

Popular Annual Financial Report

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

CITY OF FRESNO EMPLOYEES RETIREMENT SYSTEM

A MESSAGE TO MEMBERS

This Popular Annual Financial Report (PAFR) summarizes the information contained in the Comprehensive Annual Financial Report (CAFR) that provides financial information on the City of Fresno Employees Retirement System's (the System) activities. This PAFR is presented in conformity with generally accepted accounting principles (GAAP). The more detailed CAFR is available on the System's website at www.cfrs-ca.org or by clicking [here](#).

RETIREMENT BOARD

Phillip Hardcastle, Chair

TJ Miller, Vice Chair

Marvell French

David Cain

Jane Sumpter

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**City of Fresno
Employees Retirement System
California**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

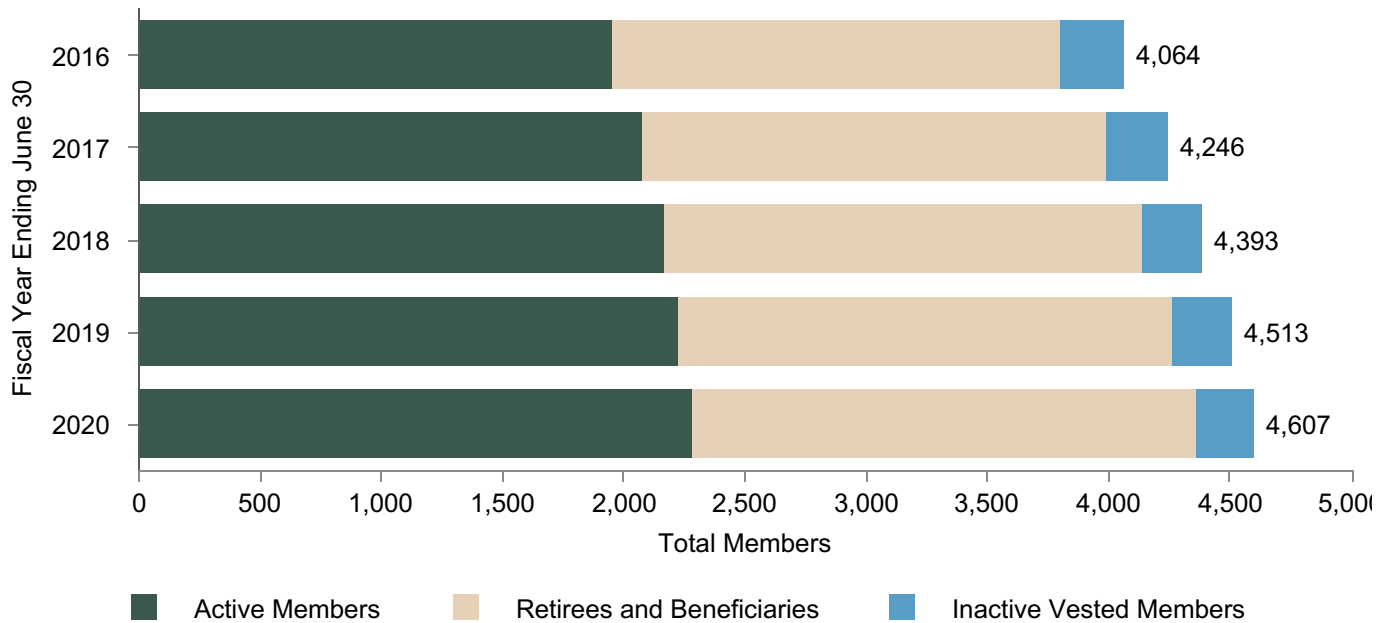
Executive Director/CEO

Membership and Funded Status

Membership Highlights

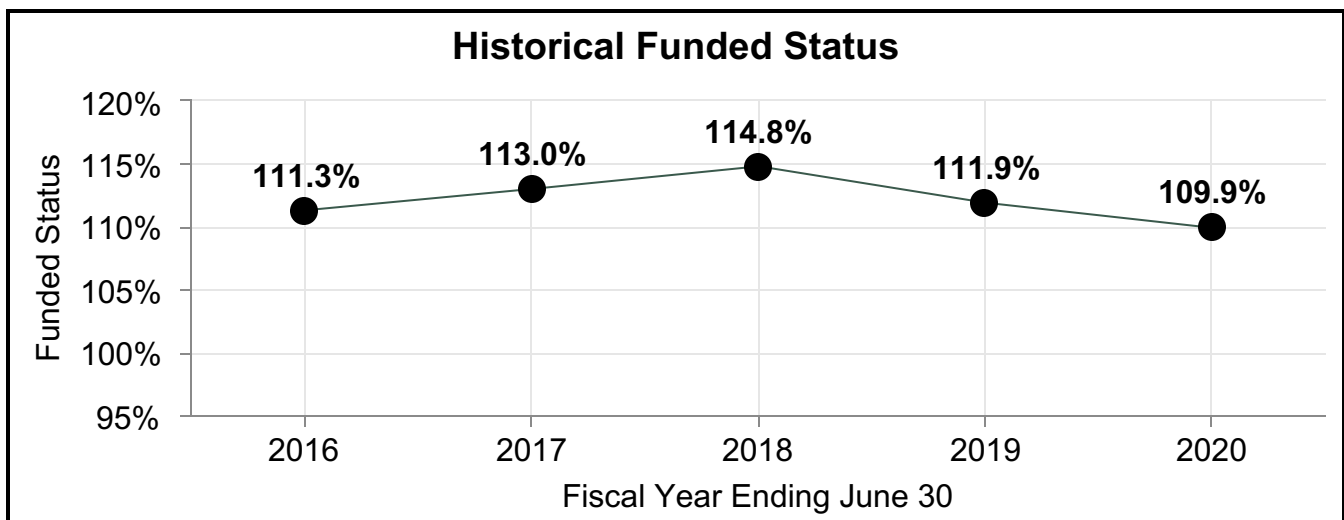
Total overall membership in the System increased by 2.08% to 4,607. The total number of active members increased by 2.55% to 2,288. Retired membership increased 2.01% to 2,076. Inactive Vested membership decreased 1.62% to 243.

Membership History

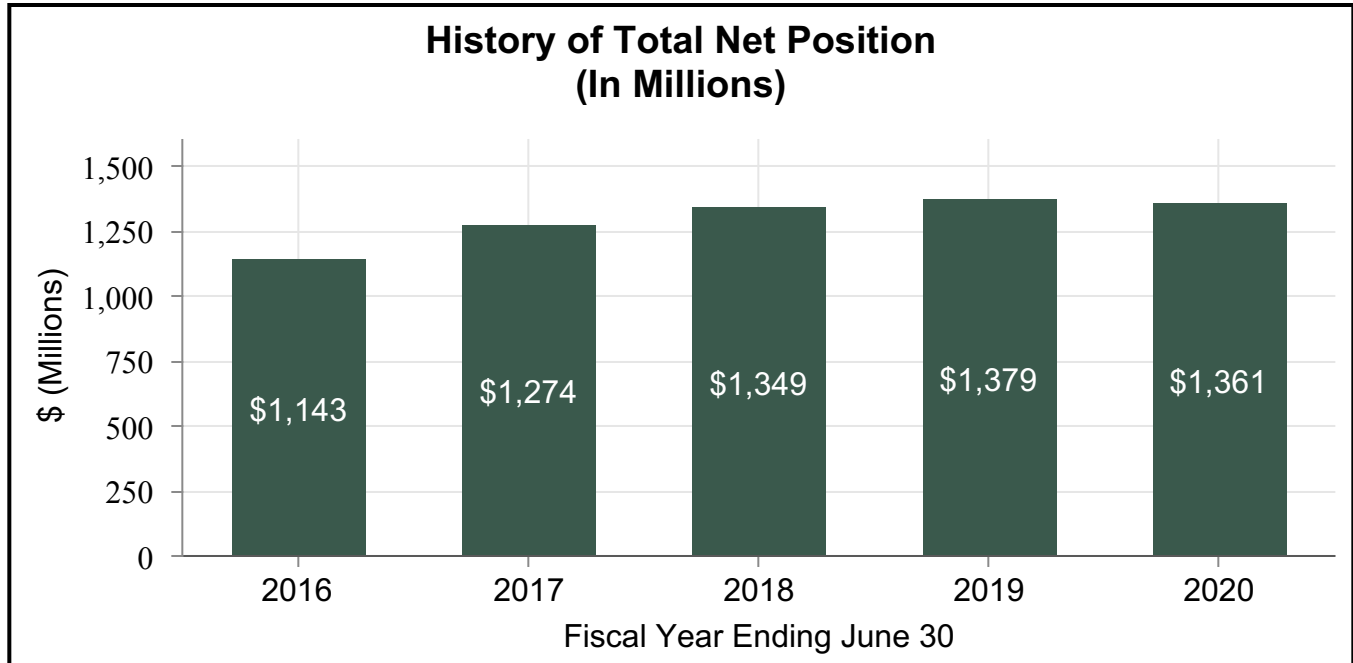


Funded Status

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2020, the date of the last actuarial valuation, the funded ratio for the System was 109.9 percent reflecting that the System has a valuation value of assets which is in excess of the actuarial accrued liability. In general, this indicates that for every dollar of benefits due, we have approximately \$1.10 of assets available for payment as of that date. As of June 30, 2019, the date of the previous annual actuarial valuation, the funded ratio for the System was 111.9 percent; and as of June 30, 2018, the funded ratio for the System was 114.8 percent.



Total Net Position



At June 30, 2020, the City of Fresno Employees Retirement System had total assets of \$1.421 billion, less total liabilities of \$60 million, for a total net position restricted for pension benefits of \$1.361 billion compared to \$1.379 billion at June 30, 2019. “Net Position Restricted for Pension Benefits” represents funds available to pay benefits. It is a point in time or a snapshot of account balances as of the fiscal year-end (i.e., June 30). It indicates the assets available for future payments to retirees and any current liabilities. 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.

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Current and Other Assets	\$ 136,629,493	\$ 106,641,832	\$ 91,723,622	\$ 123,581,049	\$ 61,314,319
Investments at Fair Value	1,171,535,518	1,275,434,469	1,346,977,080	1,351,121,470	1,359,346,092
Total Assets	\$1,308,165,011	\$1,382,076,301	\$1,438,700,702	\$1,474,702,519	\$1,420,660,411
Total Liabilities	164,865,992	107,954,565	90,010,069	95,287,389	59,823,508
Net Position Restricted for Pension Benefits	\$1,143,299,019	\$1,274,121,736	\$1,348,690,633	\$1,379,415,130	\$1,360,836,903

Fund Revenues

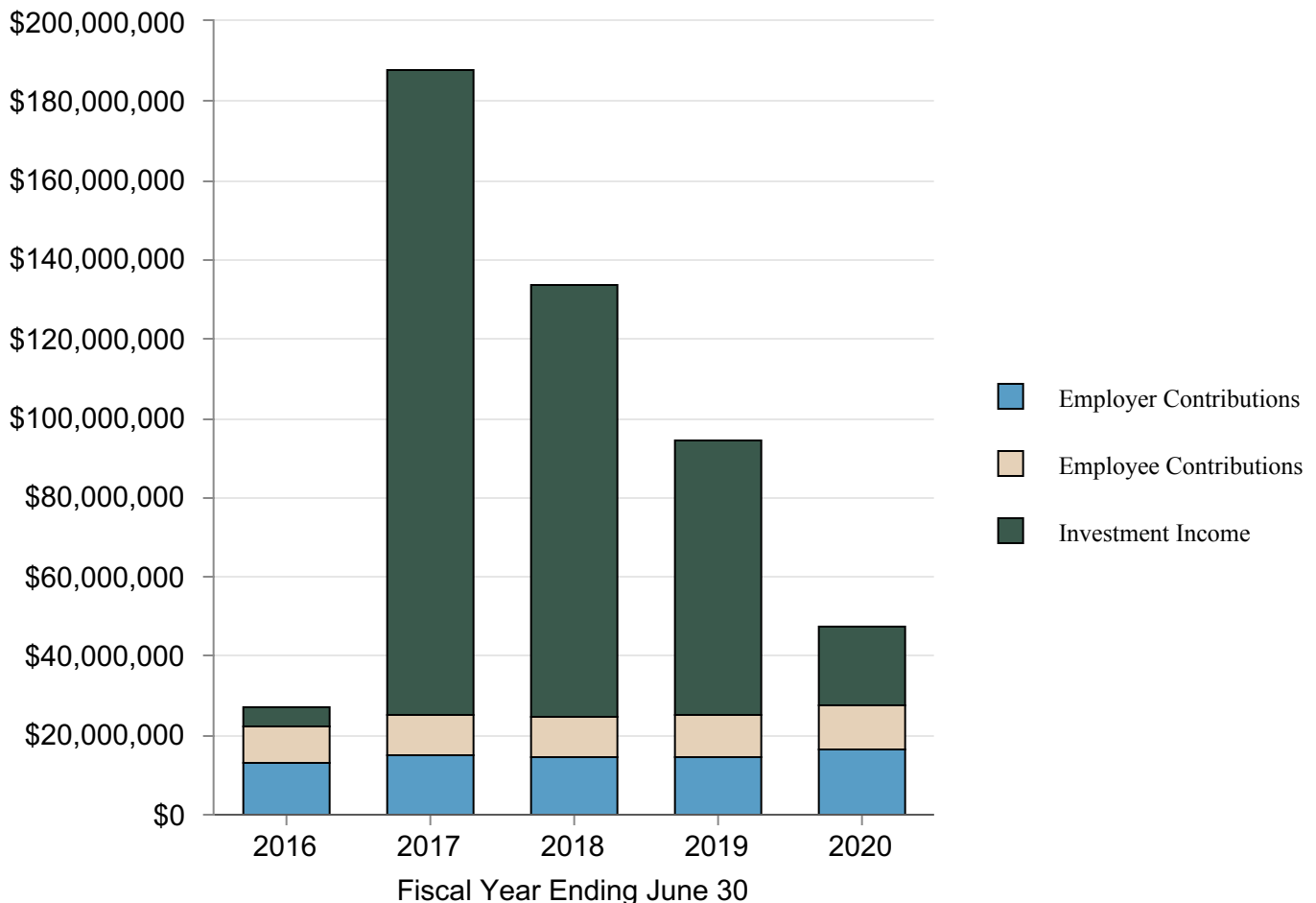
Fund revenues for the fiscal year 2020 decreased \$46,841,771 or 49.55 percent over the prior year from \$94,531,940 to \$47,690,169, which includes employee contributions of \$11,027,519, employer contributions of \$16,553,928, a net investment income gain of \$19,790,696 and net securities lending income of \$318,026.

The current year decrease in fund revenues is primarily due to lower than anticipated performance in the global investment markets.

Schedule and Graph of Fund Revenues By Source

For Fiscal Years Ended June 30, 2016 to 2020

	2016	2017	2018	2019	2020
Employer Contributions	\$ 13,060,088	\$ 15,205,360	\$ 14,608,659	\$ 14,627,425	\$ 16,553,928
Employee Contributions	9,098,286	10,180,589	10,329,475	10,515,533	11,027,519
Investment Income	5,089,099	162,376,205	108,915,466	69,388,982	20,108,722
TOTAL	\$ 27,247,473	\$ 187,762,154	\$ 133,853,600	\$ 94,531,940	\$ 47,690,169



Fund Expenses

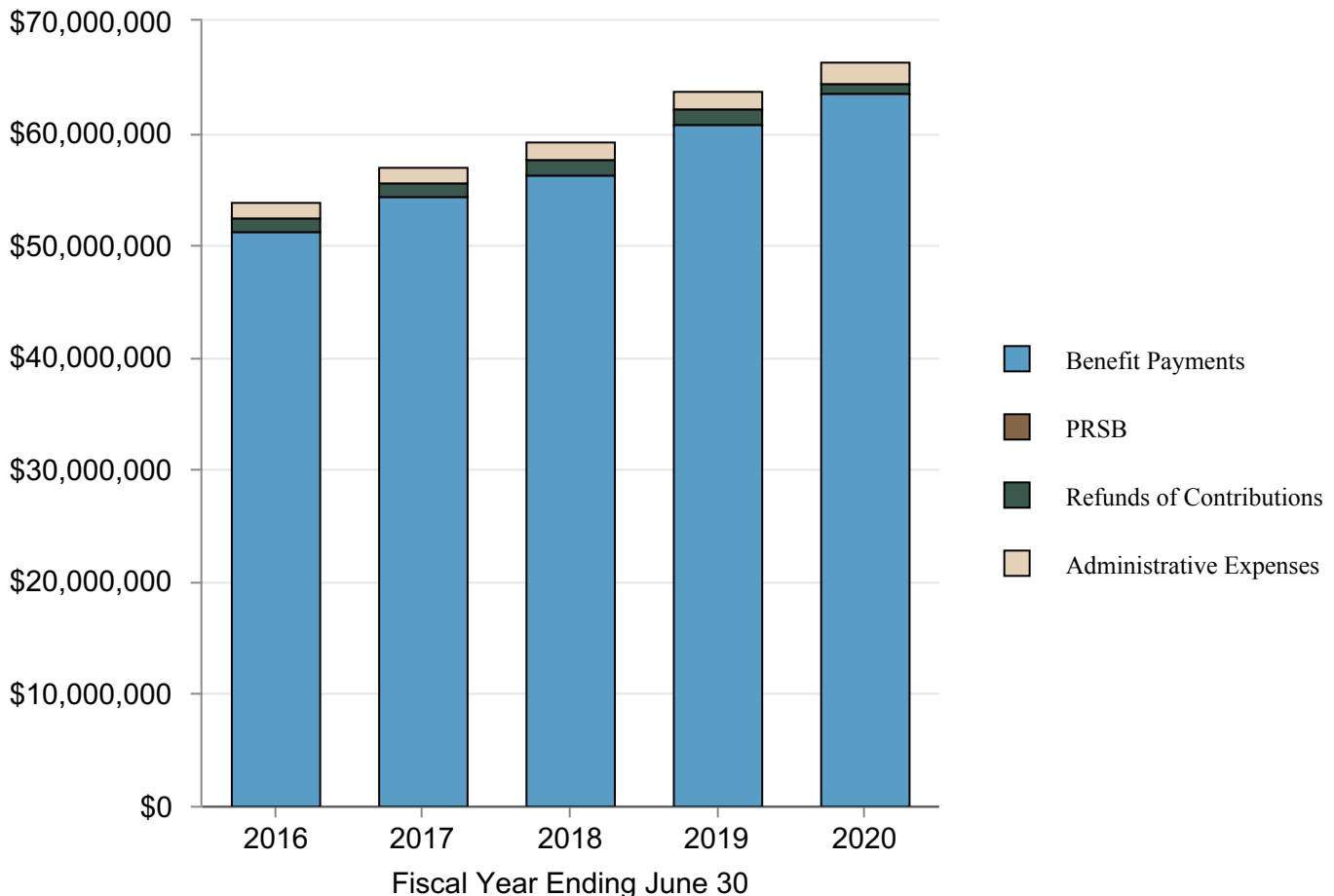
Fund Expenses for the fiscal year 2020 increased \$2,460,953 or 3.86 percent over the prior fiscal year from \$63,807,443 to \$66,268,396, which includes benefit payments of \$63,591,967, refunds of contributions of \$927,501 and administrative expenses of \$1,748,928.

The current year increase in expenses is due primarily to the increases in retirees and the respective retirement benefits paid in 2020 even though there were no Post Retirement Supplemental Benefits (PRSB) paid during calendar year 2020.

Schedule and Graph of Fund Expenditures By Type

For Fiscal Years Ended June 30, 2016 to 2020

	2016	2017	2018	2019	2020
Benefit Payments	\$ 51,198,523	\$ 54,350,851	\$ 56,241,911	\$ 60,814,434	\$ 63,591,967
PRSB	—	—	—	—	—
Refunds of Contributions	1,330,298	1,199,054	1,424,025	1,329,651	927,501
Administrative Expenses	1,346,189	1,389,532	1,618,767	1,663,358	1,748,928
TOTAL	\$ 53,875,010	\$ 56,939,437	\$ 59,284,703	\$ 63,807,443	\$ 66,268,396



Investment Results, Actual and Target Allocations

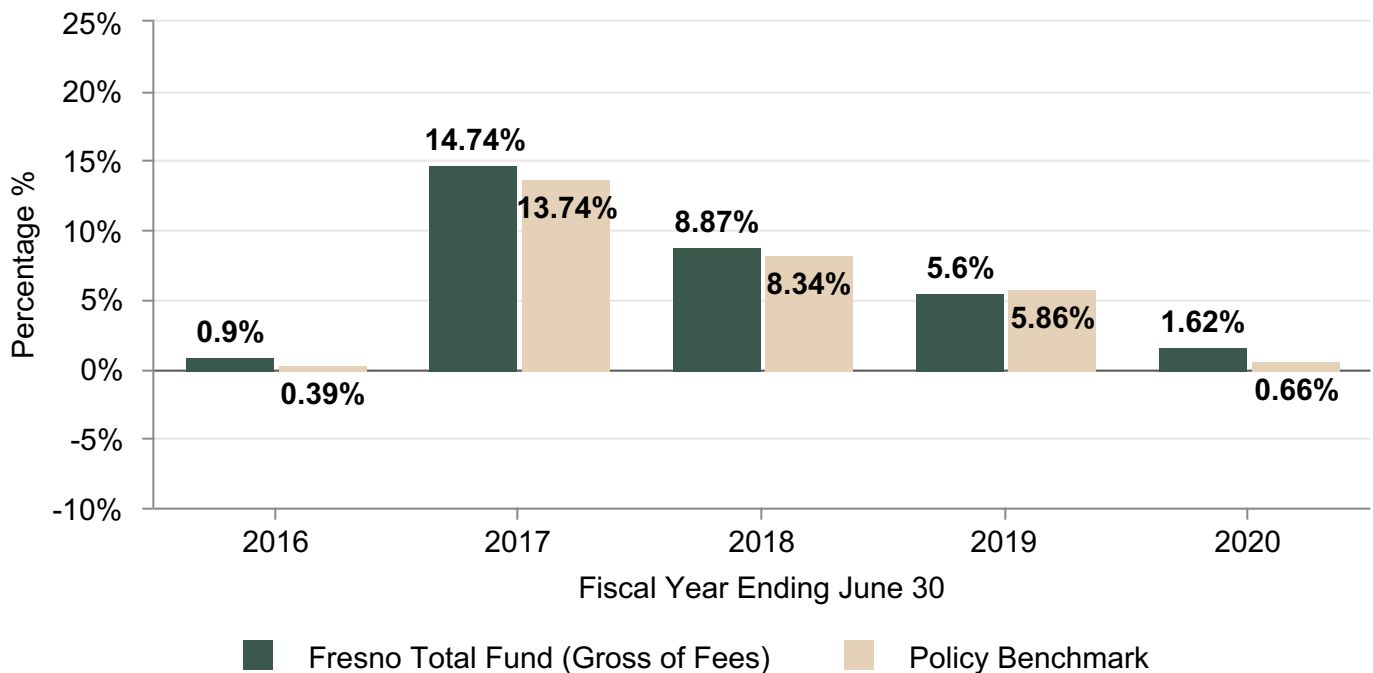
The System generated a total investment gain of 1.62 percent, gross of fees, as reported by the System's custodian, Northern Trust, for the fiscal year ended June 30, 2020. The fiscal year return was 5.38 percent less than the System's actuarial interest rate assumption of 7.00 percent, while outperforming its policy-weighted benchmark of 0.66 percent by 0.96 percent, and also outperforming its actual weighted benchmark of 0.09 percent by 1.53 percent. The System's ten-year annualized returns averaged 8.76 percent, outperforming its policy benchmarks return of 8.26 percent for the period by 0.50 percent.

The System remains highly funded and well positioned to serve our members and retirees. As illustrated by the System's 10, 15 and 25-year long-term gross of fees returns of 8.76 percent, 6.66 percent and 7.96 percent, respectively, as of June 30, 2020, the System has the ability to achieve its long-term objectives over extended periods. After paying all benefits and expenses of the System, the year-end value of the System reached \$1.361 billion.

Highlighted below is the Investment Performance of the System's Investment Portfolio gross of fees provided by its custodian for Fiscal Year 2020:

	FY 2020
Domestic Equity	4.81%
International Equity	2.27%
Fixed Income	5.57%
Real Estate	(0.75)%
Alternatives	(8.11)%
Total Fund	1.62%

City of Fresno Retirement Systems Fiscal Year Total Fund and Policy Benchmark Returns



Investment Results, Actual and Target Allocations Continued

Target and Actual Asset Allocation As of June 30, 2020

Asset Class	FY 2020	Allocation Range
Domestic Equities		
Large-Cap	22.7%	10.0% - 26.0%
Small-Cap	7.5%	2.0% - 12.0%
International Equities		
Developed Markets	18.0%	14.0% - 24.0%
Emerging Markets	9.9%	3.0% - 9.0%
Fixed Income		
Core Fixed Income	10.5%	7.0% - 15.0%
High Yield Bonds	5.3%	4.0% - 12.0%
Real Estate		
Core Real Estate	6.1%	7.0% - 15.0%
Value Add Real Estate/REITs	3.6%	2.0% - 6.0%
Alternatives		
Infrastructure	4.2%	2.0% - 6.0%
Midstream Energy (MLP's)	4.2%	2.0% - 8.0%
Private Equity	1.0%	0.0% - 10.0%
Private Debt	7.0%	4.0% - 12.0%
Short-Term Investments	0.0%	0.0%
	100%	

Actual Asset Allocation As of June 30, 2020

