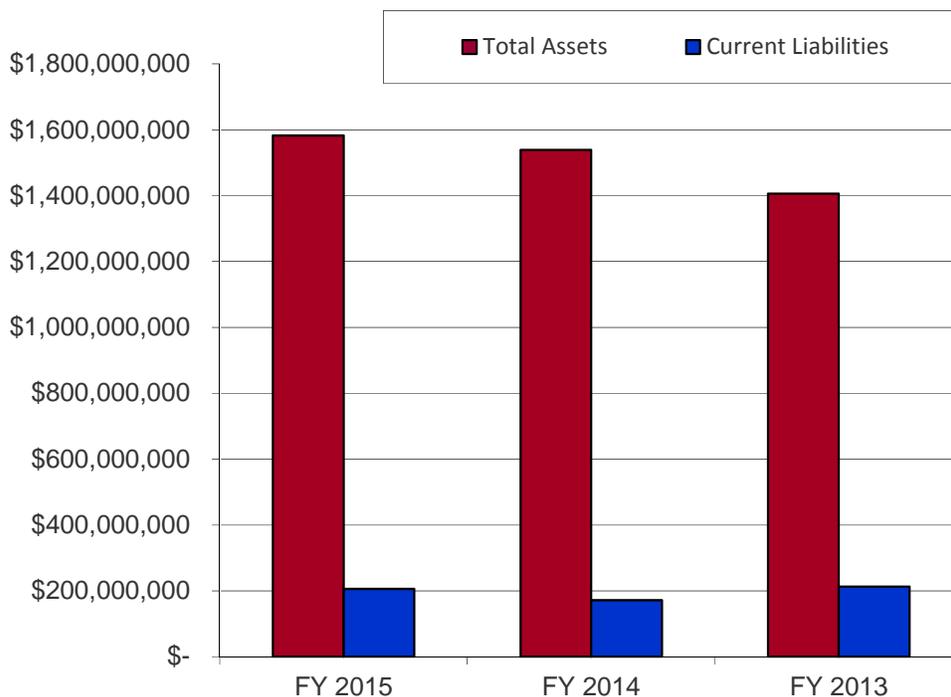
Despite volatility in the stock market, management and the System's actuary concur that the System remains in a very strong financial position to meet its obligations to the plan participants and beneficiaries. The System's current financial position is a result of a very sound and carefully managed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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

**Table 1 - Fire and Police Retirement System
Fiduciary Net Position Restricted For Pension Benefits
For The Years Ended June 30, 2015, 2014 and 2013**

	FY 2015	FY 2014	FY 2015 Increase/(Decrease) Amount	FY 2015 Increase/(Decrease) Percent
Current and Other Assets	\$ 208,651,133	\$ 170,372,758	\$ 38,278,375	22.47%
Investments at Fair Value	1,373,810,809	1,368,659,034	5,151,775	0.38%
Total Assets	\$ 1,582,461,942	\$ 1,539,031,792	\$ 43,430,150	2.82%
Current Liabilities	205,744,279	172,110,093	33,634,186	19.54%
Net Position Restricted for Pension Benefits	\$ 1,376,717,663	\$ 1,366,921,699	\$ 9,795,964	0.72%

	FY 2014	FY 2013	FY 2014 Increase/(Decrease) Amount	FY 2014 Increase/(Decrease) Percent
Current and Other Assets	\$ 170,372,758	\$ 201,217,243	\$ (30,844,485)	(15.33%)
Investments at Fair Value	1,368,659,034	1,204,545,322	164,113,712	13.62%
Total Assets	\$ 1,539,031,792	\$ 1,405,762,565	\$ 133,269,227	9.48%
Current Liabilities	172,110,093	212,708,635	(40,598,542)	(19.09%)
Net Position Restricted for Pension Benefits	\$ 1,366,921,699	\$ 1,193,053,930	\$ 173,867,769	14.57%



MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Assets

The System's investment in capital assets increased from \$680,391 to \$886,026 (net of accumulated depreciation and amortization) between fiscal years 2014 and 2015 after increasing from \$527,534 to \$680,391 between fiscal years 2013 and 2014. This investment in capital assets includes office equipment, furniture, software, and technology infrastructure. The total increase in the System's investment in capital and intangible assets as of June 30, 2015 and 2014 was \$205,635 and \$152,857, respectively. The increases in both fiscal years are primarily due to the costs incurred for the development of software to program and install an upgrade to our original pension administration system that was originally installed in 1997, which was implemented effective July 1, 2015.

Reserves

Reserves are not required, nor recognized, under accounting principles generally accepted in the United States of America (GAAP). The reserves are not shown separately on the Statement of Fiduciary Net Position, but they equate to and are accounts within the net position restricted for pension benefits and are vital to the System's operations. They are established from contributions and the accumulation of investment income, after satisfying investment and administrative expenses.

Investments of the System are stated at fair value instead of at cost and fair value, which includes the recognition of unrealized gains and losses in the current period.

The System's major reserve accounts, described in Note 5 – Net Position Restricted for Pension Benefits, include Active Member Reserve, Employer Advance/Retired Reserve, DROP Reserve, PRSB Reserve and City Surplus Reserve.

Deferred Retirement Option Program (DROP) Reserve represents funds reserved for Deferred Retirement Option Program benefits accumulated by active members and retirees. DROP is an alternate method of receiving retirement benefits. It is a voluntary program as described by the conditions and requirements of Municipal Code Section 3-353. A DROP account is a nominal, bookkeeping account established within the System for each DROP participant. Monthly amounts credited to DROP accounts include an amount which represents the service retirement allowance which the member would have received if the member had retired on the date the member commenced DROP participation and interest credited at the five year average interest rate as adopted by the Retirement Board (the Board) in accordance with Municipal Code requirements.

Post Retirement Supplemental Benefit (PRSB) Reserve represents surplus earnings that have been allocated but not distributed to eligible participants in accordance with Municipal Code Section 3-354. PRSB is a supplemental benefit distributed to eligible participants in accordance with Municipal Code Section 3-354, if and only if distributable actuarial surplus is available to provide such a benefit. Actuarial surplus means the amount by which the actuarial value of the System's assets exceeds one hundred and ten percent (110%) of the System's actuarial accrued liabilities.

City Surplus Reserve represents that portion of distributable actuarial surplus that has been allocated but not used as a reduction to offset or eliminate the City of Fresno's (the City) pension contributions in accordance with the conditions and requirements of Municipal Code Section 3-354 Post-Retirement Supplemental Benefits. The City Surplus Reserve Account accrues interest at the average gross rate of return earned by the System's entire

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

investment portfolio for each of the three prior fiscal years, including realized and unrealized gains and losses and as reduced by all investment related expenses.

Table 2 shows that the vast majority of reserves are generated from Employer Advance and Retired reserves. DROP reserves represent funds credited for participants who elected to participate in the Deferred Retirement Option Program. PRSB Reserve presents that portion of distributable actuarial surplus that has been allocated for PRSB but not yet distributed to eligible participants.

Additions and deductions from PRSB occur when surpluses and allocations occur, respectively. The City Surplus reserve represents that portion of distributable actuarial surpluses and accrued interest, reduced by required City normal pension contributions. The City Surplus Reserve Account shall be drawn upon in subsequent years if needed to reduce or eliminate the City's annual pension contribution requirement.

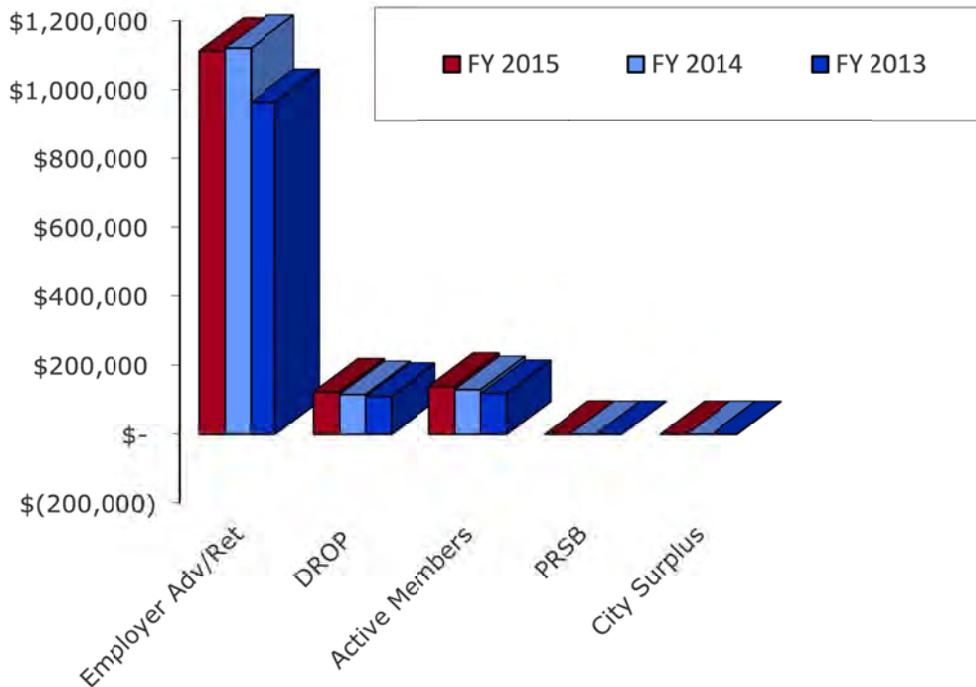
The City Surplus Reserve Account shows a slightly negative balance for fiscal year 2015, while fiscal year 2014 was positive and made up the negative balance that existed in fiscal year 2013 due to the differences between the actual and estimated surplus allocation to the City for offsetting the City's contributions for the prior fiscal year. The City's normal contribution rate for fiscal years 2015 and 2014 included an adjustment for phase-in of assumption changes in the actuarial assumed rate of return.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Table 2 – Fire And Police Retirement System’s Reserves

For The Years Ended June 30, 2015, 2014 And 2013 (In thousands)

	FY 2015	FY 2014	FY 2013
Employer Advance/Retired Reserves	\$ 1,112,863	\$ 1,120,962	\$ 963,344
DROP Reserves	123,506	115,802	110,829
Active Member Reserves	140,012	130,064	118,992
PRSB Reserves	496	-	67
City Surplus Reserves	(159)	94	(178)
Net Position Restricted for Pension Benefits	\$ 1,376,718	\$ 1,366,922	\$ 1,193,054



MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

System's Activities

Attributable in part to the continued growth in global economic and financial markets volatility, the System's assets increased \$9,795,964 for the fiscal year resulting in a 0.72 percent increase in the fiduciary net position restricted for pension benefits for the fiscal year ended June 30, 2015. Primarily attributable to the growth in global financial markets in fiscal year 2014, the System's fiduciary net position increased \$173,867,769 resulting in a 14.57 percent increase in the fiduciary net position restricted for pension benefits for the fiscal year ended June 30, 2014; and primarily attributable to the growth in the global financial markets in fiscal year 2013, the System's position increased \$112,660,522 resulting in a 10.43 percent increase in the fiduciary net position restricted for pension benefits for the fiscal year ended June 30, 2013.

Key elements of the additions and deductions to Fiduciary Net Position for fiscal years 2015, 2014 and 2013 are described in the sections below.

Additions to System's Fiduciary Net Position

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]. Total additions for the fiscal year ended June 30, 2015 totaled \$65,515,716.

For the fiscal year ended June 30, 2015, overall additions had decreased by \$162,191,435 or 71.23 percent primarily due to lower than anticipated performance in the global investment markets; for fiscal year 2014 overall additions had increased by \$60,882,369 or 36.49 percent from the prior fiscal year 2013, primarily due to the performance of the

investment markets; for fiscal year ended June 30, 2013, overall additions had increased by \$142,611,092 or 588.97 percent from the prior year. The investment section of this report reviews the details of the results of investment activity for the fiscal year ended June 30, 2015.

Deductions From System's Fiduciary Net Position

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 System, refunds of contributions to terminated employees, and the cost of administering the System.

Deductions from the fiduciary net position for the fiscal year ended June 30, 2015, totaled \$55,719,752 which was an increase of \$1,880,370 or 3.49 percent over the prior fiscal year 2014 which decreased \$324,878 or 0.60 percent over the prior fiscal year 2013. The current year increase in benefits paid resulted primarily from a modest increase in PRSB payments for calendar year 2015, the normal increase in the number of new retirees receiving benefits, and a significant increase in refund of contributions.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

The System’s increases in total expenses have closely paralleled 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 Fiduciary Net Position (Condensed)

For The Years Ended June 30, 2015 and 2014

	FY 2015	FY 2014	FY 2015 Increase/(Decrease) Amount	FY 2015 Increase/(Decrease) Percent
Additions				
Employer Contributions	\$ 18,966,930	\$ 18,574,840	\$ 392,090	2.11%
Employee Contributions	7,385,169	7,294,314	90,855	1.25%
Net Investment Income *	39,163,617	201,837,997	(162,674,380)	(80.60%)
Total Additions	\$ 65,515,716	\$ 227,707,151	\$ (162,191,435)	(71.23%)
Deductions				
Retiree Benefit Payroll	\$ 53,470,508	\$ 52,513,147	\$ 957,361	1.82%
Post Retirement Supplemental Benefit (PRSB)	240,653	60,750	179,903	296.14%
Refunds of Contributions	900,850	145,990	754,860	517.06%
Administrative Expenses	1,107,741	1,119,495	(11,754)	(1.05%)
Total Deductions	\$ 55,719,752	\$ 53,839,382	\$ 1,880,370	3.49%
Changes in Net Position	9,795,964	173,867,769	(164,071,805)	(94.37%)
Net Position Restricted for Pension Benefits				
Beginning of the Year	1,366,921,699	1,193,053,930	173,867,769	14.57%
End of the Year	\$ 1,376,717,663	\$ 1,366,921,699	\$ 9,795,964	0.72%

* Net of investment expense of \$6,510,297 and \$6,220,999 for June 30, 2015 and 2014, respectively.

	FY 2014	FY 2013	FY 2014 Increase/(Decrease) Amount	FY 2014 Increase/(Decrease) Percent
Additions				
Employer Contributions	\$ 18,574,840	\$ 18,724,714	\$ (149,874)	(0.80%)
Employee Contributions	7,294,314	7,398,730	(104,416)	(1.41%)
Net Investment Income *	201,837,997	140,701,338	61,136,659	43.45%
Total Additions	\$ 227,707,151	\$ 166,824,782	\$ 60,882,369	36.49%
Deductions				
Retiree Benefit Payroll	\$ 52,513,147	\$ 51,826,738	\$ 686,409	1.32%
Post Retirement Supplemental Benefit (PRSB)	60,750	184,751	(124,001)	(67.12%)
Refunds of Contributions	145,990	970,380	(824,390)	(84.96%)
Administrative Expenses	1,119,495	1,182,391	(62,896)	(5.32%)
Total Deductions	\$ 53,839,382	\$ 54,164,260	\$ (324,878)	(0.60%)
Changes in Net Position	173,867,769	112,660,522	61,207,247	54.33%
Net Position Restricted for Pension Benefits				
Beginning of the Year	1,193,053,930	1,080,393,408	112,660,522	10.43%
End of the Year	\$ 1,366,921,699	\$ 1,193,053,930	\$ 173,867,769	14.57%

* Net of investment expense of \$6,220,999 and \$5,781,894 for June 30, 2014 and 2013, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

System's Fiduciary Responsibilities

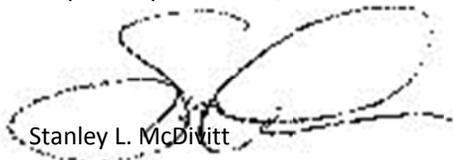
The System's Board and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the assets may be used exclusively for the benefit of plan participants and their beneficiaries.

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 Fire and Police 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 Fire and Police Retirement System
2828 Fresno Street Suite 201
Fresno, California 93721-1327

Respectfully submitted,



Stanley L. McDivitt
Retirement Administrator

December 23, 2015

BASIC FINANCIAL STATEMENTS**STATEMENT OF FIDUCIARY NET POSITION**

As of June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash (Note 6)	\$ 1,278,811	\$ 855,278
Collateral Held for Securities Lent (Note 8)	145,426,320	136,469,361
Receivables		
Receivables for Investments Sold	30,076,230	7,975,793
Interest and Dividends	4,653,547	4,198,568
Other Receivables	26,330,099	20,193,254
Total Receivables	61,059,876	32,367,615
Prepaid Expenses	100	113
Total Current Assets	207,765,107	169,692,367
Investments at Fair Value (Note 6)		
Domestic Equity	538,265,048	582,841,947
International Developed Market Equities	220,350,827	219,733,142
Government Bonds	125,996,664	128,037,971
Corporate Bonds	234,110,608	208,261,709
Real Estate	170,456,005	153,373,164
International Emerging Market Equities	43,822,480	24,331,069
Short-Term Investments	40,809,177	52,080,032
Total Investments	1,373,810,809	1,368,659,034
Capital Assets Net of Accumulated Depreciation (Note 11)	886,026	680,391
Total Assets	1,582,461,942	1,539,031,792
LIABILITIES		
Collateral Held for Securities Lent (Note 8)	145,426,320	136,469,361
Payable for Investments Purchased	31,920,130	13,919,957
Other Liabilities	2,263,835	1,473,124
Payable for Foreign Currency Purchased	26,133,994	20,247,651
Total Liabilities	205,744,279	172,110,093
Net Position Restricted for Pension Benefits (Note 5)	\$ 1,376,717,663	\$ 1,366,921,699

The notes in the financial statements on pages 19 through 48 are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For The Years Ended June 30, 2015 and 2014

	2015	2014
ADDITIONS		
Contributions (Note 3)		
Employer	\$ 18,966,930	\$ 18,574,840
System Members	7,385,169	7,294,314
Total Contributions	\$ 26,352,099	25,869,154
Investment Income		
Net Appreciation in Value of Investments	17,807,061	177,836,155
Interest	15,679,270	16,470,039
Dividends	11,572,341	13,024,607
Other Investment Related	41,765	43,708
Total Investment Income	45,100,437	207,374,509
Less: Investment Expense	(6,395,690)	(6,084,182)
Total Net Investment Income	38,704,747	201,290,327
Securities Lending Income		
Securities Lending Earnings (Note 8)	573,477	684,487
Less: Securities Lending Expense	(114,607)	(136,817)
Net Securities Lending Income	458,870	547,670
Total Additions	65,515,716	227,707,151
DEDUCTIONS		
Benefit Payments	53,470,508	52,513,147
Post Retirement Supplemental Benefits (Note 10)	240,653	60,750
Refunds of Contributions	900,850	145,990
Administrative Expenses	1,107,741	1,119,495
Total Deductions	55,719,752	53,839,382
Changes in Net Position	9,795,964	173,867,769
NET POSITION RESTRICTED FOR PENSION BENEFITS		
BEGINNING OF THE YEAR	1,366,921,699	1,193,053,930
END OF THE YEAR	\$ 1,376,717,663	\$ 1,366,921,699

The notes in the financial statements on pages 19 through 48 are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT PROVISIONS OF THE RETIREMENT SYSTEM

The City of Fresno Fire and Police Retirement System ("System") was established on July 1, 1955, under provisions of the City of Fresno Ordinance Number 4611, and charter Section 910, and is maintained and governed by Article 3 and 4 of Chapter 3 of the Municipal Code of the City of Fresno but not under the control of the City Council. The System is a single-employer, contributory, defined benefit pension plan. The System is a public employee retirement system that provides lifetime retirement, disability, and death benefits to the safety members employed by the City of Fresno, includes all full time sworn fire, police and airport safety personnel.

The System is administered by the Fire and Police Retirement Board (Board) which operates under the authority vested in Article 3 and 4 of Chapter 3 of the City of Fresno Municipal Code and the California Pension Protection Act of 1992 which 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 contribution thereto, and defraying reasonable expenses of administering the System.

The Fire and Police Retirement Board does not operate under the control of the City Council. 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 members and their beneficiaries.

Fiduciary oversight of the Fire and Police Retirement System is vested with the Board, which consists of 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 sworn Fire Department members of the System, and one (1) employee who is elected by the Police and Airport Safety Officers of the System, both elected members serve a four-year term. The fifth and final member of the Board is a qualified elector of the County, not connected with its government, elected by the previously designated four members and serves at the pleasure of the Board.

The Board, in conjunction with the Employees Retirement Board, appoints, directs and oversees a Retirement Administrator. The Retirement Administrator is responsible for the overall management and administration of the Employees and Fire and Police Retirement Systems in accordance with the direction, policy and goals set by the Boards and for providing highly responsible and complex administrative support to the Boards. The Retirement Administrator serves at the pleasure of the Boards.

Working closely with the Boards, the Retirement Administrator and his staff develop investment and benefits policies, coordinate member services and programs, and develop long-term strategies that fulfill the Systems' mission and goals.

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

Membership and Benefit Eligibility

The Fire and Police Retirement System is one System with two tiers. Effective August 27, 1990, the City of Fresno (the City) added the Fire and Police Second Tier for all full time sworn fire, police and airport safety personnel hired on or after that date (and closed the Fire and Police First Tier to new entrants). Both tiers are governed by the City of Fresno

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Municipal Code. The provisions of Tier 1 are set forth in Article 3 of Chapter 3, while the Tier 2 provisions are stated in Article 4.

All permanent sworn Fire and Police personnel of the City of Fresno are eligible to participate in the plan. Temporary Public Safety employees are not eligible to participate in the plan. Employees become eligible for membership on their first day of full-time regular employment, and members become fully vested after earning 5 years of service credit.

Total participants of the System were comprised of the following, as of June 30, 2015 and 2014:

	2015	2014
Active Members:		
Vested	925	959
Non-vested	72	44
Total Active Members	997	1,003
Retirees and Beneficiaries of Deceased		
Retirees, Currently Receiving Benefits	998	971
Inactive Vested Members	68	55
Total Retirees and Inactive Members	1,066	1,026
Grand Total	2,063	2,029

Benefit Provisions

The System provides lifetime retirement, disability, and death benefits to all eligible permanent sworn Fire, Police and Airport personnel employed by the City of Fresno. The retirement (pension) benefits the member will receive are based upon a combination of age at retirement, years of credited service, final average monthly salary, tier and the option selected by the participant. Death and disability benefits are additionally based upon whether the disability was

service connected and 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 10 years of credited service under the First Tier and five years of credited service under the Second Tier when they become 100 percent vested, but are not payable until the member attains the age of 50 under both tiers. Contributions are made by the members and the employer at rates recommended by the System's actuary and adopted by the Retirement Board.

Member Retirement Benefits

Members of Tier 1, hired prior to August 27, 1990, are eligible to retire once they attain the age of 65 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. Tier 1 benefit is calculated pursuant to the provisions of Section 3-333 of the Fresno Municipal Code. The monthly allowance for a member with at least 20 years of service who retires from active status is equal to 55 percent of final compensation plus 2 percent of final compensation for each year of service in excess of 20 years completed after age 50. For Tier 1, final average compensation consists of the final highest consecutive 36 months of compensation earnable calculated using the rate of pay actually earned by the member in effect at the time of retirement. Some members can elect to have their final compensation based on a rank average.

Members of Tier 2, hired on or after August 27, 1990, are eligible to retire once they attain the age of 65 regardless of service or at age 50 and have acquired 5 or more years of retirement service credit. Tier 2 benefit is calculated pursuant to the provisions of Section 3-411 of the Fresno Municipal Code. The monthly allowance for a member who is age 55 or older is equal to 2.70 percent of final compensation times years of accrued retirement service credit. The

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

maximum monthly retirement allowance is 75 percent of final compensation. For Tier 2, final average compensation consists of the highest consecutive 36 months of compensation earnable during any 36 months of service before the date of retirement.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 66 2/3 percent continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse is one married to the member one year prior to the effective retirement date for members retiring on or before the effective date of Ordinance No. 2000-5. For members retiring after the effective date of Ordinance 2000-5, an eligible surviving spouse or domestic partner is one married to or registered with the member on or before the date of retirement.

There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

The City of Fresno contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board. Employer contribution rates are adopted annually based upon recommendations received from the Retirement System's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2015 for 2014-2015 (based on the June 30, 2013 valuation) was 20.83 percent of compensation.

All members are required to make contributions to the Retirement System. The average member contribution rate as of June 30, 2015 for 2014-2015

(based on the June 30, 2013 valuation) was 8.90 percent of compensation.

Deferred Retirement Option Program (DROP)

DROP is an optional voluntary program that allows a member to have his or her retirement benefits deposited in a special account within the System while the member continues to work in his or her current position. It is a voluntary method of receiving a distribution of your retirement benefits; it is not an additional retirement benefit.

DROP may not be beneficial to all members. Each member must determine how the DROP option will affect the member's retirement benefits prior to making an election to enter the DROP.

The member's retirement benefits are determined as of the date of entry into the DROP option and accumulate in the member's DROP account while the member continues to work. Members entering DROP, after January 27, 2011 in accordance with ordinances that amended sections of the Fresno Municipal Code, continue making employee contributions.

Eligibility: Any member who is eligible for a service retirement, is age 50 with a minimum of 5 years of service.

Participation Period: The maximum participation period is ten years. Because the participation period cannot be extended, the member must retire at its conclusion; however, the member may end participation in DROP and terminate employment with the City and begin retirement at any time prior to the end of the ten-year period.

DROP Account: A DROP account is set up for each participant; the monthly amount credited to DROP

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

accounts include an amount which represents the service retirement allowance which the member would have received if the member had retired on the date the member commenced DROP participation. Interest is also credit to the DROP account monthly at a rate which is set annually by the Retirement Board. The rate is based on the prior five-year moving average of net market returns of the Systems' investments in accordance with Municipal Code requirements. The Board is authorized to reduce the annual interest crediting rate up to 3 percent, if necessary, to maintain DROP's cost neutrality.

A DROP account is a nominal, bookkeeping account established within the System for each DROP participant.

Upon termination of DROP participation and retirement from the City, a member receives the amounts credited to their DROP account, including interest. In addition, you will also begin receiving your monthly retirement allowance in the amount being credited to your DROP account. You may select a method of withdrawing the money from your DROP account from the options provided.

DROP Reserves which represent funds reserved for DROP benefits accumulated by active members and retirees were \$123,505,845 and \$115,802,380 as of June 30, 2015 and 2014, respectively.

Terminated Member Benefits

If a member terminates before earning five years of credited service, the member forfeits the right to receive his or her service retirement benefit and is entitled to withdraw refundable contributions made, together with accumulated interest. If the member enters a reciprocal retirement system within 180 days (6 months) of terminating employment with the City of Fresno and elects to leave their accumulated

contributions on deposit with the System, then the member will receive a deferred retirement allowance when eligible.

Death and Disability Benefits

Death benefits are based upon whether the death occurred before or after retirement. Disability benefits are based upon final average salary, years of credited service and whether the member is over or under age 50 and whether the permanent incapacity is found to be service connected (caused by the job) or ordinary (injury or illness not caused by your job) disability. There is no minimum service requirement before benefits are payable for service-connected disability. However, in order to receive ordinary disability benefits, the member must have completed at least 10 years of service.

Cost of Living Benefits

Cost-of-living increases for the First Tier retirees are determined by the increases attached to ranks of active safety employees for those having retired under the rank-average option. For those retired under the 3-year average, cost-of-living is based on the percentage of change in the weighted mean average monthly compensation attached to all ranks of members, as compared with the prior fiscal year and limited to a maximum of 5 percent per year.

Tier 1 cost-of-living adjustments (COLA) depend on the type of method chosen by the employee at retirement. If the employee chose the Career Rank method, the COLA is a recalculation of his/her retirement based on the new salaries adopted for the current year. If the method chosen by the retiree is the final 3-year method, the COLA is based on the change in the weighted mean average compensation attached to all ranks in the department with a cap of five percent (5%) per year. Any excess over the 5% is

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

banked for use in years when the COLA calculation is less than 5%.

Cost-of-living (COL) increases for the Second Tier retirees will be determined by the change in Consumer Price Index with a maximum of 3 percent per year. Provisions for the COL increases are outlined in the City of Fresno Municipal Code and changes may be made only by code amendment.

Tier 2 COLAs are based on the change in the Consumer price index (for all Urban Wage Earners and all Clerical Workers – U.S. City Average) as provided in the Fresno Municipal Code. Retirement staff research the percentage change in CPI and propose that percent to the Fire and Police Retirement Board as the COLA to be adopted for the following fiscal year. This procedure must be complete by the end of April each year for implementation in January of the following calendar year. The COLA is limited to a three percent (3%) maximum change per year and any excess over 3 percent is banked for the retiree for use in a year where the percent of CPI change is less than 3 percent.

The Board adopted the annual COLA adjustment, pursuant to Section 3-411 of 1.45 percent, effective January 1, 2015, 1.68 percent, effective January 1, 2014 and 3.0 percent, effective January 1, 2013 with a carryover of 0.207 percent for use in succeeding years.

NOTE 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's financial statements are prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP), under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Employer and employee contributions are recognized as revenue when due. Contributions are recorded in the period the related salaries are earned and become measurable. Investment income is recognized when it is earned. The net appreciation in fair value of investments held by the System is recorded as an increase to investment income based on the valuation of investments at fiscal year end, which includes both realized and unrealized gains and losses on investments. Retirement benefits and refunds are recognized when due and payable under the terms of the plan and per Section 3-322 and 3-324 of the Municipal Code. Other expenses are recognized when the corresponding liabilities are incurred.

Securities lending transactions are accounted for in accordance with Government Accounting Standards Board (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 and are both reported in the Statement of Fiduciary Net Position. In addition, the costs of securities lending transactions are reported as an expense in the Statement of Changes in Fiduciary Net Position.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Investments

The System is authorized by the Fresno Municipal Code and the policies of the Retirement Board to invest in any form or type of investment deemed prudent by the Board and does so through its Investment Objectives and Policy Statement which establishes and outlines the responsibilities of the various parties that are associated with managing assets of the Retirement System, consistent with applicable sections of the Municipal Code, Federal laws and Article XVI, Section 17(c) of the Constitution of the State of California which provides that “the member 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.”

System investments are reported at fair value. Fair value is the amount that the System can reasonably expect to receive for an investment in a current sale between a willing seller, that is, other than in a forced or liquidation sale. Fair value for investments of publicly traded securities is stated at fair value based upon closing sales prices reported on recognized securities exchanges on the last business day of the period or for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis and dividends declared but not received are accrued on the ex-dividend date. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges 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.

The asset allocation policy set by the Board, in conjunction with the Fire and Police Retirement Board, is outlined in the Boards’ Investment Objectives and Policy Statement. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the System. The table below provides the Boards’ adopted asset allocation policy as of June 30, 2015 and 2014.

ASSET ALLOCATION POLICY AS OF JUNE 30, 2015 AND 2014

Asset Class	Target Allocation As of June 30, 2015 and 2014	
	FY2015	FY2014
Domestic Equity		
Large Cap	22.5%	22.5%
Small Cap	7.5%	7.5%
International Equity		
Developed Markets	22.0%	22.8%
Emerging Markets	8.0%	7.2%
Real Estate	15.0%	15.0%
Domestic Fixed Income	11.0%	15.0%
High Yield Bonds	10.0%	10.0%
Absolute Return Strategy	4.0%	0.0%
Cash	0.0%	0.0%
	100%	100%

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

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.

Implementation of New Accounting Pronouncements

For the year ended June 30, 2015, the Board adopted and implemented all applicable new Government Accounting Standards Board (GASB) pronouncements in the fiscal years ended June 30, 2015 and 2014, as required by each statement. The most recent pronouncements, effective for fiscal year ended June 30, 2015, are provided below.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, replacing Statement No. 27 for Employer reporting. This Statement is effective for financial statement for periods beginning after June 15, 2014 and will be implemented by the City of Fresno for its June 30, 2015 fiscal year-end.

Reclassifications

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

NOTE 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 3-319, 3-324, and 3-405.

Contributions are made by the members and the employer at rates recommended by the System's independent actuary and adopted by the Board.

All active members are required to make contributions to the System. Employee contribution rates vary in the First Tier according to entry age and are designed to provide funding for approximately one-third of the retirement benefits. The Tier 1 average member contribution rate as of June 30, 2015 for 2014-2015 (based on the June 30, 2013 valuation) was 5.35% of compensation. The Tier 1 average member contribution rate as of June 30, 2014 for 2013-2014 (based on the June 30, 2012 valuation) was 4.86% of compensation.

Employee contribution rates in the Second Tier are established at 9 percent of pensionable base pay.

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

The aggregate employer contribution rate as of June 30, 2015 for 2014-2015 (based on the June 30, 2013 valuation) was 20.83% of compensation. The aggregate employer contribution rate as of June 30, 2014 for 2013-2014 (based on the June 30, 2012 valuation) was 20.19% of compensation.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

One of the funding objectives of the System is to establish contribution rates which, over time, will remain level as a percentage of payroll unless the System benefit provisions are changed.

Funding Status & Method

Comprehensive Actuarial Funding Policy and Actuarial Cost Methodology for Funding Purposes

The Board adopted a Comprehensive Actuarial Funding Policy on November 7, 2012. For the Fire & Police Retirement System that policy included a change in actuarial cost methodology from the aggregate Entry Age Normal funding method currently used for funding purposes to the individual Entry Age Normal (EAN) method as this individual EAN method is used by a substantial majority of the retirement systems in California and nationwide. More importantly, the Board made this change in actuarial cost methodology due to the recently adopted Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 which substantially revises the financial reporting requirements for governmental pension plans and their sponsors.

Goals of the Actuarial Funding Policy:

- To achieve long-term full funding of the cost of benefits provided by the System;
- To seek reasonable and equitable allocation of the cost of benefits over time; and
- To minimize any volatility of the City's contribution to the extent reasonably possible, consistent with other policy goals.

Funding Requirements and Policy Components

The System's annual funding requirement is comprised of a payment of the Normal Cost and a payment on the Unfunded Actuarial Accrued Liability ("UAAL") if applicable. The Normal Cost and the amount of the payment on UAAL are determined by three components of the Board's funding policy: 1) Actuarial Cost Method – the techniques used to allocate the cost/liability of retirement benefits to a given period; 2) Asset Smoothing Method – the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and 3) Amortization Policy – the decisions on how, in terms of duration and pattern, to fund the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets in a systematic manner.

Using Asset Smoothing Method, the investment gains or losses of each valuation period, as a result of comparing the actual market return to the expected market return, are recognized in level amounts over five (5) years in calculating the Actuarial Value of Assets.

As of June 30, 2015, the System does not have an Unfunded Actuarial Accrued Liability ("UAAL"). The Board's Amortization Policy sets forth the amortization procedures for funding any UAAL or amortization and allocation of any available Surplus in the System.

Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of fifteen (15) years. Any new UAAL as a result of any change in actuarial assumptions or methods will be amortized over a period of twenty-five (25) years. The amortization

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

period for any increase in UAAL as a result of any amendments to the System will be amortized over a period of fifteen (15) years; while any increase in UAAL resulting from a temporary retirement incentive will be funded over a period not to exceed five (5) years.

UAAL shall be amortized over “closed” (separate) amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation. UAAL is amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

If an overfunding status exists (i.e., the Valuation Value of Assets exceeds the Unfunded Actuarial Accrued Liability, the System is considered to have a Surplus in the System as of a point in time), such actuarial surplus and any subsequent surpluses will be amortized over an “open” amortization period of

twenty-five (25) years. This amortization period of twenty-five years shall be applicable to the provisions in Fresno Municipal Code Sections relating to the amortization period used in the calculation of the Post Retirement Supplement Benefit (PRSB). Any prior Unfunded Actuarial Accrued Liability (UAAL) amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over fifteen (15) years as the first of a new series of amortization layers.

The System 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, 2015, the actuarial value of assets was \$1.220 billion with a funded percentage of 119.6 percent on a valuation value of assets.

The progress being made towards meeting the System’s funding objective through June 30, 2015 is illustrated in the Schedule of Funding Progress shown below.

SCHEDULE OF FUNDING PROGRESS

FOR THE THREE YEARS ENDING JUNE 30, 2015

(DOLLARS IN MILLIONS)

Actuarial Valuation Date	(1) Actuarial Valuation 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)
2015	\$1,220	\$1,020	119.6%	\$(200)	\$95	(210.3%)
2014	\$1,143	\$1,006	113.6%	\$(137)	\$96	(141.9%)
2013	\$1,061	\$998	106.4%	\$(64)	\$101	(63.1%)

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

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 individual entry age normal funding method applied to the projected benefits in determining the Normal Cost and Actuarial Accrued Liability. If there is a positive (Surplus) or negative (Unfunded) difference between the Valuation of Assets and the Actuarial Accrued Liability, the amortization policy determines the amortization of the Unfunded Actuarial Accrued Liability (UAAL) on a level percentage of payroll needed to fund the UAAL or the amount of available surplus which would be distributable in any given year. This method produces an employer contribution rate consisting of amounts for (a) normal cost and (b) amortization of any unfunded (UAAL) or prefunded (PAAL) actuarial accrued liability.

These minimum contributions are recognized currently in the statement of changes in fiduciary net position restricted for pension 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 2015 totaled \$26,352,099. Employees (members in both tiers) contributed \$7,385,169 and the City made (basic and cost-of-living adjustments (COLA)) contributions of \$18,966,930.

First Tier

Contributions aggregating \$2,637,830 (\$2,384,332 net employer and \$253,498 employee) were made in fiscal year 2015, based on an actuarial valuation determined as of June 30, 2013, which became effective for the year ended June 30, 2015. For fiscal year 2015, the employer contribution rate was set at 27.80 percent; however, only a cash contribution of \$2,384,332 was required from the City due to the difference between actual and the estimated June 30, 2013 surplus allocated to the City in the June 30, 2012 valuation for offsetting the City's contributions for the 2013/2014 plan year. Employer and employee contributions represented 21.14 percent and 2.25 percent, respectively, of the fiscal year 2015 covered payroll.

Contributions aggregating \$2,826,644 (\$2,593,351 net employer and \$233,293 employee) were made in fiscal year 2014, based on an actuarial valuation determined as of June 30, 2012, which became effective for the year ended June 30, 2014. For fiscal year 2014, the employer contribution rate was set at 25.95 percent; however, only a cash contribution of \$2,593,351 was required from the City due to the difference between actual and the estimated June 30, 2012 surplus allocated to the City in the June 30, 2011 valuation for offsetting the City's contributions for the 2012/2013 plan year. Employer and employee contributions represented 20.19 percent and 1.82 percent, respectively, of the fiscal year 2014 covered payroll.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Second Tier

Contributions aggregating \$23,714,269 (\$16,582,598 net employer and \$7,131,671 employee) were made in fiscal year 2015, based on an actuarial valuation determined as of June 30, 2013, which became effective for the year ended June 30, 2015. For fiscal year 2015, the employer contribution rate was set at 22.09 percent; however, only a cash contribution of \$16,582,598 was required from the City due to the difference between actual and the estimated June 30, 2013 surplus allocated to the City in the June 30, 2012 valuation for offsetting the City’s contributions for the 2013/2014 plan year. Employer and employee contributions represented 20.78 percent and 9.00 percent, respectively, of the fiscal year 2015 covered payroll.

however, due to a contribution shortfall from the prior year, an additional contribution of \$1,016,820 was required from the City. Employer and employee contributions represented 20.19 percent and 9.00 percent, respectively, of the fiscal year 2014 covered payroll.

The City’s normal contributions to the Fire and Police Retirement System for 2015 were estimated in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 2013, as follows:

ACTUARIAL RATES AS A PERCENTAGE OF PENSIONABLE PAYROLL

	Effective FY 15	Effective FY 14
Employer Normal (First Tier)	27.80%	25.95%
Employer Normal (Second Tier)	22.09%	18.91%

Contributions aggregating \$23,042,510 (\$15,981,489 net employer and \$7,061,021 employee) were made in fiscal year 2014, based on an actuarial valuation determined as of June 30, 2012, which became effective for the year ended June 30, 2014. The employer contribution rate was set at 18.91 percent;

Normal Cost

	FY2015		
	Tier 1	Tier 2	Total
Member Contributions	\$ 253,498	\$ 7,131,671	\$ 7,385,169
Employer Contribution Rate	27.80%	22.09%	
Employer Contributions	\$ 3,134,984	\$ 17,627,416	\$ 20,762,400
Prior Year Contribution (Surplus)/Shortfall	(750,652)	(1,044,818)	(1,795,470)
Net Employer Contributions	\$ 2,384,332	\$ 16,582,598	\$ 18,966,930
Pensionable Payroll	\$ 11,276,919	\$ 79,798,174	\$ 91,075,093
	FY2014		
	Tier 1	Tier 2	Total
Member Contributions	\$ 233,293	\$ 7,061,021	\$ 7,294,314
Employer Contribution Rate	25.95%	18.91%	
Employer Contributions	\$ 3,333,005	\$ 14,964,669	\$ 18,297,674
Prior Year Contribution (Surplus)/Shortfall	(739,654)	1,016,820	277,166
Net Employer Contributions	\$ 2,593,351	\$ 15,981,489	\$ 18,574,840
Pensionable Payroll	\$ 12,843,950	\$ 79,136,274	\$ 91,980,224

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE 4- NET PENSION LIABILITY

The components of the net pension liability of the System is as follows:

SCHEDULES OF CHANGES IN THE SYSTEM'S NET PENSION LIABILITY (GASB 67)

LAST FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

(IN THOUSANDS)

	As of June 30, 2015	As of June 30, 2014
Total Pension Liability	\$1,179,896	\$1,157,747
Plan Fiduciary Net Position	(\$1,376,718)	(\$1,366,922)
Net Pension Liability	(\$196,822)	(\$209,175)
<hr/>		
Plan Fiduciary Net Position as a percentage of the total pension liability	116.68%	118.07%

The net pension liability was measured as of June 30, 2015 and June 30, 2014 and determined based upon the total pension liability (on a GASB 67 basis) from actuarial valuations as of June 30, 2015 and June 30, 2014, respectively.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Actuarial Assumptions

Key Methods and Assumptions Used in Valuation of Total Pension Liability

The total pension liability as of June 30, 2015 was determined by an actuarial valuation of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015 ¹
Actuarial Experience Study	3 Year Period Ending June 30, 2012
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.

Actuarial Assumptions

Inflation Rate	3.25%
Salary increases	3.75% to 12.25%, varying by service, including inflation
Discount Rate	7.50%, net of pension plan investment expense, including inflation
Other assumptions	See June 30, 2015 funding valuation and (Appendix A) for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.
Mortality Rates	Mortality rates used in the latest actuarial valuation are based on the RP-2000 Combined Healthy Mortality Table projected with scale AA to 2021. For healthy members the separate tables for males and females ages are set back one year. For members that are disabled, the ages are set forward three years. Beneficiaries are assumed to have the same mortality as a member of the opposite sex who is receiving a service (non-disability) retirement.

¹ Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. As such, the actuarial valuation dated June 30, 2015 will impact the contribution rates for the fiscal year ended June 30, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The valuation interest rate is 7.50 percent; total salary scale increases of 3.75 percent (3.25 percent for inflation) plus 0.50 percent across the board salary increase; plus merit and promotion increases based on completed years of service were based on the June 30, 2012 Experience Analysis and Economic Assumptions Reports.

Actuarial valuations of an ongoing plan involve estimates of the fair value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation and investment returns. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

GASB Statement No. 67 addresses accounting and financial reporting requirements for pension plans and redefines pension liability and expense for financial reporting purposes, and does not apply to contribution amounts for pension funding purposes.

When measuring pension liability under GAS 67 the actuary uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as the System uses for funding. Note that, unrelated to the investment return assumption, the new rules use a version of the Entry Age method where the Total Pension Liability (TPL) for financial reporting purposes must be fully accrued by the time a member either enters DROP or is expected to elect the DROP. This is in contrast to the version of the Entry Age method used for funding, where the Actuarial Accrued Liability (AAL) does not have to be fully accrued until members retire from employment after participation in the DROP. Under GAS 67, active actives who are expected to enroll in the DROP in the future would report a Service Cost that is higher than the Normal Cost used for funding,

while members already in the DROP would report no Service Cost even though their Normal Cost continues to accrue.

Long-Term Expected Real Rate of Return

The long-term expected rate of return on the System's investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table.

The actual asset class target allocations from the Board's current adopted Asset Allocation Target Policy will be utilized in the Analysis of Actuarial Experience during the period June 30, 2012 through July 1, 2015 and for the Review of Economic Actuarial Assumptions for the June 30, 2016 Actuarial Valuations.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

**ASSET CLASS/TARGET ALLOCATION/LONG-TERM EXPECTED
REAL RATE OF RETURN TABLE**

Asset Class	As of June 30, 2015 and 2014	
	Target Asset Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.S. Equity	22.5%	6.09%
Small Cap U.S. Equity	7.5%	6.79%
Developed International Equity	22.8%	6.66%
Emerging Market Equity	7.2%	8.02%
Domestic Fixed Income	20.0%	0.83%
High Yield Fixed Income	10.0%	3.42%
Real Estate	10.0%	4.83%
Total	100.0%	

Mortality Rates

Mortality rates used in the latest actuarial valuation are based on the RP-2000 Combined Healthy Mortality Table projected with scale AA to 2021. For healthy members the separate tables for males and females ages are set back one year. For members that are disabled, the ages are set forward three years. Beneficiaries are assumed to have the same mortality as a member of the opposite sex who is receiving a service (non-disability) retirement.

Discount Rate

The discount rates used to measure the total pension liability were 7.50 percent as of June 30, 2015, 2014 and 2013. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions

that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on the System's investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2015 and June 30, 2014.

The following table presents the net pension liability of the Retirement System calculated using the discount rate of 7.50 percent as of June 30, 2015 and 2014, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower or 1.00 percent higher than the current rate:

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

**As of June 30, 2015 and 2014
(In Thousands)**

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability			
June 30, 2015	(\$48,398)	(\$196,822)	(\$317,913)
June 30, 2014	(\$61,939)	(\$209,175)	(\$329,187)

NOTE 5- NET POSITION RESTRICTED FOR PENSION BENEFITS

Net position restricted for pension benefits is 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.

EMPLOYER ADVANCE/RETIRED RESERVES represent the total accumulated employer contributions for future retirement payments to current active members and vested terminated members, and the total accumulated transfers from Active Member Reserves and investment earnings, less payments to

retirees and transfers to the DROP Reserve. Additions include contributions from the employer, transfers from Active Member Reserve, and investment earnings; deductions include payments to retirees and transfers to the DROP Reserve.

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

POST RETIREMENT SUPPLEMENTAL BENEFIT ("PRSB") RESERVE represents surplus earnings that have been allocated but not distributed to eligible participants in accordance with Municipal Code Section 3-354 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 3-354 Post-Retirement Supplemental Benefit.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

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.

The amount of reserves for the years ended June 30, 2015 and 2014, consisted of the following:

RESERVES TABLE FOR 2015 AND 2014
(IN THOUSANDS)

	2015	2014
Employer Advance/Retired Reserves	\$ 1,112,863	\$ 1,120,962
Active Member Reserves	140,012	130,064
DROP Reserves	123,506	115,802
PRSB Reserves	496	-
City Surplus Reserves	(159)	94
Net Position Restricted for Pension Benefits	\$1,376,718	\$ 1,366,922

NOTE 6- DEPOSITS AND INVESTMENTS

The System’s investment policy 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, U.S. Fixed Income, International Fixed Income and Real Estate. Any class may be held in direct form, pooled form or both. The System has thirteen external investment managers, managing seventeen individual portfolios.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Investments at June 30, 2015 and 2014 consist of the following:

INVESTMENTS AT FAIR VALUE 2015 AND 2014
(IN THOUSANDS)

	2015	2014
Investments at Fair Value		
Domestic Equity	\$ 538,265	\$ 582,842
International Developed Market Equities	220,351	219,733
International Emerging Market Equities	43,822	24,331
Government Bonds	125,997	128,038
Corporate Bonds	234,111	208,262
Real Estate	170,456	153,373
Short-Term Investments	40,809	52,080
Total Investments at Fair Value	\$1,373,811	\$1,368,659

The Board through its Investment Policy Statement provides guidelines for investments and established the following target allocations with a minimum and maximum range for each of these asset classes.

ASSET CLASS MINIMUM TARGET AND MAXIMUM ALLOCATIONS

Asset Class	Minimum	Target	Maximum
Domestic Equity			
Large Cap	16.0%	22.5%	30.0%
Small Cap	4.0%	7.5%	12.0%
International Equity			
Developed Markets	16.0%	22.0%	30.0%
Emerging Markets	0.0%	8.0%	10.0%
Real Estate	5.0%	15.0%	20.0%
Domestic Fixed Income	5.0%	11.0%	20.0%
High Yield Bonds	5.0%	10.0%	15.0%
Absolute Return Strategy	0.0%	4.0%	8.0%
Cash	0.0%	0.0%	2.0%
		100%	

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

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 5 percent or more of System net position invested in any one organization.

The Retirement 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’s investment securities are not exposed to custodial credit risk since all securities are registered in the System’s name and held by the System’s custodial bank.

Custodial credit risk for deposits is the risk that, in the event of the failure of the 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 is temporarily swept overnight to Northern Trust Collective Short-Term Investment Fund.

That portion of the System’s cash held by the City in a Trust account as part of the City’s cash investment pool totaled (in thousands) \$494,187 and \$287,941 at June 30, 2015 and 2014, 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, 2015.

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 following table:

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Type of Investment	2015			2014		
	Fair Value	Credit Quality	Duration	Fair Value	Credit Quality	Duration
Asset Backed Securities	\$ 9,683,747	AA+	1.74	\$ 4,509,111	AA-	1.76
Commercial Mortgage-Backed	4,117,613	BBB+	2.12	4,377,763	A	2.46
Corporate Bonds	189,459,343	BB+	3.95	185,078,160	BB	3.91
Corporate Convertible Bonds	3,908,191	CC	3.39	4,944,704	B-	2.85
Funds - Corporate Bond	17,885,790	NR	1.35	1,675,799.00	NR	-
Non-Government backed C.M.O.s	2,846,278	BB-	1.95	4,024,326	B+	1.62
Bank Loans	1,651,224	BB-	0.45	366,565.00	B	0.00
Convertible Equity	2,223,096	CC	1.56	358,530	BBB-	3.75
Common Stock	492,350	C-	0.98	530,956	BB	0.79
Preferred Stock	1,842,976	BB-	0.47	2,395,795	B+	1.37
Government Agencies	3,110,880	AAA	3.18	3,542,562	AAA	3.65
Government Bonds	56,247,898	AAA	5.66	52,203,156	AAA	3.98
Gov't Issued Commercial Mortgage Backed Securities	684,535	AAA	5.03	-	-	-
Government Mortgage Backed Securities	57,126,125	AAA	2.90	65,769,004	AAA	3.07
Fixed Income Derivatives - Futures	(3,872,888)	AAA	6.67	(1,569,879.00)	NR	3.27
Municipal/Provincial Bonds	7,973,278	A+	8.94	8,093,128	A	8.22
Index Linked Government Bonds	4,726,836	AAA	8.91	-	-	-
Total Credit Risk Fixed Income	\$360,107,272			\$336,299,680		

Per section 3.5.f.i. of the System's Investment Policy Statement, no more than 15 percent of an investment manager's fixed income portfolio may be invested in below investment grade rated securities (BB or B rated bonds). Therefore, at least 85 percent of the manager's fixed income portfolio must be invested in investment grade securities. Intermediate Bond portfolios shall maintain an average credit quality of A+ or better.

High yield fixed income portfolios, in accordance with section 3.5.f.ii. of the System's Investment Policy Statement, shall maintain an average credit quality rating equal to or higher than that of the Barclays US Corporate High Yield Index. Based on the Barclays US Corporate High Yield Index,

a high yield manager's portfolio shall have a constraint of the benchmark weight plus 5 percent 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 the Barclays US Corporate High Yield index. No more than 25 percent of a high yield manager's portfolio may be invested in foreign securities; and within this limit a manager may allocate up to 20 percent in emerging market government securities including both on-US dollar denominated securities and US dollar denominated Yankee securities and up to 15 percent of the portfolio may be invested in non-US dollar denominated securities.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

High yield bond portfolios may hold up to the benchmark weight plus 5 percent of assets in Rule 144A bond issues with or without registration rights. No more than 10 percent of the high yield manager's portfolio may be invested in convertibles or preferreds; and no more than 20 percent may be invested in securitized bank debt. No single security and/or issuer can represent more than 5 percent of the market value of a portfolio at the time of purchase, and no single industry can represent more than 25 percent of the market value of the account at the time of purchase.

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, 2015 and 2014 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 or fiduciary net position.

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.

The following positions represent the System's exposure to foreign currency risk as of June 30, 2015 and 2014.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Foreign Currency Risk Exposure

AS OF JUNE 30, 2015

Base Currency		Country	Equities / Fixed Income	Foreign Currency Contracts	Futures, Options & Swaps	Cash & Cash Equivalents	Total
AED	UAE Dirham	UAE	\$ 235,286	\$ -	\$ -	\$ -	235,286
AUD	Australian Dollar	Australia	10,381,596	-	-	(499,769)	9,881,827
BRL	Brazilian Real	Brazil	4,406,722	552,158	(152,837)	(855,379)	3,950,664
CAD	Canadian Dollar	Canada	9,015,769	-	(666,888)	578,508	8,927,389
CHF	Swiss Franc	Switzerland	13,338,114	-	-	-	13,338,114
CLP	Chilean Peso	Chile	292,931	-	-	-	292,931
CZK	Czech Koruna	Czech Republic	33,324	-	-	84,014	117,338
DKK	Danish Krone	Denmark	9,370,659	-	-	-	9,370,659
EGP	Egyptian Pound	Egypt	234,853	-	-	16,133	250,986
EUR	Euro	Europe	47,605,969	1,637,270	159,352	(8,286,895)	41,115,696
GBP	British Pound Sterling	United Kingdom	45,472,738	1,184,405	(3,776)	(2,319,444)	44,333,923
HKD	Hong Kong Dollar	Hong Kong	16,974,663	-	-	14,401	16,989,064
IDR	Indonesian Rupiah	Indonesia	1,152,807	-	-	16,290	1,169,097
ILS	New Israeli Shekel	Israel	216,844	-	-	-	216,844
INR	Indian Rupee	India	4,352,085	114,922	-	(58,770)	4,408,237
JPY	Japanese Yen	Japan	38,065,508	1,983,895	-	(3,591,070)	36,458,333
KRW	South Korean Won	South Korea	9,584,853	91,044	(19,943)	(908,529)	8,747,425
MXN	Mexican Peso	Mexico	2,986,444	1,957,106	-	(955,349)	3,988,201
MYR	Malaysian Ringgit	Malaysia	780,593	-	-	6,742	787,335
NOK	Norwegian Krone	Norway	2,122,973	-	-	265	2,123,238
NZD	New Zealand Dollar	New Zealand	-	-	-	132	132
PHP	Philippine Peso	Philippines	1,660,189	-	-	-	1,660,189
PLN	Polish Zloty	Poland	713,584	-	-	683	714,267
QAR	Qatari Rial	Qatar	493,905	-	-	-	493,905
SEK	Swedish Krona	Sweden	9,592,476	-	-	-	9,592,476
SGD	Singapore Dollar	Singapore	3,251,708	-	-	(259,731)	2,991,977
THB	Thai Baht	Thailand	1,546,757	-	-	6,182	1,552,939
TRY	Turkish Lira	Turkey	1,916,451	-	-	-	1,916,451
TWD	New Taiwan Dollar	Taiwan	6,974,857	-	-	106,670	7,081,527
USD	United States Dollar	United States	-	18,651,176	(5,366,856)	-	13,284,320
ZAR	South African Rand	South Africa	7,438,710	-	-	1,403	7,440,113
Total Equities (In USD)			250,213,368	26,171,976	(6,050,948)	(16,903,513)	253,430,883
Total Non-USD Equities (In USD)			\$ 250,213,368	\$ 7,520,800	\$ (684,092)	\$(16,903,513)	\$ 240,146,563

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Foreign Currency Risk Exposure

As of June 30, 2014

Base Currency		Country	Equities / Fixed Income	Foreign Currency Contracts	Futures, Options & Swaps	Cash & Cash Equivalents	Total
AUD	Australian Dollar	Australia	\$ 11,381,612	\$ -	\$ -	\$ -	\$ 11,381,612
BRL	Brazilian Real	Brazil	1,735,401	-	-	4	1,735,405
CAD	Canadian Dollar	Canada	7,880,913	-	-	2,331	7,883,244
CHF	Swiss Franc	Switzerland	12,268,588	-	-	-	12,268,588
CLP	Chilean Peso	Chile	410,208	-	-	-	410,208
CZK	Czech Koruna	Czech Republic	111,763	-	-	-	111,763
DKK	Danish Krone	Denmark	8,401,907	367,930	-	(367,930)	8,401,907
EUR	Euro	Europe	60,699,243	463,492	(2,614,040)	(16,362,601)	42,186,094
GBP	British Pound Sterling	United Kingdom	51,314,907	497,230	4,792,850	(2,094,759)	54,510,228
HKD	Hong Kong Dollar	Hong Kong	12,334,333	-	-	260,538	12,594,871
IDR	Indonesian Rupiah	Indonesia	236,653	-	-	-	236,653
INR	Indian Rupee	India	3,022,185	-	-	-	3,022,185
JPY	Japanese Yen	Japan	32,853,302	-	-	40,342	32,893,644
KRW	South Korean Won	South Korea	10,976,808	-	-	(13,316)	10,963,492
MXN	Mexican Peso	Mexico	3,329,692	1,670,435	3,300	(155)	5,003,272
MYR	Malaysian Ringgit	Malaysia	526,011	-	-	-	526,011
NOK	Norwegian Krone	Norway	3,258,117	-	-	-	3,258,117
PHP	Philippine Peso	Philippines	877,660	-	-	-	877,660
PLN	Polish Zloty	Poland	56,601	-	-	-	56,601
SEK	Swedish Krona	Sweden	10,333,830	-	-	-	10,333,830
SGD	Singapore Dollar	Singapore	2,532,489	-	-	-	2,532,489
THB	Thai Baht	Thailand	417,166	-	-	-	417,166
TRY	Turkish Lira	Turkey	1,122,373	-	-	-	1,122,373
TWD	New Taiwan Dollar	Taiwan	5,731,653	-	-	-	5,731,653
USD	United State Dollar	United States	-	17,187,411	55,456,369	-	72,643,780
ZAR	South African Rand	South Africa	5,000,242	-	-	484	5,000,726
Total Equities (In USD)			246,813,657	20,186,498	57,638,479	(18,535,062)	306,103,572
Total Non-USD Equities (In USD)			\$ 246,813,657	\$ 2,999,087	\$ 2,182,110	\$ (18,535,062)	\$ 233,459,792

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Per section 3.5.e. of the System's Investment Objectives and Policy Statement, assets in international equity portfolios shall consist of liquid, publicly traded equity and equity like securities traded on major stock exchanges as well as cash and cash equivalents as necessary. Securities will be primarily composed of foreign ordinary shares and depository receipts (American Depository Receipts (ADR's) and Global Depository Receipts (GDR's) including ADR's and GDR's that are 144A securities). Securities that are 144A securities, including ADR and GDR 144A securities are authorized investments which in aggregate cannot exceed 10 percent of the portfolio. 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.

Rate of Return

For the fiscal years ended June 30, 2015 and 2014, the annual money-weighted rate of return on the assets of the System, net of investment expense, was 2.94 percent and 17.16 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for timing of cash flows and the changing amounts actually invested.

NOTE 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. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in cash or in the traditional security market.
- 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 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.

Allowable derivative financial instruments held by the System include stable and well-structured mortgage collateralized mortgage obligations (CMOs); centrally

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

cleared instruments including, but not limited to, futures, swaps and options; and forwards including currency forwards. Derivative investments with allocation limits include mortgage derivatives (interest only and principal only CMOs); non centrally cleared derivatives; caps and floors; and inverse floating rate notes and bonds. Allocation limits will be determined and specified in portfolio guidelines with individual investment managers based on the objectives and risk tolerances of a given strategy.

Cash securities containing derivative features include callable bonds, structural notes, and collateralized mortgage obligations (CMOs). 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 fair 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.

Credit Risk

Credit risk of cash securities containing derivative features, 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 fair value, and the counterparty 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 exchange 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 or stock market index. These futures can be used for hedging against an existing equity position, or for speculating on future movement of the index.

As of June 30, 2015 and 2014, the Fire and Police Retirement System held a total fair value of \$25,360,086 and \$82,368,586, respectively, in derivative holdings. These holdings consisted of Right/Warrants and Foreign Currency Forwards and Futures designed to synthetically create equity returns and are held as components of the System's international equity investments,

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

and S&P 500 E Mini Index Futures, S&P MidCap 400 E Mini Futures and a variety of ACWlexUS index related futures as components of the System's investments in BlackRock S&P 500 Equity Index, Russell 1000, and ACWlexUS Index Funds. Holdings also consist of futures – interest rate contracts, options and swaptions held as components of the System's absolute return fixed income strategy. These

derivatives are used for the purpose of synthetically creating equity returns, synthetically creating floating rates and to buy or sell credit protection on the assets.

There is no net counterparty exposure for which there is a positive replacement cost to the fund. The details of these derivative holdings are as follows:

Derivative Type:	FY 2015		FY 2014	FY 2015 - FY 2014 Change in Fair Value
	Notional Amount	Fair Value	Fair Value	
Foreign Currency Forward	\$ (25,983,816)	\$ 26,171,976	\$ 20,186,498	5,985,478
Future Contracts - Domestic Equity Index	-	4,644,813	2,801,777	1,843,036
Future Contracts - International Equity Index	-	594,245	1,741,832	(1,147,587)
Futures - Interest Rate Contracts	(6,236,181)	(6,205,060)	57,104,725	(63,309,785)
Options/Swaption	-	(74,658)	(107,079)	32,421
Swaps	-	228,770	640,833	(412,063)
Total	\$ 25,360,086	\$ 82,368,586	\$ 82,368,586	

Derivative Type:	FY 2014		FY 2013	FY 2014 - FY 2013 Change in Fair Value
	Notional Amount	Fair Value	Fair Value	
Rights/Warrants	-	\$ -	\$ 20,343	\$ (20,343)
Foreign Currency Forward	\$ (20,240,894)	20,186,498	8,555,294	11,631,204
Future Contracts - Domestic Equity Index	-	2,801,777	1,472,987	1,328,790
Future Contracts - International Equity Index	-	1,741,832	802,227	939,605
Futures - Interest Rate Contracts	(57,089,273)	57,104,725	-	57,104,725
Options/Swaption	-	(107,079)	-	(107,079)
Swaps	-	640,833	-	640,833
Total	\$ 82,368,586	\$ 10,850,851	\$ 10,850,851	

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE 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 (the Systems) 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 the 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 fair value (contract value) for domestic securities and 105 percent of fair 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, 2015, had a weighted average duration of 108 days, average maturity is 26 days and an average

monthly yield of 0.30 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, 2015, the Northern Trust CORE U.S.A. Cash Collateral Fund had zero exposure in below investment grade long-term securities 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 58 days as of June 30, 2015.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The System’s securities lending income is as follows:

Securities Lending Income

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Gross Income	\$ 573,477	\$ 684,487
Expenses:		
Bank Fees	114,607	136,817
Total Expenses	114,607	136,817
Net Income from Securities Lending	\$ 458,870	\$ 547,670

Fair Value of Loaned Securities

AS OF JUNE 30, 2015 AND 2014

Collateralized by	FY 2015			FY 2014		
	Cash	Securities	Totals	Cash	Securities	Totals
U.S. Government & Agency	\$ 27,857,489	\$ 222,585	\$ 28,080,074	\$ 23,733,460	\$ 1,254,531	\$ 24,987,991
Domestic Equities	73,256,263	4,740,482	77,996,745	70,782,989	210,710	70,993,699
Domestic Fixed	30,782,029	2,915,038	33,697,067	27,830,393	131,648	27,962,041
International Equities	1,487,499	608,275	2,095,774	6,430,884	2,564,835	8,995,719
International Fixed	504,275	-	504,275	-	-	-
Total	\$ 133,887,555	\$ 8,486,380	\$ 142,373,935	\$ 128,777,726	\$ 4,161,724	\$ 132,939,450

Fair Value of Collateral Received for Loaned Securities

AS OF JUNE 30, 2015 AND 2014

Collateralized by	FY 2015			FY 2014		
	Cash	Securities	Totals	Cash	Securities	Totals
U.S. Government & Agency	\$ 28,412,166	\$ 227,041	28,639,207	\$ 24,206,829	1,279,421	\$ 25,486,250
Domestic Equities	74,792,045	4,841,731	79,633,776	72,388,956	215,106	72,604,062
Domestic Fixed	31,426,096	2,976,916	34,403,012	28,417,260	134,347	28,551,607
International Equities	1,569,976	-	1,569,976	6,801,027	3,026,415	9,827,442
International Fixed	532,377	647,972	1,180,349	-	-	-
Total	\$ 136,732,660	\$ 8,693,660	145,426,320	\$ 131,814,072	\$ 4,655,289	\$ 136,469,361

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - ADMINISTRATIVE EXPENSES

Section 3-325 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.

NOTE 10- POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB) PROGRAM

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 3-354.

If an actuarial surplus is declared, 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 3-354(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, 2015 the System distributed PRSB benefits in the total amount of \$272,363 to eligible recipients (including \$240,653 to retirees and \$31,710 to DROP participants. As of June 30, 2015, the City Surplus Reserve balance was \$(159,000) and the PRSB Reserve balance was \$496,000. The City's normal contribution rate for fiscal year 2015 factored in the prior year contribution

surplus, the difference between estimated and actual surplus created the temporary shortfall reflected in the City Surplus Reserve balance.

For the fiscal year ended June 30, 2015, there is a surplus (or prefunded actuarial accrued liability) as the System has a valuation value of assets which is in excess of the actuarial accrued liability. The System's valuation value of assets was 119.6 percent which is above the required 110 percent for declaration of a surplus, thus a 9.6 percent actuarial surplus was available to reduce the City's contributions and to fund new PRSB benefits. The PRSB portion of this surplus is \$2,021,411 of which 80 percent will be allocated in the 2016 calendar year to retirees at \$135.16 per month commencing January 1, 2016.

NOTE 11 - CAPITAL ASSETS

Capital assets are carried at historical cost, net of accumulated depreciation. Capital assets are any items of equipment or furnishings purchased with a value of or an initial cost of \$500 or greater and \$5,000 for land, buildings and infrastructure and an estimated useful life in excess of two years.

Accumulated depreciation shall be summarized and reflected on the System's annual financial statements. Capital assets shall be depreciated over their estimated useful lives using the straight-line depreciation method. Intangible assets with limited useful lives (e.g., by legal or contractual provisions) should be depreciated over their estimated useful lives. Depreciation of computer software begins when the program is placed into service.

The System's major two-year project to program and install an upgrade to our original pension administration system that was installed in 1997 (the LRS Pension Gold Retirement Solutions' Version 3 project) includes software costs of \$854,591 and \$643,479 which are capitalized as of June 30, 2015 and 2014, respectively, and will be amortized over a

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

ten-year useful life period when it is placed into service.

Other capital assets consisting of office furniture and equipment for the System's Retirement Offices located at 2828 Fresno Street, Fresno, California, in the amount of \$31,435 are capitalized and depreciated over a remaining estimated useful life of 2-16 years.

As of June 30, 2014, capital assets consisting of office furniture and equipment for the System's Retirement Offices in the amount of \$36,912 were capitalized and depreciated over a remaining estimated useful life of 2-16 years.

NOTE 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.

NOTE 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 the System's Retirement Staff members paid through the City, reimbursement to the City Personnel 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.

NOTE 14 - DATE OF MANAGEMENT REVIEW

The date to which events occurring after June 30, 2015, have been evaluated for possible adjustments to the financial statements or disclosures is December 23, 2015, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEARS JUNE 30, 2015, 2014 AND 2013

Schedule of Changes in the Net Pension Liability

(DOLLARS IN THOUSANDS)
FOR THE YEARS ENDED JUNE 30

	GASB 67 Basis Financial Reporting		
	2015	2014	2013
Change in Net Pension Liability			
Total Pension Liability			
Service cost	\$26,518	\$28,058	\$25,663
Interest	86,772	86,092	87,850
Change of benefit terms	-	-	-
Differences between expected and actual experience	(36,529)	(49,879)	(30,574)
Changes of assumptions	-	-	17,284
Benefit Payments (including refunds, excluding PRSB)	(54,612)	(52,720)	(52,982)
Net Change in Total Pension Liability	\$22,149	\$11,551	\$47,241
Total Pension Liability - Beginning	\$1,157,747	\$1,146,196	\$1,098,955
Total Pension Liability - Ending (a)*	\$1,179,896	\$1,157,747	\$1,146,196
Plan Fiduciary Net Position			
Employee Contributions	\$7,385	\$7,294	\$7,399
Employer Contributions	18,967	18,575	18,725
Net Investment Income	39,164	201,838	140,701
Benefit Payments (including Refunds, PRSB)	(54,612)	(52,720)	(52,982)
Administrative & Professional Expense	(1,108)	(1,119)	(1,182)
Net Change in Plan Fiduciary Net Position	\$9,796	\$173,868	\$112,661
Plan Fiduciary Net Position - Beginning	\$1,366,922	\$1,193,054	\$1,080,393
Plan Fiduciary Net Position - Ending (b)	\$1,376,718	\$1,366,922	\$1,193,054
System Net Pension Liability (Surplus) - Ending (a) - (b)	(\$196,822)	(\$209,175)	(\$46,858)
Plan fiduciary net position as a percentage of total pension liability	116.68%	118.07%	104.09%
Covered-Employee Payroll	91,075	91,721	94,368
Net Pension Liability as a percentage of covered employee payroll	(216.11%)	(228.06%)	(49.65%)

* Data above, as of June 30, 2013 through June 30, 2015, are provided in accordance with provisions of GASB 67 for determining Total Pension Liability which for financial reporting purposes uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP. Data as of June 30, 2006 through June 30, 2012 are not available in a comparable format.

Note to Schedule

Changes of Assumptions: The calculations above for June 30, 2015, 2014 and 2013, reflect various assumption changes, including the modification of the Board's assumed rate of return to 7.50 percent for use in preparing the June 30, 2013 annual actuarial valuation and other assumption changes based on the triennial experience study for the period from July 1, 2009 through June 30, 2012 which included changes in assumptions for retirement from active employment, pre-retirement mortality, healthy life post-retirement mortality, disabled life post-retirement mortality, vested termination, disability DROP election, percentage of members married, spouse age difference and salary increases.

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule of Changes in the Net Pension Liability (Continued)

(DOLLARS IN THOUSANDS)

FOR THE YEARS ENDED JUNE 30

	GASB 25 Basis						
	Actuarial Funding						
	2012	2011	2010	2009	2008	2007	2006
Change in Net Pension Liability							
Total Pension Liability							
Service Cost	\$27,873	\$28,892	\$28,241	\$27,644	\$24,466	\$22,250	\$20,369
Interest	72,000	72,000	71,000	67,000	63,000	59,000	54,000
Salary Increase (Greater) Less than Expected	(6,407)	(9,294)	(5,776)	-	8,311	4,390	(5,530)
COLA Increase Greater (Less) than Expected	(10,000)	(25,594)	(29,463)	-	-	-	-
Other Experience	3,000	(961)	(8,000)	(6,810)	(7,000)	4,000	(4,396)
Economic Assumption Changes	-	-	36,174	-	8,163	(1,862)	-
Change in Valuation Programs and Methods	-	(17,000)	-	-	-	-	22,711
Benefit Payments (including refunds, excluding PRSB)	(51,541)	(49,388)	(47,245)	(43,515)	(40,140)	(37,264)	(34,533)
Net Change in Total Pension Liability	\$34,925	(\$1,345)	\$44,931	\$44,319	\$56,800	\$50,514	\$52,621
Total Pension Liability - Beginning	\$917,941	\$919,286	\$874,355	\$830,036	\$773,236	\$722,722	\$670,101
Total Pension Liability - Ending (a)**	\$952,866	\$917,941	\$919,286	\$874,355	\$830,036	\$773,236	\$722,722
Plan Fiduciary Net Position							
Employee Contributions	\$7,540	\$7,304	\$7,355	\$7,172	\$6,788	\$5,394	\$5,336
Employer Contributions	22,875	19,397	12,094	8,938	8,766	10,807	8,886
Net Investment Income (Loss)	(6,201)	215,994	118,018	(223,122)	(76,357)	173,484	110,413
Benefit Payments (including Refunds, PRSB)	(51,914)	(51,050)	(50,555)	(47,363)	(43,596)	(40,137)	(37,082)
Administrative & Professional Expense	(1,118)	(1,080)	(993)	(952)	(945)	(888)	(803)
Net Change in Plan Fiduciary Net Position	(\$28,818)	\$190,565	\$85,919	(\$255,327)	(\$105,344)	\$148,660	\$86,750
Plan Fiduciary Net Position - Beginning	\$1,109,211	\$918,646	\$832,727	\$1,088,054	\$1,193,398	\$1,044,738	\$957,988
Plan Fiduciary Net Position - Ending (b)	\$1,080,393	\$1,109,211	\$918,646	\$832,727	\$1,088,054	\$1,193,398	\$1,044,738
System Net Pension Liability (Surplus) - Ending (a) - (b)	(\$127,527)	(\$191,270)	\$640	\$41,628	(\$258,018)	(\$420,162)	(\$322,016)
Plan fiduciary net position as a percentage of total pension liability	113.38%	120.84%	99.93%	95.24%	131.09%	154.34%	144.56%
Covered-Employee Payroll	100,596	99,000	102,686	102,355	98,913	89,516	82,493
Net Pension Liability as a percentage of covered employee payroll	(126.77%)	(193.20%)	0.62%	40.67%	(260.85%)	(469.37%)	(390.36%)

**Data above, as of June 30, 2006 through June 30, 2012, are provided in accordance with provisions of GASB 25 and the System's funding policy for determining Total Pension Liability which for funding purposes uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member retires from employment after participation in DROP.

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

**Schedule of Employer Contributions
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Fiscal Year Ending June 30	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	18,967	18,967	-	91,075	20.83%
2014	18,575	18,575	-	91,721	20.25%
2013	18,725	18,725	-	94,368	19.84%
2012	22,875	22,875	-	96,195	23.78%
2011	19,397	19,397	-	96,758	20.05%
2010	12,094	12,094	-	99,166	12.20%
2009	8,938	8,938	-	99,327	9.00%
2008	9,363	9,363	-	99,076	9.45%
2007	10,807	10,807	-	84,811	12.74%
2006	8,886	8,886	-	77,231	11.51%

**Schedule of Investment Returns
Last Ten Fiscal Years**

Fiscal Year Ending June 30	Annual Money-Weighted Rate of Return Gross of Investment expenses	Annual Money-Weighted Rate of Return Net of Investment Expense
2015	3.32%	2.93%
2014	17.61%	17.16%
2013	13.65%	13.20%
2012	(0.20%)	(0.57%)
2011	24.42%	23.88%
2010	15.13%	14.55%
2009	(20.14%)	(20.50%)
2008	(6.00%)	(6.44%)
2007	17.39%	16.81%
2006	12.18%	11.70%

The Schedule of Investment Returns above shows the annual money-weighted rate of return on the assets of the System, both gross and net of investment expense for ten fiscal years (2006 – 2015). The money-weighted rate of return expresses investment performance adjusted for timing of cash flows and the changing amounts actually invested. These returns differ slightly from the time-weighted rate of returns calculated and reported by the System’s custodian, Northern Trust (shown in the Transmittal Letter on page ii and within the Investment Section beginning on page 58) and as independently reported by the System’s investment consulting firm, NEPC, (shown in the Investments Section on pages 64-65). The System’s custodian and investment consulting firm must use time-weighted returns as opposed to money-weighted returns in order to meet Global Investment Performance Standards for the purposes of effectively evaluating and reporting the performance of the Systems’ investment managers.

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule of Investment Returns *(Continued)*

The time-weighted return method is a measure of the compound rate of return of a portfolio over a stated period of time. It requires a set of sub-period returns to be calculated whenever there is an external cash flow, such as a deposit or withdrawal from the portfolio. In essence, it calculates the geometric total and mean return as opposed to the arithmetic total and mean return. This method does not include or have any distortions created when money is deposited or withdrawn from a portfolio. This is in contrast to Money-weighted returns.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Years June 30, 2015 and 2014

Actuarial Assumption

The Segal Company, the System's actuary, performed the most recent annual actuarial valuation as of June 30, 2015, which computes the contribution requirements (employer and member contributions rates for fiscal year 2017), and determines the funding status of the Plan.

Valuation Date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported
Actuarial Cost Method:	Entry Age Actuarial Cost Method
Amortization Method:	Level percent of payroll
Remaining Amortization Period:	Effective with the June 30, 2013 valuation, any new UAAL established on each subsequent valuation as a result of actuarial gains or losses or plan amendments are amortized over separate 15-year declining periods (with the exception of temporary retirement incentives which are amortized over its own declining period of up to 5 years). Any new UAAL established as a result of changes in actuarial assumptions or methods at each valuation is amortized over separate 25-year declining periods. Any actuarial surplus (when the funded ratio is over 110%) will be amortized over a non-declining 25-year period.
Asset valuation method	Market value of assets less unrecognized returns from each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2012 have been combined and will be recognized in equal amounts over a period of four years from that date.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**Actuarial Assumptions:**

Investment rate of return	7.50%
Inflation rate	3.25%
Real across-the-board salary increase	0.50%
Projected salary increases	Ranges from 3.75% to 12.25% based on years of service. Includes inflation of 3.25% plus real across-the-board salary increase of 0.50% plus merit and promotion increases.
Cost of living adjustments	3.75% of Tier 1 retirement income and 3.00% of Tier 2 retirement income
Other assumptions	See June 30, 2015 funding valuation report and Appendix A for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.
Post-Retirement Mortality Rates	RP-2000 Combined Healthy Mortality Table (separate tables for males and females) projected with scale AA to 2021, set back one year for healthy members; set forward three years for disabled members; and set back one year for beneficiaries.

OTHER SUPPLEMENTARY INFORMATION

FOR THE YEARS JUNE 30, 2015 AND 2014

Schedule of Administrative Expenses

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Personnel Services		
Staff Salaries	\$ 361,833	\$ 354,392
Fringe Benefits	143,410	144,063
Total Personnel Services	\$ 505,243	\$ 498,455
Professional Services		
Actuarial	\$ 75,398	\$ 74,110
Legal Counsel	60,228	64,634
Information Systems Services	81,332	87,483
Specialized Services	124,535	103,392
Total Professional Services	\$ 341,493	\$ 329,619
Communication		
Telephone	7,847	5,812
Postage	820	630
Total Communication	\$ 8,667	\$ 6,442
Rentals		
Office Rent	\$ 64,241	\$ 64,241
Common Area Maintenance (CAM) Charges	36,806	28,314
Total Rentals	\$ 101,047	\$ 92,555
Other		
Education and Conference	\$ 20,808	\$ 55,822
Membership & Dues	3,238	3,038
Subscriptions & Publications	252	28
Office Supplies	3,904	5,102
Computer Equipment	-	12,211
Equipment Lease	4,270	4,464
Insurance	36,358	41,777
Miscellaneous	1,681	2,033
Reimbursement to City for Services for Inter-Dept		
Services	75,303	62,472
Depreciation	5,477	5,477
Total Other	\$ 151,291	\$ 192,424
Total Administrative Expenses	\$1,107,741	\$1,119,495

OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

FOR THE YEARS JUNE 30, 2015 AND 2014

Schedule of Investment Management Expenses

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Investment Manager Fees		
Equity		
Domestic	\$ 1,603,442	\$ 1,220,250
International	1,458,242	1,593,608
Fixed Income		
Domestic	1,109,354	943,262
Real Estate	888,306	1,187,205
Total Investment Manager Fees	5,059,344	4,944,325
Other Investment Expenses		
Foreign Income Taxes & Related Services, Charges	968,209	861,436
Custodial Services	216,674	128,589
Investment Consultant	124,830	120,124
Investment Legal Counsel	18,218	21,935
Analytical Database Service	8,415	7,773
Total Other Investment Expenses	1,336,346	1,139,857
Total Fees & Other Investment Expenses	6,395,690	6,084,182
Securities Lending Expenses		
Agent Fees	114,607	136,817
Total Securities Lending Expenses	114,607	136,817
Total Investment Expenses	\$ 6,510,297	\$ 6,220,999

Schedule of Payments To Consultants

For The Years Ended June 30, 2015 and 2014

	2015	2014
Actuarial Services	\$ 75,398	\$ 74,110
Audit Services	20,689	22,206
City Information Services	81,332	87,483
Legal Services	60,228	64,634
Medical Consultant	61,279	22,912
Miscellaneous	42,567	47,899
Securities Litigation Monitoring Services	-	10,375
Total Payments to Consultants	\$341,493	\$329,619

INVESTMENT SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

CITY OF FRESNO FIRE AND POLICE RETIREMENT SYSTEM

Investment Report from the Retirement Administrator

Investment Consultant's Report

Investment Results

Target Asset Allocation and Actual Asset Allocation

Largest Stock and Bond Holdings

Schedule of Commissions

Investment Summary

INVESTMENT REPORT FROM THE RETIREMENT ADMINISTRATOR

For the Years June 30, 2015 and 2014

Analysis of Issues Affecting Our Portfolio in FY 2015

In spite of the overwhelming challenges of the global economy, the continued prudent leadership of the Fire & Police 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.

The System is well funded at a fully funded status on both a market fair value basis and an actuarial valuation value of assets basis. From a long-term perspective the System is positioned to provide a solid rate of return that is equal to or better than the respective asset classes market indices even as we enter yet another year of uncertainty in the global financial markets.

In the movie *Groundhog Day*, Bill Murray wakes up every day only to find out that he is reliving yesterday again. Morning after morning, his hopes that a new day has started are disappointed. The global markets around the world, especially the Eurozone, seem to be caught in a similar time loop. Since the financial crisis started more than seven years ago, each year brings new hope for a strong recovery, but sustainable growth does not quite materialize.

Hopes were particularly high that 2014 would be the year in which the Eurozone finally turned the tide and returned to solid and accelerating growth. The

signs looked promising. After a long recession, tepid growth set in, and the early indicators signaled increasing vitality. However, things developed differently. The fragile recovery failed to gain momentum in the first half of 2014 and came largely to a standstill in the second.

Despite this volatility around the world which has greatly impacted other economies, the U.S. economy has grown slowly but steadily since 2009. For the United States, 2015 was supposed to be the year the economy was finally healthy enough to get off the life support of near-zero interest rates. Yet the Federal Reserve has pushed off its first hike in the federal funds rate to the very end of the year—Dec. 2015—at the earliest. Many are predicting that December 2015 is looking very likely but there is always a slim chance that the Federal Reserve may delay liftoff.

As the fiscal year 2015 began, there were a handful of trends that were driving the global economy. First, the sharp drop in the price of oil changed the economic landscape. Driven by weak demand and a big increase in output in the United States and elsewhere, this has boosted consumer purchasing power in oil-consuming countries, suppressed inflation in developed economies, pushed up the value of the US dollar, and weakened several oil-producing economies.

Second, the shift in US monetary policy ending quantitative easing and the expected increase in short-term US interest rates at some point in 2015 were influencing currency values around the world, especially in emerging markets. The necessity of maintaining high interest rates in order to prevent severe currency depreciation has led to much slower growth in many emerging markets.

INVESTMENT REPORT FROM THE RETIREMENT ADMINISTRATOR (CONTINUED)

Third, weaker growth and low inflation in the Eurozone, Japan, and China are offsetting the positive global impact of a rebound in the US economy. In Europe, Japan, and China, a more aggressive monetary policy is the principal tool used by governments in attempting to revive growth. Yet in all three locations, a consensus has developed that greater structural reforms will be needed if sustained growth is to be attained.

Investment Performance

Highlighted Investment Performance of the City of Fresno Fire and Police Retirement System (the System) Investment Portfolio gross of fees provided by its custodian for FY 2015:

	Return
Total Fund	3.33%
Domestic Equity	7.76%
International Equity	-2.02%
Fixed Income	1.43%
Real Estate	11.11%

Fiscal Year End Fund Value: \$1,376,717,663

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;
- 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 Fire and Police Retirement Board has strong controls in place to manage the overall investment objectives of the Fire and Police Retirement System assets and hold the fiduciary responsibility for the System.

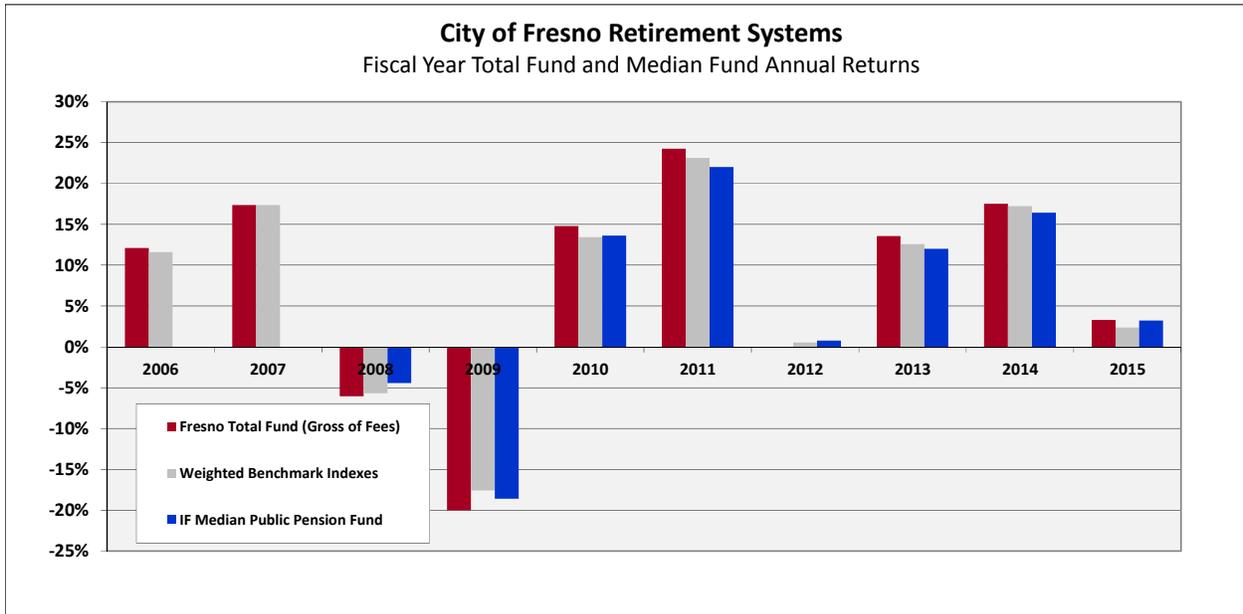
The System’s Total Fund Returns versus NEPC LLC’s InvestorForce (IF) Public Fund Universe (Gross of Fee) Returns for the one-year period ended June 30, 2015, ranked the System in the 2nd quartile (47th percentile) of our Investment Consultant’s universe of all public funds (\$1Billion + in assets). For the three years ended June 30, 2015, the System’s Total Fund Returns of 11.34 percent ranked the System in the 2nd quartile (36th percentile), exceeding its policy weighted benchmark by 0.79 percent and also exceeding the Median IF Public Pension Funds (\$1Billion+ in assets) return of 10.80 percent by 0.54 percent. Over the past ten years, the System’s investment returns have remained sound and outperformed its policy benchmark returns in seven of the ten years and the median fund returns in five of the eight years as shown in the following chart.

Due to the extreme volatility in the various economies of the world and the global financial markets over the past twenty to twenty-five years, it is of utmost importance to examine the System’s investment returns with a long-term view rather than a short-term focus which tends to distort the perception of how well the investments have actually performed. As an example, you cannot isolate the high returns during the Tech Bubble in the 1990’s without including the Tech Bubble corrections in the early 2000’s. The intermediate term (five, ten, and fifteen-year) performance rates demonstrate the extreme volatility of the markets;

INVESTMENT REPORT FROM THE RETIREMENT ADMINISTRATOR (CONTINUED)

while the historical long-term performance rates of returns demonstrate that despite the short and intermediate term volatility the System has been able to meet or exceed its actuarial assumed rate of return of 7.50 percent over long periods. As of June

30, 2015, the System’s 25-year annualized return is 8.85 percent and its 20-year annualized return is 8.39 percent.



INVESTMENT REPORT FROM THE RETIREMENT ADMINISTRATOR (CONTINUED)

Summary of Portfolio Results

The fiscal year ended June 30, 2015, marked yet another extraordinarily volatile year which ended with a decline from its peak fiscal year performance for the City of Fresno Fire and Police Retirement System. The System experienced a total investment gain of 3.33 percent for the fiscal year ended June 30, 2015, underperforming the System's actuarial interest rate assumption of 7.50 percent by 4.17 percent and outperforming the System's policy benchmark (a weighted average of the fund's asset classes and their respective benchmarks) return of 2.39 percent by 0.94 percent. The System's ten-year annualized returns averaged 6.88 percent slightly outperforming its policy benchmarks return of 6.81 percent for the period by 0.07 percent. Over the longer term, our investment results remain sound with annualized returns of 8.39 percent and 8.85 percent, respectively, over the past twenty and twenty-five years. After paying all benefits and expenses of the System, the year-end value of the System reached \$1.377 billion.

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.

INVESTMENT REPORT FROM THE RETIREMENT ADMINISTRATOR (CONTINUED)

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 System. 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 System.

Specific Investment Results By Asset Classification

As of June 30, 2015, the Retirement System's portfolio was slightly under-weight in total equities, with 59.78 percent in total equities versus the target of 60.0 percent. Domestic equities were slightly under-weight with 29.71 percent versus the target of 30.0 percent, and international equity with 22.45 percent developed and 7.63 percent emerging markets was slightly over-weight total international equity with 30.07 percent versus the target of 30.0 percent. Fixed income with 27.91 percent was 2.91 percent over-weight its target of 25.0 percent and real estate at 12.29 percent was 2.71 percent under-weight its target of 15.0 percent.

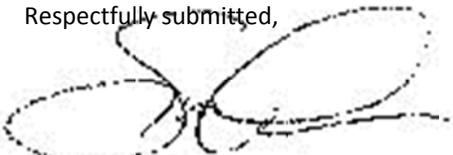
INVESTMENT REPORT FROM THE RETIREMENT ADMINISTRATOR (CONTINUED)

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

Asset Classification	Actual	Target
Domestic Equities:		
Large-Cap	22.0%	22.5%
Small-Cap	7.7%	7.5%
International Equities:		
Developed Markets	22.5%	22.0%
Emerging Markets	7.6%	8.0%
Fixed Income:		
Domestic Fixed Income	13.9%	11.0%
High Yield Fixed Income	10.3%	10.0%
Absolute Return Strategy	3.7%	4.0%
Real Estate:		
Private Real Estate	7.4%	12.0%
Public (REITs)	4.9%	3.0%
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

December 23, 2015

INVESTMENT CONSULTANT'S REPORT



Don Stracke
Senior Consultant

October 22, 2015

Dear Board Members:

The overall objective of the City of Fresno Employees and Fire & Police Retirement Systems (CFRS) is to ensure continued access to retirement, disability and survivor benefits for current and future CFRS participants. To ensure a solid foundation for the future of the Systems, CFRS carefully plans and implements an investment program designed to produce superior long-term investment returns, while prudently managing the risk in the portfolio. Investment policy and asset allocation are reviewed and revised by the Retirement Boards, as needed, to reflect the Systems' actuarial assumptions, accrued liabilities, and economic and investment outlook. The following is a report on the performance of the Systems for the fiscal year ending June 30, 2015 with background on the underlying market environment.

Fiscal Year 2015 Market Review

The multi-year valuation expansion in growth assets continued throughout fiscal year 2015. Markets were somewhat resilient to domestic and global political tensions although there was notable divergence in performance. Geopolitical conflicts in Eastern Europe and the Middle East, oil's precipitous price drop, unsustainable debt loads in Greece and the threat of a slowing Chinese economy created challenging markets which helped create that divergence. Central banks continued their influence in markets, with the Federal Reserve navigating an end to unprecedented monetary stimulus in the U.S., the European Central Bank beginning expansionary monetary policy of a €1 trillion bond-purchase program, the People's Bank of China cutting interest rates by 0.25% and the Swiss National Bank removing its Euro peg. Domestic equities, as measured by the S&P 500 Index, posted its sixth consecutive yearly gain, returning 7.4%. Fixed income investments experienced divergent performance across debt instrument types as risk averse investors bid up higher credit quality issues, resulting in high yield bonds (-0.4%) underperforming investment grade bonds (+1.9%). International developed markets equities underperformed domestic equities by nearly 13% as the relative strength of the U.S. Dollar and sluggish economic growth weighed on non-U.S. markets. Emerging markets equities also trailed domestic stocks by 13%, and underperformed developed non-U.S. equities markets by approximately 1%.

With the majority of the global capital markets still at relatively high valuations and divergent economic strength, the potential for downside risk, performance differences between asset classes, and an increase in volatility are likely.

The Systems' Performance

The City of Fresno Employees and Fire & Police Retirement Systems' Total return, net of fees, was 2.9% for the fiscal year ending June 30, 2015. By comparison, the median fund in the Investor Force peer group universe of large Public Funds returned 2.5%; making the Systems' return rank in the 40th percentile of the same universe. The Systems' five-year return for the period ending June 30, 2015 was 10.9% per annum net of fees (11.3% gross of fees), exceeding the actuarial assumed rate of 7.5% and ranking above median in the peer group. Contributing to the relative outperformance for the fiscal year was the Systems' overweight to US equities and selection within the International Developed equities in the Europe, Australasia and Far East regions relative to peers.

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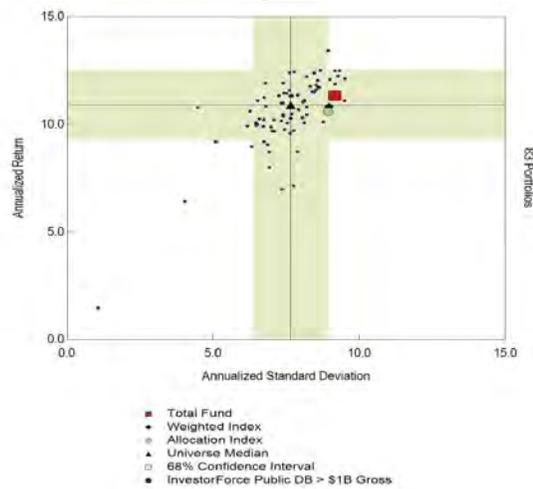
INVESTMENT CONSULTANT’S REPORT (CONTINUED)



NEPC, LLC

Data as of 6/30/2015	1 Yr(%)	3 Yrs(%)	5 Yrs(%)	10 Yrs(%)
Systems' Total Return (Gross of Fees)	3.3	11.3	11.3	6.9
Systems' Total Return (Net of Fees)	2.9	10.9	10.9	6.4
Weighted Benchmark	2.4	10.6	10.8	6.8

**IF Public Funds Greater than \$1 Billion Universe¹ Risk-Return Comparison (Gross of Fees)
5 Years Ending June 30, 2015**



NEPC, LLC serves as the Systems’ independent investment consultant and provides the Systems with asset allocation guidance, quarterly economic and investment market updates and performance reviews, and investment manager monitoring and selection advice. The Systems’ custodian, The Northern Trust Company, independently prepared the underlying performance data used in this report. Rates of return are represented using a time-weighted rate of return methodology based upon market values.

Sincerely,

Don Stracke
Senior Consultant

¹As of June 30, 2015, the InvestorForce Public Funds Greater than \$1 Billion Universe was comprised of 30 funds with approximately \$220b in assets. Universe rankings are based on gross of fee performance.

INVESTMENT RESULTS

Gross of Fees Ending June 30, 2015

	Market Value (\$)	% of Portfolio	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Total Fund	2,544,094,374	100.00	3.30	11.30	11.34	6.87
<i>Weighted Index</i>			2.37	10.55	10.83	6.81
<i>Allocation Index</i>			2.16	10.39	10.59	7.09
<i>InvestorForce Public DB > \$1B Gross Median</i>			3.22	10.80	10.91	6.79
Total Equity Composite	1,520,532,965	59.77	2.74	14.60	13.76	6.80
<i>MSCI ACWI</i>			0.71	13.01	11.93	6.41
<i>eA All Global Equity Gross Median</i>			2.41	14.52	13.59	7.87
Domestic Equity Composite	755,656,314	29.70	7.78	18.15	17.89	8.44
<i>Domestic Equity Index</i>			7.29	17.51	17.34	8.09
<i>eA All US Equity Gross Median</i>			7.32	18.35	17.79	9.14
Large Cap Equity Composite	558,701,344	21.96	7.82	18.12	18.34	8.05
<i>S&P 500</i>			7.42	17.31	17.34	7.89
<i>eA US Large Cap Equity Gross Median</i>			7.59	17.94	17.44	8.67
Small Cap Equity Composite	196,954,970	7.74	7.68	18.28	16.77	9.60
<i>Russell 2000</i>			6.49	17.81	17.08	8.40
<i>eA US Small Cap Equity Gross Median</i>			6.62	19.25	18.40	9.73
International Equity Composite	764,876,651	30.06	-2.00	11.26	9.83	5.59
<i>International Equity Index</i>			-4.35	10.24	8.55	5.89
<i>eA Non-US Diversified All Cap Eq Gross Median</i>			-1.31	13.04	11.07	6.83
International Developed Equity Composite	682,446,533	26.82	-1.79	12.36	10.96	5.02
<i>Developed Equity Index</i>			-4.33	11.18	9.20	5.40
<i>eA All EAFE Equity Gross Median</i>			-1.47	13.25	11.30	6.83
ACWI ex US Equity Composite	494,320,297	19.43	-2.49	10.81	9.58	--
<i>MSCI ACWI ex USA Gross</i>			-4.85	9.92	8.23	6.01
<i>eA ACWI ex-US All Cap Equity Gross Median</i>			-1.42	12.29	10.75	7.35
EAFE Equity Composite	188,126,237	7.39	0.16	14.23	12.20	5.20
<i>MSCI EAFE Gross</i>			-3.82	12.45	10.03	5.60
<i>eA All EAFE Equity Gross Median</i>			-1.47	13.25	11.30	6.83
International Emerging Markets Equity Composite	82,430,118	3.24	-3.78	4.42	3.16	7.56
<i>MSCI Emerging Markets Gross</i>			-4.77	4.08	4.03	8.46
<i>eA Emg Mkts Equity Gross Median</i>			-3.71	5.84	5.20	9.53
Total Fixed Income Composite	709,855,908	27.90	1.44	4.32	5.33	5.48
<i>Fixed Income Index</i>			1.13	3.23	4.59	5.27
<i>eA All US Fixed Inc Gross Median</i>			1.59	2.58	4.01	4.79
Core Fixed Composite	475,888,183	18.71	1.96	2.88	4.08	4.57
<i>Barclays Aggregate</i>			1.86	1.83	3.35	4.44
<i>eA US Core Fixed Inc Gross Median</i>			2.03	2.41	3.94	4.95
High Yield Composite	233,967,725	9.20	0.40	7.71	9.31	8.50
<i>Barclays High Yield</i>			-0.40	6.81	8.61	7.89
<i>eA US High Yield Fixed Inc Gross Median</i>			0.35	6.99	8.82	7.95
Real Estate Composite	312,649,697	12.29	11.11	12.61	15.05	7.96
<i>Real Estate Index</i>			11.12	11.74	14.90	7.98
<i>eA US REIT Gross Median</i>			5.53	9.75	15.38	8.30
Private Real Estate Composite	187,345,435	7.36	13.37	13.94	14.52	7.71
<i>NCREIF-ODCE</i>			14.43	13.11	14.41	6.85
Public Real Estate Composite	125,304,261	4.93	7.90	10.73	15.89	8.09
<i>Wilshire REIT</i>			5.19	8.99	14.72	6.92
<i>eA US REIT Gross Median</i>			5.53	9.75	15.38	8.30
Cash & Equivalents Composite	1,055,804	0.04	0.12	0.14	0.14	1.56
<i>91 Day T-Bills</i>			0.01	0.04	0.05	1.29

Calculations are prepared by NEPC, LLC. using a time-weighted rate of return based on market values.

INVESTMENT RESULTS

Net of Fees Ending June 30, 2015

	Market Value (\$)	% of Portfolio	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
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<i>Weighted Index</i>			2.37	10.55	10.83	6.81
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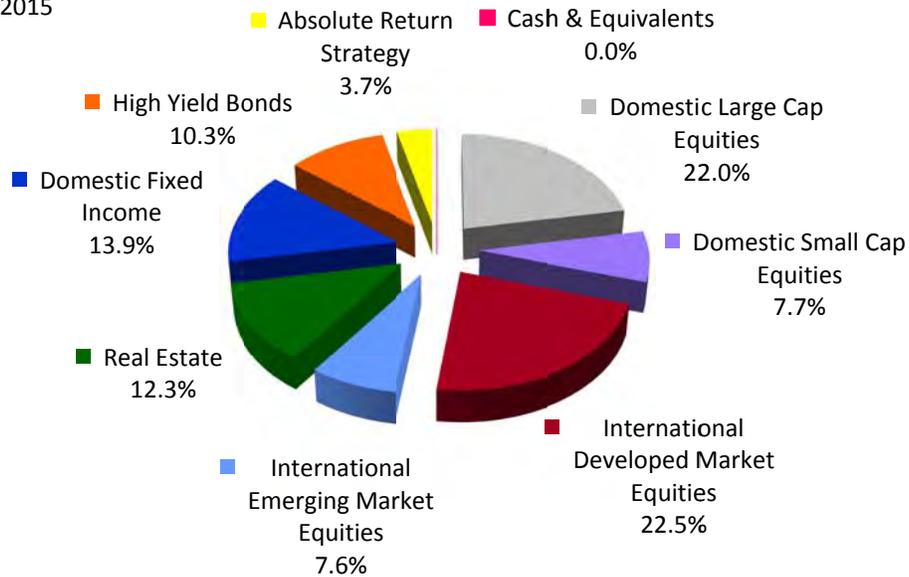
Target Asset Allocation

As of June 30, 2015



Actual Asset Allocation

AS OF JUNE 30, 2015



Asset Class	Current Target	Allocation Range	Actual
Domestic Large Cap Equities	22.5%	16.0% - 30.0%	22.0%
Domestic Small Cap Equities	7.5%	4.0% - 12.0%	7.7%
International Developed Market Equities	22.0%	16.0% - 30.0%	22.5%
International Emerging Market Equities	8.0%	0.0% - 10.0%	7.6%
Real Estate	15.0%	5.0% - 20.0%	12.3%
Domestic Fixed Income	11.0%	5.0% - 20.0%	13.9%
High Yield Bonds	10.0%	5.0% - 15.0%	10.3%
Absolute Return Strategy	4.0%	0% - 8%	3.7%
Cash & Equivalents	0.0%	0% - 2%	0.0%

* 1% High Yield Bonds Managed Within Domestic Fixed Income

Largest Stock Holdings (By Market Value)

As of June 30, 2015

	Shares	Stock Holding	Market Value
1)	75,044	NESTLE SA CHF0.10(REGD)	\$ 5,420,205
2)	4,332	SAMSUNG ELECTRONIC KRW5000	4,924,560
3)	29,030	NASPERS 'N' ZAR0.02	4,532,358
4)	852,039	TAIWAN SEMICON MAN TWD10	3,879,870
5)	66,123	NOVO-NORDISK AS DKK0.2 SER'B'	3,600,817
6)	146,013	PRUDENTIAL GBPO.05	3,519,157
7)	229,241	SVENSKA HANDELSBANKEN SER'A'NPV (P/S)	3,342,956
8)	25,360	APPLE INC COM STK	3,180,784
9)	44,565	ADR RYANAIR HLDGS PLC SPONSORED ADR	3,179,711
10)	187,746	ARM HLDGS ORD GBPO.0005	3,061,937
Total Largest Stock Holdings			\$ 38,642,355

Largest Bond Holdings (By Market Value)

As of June 30, 2015

	Share/Par Value	Bond Holding	Coupon Rate	Maturity Date	Market Value
1)	4,362,914	UNITED STATES TREAS NTS DTD 05/31/2014	1.500%	31 May 2019	\$ 4,387,115
2)	4,027,721	UNITED STATES TREAS NTS DTD 1.625% DUE	1.625%	31 Mar 2019	4,075,864
3)	1,838,155	UNITED STATES TREAS INFL INDEXED BONDS	2.981%	15 Jan 2025	2,714,048
4)	2,235,520	FEDERAL HOME LN MTG CORP SR 4283 CL EW	5.233%	15 Dec 2043	2,462,987
5)	2,238,485	FEDERAL HOME LN MTG CORP POOL #G3-0670	4.500%	1 Dec 2033	2,436,094
6)	1,492,149	CALIFORNIA ST 7.5% DUE 04-01-2034 BEO	7.500%	1 Apr 2034	2,066,671
7)	1,824,639	BAC CAP TR XI 6.625% DUE 05-23-2036 BEO	6.625%	23 May 2036	2,052,230
8)	2,054,408	UNITED STATES OF AMER INFL INDXD TREAS N	0.250%	15 Jan 2025	2,012,787
9)	1,675,964	VERIZON COMMUNICATIONS 6.55% BDS DUE	6.550%	15 Sep 2043	1,960,466
10)	1,811,571	FEDERAL HOME LN MTG CORP POOL #849327	3.030%	1 May 2044	1,878,568
Total Largest Bond Holdings					\$ 26,046,830

A complete list of portfolio holdings is available on our website at <http://www.cfrs-ca.org/>.

Brokerage Commission Recapture

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 percent of the total commissions directed through the NTSI Network. For fiscal year 2015, the net income from Brokerage Commission Recapture was \$21,502. During this period, the overall participating rate by the System's equity managers was 8.83 percent. The percentage of equity trading being executed through the program is generally at a low cost and has resulted over the years in a meaningful cost recapture.

Schedule of Commissions

For The Fiscal Year Ended June 30, 2015

Brokerage Firm	Total Commissions	Number of Shares	Commission Cost/Share
MERRILL LYNCH INTERNATIONAL LIMITED	\$ 28,447	9,672,840	\$ 0.0029
WEEDEN AND & CO	15,400	409,319	0.0376
CREDIT SUISSE FIRST BOSTON CORPORATION	13,265	45,266,732	0.0003
INSTINET EUROPE LIMITED	12,524	2,845,511	0.0044
INVESTMENT TECHNOLOGY GROUP LTD.	9,712	865,669	0.0112
JEFFERIES & COMPANY	9,333	9,662,032	0.0010
ROBERT W. BAIRD & COMPANY INC MILWAUKEE USA	8,556	235,766	0.0363
UBS WARBURG LLC	8,491	2,431,954	0.0035
CITIGROUP GLOBAL MARKETS INC/SMITH BARNEY	8,061	418,987	0.0192
GOLDMAN, SACHS AND CO.	7,822	20,811,416	0.0004
	\$ 121,611	92,620,226	\$ 0.0013
All Other Brokerage Firms	287,371	2,904,004,682	0.0001
TOTAL	\$ 408,982	2,996,624,908	\$ 0.0001

Investment Summary

For the Fiscal Year Ended June 30, 2015

	Investment Value	Percent of Fund	Investment Management Fees
Equity			
Domestic	\$ 538,265,048	39.2%	\$ 1,603,442
International Developed Market	220,350,827	16.0%	1,132,499
International Emerging Market	43,822,480	3.2%	325,743
Fixed Income			
Domestic	360,107,272	26.2%	1,109,354
Real Estate	170,456,005	12.4%	888,306
Short-Term Investments	40,809,177	3.0%	-
Total	\$ 1,373,810,809	100.0%	\$ 5,059,344

ACTUARIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

CITY OF FRESNO FIRE AND POLICE RETIREMENT SYSTEM

Actuarial Certification Letter

Summary of Actuarial Assumptions and Funding Method

Probabilities of Separation Prior to Retirement

Schedule of Active Member Valuation Data

Schedule of Retires and Beneficiaries Added to or Removed from Rolls

Solvency Test

Actuarial Analysis of Financial Experience

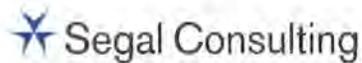
Schedule of Funding Progress

Major Benefit Provisions of the Retirement System

History of Employer Net Contribution Rates

ACTUARIAL CERTIFICATION LETTER

For the Years June 30, 2015 and 2014



100 Montgomery Street, Suite 500, San Francisco, CA 94104-4303
T 415.263.8200 www.segalco.com

VIA E-MAIL

December 22, 2015

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

**Re: City of Fresno Fire and Police Retirement System
June 30, 2015 Actuarial Valuation**

Dear Members of the Board:

Segal Consulting (Segal) prepared the June 30, 2015 annual actuarial valuation of the City of Fresno Fire and Police Retirement System. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and the System's funding policy that was last reviewed with the Board in 2012. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2015 actuarial valuation, Segal conducted an examination of all participant data 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 actual investment return at market value and the expected investment return over a five-year period. Deferred gains and losses as of June 30, 2012 have been combined and will be recognized in four equal annual amounts over a period of four years from that date.

One of the general goals of an actuarial valuation is to establish contribution rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age 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 or unfunded actuarial accrued liability (UAAL). The UAAL is amortized over different periods depending on the source.

Benefits, Compensation and HR Consulting. Member of The Segal Group. Offices throughout the United States and Canada

ACTUARIAL CERTIFICATION LETTER (CONTINUED)

Board of Retirement
 City of Fresno Fire and Police Retirement System
 December 22, 2015
 Page 2

Effective with the June 30, 2013 valuation, any new UAAL established as a result of actuarial gains or losses or plan amendments are amortized over separate 15-year declining periods (with the exception of temporary retirement incentives which are amortized over a separate declining period of up to 5 years). Any new UAAL established as a result of changes in actuarial assumptions or methods at each valuation is amortized over separate 25-year declining periods. Any actuarial surplus (when the funded ratio is over 110%) will be amortized over a non-declining 25-year period. The progress being made towards meeting the funding objective through June 30, 2015 is illustrated in the Schedule of Funding Progress.

Notes number 1, 3 and 4 to the Basic Financial Statements and the Required Supplemental Information (RSI) included in the Financial Section were prepared by the System based on the results of the Governmental Accounting Standards Statement No. 67 (GAS 67) actuarial valuation as of June 30, 2015 prepared by Segal. For the Financial Section of the Comprehensive Annual Financial Report (CAFR), Segal provided the Schedule of Funding Progress, Schedule of Changes in Net Pension Liability and Schedule of Employer Contributions as shown in the RSI. A listing of the other supporting schedules Segal prepared for inclusion in the Actuarial and Statistical Sections of the System's CAFR is provided below. These schedules were prepared based on the results of the actuarial valuation as of June 30, 2015 for funding purposes.

1. Summary of Actuarial Assumptions and Methods;
2. Solvency Test; and
3. Actuarial Analysis of Financial Experience.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2012 Experience Analysis and the June 30, 2013 Economic Assumptions Report. It is our opinion that the assumptions used in the June 30, 2015 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, 2015 and those assumptions will be used in the June 30, 2016 valuation. The Retirement System utilizes the actuarial surplus to provide contribution rate offsets and a PRSB benefit. The impact of the application of the actuarial surplus on the future financial condition of the Plan has not been explicitly measured in the valuation.

In the June 30, 2015 valuation, the ratio of the valuation assets to actuarial accrued liabilities increased from 113.6% to 119.6%. The employer's rate has decreased from 20.14%^{1,2} of payroll to 19.02%³ of payroll, while the employee's rate has remained unchanged at 8.97% of payroll.

¹ This rate is before including the impact of an additional 0.99% of payroll contribution rate increase anticipated in the next valuation as a result of phasing in the contribution rate impact from changes in actuarial assumptions over a three-year period.

² This rate has been decreased by 1.48% of payroll as a result of surplus allocation.

³ This rate has been decreased by 4.09% of payroll as a result of surplus allocation.

ACTUARIAL CERTIFICATION LETTER (CONTINUED)

Board of Retirement
City of Fresno Fire and Police Retirement System
December 22, 2015
Page 3

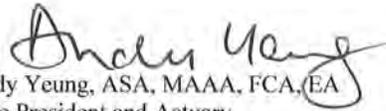
As a result of using the actuarial value of assets in the actuarial valuation, there were \$32.6 million in unrecognized deferred investment gains as of June 30, 2015, which represented 2.4% of the market value of assets. This is a deterioration from last year's amount of \$108.4 million in unrecognized deferred investment gains. If \$32.6 million in deferred investment gains were recognized immediately in the actuarial value of assets, the funded percentage would increase from 119.6% to 122.8% and the employer's rate would decrease from 19.02% of payroll to 17.67% of payroll.

The undersigned are Members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,



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



Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

MYM/bbf
Enclosures

Summary of Actuarial Assumptions and Funding Method

These actuarial assumptions and methods based on June 30, 2014, data were adopted by the Fire and Police Retirement Board on November 25, 2014, and were effective for July 1, 2016.

Assumptions

Valuation Interest Rate: 7.50%

Inflation: 3.25%

Post Retirement Mortality

- (a) Service
 RP-2000 Combined Healthy Mortality Table set back three years (separate tables for males and females) projected with scale AA to 2021 set back three years for males and set forward one year for females.
 Beneficiary - RP-2000 Combined Healthy Mortality Table projected with scale AA to 2021 set back three years for males and set forward one year for females, weighted 10% male and 90% female.
- (b) Disability
 Member: RP-2000 Combined Healthy Mortality Table, (separate tables for males and females) projected with scale AA to 2021 set forward two years.

Pre-Retirement Mortality

Based upon the Analysis of Actuarial Experience during the period July 1, 2009 through June 30, 2012.

Withdrawal Rates

Based upon the Analysis of Actuarial Experience during the period July 1, 2009 through June 30, 2012.

Disability Rates

Based upon the Analysis of Actuarial Experience during the period July 1, 2009 through June 30, 2012.

Service Retirement Rates

Based upon the Analysis of Actuarial Experience during the period July 1, 2009 through June 30, 2012.

Percentage Married at Retirement

85% of all active members are assumed to be married at retirement. Their spouses will be eligible for the 2/3 automatic survivor benefits.

Assets

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

Funding Method

The System's liability is being funded on the Entry Age Normal Cost method with the Unfunded Actuarial Accrued Liability (UAAL) amortized as a level percentage of payroll. There is no UAAL as of June 30, 2014.

The System's funding policy for determining Total Pension Liability (for funding purposes) uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member retires from employment after participating in DROP. While for financial reporting purposes only, in accordance with GASB 67 provisions, for determining Total Pension Liability, the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP. (See page 31 of the Financial Section and pages 53 and 54 of the Required Supplementary Information on the different actuarial assumptions used for financial reporting versus funding progress).

COLA Assumptions

The annual cost-of-living adjustment (COLA) is 3.00% for Tier 2 members and 3.75% for Tier 1 members and retirees who have retired with the final average formula, or with the career average formula.

DROP Assumptions

The following probabilities are applied:

	Tier 1	Tier 2
1st year eligible	100%	40%
Following year	0%	20%
Next following year	0%	10%
Thereafter	0%	0%

Members are assumed to remain in the Deferred Retirement Option Program (DROP) for 7 years.

Ultimate Salary Scales

5.85% for the first five years of service. Graded increases thereafter ranging from 1.70% at age 25 to 0.40% at ages 50 and over. Of the total salary increases assumed, 3.25% is for inflation; plus 0.50% real across-the-board salary increase.

Probabilities Of Separation Prior To Retirement

Rate (%)		
Mortality		
Age	Tier 1 & 2	
	Male	Female
25	0.03	0.02
30	0.03	0.03
35	0.05	0.04
40	0.08	0.06
45	0.10	0.09
50	0.13	0.13
55	0.17	0.27
60	0.33	0.52
65	0.64	0.99

All pre-retirement deaths are assumed to be non-service connected.

Rate (%)				
Disability				
Age	Tier 1		Tier 2	
	Duty	Non-Duty	Duty	Non-Duty
20	0.02	0.00	0.14	0.00
25	0.14	0.01	0.29	0.01
30	0.26	0.01	0.50	0.01
35	0.39	0.03	0.72	0.03
40	0.60	0.12	0.98	0.12
45	0.88	0.25	1.22	0.25
50	2.80	0.20	1.48	0.20
55	8.20	0.00	1.78	0.00
60	0.00	0.00	0.00	0.00

Rate (%)			
Total Termination (5 or more years of service)			
Age	Tier 1		Tier 2
	5-10 Years	10+ Years	
20	2.87	3.57	3.10
25	2.87	3.57	2.85
30	1.88	2.63	2.12
35	0.87	1.44	1.46
40	0.44	0.92	1.00
45	0.19	0.63	0.56
50	0.00	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, 2015	Active Members	880	\$ 82,820,376	\$ 94,114	(0.8%)
	DROP Participants	113	12,441,847	110,105	2.3%
	Totals	993	\$ 95,262,223	\$ 95,549	
June 30, 2014	Active Members	872	\$ 82,701,177	\$ 94,841	(2.2%)
	DROP Participants	126	13,557,816	107,602	(3.1%)
	Totals	998	\$ 96,258,993	\$ 96,452	
June 30, 2013	Active Members	899	\$ 87,164,227	\$ 96,957	4.1%
	DROP Participants	122	13,540,941	110,991	3.9%
	Totals	1,021	\$ 100,705,168	\$ 98,634	
June 30, 2012	Active Members	939	\$ 87,461,980	\$ 93,144	1.6%
	DROP Participants	123	13,133,740	106,778	8.1%
	Totals	1,062	\$ 100,595,720	\$ 94,723	
June 30, 2011	Active Members	953	\$ 87,339,861	\$ 91,647	1.3%
	DROP Participants	118	11,659,869	98,812	9.0%
	Totals	1,071	\$ 98,999,730	\$ 92,437	
June 30, 2010	Active Members	992	\$ 89,718,011	\$ 90,442	3.0%
	DROP Participants	143	12,968,418	90,688	2.3%
	Totals	1,135	\$ 102,686,429	\$ 90,473	
June 30, 2009	Active Members	997	\$ 87,546,941	\$ 87,810	5.1%
	DROP Participants	167	14,807,704	88,669	5.0%
	Totals	1,164	\$ 102,354,645	\$ 87,934	
June 30, 2008	Active Members	1,017	\$ 84,977,945	\$ 83,557	6.4%
	DROP Participants	165	13,934,644	84,452	1.6%
	Totals	1,182	\$ 98,912,589	\$ 83,682	
June 30, 2007	Active Members	956	\$ 75,054,546	\$ 78,509	5.2%
	DROP Participants	174	14,461,649	83,113	6.2%
	Totals	1,130	\$ 89,516,195	\$ 79,218	
June 30, 2006	Active Members	928	\$ 69,268,193	\$ 74,642	9.2%
	DROP Participants	169	13,224,715	78,253	8.8%
	Totals	1,097	\$ 82,492,908	\$ 75,199	

Schedule of Retirees and Beneficiaries Added To Or Removed From Rolls

Year Ended	Added to Rolls		Removed from Rolls		Rolls at End of Year		Average Annual Allowance	% Increase/(Decrease) in Retiree Allowance
	Number	Annual Allowance	Number	Annual Allowance	Number	Annual Allowance		
June 30, 2015	48	\$ 1,429,630	(21)	\$(514,195)	998	\$ 53,711,161	\$ 53,819	(0.60)
June 30, 2014	41	\$ 1,068,770	(32)	\$(703,986)	971	\$ 52,573,897	\$ 54,144	0.14
June 30, 2013	49	\$ 1,438,868	(40)	\$(856,967)	962	\$ 52,011,489	\$ 54,066	0.28
June 30, 2012	24	\$ 481,428	(19)	\$(413,006)	953	\$ 51,378,999	\$ 53,913	1.09
June 30, 2011	71	\$ 1,895,852	(25)	\$(691,254)	948	\$ 50,556,250	\$ 53,329	(3.09)
June 30, 2010	69	\$ 2,889,037	(32)	\$(838,327)	902	\$ 49,638,574	\$ 55,032	1.23
June 30, 2009	37	\$ 1,133,750	(26)	\$(663,449)	865	\$ 47,024,672	\$ 54,364	8.09
June 30, 2008	48	\$ 1,677,698	(27)	\$(804,955)	854	\$ 42,949,880	\$ 50,293	5.57
June 30, 2007	34	\$ 1,196,861	(8)	\$(178,933)	833	\$ 39,682,515	\$ 47,638	4.53
June 30, 2006	54	\$ 1,196,861	(31)	\$(673,117)	807	\$ 36,778,219	\$ 45,574	(1.96)

Solvency Test (In Thousands)

Valuation Date	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Asset		
	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)	Actuarial Valuation Value of Assets	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)
6/30/2015	\$131,828	\$713,712	\$174,376	\$1,019,916	100%	100%	100%
6/30/2014	124,550	717,618	163,860	1,142,649	100%	100%	100%
6/30/2013	115,277	711,124	171,435	1,061,399	100%	100%	100%
6/30/2012	107,138	697,622	148,106	1,003,929	100%	100%	100%
6/30/2011	96,649	678,264	143,028	1,022,996	100%	100%	100%
6/30/2010	88,824	683,318	147,144	1,018,605	100%	100%	100%
6/30/2009	79,896	654,398	140,061	1,045,774	100%	100%	100%
6/30/2008	70,998	631,540	127,498	1,066,778	100%	100%	100%
6/30/2007	62,769	602,989	107,478	1,000,961	100%	100%	100%
6/30/2006	58,078	561,039	103,605	906,223	100%	100%	100%

Actuarial Analysis of Financial Experience

(Dollars in Millions)

	Plan Years									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Prior Valuation Actuarial Accrued Liability	\$1,006	\$998	\$953	\$918	\$919	\$874	\$830	\$773	\$723	\$670
Salary Increase Greater/ (Less) than Expected	(10)	(20)	(1)	(6)	(9)	(6)	-	8	4	(6)
Asset Return (Greater)/ Less than Expected	-	-	-	-	-	-	-	-	-	-
COLA Increase Greater/(Less) than Expected	(27)	(23)	(23)	(10)	(26)	(29)	-	-	-	-
Other Experience	1	-	(1)	2	(2)	(8)	(7)	(7)	4	(4)
Economic Assumption Changes	-	-	20	-	-	36	-	8	(2)	-
Non-economic Assumption Changes	-	-	-	-	-	-	-	-	-	-
Normal Cost	30	30	28	28	29	28	28	25	22	21
Interest	75	74	75	73	73	71	67	63	59	54
Payments	(54)	(53)	(53)	(52)	(49)	(47)	(44)	(40)	(37)	(35)
Change in Valuation Programs and Methods	(1)	-	-	-	(17)	-	-	-	-	23
Ending Actuarial Accrued Liability	\$1,020	\$1,006	\$998	\$953	\$918	\$919	\$874	\$830	\$773	\$723

Schedule of Funding Progress

(Dollars in Millions)

Actuarial Valuation As of June 30	(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial Valuation Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	(Prefunded) / Unfunded AAL (2) - (1)	Annual Covered Payroll	(Prefunded) / Unfunded AAL Percentage of Covered Payroll (4) / (5)
2015	\$1,220	\$1,020	119.6%	\$(200)	\$95	(210.3%)
2014	\$1,143	\$1,006	113.6%	\$(137)	\$96	(141.9%)
2013	\$1,061	\$998	106.4%	\$(64)	\$101	(63.1%)
2012	\$1,004	\$953	105.4%	\$(51)	\$101	(50.8%)
2011	\$1,023	\$918	111.4%	\$(105)	\$99	(106.1%)
2010	\$1,019	\$919	110.8%	\$(99)	\$103	(96.7%)
2009	\$1,046	\$874	119.6%	\$(171)	\$102	(167.5%)
2008	\$1,067	\$830	128.5%	\$(237)	\$99	(239.3%)
2007	\$1,001	\$773	129.5%	\$(228)	\$90	(254.4%)
2006	\$906	\$723	125.4%	\$(184)	\$83	(222.4%)

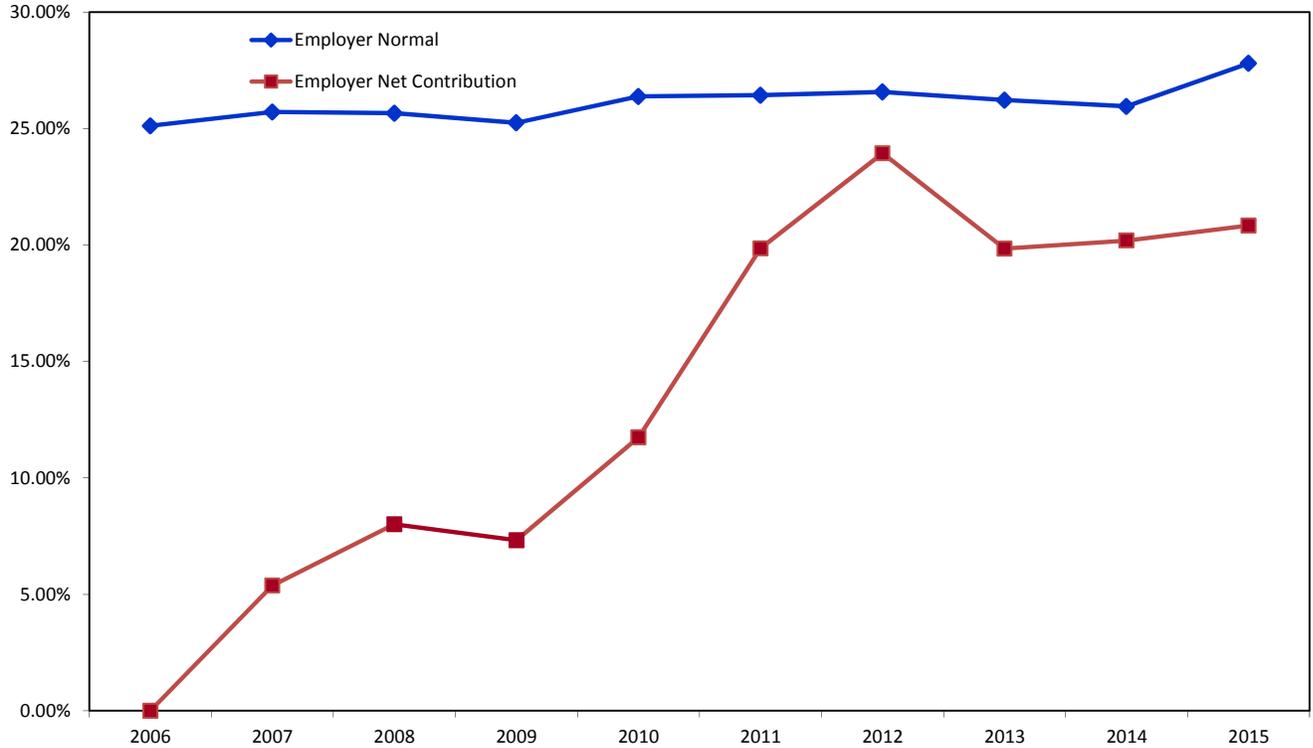
Major Benefit Provisions of the Retirement System

	Fire & Police First Tier	Fire & Police Second Tier														
Coverage	All Fire and Police employees hired on or after October 27, 1927, and before August 27, 1990.	All Fire and Police employees hired on or after August 27, 1990.														
Final Average Salary (FAS)	<p>A. Three-year final average salary; or</p> <p>B. Salary attached to rank average-service weighted compensation for each rank held.</p>	Highest three consecutive year average.														
Service Retirement	<p>Requirement: Age 50 and 10 years of Service, or age 60.</p> <p>Benefit: (1) and (2)</p> <ol style="list-style-type: none"> 1. 2¾% of FAS times years of service before age 50, not to exceed 20 years. 2. 2% of FAS times years of service after age 50, not to exceed 10 years <p>Maximum Benefit: 75% of FAS</p>	<p>Requirement: Age 50 and 5 years of service.</p> <p>Benefit:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Retirement Age</th> <th style="text-align: left;">Benefit Formula</th> </tr> </thead> <tbody> <tr> <td>50</td> <td>2.00% x FAS x service</td> </tr> <tr> <td>51</td> <td>2.14% x FAS x service</td> </tr> <tr> <td>52</td> <td>2.28% x FAS x service</td> </tr> <tr> <td>53</td> <td>2.42% x FAS x service</td> </tr> <tr> <td>54</td> <td>2.56% x FAS x service</td> </tr> <tr> <td>55 and over</td> <td>2.70% x FAS x service</td> </tr> </tbody> </table> <p>Maximum Benefit: 75% of FAS</p>	Retirement Age	Benefit Formula	50	2.00% x FAS x service	51	2.14% x FAS x service	52	2.28% x FAS x service	53	2.42% x FAS x service	54	2.56% x FAS x service	55 and over	2.70% x FAS x service
Retirement Age	Benefit Formula															
50	2.00% x FAS x service															
51	2.14% x FAS x service															
52	2.28% x FAS x service															
53	2.42% x FAS x service															
54	2.56% x FAS x service															
55 and over	2.70% x FAS x service															
Deferred Retirement Option (DROP)	An employee who is age 50 with 10 years of service may join the DROP program which is in essence an alternative form of retirement distribution. Retirement amount is calculated and monthly deposits are made to the employee's DROP account while the employee continues to work for a maximum of 10 years.	An employee who is age 50 with 5 years of service may join the DROP program which is in essence an alternative form of retirement distribution. Retirement amount is calculated and monthly deposits are made to the employee's DROP account while the employee continues to work for a maximum of 10 years.														
Disability Retirement	<p>a. Requirements:</p> <ol style="list-style-type: none"> 1. Service-Connected: None 2. Non-Service Connected: 10 years of service. <p>b. Benefit:</p> <ol style="list-style-type: none"> 1. Service-Connected: 55% of FAS or service retirement, if higher. 2. Non-Service Connected: 1.65% x FAS x years of service, if exceeds 36.67% of FAS; or 36.67% of FAS; or service retirement, if higher. <p>Benefit reduced to the extent that income earned while on disability and the amount of the disability retirement benefits exceeds the current salary attached to the last rank held.</p>	<p>a. Requirements:</p> <ol style="list-style-type: none"> 1. Service-Connected: None 2. Non-Service Connected: 10 years of service. <p>b. Benefit:</p> <ol style="list-style-type: none"> 1. Service-Connected: 50% of FAS or service retirement, if higher. 2. Non-Service Connected: 1½% x FAS x years of service, if exceeds 1/3 of FAS; or 1/3 of FAS; or service retirement, if higher. <p>Benefit reduced to the extent that income earned while on disability and the amount of the disability retirement benefits exceeds the current salary attached to the last rank held.</p>														

Major Benefit Provisions of the Retirement System (CONTINUED)

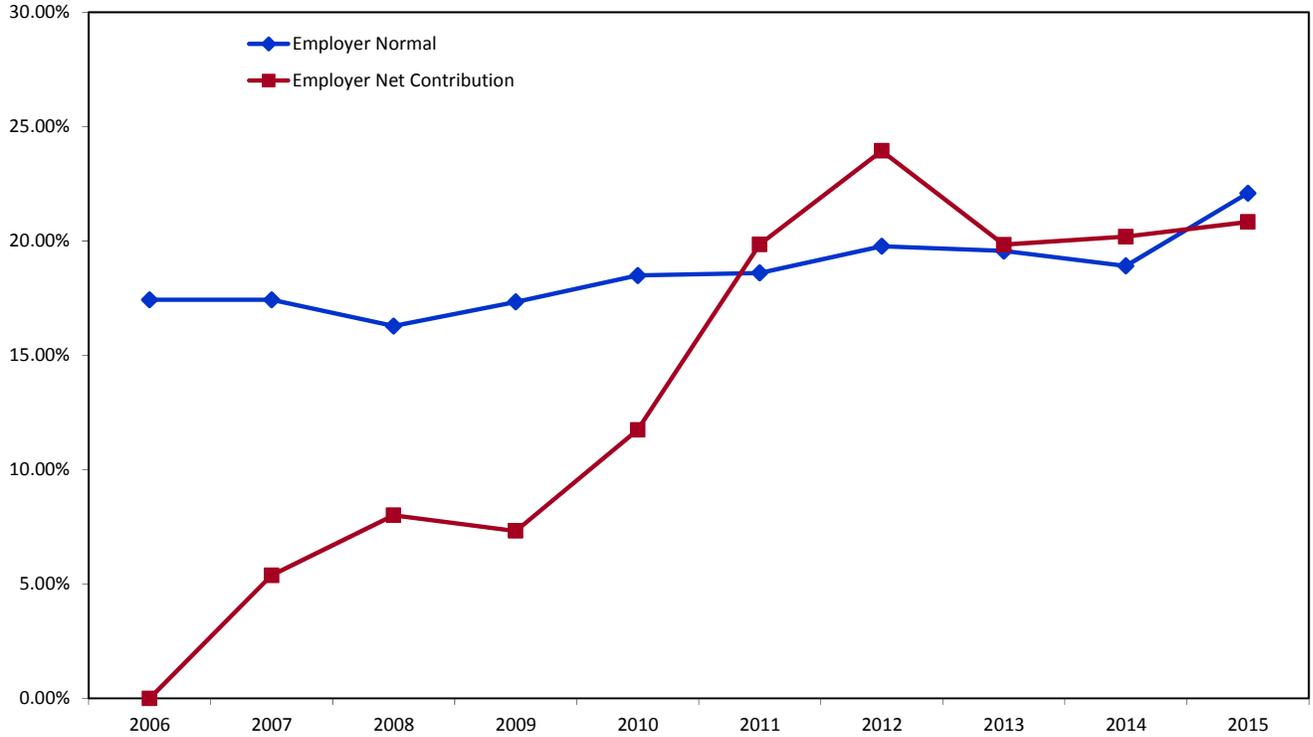
	Fire & Police First Tier	Fire and Police Second Tier
Death Before Retirement	<ul style="list-style-type: none"> a. Before eligible to retire for disability (less than 5 years). <ul style="list-style-type: none"> 1. One month’s salary for each year of service, not-to-exceed 6 months. 2. Return of contributions with interest. <ul style="list-style-type: none"> a. While eligible to retire (after 10 years): 2/3 of Service or Non-Service-connected Disability Retirement Benefit. b. Service-Connected Death: 55% of FAS 	<ul style="list-style-type: none"> a. Before eligible to retire (less than 5 years). <ul style="list-style-type: none"> 1. One month’s salary for each year of service, not-to-exceed 6 months. 2. Return of contributions with interest. <ul style="list-style-type: none"> a. While eligible to retire (after 5 years): 2/3 of Service or Non-Service-connected Disability Retirement Benefit b. Service-Connected Death: 50% of FAS
Death After Retirement	Two-thirds of the member’s allowance continued to eligible spouse for life.	Two-thirds of the member’s allowance continued to eligible spouse for life.
Withdrawal Benefits	<ul style="list-style-type: none"> a. If less than 10 years of service, return of contributions. b. If greater than 10 years of service, right to have vested deferred retirement benefit at normal retirement date. 	<ul style="list-style-type: none"> a. If less than 5 years of service, return of contributions. b. If greater than 5 years of service, right to have vested deferred retirement benefit.
Post Retirement Supplemental Benefit (PRSB)	<p>On May 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 Retirement Board, PRSB benefit payments will be calculated for eligible recipients and payments for the following calendar year will begin in January.</p>	<p>On May 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 Retirement Board, PRSB benefit payments will be calculated for eligible recipients and payments for the following calendar year will begin in January.</p>
Cost of Living Benefits	<ul style="list-style-type: none"> a. Based on the weighted mean average compensation attached to all ranks in the department, limited to a 5% maximum change per year, if based on three-year FAS. b. Based on salary increase for each rank held, if benefit was calculated on salary attached to average rank. 	<ul style="list-style-type: none"> a. Based on the Consumer Price Index for all Urban Wage Earners and all Clerical Workers (U.S. City Average), limited to a 3% change per year.
Member Contribution Rates	Varies based on entry age.	9% of Compensation.

History of Employer Net Contribution Rates (Tier 1)



Fiscal Year Ending June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Employer Normal	25.12%	25.71%	25.66%	25.25%	26.38%	26.43%	26.57%	26.22%	25.95%	27.80%
Prefunded Liability/Prepaid Contributions	25.12%	20.33%	17.65%	17.93%	14.64%	6.58%	2.63%	6.38%	5.76%	6.97%
Employer Net Contribution	0.00%	5.38%	8.01%	7.32%	11.74%	19.85%	23.94%	19.84%	20.19%	20.83%

History of Employer Net Contribution Rates (Tier II)



Fiscal Year Ending June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Employer Normal	17.43%	17.43%	16.28%	17.34%	18.49%	18.60%	19.77%	19.56%	18.91%	22.09%
Prefunded Liability/Prepaid Contributions	17.43%	12.05%	8.27%	10.02%	6.75%	(1.25%)	(4.17%)	(0.28%)	(1.28%)	1.26%
Employer Net Contribution	0.00%	5.38%	8.01%	7.32%	11.74%	19.85%	23.94%	19.84%	20.19%	20.83%

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

CITY OF FRESNO FIRE AND POLICE RETIREMENT SYSTEM

Schedule of Changes in Fiduciary Net Position Last Ten Fiscal Years

Schedule and Graph of Additions by Source

Schedule and Graph of Deductions by Type

Membership Information

Statistical Section Review

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 Fire and Police Retirement System.

It 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 position, benefits, refunds, contribution rates and different types of retirement benefits.

The financial and operating trend information is located on the following pages.

Schedule of Changes In Fiduciary Net Position

Last Ten Fiscal Years FY 2006-FY 2015

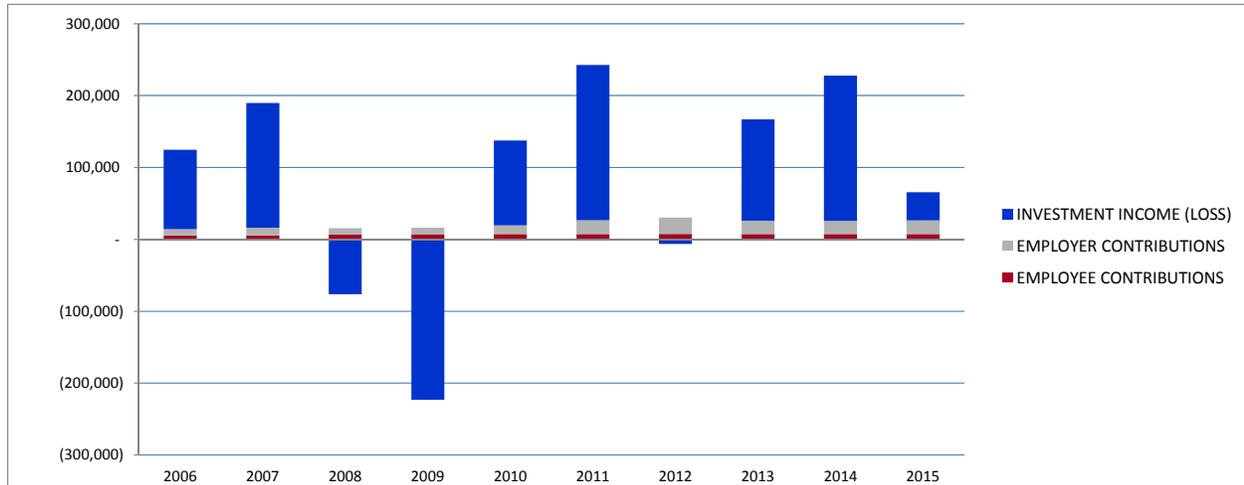
(Dollars In Millions)

	2015	2014	2013	2012	2011
Additions					
Employer Contributions	\$ 19.0	\$ 18.6	\$ 18.7	\$ 22.9	\$ 19.4
Member Contributions	7.4	7.3	7.4	7.5	7.3
Investment Income (Loss)	39.1	201.8	140.7	(6.2)	215.9
Total Additions	\$ 65.5	\$227.7	\$166.8	\$ 24.2	\$ 242.6
Deductions					
Benefit Payments	\$ 53.5	\$ 52.5	\$ 51.8	\$ 51.0	\$ 48.9
Post Retirement Supplemental Benefits	0.2	0.1	0.2	0.4	1.7
Refunds	0.9	0.1	1.0	0.5	0.5
Administrative	1.1	1.1	1.2	1.1	1.0
Total Deductions	55.7	53.8	54.2	53.0	52.1
Changes in Fiduciary Net Position	\$ 9.8	\$ 173.9	\$112.6	\$(28.8)	\$190.5

	2010	2009	2008	2007	2006
Additions					
Employer Contributions	\$ 12.1	\$ 8.9	\$ 8.8	\$ 10.8	\$ 8.9
Member Contributions	7.4	7.2	6.8	5.4	5.3
Investment Income (Loss)	117.9	(223.1)	(76.4)	173.5	110.4
Total Additions	\$ 137.4	\$(207.0)	\$ (60.8)	\$189.7	\$ 124.6
Deductions					
Benefit Payments	\$ 46.3	\$ 43.2	\$ 39.5	\$ 36.8	\$ 34.2
Post Retirement Supplemental Benefits	3.3	3.8	3.5	2.9	2.5
Refunds	0.9	0.3	0.6	0.5	0.4
Administrative	1.0	1.0	0.9	0.9	0.8
Total Deductions	51.5	48.3	44.5	41.1	37.9
Changes in Fiduciary Net Position	\$ 85.9	\$(255.3)	\$(105.3)	\$148.6	\$ 86.7

Schedule and Graph of Additions By Source (In Thousands)

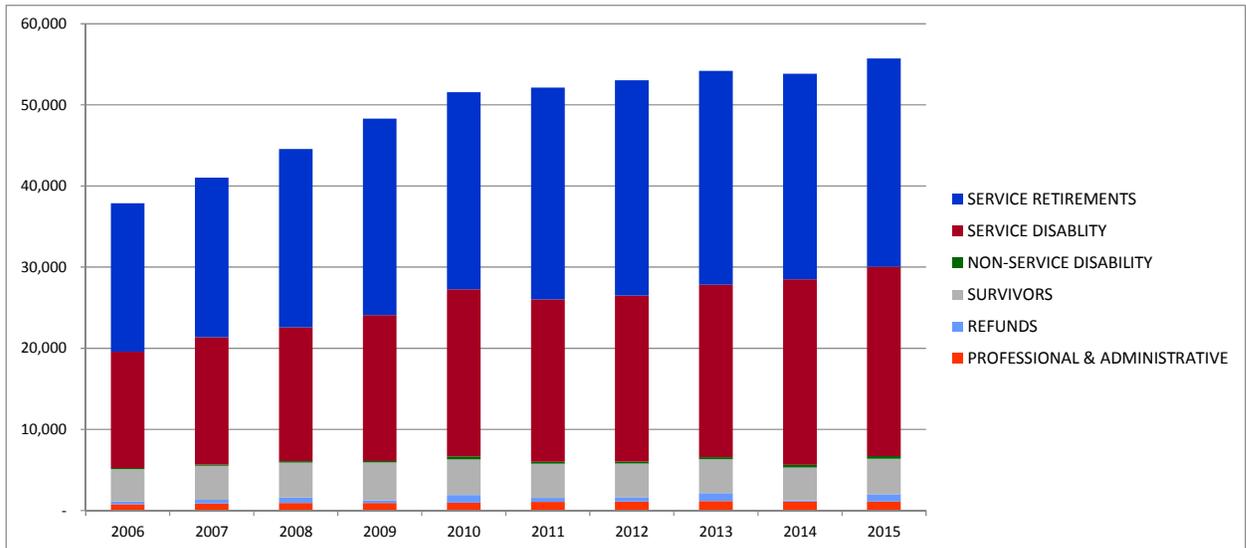
Last Ten Fiscal Years FY 2006-FY 2015



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EMPLOYER CONTRIBUTIONS	\$ 8,886	\$ 10,807	\$ 8,766	\$ 8,938	\$ 12,094	\$ 19,397	\$ 22,875	\$ 18,725	\$ 18,575	\$ 18,967
EMPLOYEE CONTRIBUTIONS	5,336	5,394	6,788	7,172	7,355	7,304	7,540	7,398	7,294	7,385
INVESTMENT INCOME (LOSS)	110,413	173,484	(76,357)	(223,122)	118,018	215,994	(6,201)	140,701	201,838	39,164
TOTAL	\$124,635	\$189,685	\$(60,803)	\$(207,012)	\$137,467	\$242,695	\$24,214	\$166,824	\$227,707	\$ 65,516

Schedule and Graph of Deductions By Type (In Thousands)

Last Ten Fiscal Years FY 2006-FY 2015



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
SERVICE RETIREMENTS	\$18,303	\$19,661	\$21,966	\$24,215	\$24,271	\$26,088	\$ 26,531	\$ 26,332	\$ 25,338	\$ 25,657
SERVICE DISABILITY	14,321	15,680	16,485	17,982	20,607	20,012	20,464	21,250	22,848	23,336
NON-SERVICE DISABILITY	133	149	169	177	349	244	242	242	339	348
SURVIVORS	4,021	4,193	4,330	4,651	4,411	4,212	4,142	4,188	4,049	4,370
REFUNDS	303	454	646	338	918	494	535	970	146	901
PROFESSIONAL & ADMINISTRATIVE	803	887	945	952	993	1,080	1,118	1,182	1,119	1,108
TOTAL	\$37,884	\$41,024	\$44,541	\$48,315	\$51,549	\$ 52,130	\$ 53,032	\$ 54,164	\$53,839	\$ 55,720

Data Source: PensionGold Administration System

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 7/1/14 to 6/30/15							
Average Monthly Pension Benefits	\$3,735	\$ 3,565	\$ 3,846	\$6,323	\$8,405	\$7,434	\$ 6,662
Number of New Retired Members	1	4	6	10	10	3	34
Period 7/1/13 to 6/30/14							
Average Monthly Pension Benefits	\$2,665	\$ 2,540	\$ 4,759	\$7,181	\$8,611	\$ -	\$ 5,151
Number of New Retired Members	4	2	6	7	6	0	25
Period 7/1/12 to 6/30/13							
Average Monthly Pension Benefits	\$2,450	\$ 3,973	\$ 4,169	\$7,226	\$ -	7,842	\$ 5,132
Number of New Retired Members	3	8	6	6	0	3	26
Period 7/1/11 to 6/30/12							
Average Monthly Pension Benefits	\$3,458	\$ 3,265	\$ 4,866	\$4,484	\$5,527	\$ -	\$ 4,320
Number of New Retired Members	5	2	4	3	4	0	18
Period 7/1/10 to 6/30/11							
Average Monthly Pension Benefits	\$2,609	\$ 3,040	\$ 4,383	\$5,493	\$5,330	\$ 5,519	\$ 4,396
Number of New Retired Members	8	4	11	19	10	7	59
Period 7/1/09 to 6/30/10							
Average Monthly Pension Benefits	\$1,984	\$ 2,864	\$ 5,394	\$7,460	\$7,539	\$9,485	\$ 5,788
Number of New Retired Members	2	7	4	19	15	6	53
Period 7/1/08 to 6/30/09							
Average Monthly Pension Benefits	\$2,727	\$ -	\$ 5,859	\$7,673	\$7,875	\$5,423	\$ 5,911
Number of New Retired Members	4	0	3	9	3	2	21
Period 7/1/07 to 6/30/08							
Average Monthly Pension Benefits	\$2,394	\$ 3,687	\$ 2,063	\$8,247	\$8,329	\$8,962	\$ 5,614
Number of New Retired Members	4	3	1	11	6	8	33
Period 7/1/06 to 6/30/07							
Average Monthly Pension Benefits	\$ -	\$ 4,725	\$ 2,479	\$5,279	\$7,363	\$7,517	\$ 5,473
Number of New Retired Members	-	1	2	14	5	4	26
Period 7/1/05 to 6/30/06							
Average Monthly Pension Benefits	\$1,203	\$ 3,676	\$ 2,974	\$4,878	\$6,158	\$6,512	\$ 4,233
Number of New Retired Members	3	5	6	15	5	3	37

Data Source: PensionGold Administration System

The Schedule of Average Benefit Payments above should include information about the average final salary; unfortunately we are unable to present a reasonably accurate calculation of the average final salary because of members who participated in the Deferred Retirement Option Program (DROP).

DROP, which is not a separate plan, is an alternate method of receiving retirement benefits. Amounts credited to the Member's DROP account include an amount which represents the service retirement allowance which the member would have received if the member had retired on the date the member commenced DROP participation and interest credited to the DROP account at the adopted rate.

Members that elect to participate in DROP have their retirement benefit calculated based upon their years of service and final average salary as determined at the time they enter DROP (potentially a full 10 years earlier than their actual retirement date) rather than at the time the member actually retires. When the member retires, they receive their monthly retirement benefit and included is a DROP payment. This creates the appearance of disproportional benefits when viewed with the average final average salary. Thus an analysis between the average monthly benefit, which includes a portion called the DROP payment, and the average final average salary, would not be a fair and accurate representation of the data and has been omitted for that reason.

Retirees By Type of Benefit

As of June 30, 2015

Amount of Monthly Benefit	Number of Retirees	Type of Retirement*		
		1	2	3
\$1 - \$1,000	58	3	4	51
\$1,001 - \$2,000	63	12	4	47
\$2,001 - \$3,000	144	34	14	96
\$3,001 - \$4,000	272	59	166	47
\$4,001 - \$5,000	155	75	68	12
\$5,001 - \$6,000	66	34	28	4
\$6,001 - \$7,000	74	45	28	1
\$7,001 - \$8,000	60	32	26	2
\$8,000 - \$9,000	33	18	15	0
> \$9,000	73	49	23	1
Total	998	361	376	261

*Type of Retirement

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

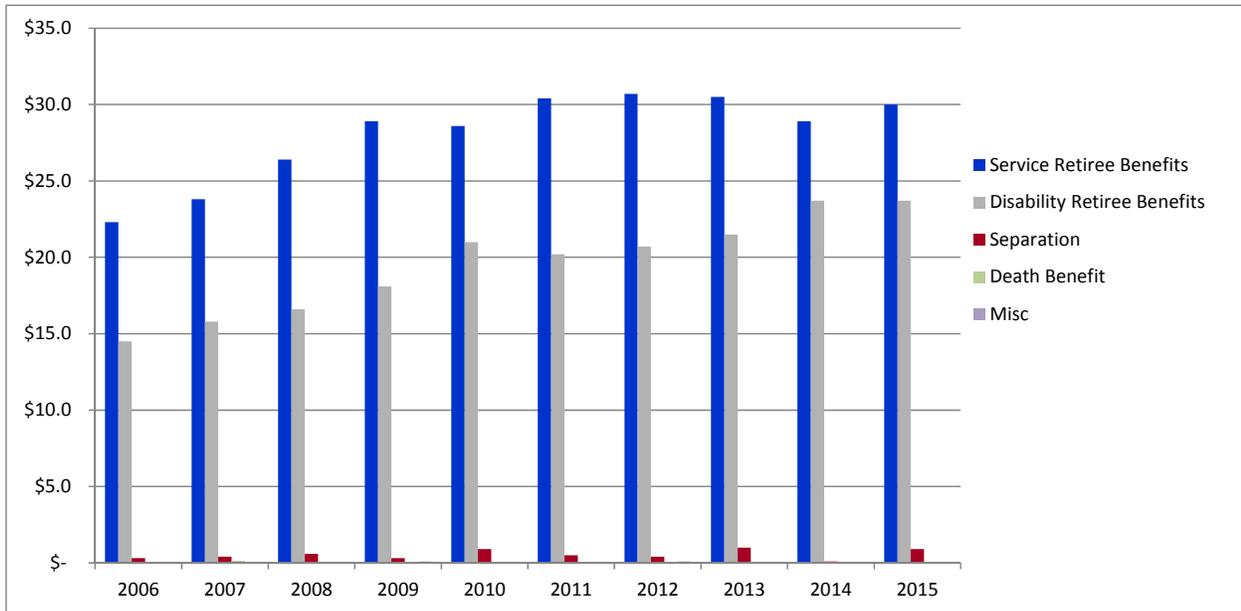
Amount of Monthly Benefit	Number of Retirees	Option Selected**			
		Unmodified	Option 1	Option 2	Option 3
\$1 - \$1,000	58	54	3	1	0
\$1,001 - \$2,000	63	51	6	3	3
\$2,001 - \$3,000	144	81	42	17	4
\$3,001 - \$4,000	272	183	58	21	10
\$4,001 - \$5,000	155	103	28	19	5
\$5,001 - \$6,000	66	48	3	12	3
\$6,001 - \$7,000	74	41	13	16	4
\$7,001 - \$8,000	60	33	6	20	1
\$8,001 - \$9,000	33	24	4	5	0
> \$9,000	73	49	5	19	0
Total	998	667	168	133	30

**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.

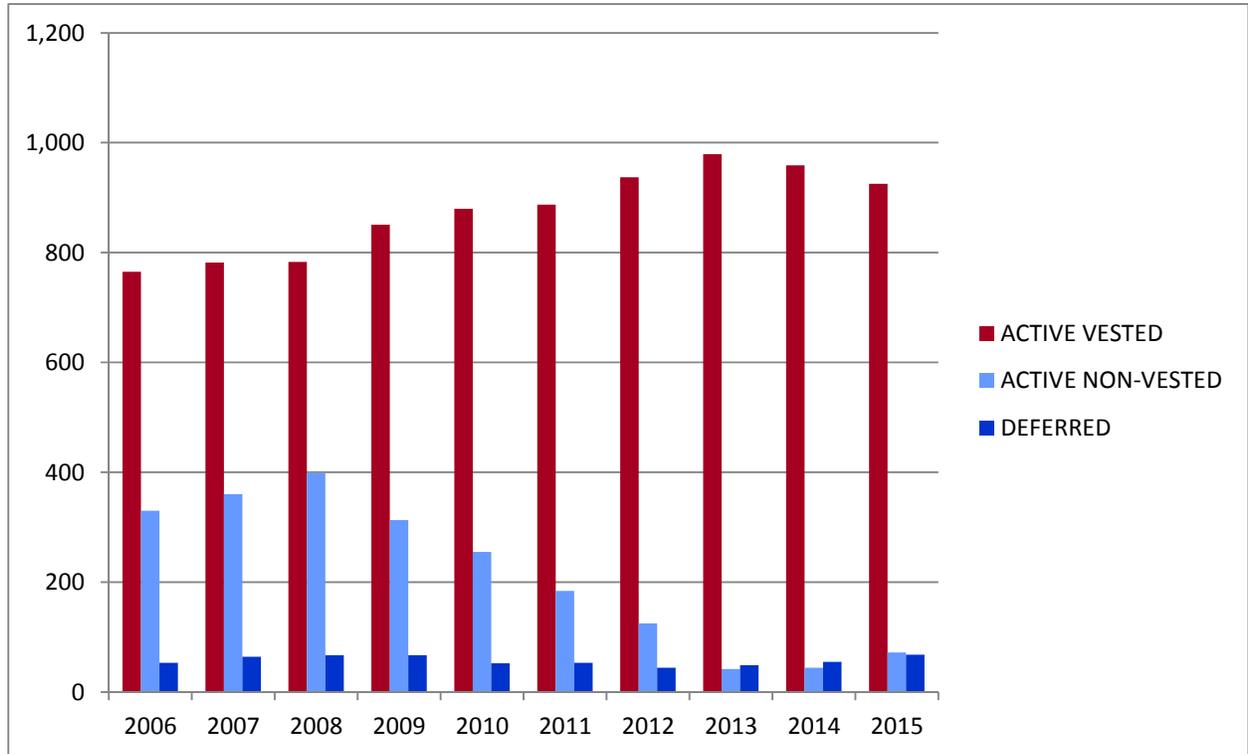
Schedule and Graph of Pension Benefit Payments – Deductions By Type

(DOLLARS IN MILLIONS)



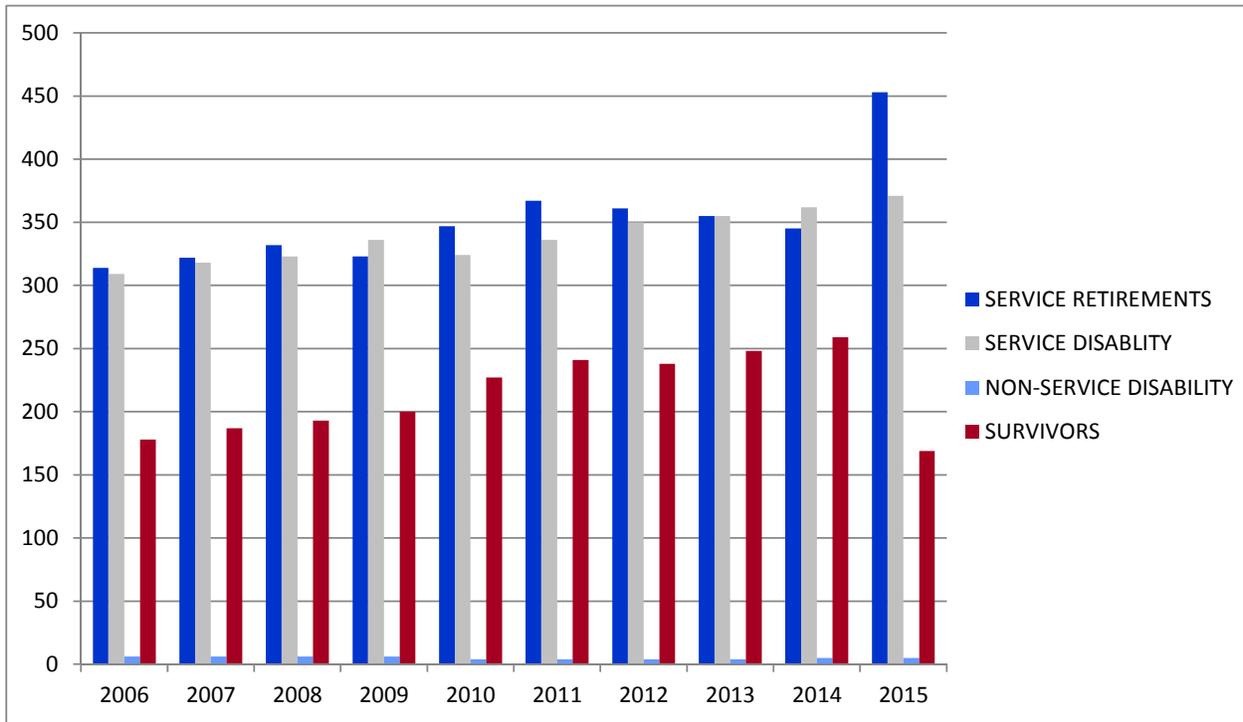
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Service Retiree Benefits	\$ 22.3	\$ 23.8	\$ 26.4	\$ 28.9	\$ 28.6	\$ 30.4	\$ 30.7	\$ 30.5	\$28.9	\$ 30.0
Disability Retiree Benefits	14.5	15.8	16.6	18.1	21.0	20.2	20.7	21.5	23.7	23.7
Separation	0.3	0.4	0.6	0.3	0.9	0.5	0.4	1.0	0.1	0.9
Death Benefit	-	0.1	-	-	-	-	-	-	-	-
Misc	-	-	-	0.1	-	-	0.1	-	-	-
Total Benefit Deductions	\$ 37.1	\$ 40.1	\$ 43.6	\$ 47.4	\$ 50.5	\$ 51.1	\$ 51.9	\$ 53.0	\$ 52.7	\$ 54.6

Schedule and Graph of Active Vested, Active Non-Vested and Deferred Membership History



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ACTIVE VESTED	765	782	783	851	880	887	937	979	959	925
ACTIVE NON-VESTED	330	360	399	313	255	184	125	42	44	72
DEFERRED	53	64	67	67	52	53	44	49	55	68
TOTAL	1,148	1,206	1,249	1,231	1,187	1,124	1,106	1,070	1,058	1,065

Schedule and Graph of Retirees Pension Benefit Payments By Type of Benefit



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
SERVICE RETIREMENTS	314	322	332	323	347	367	361	355	345	453
SERVICE DISABILITY	309	318	323	336	324	336	350	355	362	371
NON-SERVICE DISABILITY	6	6	6	6	4	4	4	4	5	5
SURVIVORS	178	187	193	200	227	241	238	248	259	169
TOTAL	807	833	854	865	902	948	953	962	971	998

Summary of Active Participants

YEAR	NUMBER OF MEMBERS	PENSIONABLE PAYROLL	ANNUAL AVERAGE SALARY	NET CHANGE IN AVERAGE SALARY
2015	997	\$ 91,075,093	\$ 91,349	(0.39%)
2014	1,003	\$ 91,980,224	\$ 91,705	(0.78%)
2013	1,021	\$ 94,368,329	\$ 92,427	2.04%
2012	1,062	\$ 96,194,537	\$ 90,579	0.26%
2011	1,071	\$ 96,757,692	\$ 90,343	3.40%
2010	1,135	\$ 99,166,002	\$ 87,371	2.39%
2009	1,164	\$ 99,327,134	\$ 85,333	1.80%
2008	1,182	\$ 99,076,279	\$ 83,821	12.87%
2007	1,142	\$ 84,811,083	\$ 74,265	5.30%
2006	1,095	\$ 77,230,825	\$ 70,530	3.26%
2005	1,066	\$ 72,812,722	\$ 68,305	3.84%
2004	1,017	\$ 66,899,509	\$ 65,781	0.49%
2003	980	\$ 64,149,390	\$ 65,459	0.95%
2002	946	\$ 61,344,091	\$ 64,846	1.13%
2001	934	\$ 59,888,057	\$ 64,120	7.20%
2000	914	\$ 54,667,137	\$ 59,811	5.10%
1999	921	\$ 52,410,461	\$ 56,906	1.86%
1998	849	\$ 47,430,688	\$ 55,867	2.57%
1997	798	\$ 43,462,379	\$ 54,464	(3.47%)

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 Retirees

YEAR	NUMBER OF RETIREEES	ANNUAL BENEFITS TO PARTICIPANTS	ANNUAL AVERAGE ALLOWANCE (INDIVIDUAL)	NET CHANGE IN BENEFITS TO PARTICIPANTS
2015	998	\$ 53,711,161	\$ 53,819	(0.60%)
2014	971	\$ 52,573,897	\$ 54,144	0.14%
2013	962	\$ 52,011,489	\$ 54,066	0.28%
2012	953	\$ 51,378,999	\$ 53,913	1.09%
2011	948	\$ 50,556,250	\$ 53,329	(3.09%)
2010	902	\$ 49,638,574	\$ 55,032	1.23%
2009	865	\$ 47,024,672	\$ 54,364	8.09%
2008	854	\$ 42,949,880	\$ 50,293	5.57%
2007	833	\$ 39,682,515	\$ 47,638	4.53%
2006	807	\$ 36,778,219	\$ 45,574	(1.96%)
2005	784	\$ 36,443,224	\$ 46,484	0.20%
2004	761	\$ 35,304,472	\$ 46,392	0.93%
2003	734	\$ 33,736,675	\$ 45,963	1.24%
2002	686	\$ 31,144,834	\$ 45,401	5.36%
2001	663	\$ 28,568,480	\$ 43,090	11.48%
2000	664	\$ 25,664,076	\$ 38,651	10.11%
1999	647	\$ 22,710,101	\$ 35,101	20.83%
1998	649	\$ 18,852,815	\$ 29,049	(0.15%)
1997	625	\$ 18,182,008	\$ 29,091	12.98%

Fiscal year 2007 increase in benefits to participants was primarily due to the litigation settlement with retirees which required that certain items of pay previously not included in pensionable compensation be included.

Member and City Contribution Rates

			Member Rates			City Contribution Rates		
			Basic at Entry Age			Total City	Less Prefunded Actuarial Accrued Liability (PAAL)	Net City Contribution
Fiscal Year		Valuation Date	20	30	40	Rate	Rate	Rate
June 30, 2015	Tier I	June 30, 2013	4.52%	7.75%	6.94%	27.80%	(6.97%)	20.83%
	Tier II		9.00%	9.00%	9.00%	22.09%	(1.26%)	20.83%
June 30, 2014	Tier I	June 30, 2012	4.05%	7.10%	6.40%	25.95%	(5.76%)	20.19%
	Tier II		9.00%	9.00%	9.00%	18.91%	1.28%	20.19%
June 30, 2013	Tier I	June 30, 2011	4.05%	7.10%	6.40%	26.22%	(6.38%)	19.84%
	Tier II		9.00%	9.00%	9.00%	19.56%	0.28%	19.84%
June 30, 2012	Tier I	June 30, 2010	4.05%	7.10%	6.40%	26.57%	(2.63%)	23.94%
	Tier II		9.00%	9.00%	9.00%	19.77%	4.17%	23.94%
June 30, 2011	Tier I	June 30, 2009	3.76%	6.65%	5.94%	26.43%	(6.58%)	19.85%
	Tier II		9.00%	9.00%	9.00%	18.60%	1.25%	19.85%
June 30, 2010	Tier I	June 30, 2008	3.76%	6.65%	5.94%	26.38%	(14.64%)	11.74%
	Tier II		9.00%	9.00%	9.00%	18.49%	(6.75%)	11.74%
June 30, 2009	Tier I	June 30, 2007	3.76%	6.65%	5.94%	25.25%	(17.93%)	7.32%
	Tier II		9.00%	9.00%	9.00%	17.34%	(10.02%)	7.32%
June 30, 2008	Tier I	June 30, 2006	3.86%	6.75%	5.99%	25.66%	(17.65%)	8.01%
	Tier II		9.00%	9.00%	9.00%	16.28%	(8.27%)	8.01%
June 30, 2007	Tier I	June 30, 2005	3.77%	6.59%	6.49%	25.71%	(20.33%)	5.38%
	Tier II		9.00%	9.00%	9.00%	17.43%	(12.05%)	5.38%
June 30, 2006	Tier I	June 30, 2004	3.77%	6.59%	5.82%	25.12%	(25.12%)	0.00%
	Tier II		9.00%	9.00%	9.00%	17.43%	(17.43%)	0.00%
June 30, 2005	Tier I	June 30, 2003	4.09%	6.95%	6.07%	25.26%	(25.26%)	0.00%
	Tier II		9.00%	9.00%	9.00%	15.86%	(15.86%)	0.00%
June 30, 2004	Tier I	June 30, 2002	4.09%	6.95%	6.07%	25.55%	(25.55%)	0.00%
	Tier II		9.00%	9.00%	9.00%	14.73%	(14.73%)	0.00%
June 30, 2003	Tier I	June 30, 2001	4.09%	6.95%	6.07%	25.52%	(25.52%)	0.00%
	Tier II		9.00%	9.00%	9.00%	14.67%	(14.67%)	0.00%
June 30, 2002	Tier I	June 30, 2000	4.06%	6.90%	6.03%	25.44%	(25.44%)	0.00%
	Tier II		9.00%	9.00%	9.00%	14.52%	(14.52%)	0.00%
June 30, 2001	Tier I	June 30, 1999	4.11%	6.88%	6.04%	25.29%	(25.29%)	0.00%
	Tier II		9.00%	9.00%	9.00%	14.57%	(14.57%)	0.00%
June 30, 2000	Tier I	June 30, 1998	4.14%	7.08%	6.28%	25.79%	(25.79%)	0.00%
	Tier II		9.00%	9.00%	9.00%	14.44%	(14.44%)	0.00%
June 30, 1999	Tier I	June 30, 1997	4.16%	7.08%	6.28%	21.32%	(21.32%)	0.00%
	Tier II		9.00%	9.00%	9.00%	15.86%	(15.86%)	0.00%
June 30, 1998	Tier I	June 30, 1996	4.16%	7.09%	6.34%	22.72%	(22.72%)	0.00%
	Tier II		9.00%	9.00%	9.00%	14.66%	(0.43%)	14.23%
June 30, 1997	Tier I	June 30, 1995	4.56%	7.56%	6.74%	25.01%	(9.34%)	15.67%
	Tier II		9.00%	9.00%	9.00%	16.44%	0.00%	16.44%
June 30, 1995	Tier I	June 30, 1993	4.44%	7.52%	6.76%	65.54%	0.00%	65.54%
	Tier II		9.00%	9.00%	9.00%	18.99%	0.00%	18.99%
June 30, 1993	Tier I	June 30, 1991	5.71%	8.86%	8.18%	62.58%	0.00%	62.58%
	Tier II		9.00%	9.00%	9.00%	18.42%	0.00%	18.42%
June 30, 1991	Tier I	June 30, 1989	5.11%	7.81%	6.93%	52.68%	0.00%	52.68%
	Tier II		9.00%	9.00%	9.00%	18.42%	0.00%	18.42%
June 30, 1990		June 30, 1988	5.11%	7.81%	6.93%	50.96%	0.00%	50.96%

* PAAL = Prefunded Actuarial Accrued Liability – Surplus adjustment when assets are greater than the actuarial accrued liability.

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.

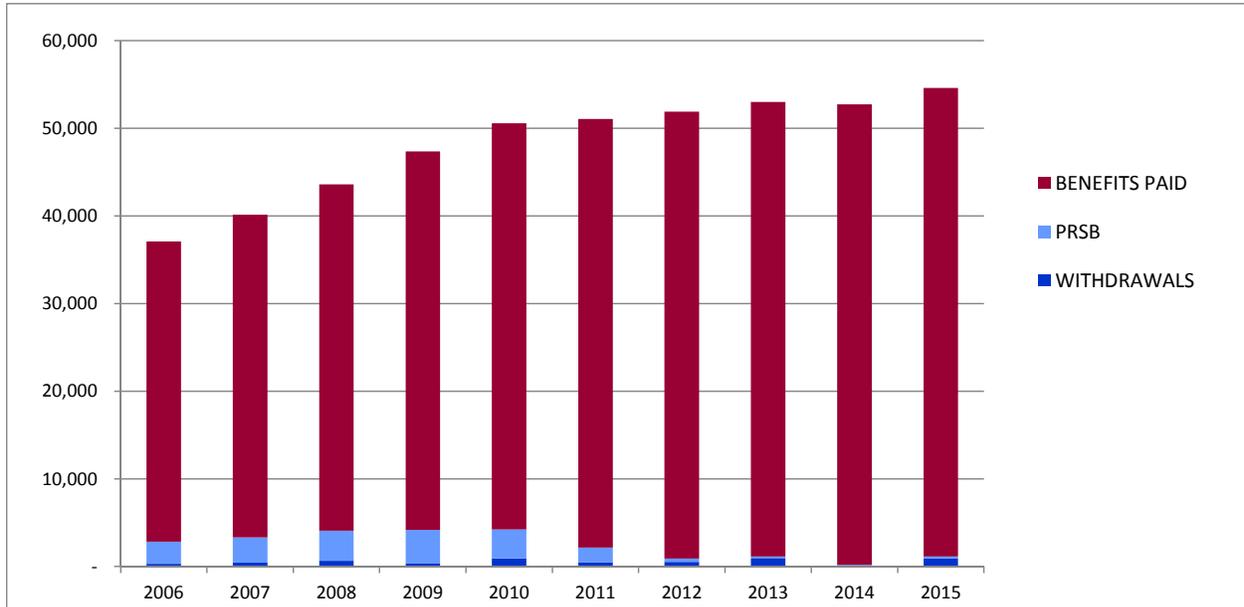
Data Source: Annual Actuarial Valuation Reports

Economic Assumptions and Funding Method

Valuation Date	Interest	Salary Scale	Cost-of-Living (COLA)	Inflation Component	Funding Method
June 30, 2015	7.50%	5.5% Avg	3.00 - 3.75%	3.25%	Entry Age Normal
June 30, 2014	7.50%	5.5% Avg	3.00 - 3.75%	3.25%	Entry Age Normal
June 30, 2013	7.50%	5.5% Avg	3.00 - 3.75%	3.25%	Entry Age Normal
June 30, 2012	8.00%	5.5% Avg	3.00 - 4.00%	3.50%	Entry Age Normal
June 30, 2011	8.00%	5.5% Avg	3.00 - 4.00%	3.50%	Entry Age Normal
June 30, 2010	8.00%	5.5% Avg	3.00 - 4.00%	3.50%	Entry Age Normal
June 30, 2009	8.25%	5.5% Avg	3.00 - 4.00%	3.75%	Entry Age Normal
June 30, 2008	8.25%	5.5% Avg	3.00 - 4.00%	3.75%	Entry Age Normal
June 30, 2007	8.25%	5.5% Avg.	3.00 - 4.00%	3.75%	Entry Age Normal
June 30, 2006	8.25%	5.5% Avg.	2.75 - 4.5%	4.25%	Entry Age Normal
June 30, 2005	8.25%	5.5% Avg.	2.75 - 4.5%	4.25%	Entry Age Normal
June 30, 2004	8.25%	5.5% Avg.	2.75 - 4.5%	4.25%	Entry Age Normal
June 30, 2003	8.25%	5.5% Avg.	2.75 - 4.5%	4.50%	Entry Age Normal
June 30, 2002	8.25%	5.5% Avg.	2.75 - 4.5%	4.50%	Entry Age Normal
June 30, 2001	8.25%	5.5% Avg.	2.75 - 4.5%	4.50%	Entry Age Normal
June 30, 2000	8.25%	5.5% Avg.	2.75 - 4.5%	4.50%	Entry Age Normal
June 30, 1999	8.25%	5.3% Avg.	4.9 - 6.0%	4.50%	Entry Age Normal
June 30, 1998	8.25%	10.75 - 4.95%	4.25%	4.75%	Entry Age Normal
June 30, 1997	8.25%	9.3 - 1.8%	4.75%	4.75%	Entry Age Normal
June 30, 1996	8.25%	10.75 - 4.95%	4.75%	4.75%	Entry Age Normal
June 30, 1995	8.00%	6.00 - .20%	5.00%	5.00%	Entry Age Normal
June 30, 1993	8.00%	9 - 5-1/4%	5.00%	5.00%	Entry Age Normal
June 30, 1991	8.00%	12 - 6-1/2%	5.00%	5.00%	Entry Age Normal
June 30, 1989	8.00%	12 - 6-1/2%	5.00%	5.00%	Entry Age Normal
June 30, 1987	8.00%	6-1/2%	6-1/2%	5.00%	Entry Age Normal

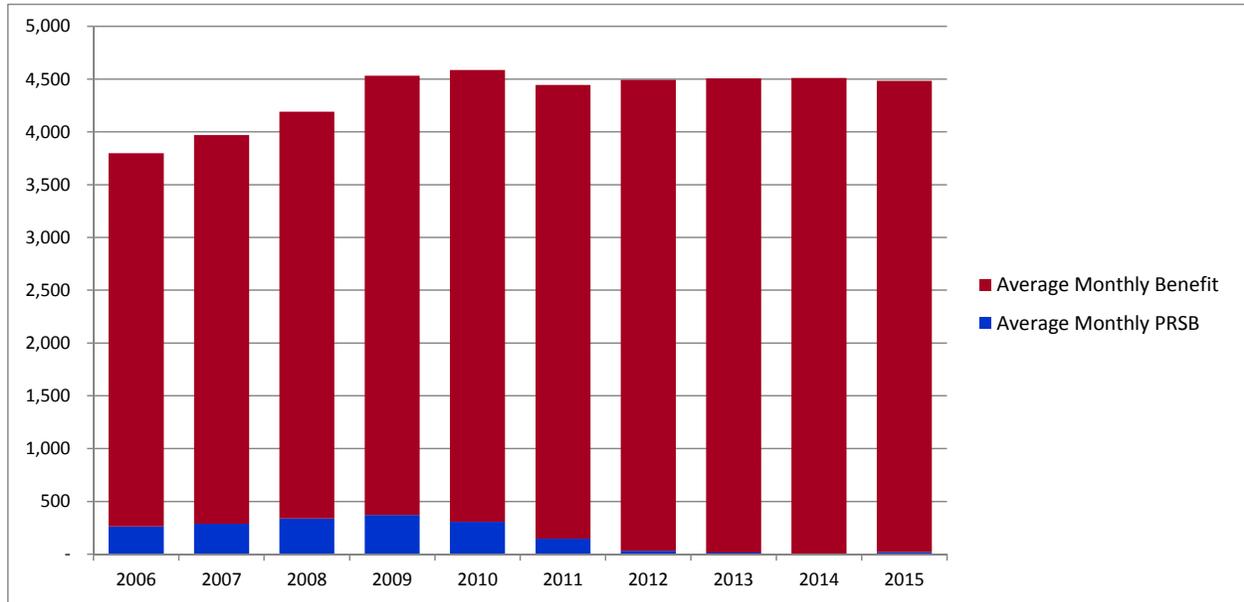
Source: The Segal Company 06/30/2015 Actuarial Valuation Report

Benefits and Withdrawals Paid (IN THOUSANDS)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
BENEFITS PAID	\$ 34,230	\$36,811	\$ 39,494	\$ 43,177	\$ 46,327	\$ 48,894	\$ 51,006	\$ 51,827	\$52,513	\$ 53,471
PRSB	2,548	2,872	3,456	3,848	3,311	1,662	373	185	61	241
WITHDRAWALS	303	454	646	338	918	494	535	970	146	901

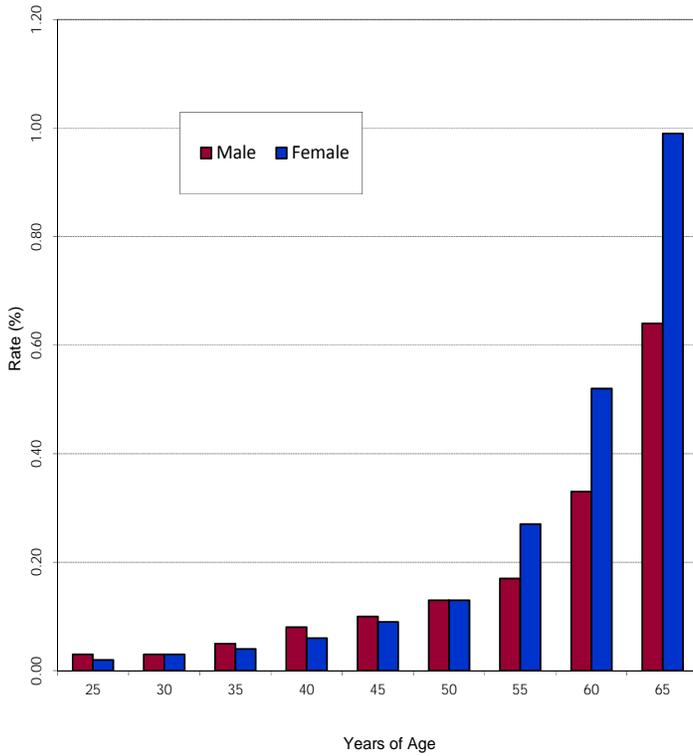
Average Monthly Benefits to Retirees (IN THOUSANDS)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Average Monthly Benefit	\$ 3,535	\$ 3,683	\$ 3,854	\$ 4,160	\$ 4,280	\$ 4,298	\$ 4,460	\$ 4,490	\$ 4,507	\$ 4,465
Average Monthly PRSB	263	287	337	371	306	146	33	16	5	20
Average Monthly Benefit Total	\$ 3,798	\$ 3,970	\$ 4,191	\$ 4,531	\$ 4,586	\$ 4,444	\$ 4,493	\$ 4,506	\$ 4,512	\$ 4,485

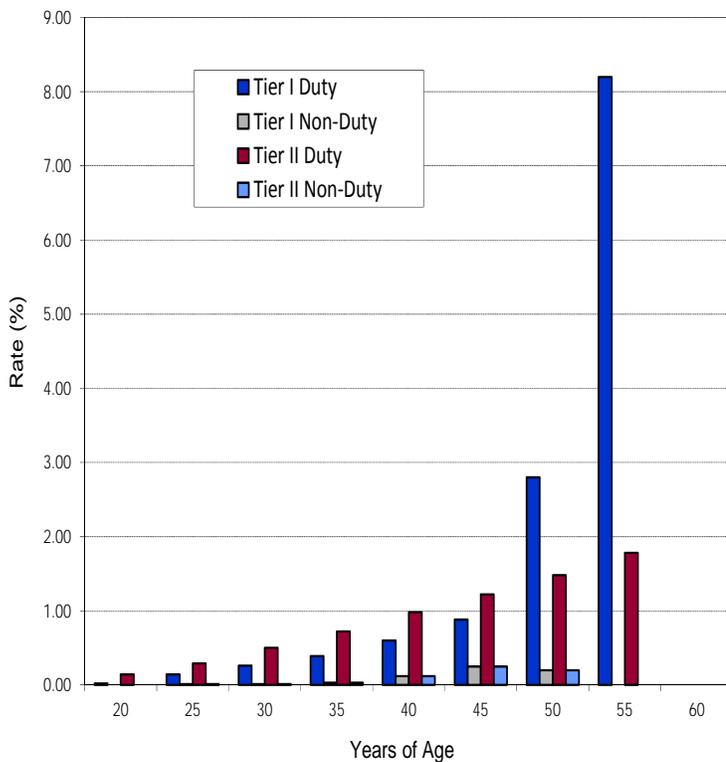
Data Source: PensionGold Administration System

EXPECTATION OF LIFE
(Age and Service Retirees)



EXPECTATION OF LIFE Age and Service Retirees RP-2000 Combined Healthy Mortality Table Male (x-3), Female (x+1)		
Age	Tier I & II	
	Male	Female
25	0.03	0.02
30	0.03	0.03
35	0.05	0.04
40	0.08	0.06
45	0.10	0.09
50	0.13	0.13
55	0.17	0.27
60	0.33	0.52
65	0.64	0.99

EXPECTATION OF LIFE
(Disabled Retirees)



EXPECTATION OF LIFE Disabled Retirees RP-2000 Combined Healthy Morality Table (x+2)				
Age	Tier I Duty	Tier I Non-Duty	Tier II Duty	Tier II Non-Duty
20	0.02	0.00	0.14	0.00
25	0.14	0.01	0.29	0.01
30	0.26	0.01	0.50	0.01
35	0.39	0.03	0.72	0.03
40	0.60	0.12	0.98	0.12
45	0.88	0.25	1.22	0.25
50	2.80	0.20	1.48	0.20
55	8.20	0.00	1.78	0.00
60	0.00	0.00	0.00	0.00

COMPLIANCE SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

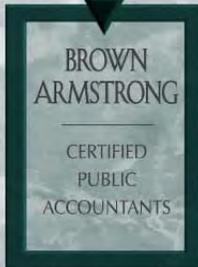
Compliance

CITY OF FRESNO FIRE AND POLICE RETIREMENT SYSTEM

**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 Governmental Standards**

INDEPENDENT AUDITOR'S CONTROL LETTER

For the Years June 30, 2015 and 2014



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PASADENA, CA 91101
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FAX 626.204.6547

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SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

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

BROWN ARMSTRONG

Certified Public Accountants

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 Fire and Police Retirement System
Fresno, California

We have audited, in accordance with the 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, the Statement of Fiduciary Net Position of the City of Fresno Fire and Police Retirement System (the System), as of and for the years ended June 30, 2015 and 2014, and the Statement of Changes in Fiduciary Net Position for the years then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S CONTROL LETTER

For the Years June 30, 2015 and 2014

Compliance and Other Matters

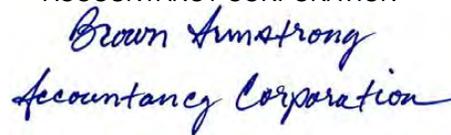
As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

We noted a matter that we have reported to the management of the System in a separate letter dated December 23, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation".

Bakersfield, California
December 23, 2015