City of Fresno Fire and Police Retirement System
A Pension Trust Fund of the City of Fresno
Fresno, California

Comprehensive Annual Financial Report

For the Years Ended June 30, 2011 and 2010

1
Introduction

The Fire and Police Retirement System was established on June 1, 1955 and is governed by Articles 3 and 4 of Chapter 3 of the City of Fresno Municipal Code.

2
Financial

Investments will be managed to balance the need for security with superior performance. We expect excellence in all activities.

3
Investment

To Achieve and Maintain Top Quartile Investment Performance as Measured by the Public Fund Universe.

City of Fresno Fire and Police Retirement System

Comprehensive Annual Financial Report

For the Years ended June 30, 2011 and 2010

Stanley L. McDivitt
Retirement Administrator

Kathleen Riley-Brown
Assistant Retirement Administrator

Yvonne Arellano
Benefits Manager

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

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Section 1 Introduction

To provide System Members and the Employer with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.

CITY OF FRESNO FIRE AND POLICE RETIREMENT SYSTEM
2828 Fresno Street Suite 201 Fresno California 93721 (559) 621-7080 FAX (559) 621-7081 www.CFRS-CA.org

Stanley L. McDivitt
Retirement Administrator

Letter of Transmittal

November 28, 2011

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, 2011 and 2010.

2010 marked the first full year of recovery from the Great Recession in the United States. Yet despite the fact that the economy has experienced some positive economic growth, there seems to be little to celebrate. Unemployment hovers at an unacceptable level and euphoria sparked by an occasional positive economic report is invariably squashed by bad news a few days later. In fact, the only constant through 2010 and continuing in the first half of 2011 was a very high uncertainty in the global markets. Decision-making becomes challenging when warnings of impending high inflation are mixed with reports showing borderline deflation, and when exchange rates remain hostage to a tug of war between quantitative easing on one side of the Atlantic and a sovereign debt crisis on the other.

Despite these overwhelming challenges of the global economy, the City of Fresno Fire and Police Retirement System is well funded at or near a fully funded status on a market value 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 that may be filled with uncertainties in the global economic and financial markets. 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 2011, the System's returns were favorable when compared to other institutional investors. The System's one-year return was 24.26 percent and 1.44 percent above its policy benchmark return of 22.82 percent; outperforming its actuarial interest rate assumption of 8.00 percent by 16.26 percent. The five-year annualized return of 4.70 percent was positive but slightly underperformed its actuarial interest rate assumption of 8.00 percent by 3.30 percent and its policy benchmark return of 5.12 percent by 0.42 percent. The System's fifteen-year annualized return at 7.74 percent exceeded its policy benchmarks for that period by 0.24 percent but underperformed the actuarial interest rate assumption by 0.26 percent for the same period.

The Fire and Police System remains highly funded and well positioned to serve our members and retirees. The System's 15 year, 20 year and 25 year long-term returns of 7.74 percent, 9.06 percent and 8.86 percent, respectively, as of June 30, 2011, illustrate the Systems' 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, 2011 and 2010, 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 System's finances, please refer to the Management's Discussion and Analysis letter in the Financial Section of this report. The CAFR consists of six sections:

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

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

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

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

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

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

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

THE 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 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. The System provides lifetime retirement, disability, and death benefits to its safety members. The Retirement Board is also responsible for the prudent investment of member and employer contributions, and defraying reasonable expenses of administration.

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 Fresno Municipal Code and the California Pension Protection Act of 1992. Article XVI, Section 17(b) of the Constitution of the State of California provides that the "members of the Retirement Board of a public retirement system shall discharge their duties...solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the System. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty." Section 17(a) further provides that the Board has..."the sole and exclusive responsibility to administer the System in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries."

The Retirement Board has five (5) members, two (2) management employees who are appointed by the Mayor and confirmed by the City Council, one (1) employee who is elected by the 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 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

As responsible stewards of the public's money and trust, the Mayor of the City of Fresno established a Task Force Committee, during the prior fiscal year, to identify best practices and any needed reforms for the City's Retirement Systems. Staff provided ongoing support to the Mayor's Pension Task Force, established in March 2010, to assess the financial health and structure of our retirement systems and to determine if any modifications or corrective actions were needed. Over the past year, the Task Force conducted open meetings which covered an in-depth review of the history of the City of Fresno Retirement Systems, including detailed financial and actuarial analysis of the Systems; an analysis of the Systems' investment objectives and returns, including pension best practices analysis; a review of the most recent Surplus Projection Reports as of June 30, 2010 from the Retirement Boards; a comparative analysis of the other 83 California defined benefit public pension systems; a review of other types of pension systems, the State of California's Little Hoover Commission Report on Publicsh Pensions for Retirement Security and finally a review of Governor Brown's proposed twelve point pension reform plan. The overriding determination of the Task Force is that the City retirement systems are fully funded and

across the nation, Fresno ranks as one of the best run, healthiest retirement systems.
Last year, the Boards retained the services of the law firm of Ice Miller to assist them in reviewing the Fire & Police Retirement System from the perspective of tax compliance and in deciding whether it is appropriate to apply for a determination letter and to submit the plans into the IRS's voluntary compliance program. Ice Miller completed its review of our two Retirement Plans and the Retirement Boards reviewed and approved Ice Miller's proposed tax compliance amendments for both Retirement Systems. The proposed amendments enhance compliance with Internal Revenue Code provisions which were incorporated into two ordinances which were submitted to the City Council for approval. The Board has filed with the Internal Revenue Service for a tax determination letter and the plan was submitted into the IRS's voluntary compliance program (VCP).

During the fiscal year, staff initiated a request for proposals for pension administration system consulting services to assist in the development of the Request for Proposal (RFP) bid document for IT systems needed by the Retirement Systems.

The Boards' approved retention of an IT Consultant, L.R. Wechsler, Ltd. to provide consulting services to differentiate and identify, through knowledgeable business analysis and comparison of Vendor proposals, appropriate, cost-effective quality proposals for the Retirement Systems' new pension administration system. The RFP bid document was finalized recently and the Boards anticipate issuance in September 2011.

The Boards, with the assistance of its actuary and staff, completed the annual actuarial valuations for June 30, 2010 which incorporated changes in certain Economic Actuarial Assumptions reviewed and adopted for the prior fiscal year period. The Actuaries have also completed a Surplus Projection Report and DROP Cost Neutrality Study for both Systems which were reviewed by the Administrative Committee and Boards in May.

PROFESSIONAL SERVICES

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

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fresno Fire and Police Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2010. 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 thirteen years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACTUARIAL FUNDING STATUS

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

As of June 30, 2010, the funded ratio of the Fire and Police Retirement System was 110.8 percent. The funded ratio was determined by using the actuarial value of the assets in accordance with Governmental Accounting Standards Board Statement No. 25. The actuarial accrued liability of the System at June 30, 2010 amounted to $919,285,576. The actuarial value of assets at June 30, 2010 amounted to $1,116,848,310 and the valuation value of assets amounted to $1,018,605,310. The market value of the assets at June 30, 2010 amounted to $918,646,126.

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.

ACCOUNTING SYSTEM & REPORTS

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

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

This report has been prepared in accordance with Generally Accepted Accounting Principles 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.

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

For the fiscal years ended June 30, 2011 and June 30, 2010, the System's investments provided a 24.26 percent and 14.80 percent 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 Arellano, Alberto Magallanes, Karen Rolle, Pattie Laygo, Andrea Ketch, Patricia Basquez, Phillip Carbajal, Lori Salvador, Donna Gaab, and to the Boards' consultants, for their assistance in the preparation of this report and for their ongoing commitment to serve the Board and the members of the System. I also would like to thank the Board members for their support in accomplishing the many tasks and goals over the past year.

Respectfully Submitted,

Stanley L. McDivitt
Retirement Administrator

November 28, 2011

PAUL CLIBY
CHAIR
Elected by Fire Members

OSCAR WILLIAMS
VICE CHAIR
Appointed by
Retirement Board

DAVID NEWTON
Elected by Police Members

JERRY DYER
Appointed by
Mayor and City Council

JOEL ARANAZ
Appointed by
Mayor and City Council

Retirement Administrative Staff

FRONT ROW (left to right)

Lori Salvador, retirement counselor; Andrea Ketch, retirement counselor; Pattie Laygo, executive assistant; Yvonne Arellano, retirement benefits manager; Karen Rolle, accountant-auditor

BACK ROW (left to right)

Donna Gaab, retirement counselor; Phillip Carbajal, retirement counselor; Patti Basquez, retirement counselor; Alberto Magallanes, senior accountant auditor; Kathleen Riley-Brown, assistant retirement administrator; Stanley McDivitt, retirement administrator

ADMINISTRATION

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

MEMBER SERVICES

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

INVESTMENT COMPLIANCE AND FINANCIAL REPORTING

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

EXECUTIVE ASSISTANT

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

Organizational Structure

RETIREMENT BOARD

Retirement Administrator
Stanley L. McDivitt

AUDITORS

PORTFOLIO MANAGERS

CUSTODIAL BANK

LEGAL COUNSEL

ACTUARY

INVESTMENT CONSULTANT

MEDICAL ADVISOR

Executive Assistant
Pattie Laygo

Member Services
Yvonne Arellano

Investment Compliance
And Financial Reporting
Kathleen Riley Brown

Professional Services Consultants

Custodial Bank
NORTHERN TRUST
Chicago, Illinois

General Legal Advisor
SALTZMAN AND JOHNSON LAW CORPORATION
San Francisco, California

Tax Counsel
ICE MILLER, LLP
Indianapolis, Indiana

Investment Legal Advisor
FOLEY & LARDNER, LLP
Boston, Massachusetts

Investment Consultant
WILSHIRE ASSOCIATES INC.
Santa Monica, California

Information Technology
L.R. WECHSLER, LTD.
Fairfax, Virginia

Actuary
THE SEGAL COMPANY
San Francisco, California

Medical Advisor
BENCHMARK MEDICAL CONSULTANTS
Sacramento, California

Independent Auditor
BROWN ARMSTRONG ACCOUNTANCY CORPORATION
Bakersfield, California

Investment Portfolio Managers

DOMESTIC EQUITY

Large Cap
BlackRock, San Francisco, CA
JP Morgan Asset Management, New York, NY

Small Cap
Eagle Asset Management, St. Petersburg, FL
Kennedy Capital Mgt. Inc., St. Louis, MO
TCW Asset Management, Los Angeles, CA

INTERNATIONAL & EMERGING MARKETS

International
Baillie Gifford & Co., Edinburgh, Scotland
BlackRock, San Francisco, CA
Principal Global Investors, DesMoines, IA
Pyramis Global Advisors Trust Co., Boston, MA

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

Fixed Income
Dodge & Cox, San Francisco, CA
Prudential Investment Mgt, Inc., Newark, NJ

High Yield
Loomis Sayles, Boston, MA

REAL ESTATE

Private Real Estate Investments
JP Morgan Fleming Asset Mgt, New York, NY

Real Estate Investment Trust (REIT)
Heitman, LLC., Chicago, IL
Principal Real Estate Investors, Des Moines, IA

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fresno Fire and Police Retirement System California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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

President

Executive Director

Also awarded 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010

Section 2 Financial

Investments will be managed to balance the need for security with superior performance.

We expect excellence in all activities.

Independent Auditor's Report

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Statements of Plan Net Assets Available for Benefits of the City of Fresno Fire and Police Retirement System as of June 30, 2011 and 2010, and the related Statements of Changes in Plan Net Assets Available for Benefits for the years then ended. These financial statements are the responsibility of the management of the City of Fresno Fire and Police Retirement System. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan Net Assets Available for Benefits of the City of Fresno Fire and Police Retirement System, as of June 30, 2011 and 2010, and the Changes in Plan Net Assets Available for Benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in 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 financial statements, and other knowledge we obtained during our audits of the 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.

Independent Auditor's Report Continued

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the City of Fresno Fire and Police Retirement 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
November 28, 2011

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 for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal beginning on page iii of this report.

FINANCIAL HIGHLIGHTS

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

At the close of the fiscal year 2011, the assets of the System exceed its liabilities by $1,109,211,576; as of fiscal year 2010, the assets of the System exceeded its liabilities by $918,646,126; and as of fiscal year 2009, the assets of the System exceeded its liabilities by $832,727,773.

The System's total net assets held in trust for pension benefits increased by $190,565,450 or 20.74 percent as of fiscal year 2011; for the prior fiscal year total net assets increased by $85,918,353 or 10.32 percent, and for fiscal year 2009 the total net assets decreased by $255,326,650 or 23.47 percent over the previous year, 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, 2010, the date of the last actuarial valuation, the funded ratio for the System was 110.8 percent. In general, this indicates that for every dollar of benefits due we have approximately $1.11 of assets available for payment as of that date.

As of the June 30, 2009, the date of the previous annual actuarial valuation, the funded ratio for the System was 119.6 percent; and as of June 30, 2008, the funded ratio for the System was 128.5 percent.

REVENUES ARE ADDITIONS TO PLAN NET ASSETS

Revenues for the fiscal year 2011 increased $105,228,038 or 76.55 percent over the prior year from $137,467,192 to $242,695,230 which includes member contributions of $7,304,036, employer contributions of $19,397,178, a net investment income gain of $215,445,496 and net securities lending income of $548,520.

Prior fiscal year 2010 revenues increased $344,478,921 or 166.41 percent over the previous fiscal year 2009 from ($207,011,729) to $137,467,192 which includes member contributions of $7,354,890, employer contributions of $12,094,355, a net investment income gain of $117,579,634 and net securities lending income of $438,313.

For fiscal year 2009 revenues decreased $146,208,546 or 240.46 percent from ($60,803,183) to ($207,011,729) which included member contributions of $7,172,358, employer contributions of $8,938,488, a net investment income loss of $224,035,998 and net securities lending income of $913,423.

EXPENSES ARE DEDUCTIONS IN PLAN NET ASSETS

Expenses for the fiscal year 2011 increased $580,941 or 1.13 percent over the prior fiscal year from $51,548,839 to $52,129,780.

Prior fiscal year 2010 expenses increased $3,233,918 or 6.69 percent over the fiscal year 2009 from $48,314,921 to $51,548,839.

Fiscal year 2009 expenses increased $3,774,197 or approximately 8.47 percent from $44,540,727 to $48,314,921 over fiscal year 2008 expenses.

The current year increase in expenses is due primarily to the increase in retirees paid over the prior year and an increase in the amount of contributions refunded to terminated members.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The System's funding ratio at June 30, 2010, was 110.8 percent, which means the System's fund has approximately $1.11 available for each $1.00 of liability. The Statement of Plan Net Assets Available for Benefits and the Statement of Changes in Plan Net Assets Available for Benefits reports information about the System's activities.

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

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

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

OTHER INFORMATION

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

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

FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indication of the System's financial position. The assets of the System exceeded its liabilities at the close of the fiscal year 2011 by $1,109,211,576. All of the net assets are available to meet the System's ongoing obligations to plan participants and their beneficiaries.

The fund's combined net assets held in trust for pension benefits have generally increased each fiscal year since 1995 with the exception of losses incurred in fiscal years 2001, 2002, 2008 and 2009. In fiscal years 2011 and 2010, net assets increased by 20.74 percent and 10.32 percent due to rebounds in global investment markets; while in 2009 and 2008, net assets decreased by 23.47 percent and 8.83 percent due to declines in the global investment markets.

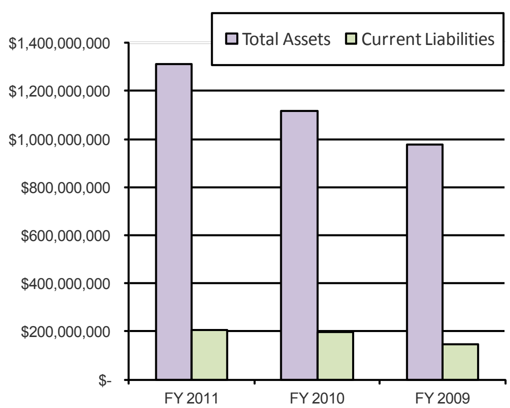
The System averaged an annualized investment return of 6.11 percent over the past ten years. This means that the ten year average annualized return has underperformed the actuarial assumption of 8.00 percent by 1.89 percent, and it has only slightly underperformedthe weighted policy benchmark return of 6.28 percent for that same period by 0.17 percent. 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 8.00 percent 8.25 percent. As of June 30, 2011, the System's 25-year annualized return is 8.86 percent and its 20-year annualized return is 9.06 percent.

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

TABLE 1 – FIRE AND POLICE RETIREMENT SYSTEM NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011, 2010, AND 2009

	FY 2011	FY 2010	FY 2011 Increase/(Decrease) Amount	FY 2011 Increase/(Decrease) Percent
Current and Other Assets	$194,239,183	$186,675,201	$7,563,982	4.05%
Investments at Fair Value	1,118,946,526	930,284,313	188,662,213	20.28%
Total Assets	$1,313,185,709	$1,116,959,514	$196,226,195	17.57%
Current Liabilities	203,974,133	198,313,388	5,660,745	2.85%
Net Assets	$1,109,211,576	$918,646,126	$190,565,450	20.74%

	FY 2010	FY 2009	FY 2010 Increase/(Decrease) Amount	FY 2010 Increase/(Decrease) Percent
Current and Other Assets	$186,675,201	$141,530,694	$45,144,507	31.90%
Investments at Fair Value	930,284,313	836,594,357	93,689,956	11.20%
Total Assets	$1,116,959,514	$978,125,051	$138,834,463	14.19%
Current Liabilities	198,313,388	145,397,278	52,916,110	36.39%
Net Assets	$918,646,126	$832,727,773	$85,918,353	10.32%



RESERVES

Reserves are not required, nor recognized under GAAP. The reserves are not shown separately on the Statement of Plan Net Assets, but they equate to and are accounts within the net assets held in trust for plan 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 4 – Net Assets Available for 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 retired members. 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 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 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 Benefits. The City Surplus Reserve Account accrues interest at the average gross rate of return earned by the System's entire 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.

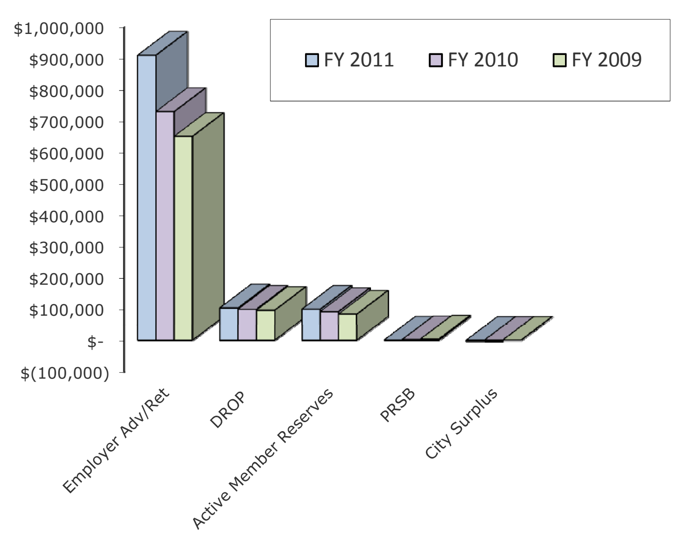
Table 2 shows that the vast majority of reserves are generated from Employer Advance and Retired reserves. DROP reserves represent funds credited for participants who elected to participate in the Deferred Retirement Option Program. PRSB Reserve presents that portion of distributable actuarial surplus that have 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 for fiscal years 2011, 2010 and 2009 were negative because of higher than expected payroll growth, and the actual sum of the allocated distributable actuarial surpluses and the balance in the prepaid contribution account were insufficient to fully satisfy the City's annual pension contribution requirement for fiscal year 2009; and for fiscal year 2011 and 2010 there was a shortfall in the projection of the City's contribution requirement coupled with the addition of negative interest allocations. The City's normal contribution rate for fiscal year 2012 includes funding of the deficit City Surplus Reserve balance.

TABLE 2 – FIRE AND POLICE RETIREMENT SYSTEM RESERVES

FOR THE YEARS ENDED JUNE 30, 2011, 2010 AND 2009 (IN THOUSANDS)

	FY 2011	FY 2010	FY 2009
Employer Advance/Retired Reserves	$ 909,591	$ 728,989	$ 650,873
DROP Reserves	103,184	99,664	95,577
Active Member Reserves	99,261	91,414	83,324
PRSB Reserves	269	2,022	3,572
City Surplus Reserves	(3,093)	(3,443)	(618)
Net Assets Held in Trust for Benefits	$ 1,109,212	$ 918,646	$ 832,728



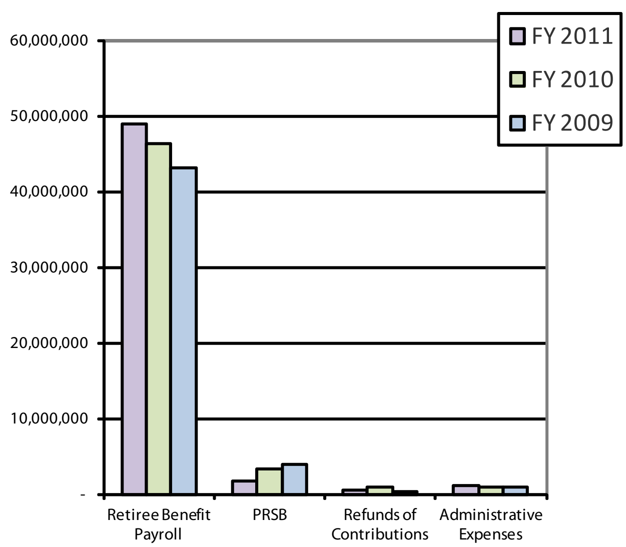
CAPITAL ASSETS

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

SYSTEM'S ACTIVITIES

The System's net assets increased $190,565,450 for the fiscal year resulting in a 20.74 percent increase in net assets for the fiscal year ended June 30, 2011, primarily attributable to the global economic recovery from the Great Recession and a further rebound in performance of the global investment markets. Additionally, due to the global investment markets, which began their positive corrections in fiscal year 2010, the System's assets increased $85,918,353 resulting in a 10.32 percent increase in net assets for the fiscal year ended June 30, 2010; and for fiscal year ended June 30, 2009, the System's assets decreased $255,326,650 resulting in a 23.47 percent decrease in net assets due to the downturn in global financial markets.

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



REVENUES – ADDITIONS TO SYSTEM'S NET ASSETS

The reserves needed to finance retirement benefits are normally accumulated through the collection of employer and employee contributions and through earnings on investment income [net of investment expense]. Revenues for the fiscal year ended June 30, 2011 totaled $242,695,230.

For the fiscal year ended June 30, 2011, overall revenues had increased by $105,228,038 or 76.55 percent from the prior year, primarily due to performance of the investment markets; for fiscal year ended June 30, 2010, overall revenues increased by $344,478,921 or 166.41%; and for fiscal year ended June 30, 2009, overall revenues decreased by $146,208,546 or 240.46 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, 2011.

EXPENSES – DEDUCTIONS FROM SYSTEM'S NET ASSETS

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

Deductions for the fiscal year ended June 30, 2011, totaled $52,129,780 which was an increase of $580,941, or 1.13 percent over the prior fiscal year. The increase in benefits paid resulted primarily from an increase in the number of new retirees receiving benefits, and an increase in the average benefit.

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 PLAN NET ASSETS (CONDENSED)

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	FY 2011	FY 2010	FY 2011 Increase/(Decrease) Amount	FY 2011 Increase/(Decrease) Percent
Additions (Declines)				
Employer Contributions	$19,397,178	$12,094,355	$7,302,823	60.38%
Employee Contributions	7,304,036	7,354,890	(50,854)	(0.69%)
Net Investment Income *	215,994,016	118,017,947	97,976,069	83.02%
Total Additions (Declines)	$242,695,230	$137,467,192	$105,228,038	76.55%
Deductions				
Retiree Benefit Payroll	$48,894,173	$46,327,487	$2,566,686	5.54%
PRSB	1,662,077	3,311,087	(1,649,010)	(49.80%)
Refunds of Contributions	493,579	917,610	(424,031)	(46.21%)
Administrative Expenses	1,079,951	992,655	87,296	8.79%
Total Deductions	$52,129,780	$51,548,839	$580,941	1.13%
Increase (Decrease) in Plan Net Assets	190,565,450	85,918,353	104,647,097	121.80%
Beginning Plan Net Assets	918,646,126	832,727,773	85,918,353	10.32%
Ending Plan Net Assets	$1,109,211,576	$918,646,126	$190,565,450	20.74%

* Net of investment expense of $5,634,362 and $5,365,352 for June 30, 2011 and 2010, respectively.

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	FY 2010	FY 2009	FY 2010 Increase/(Decrease) Amount	FY 2010 Increase/(Decrease) Percent
Additions (Declines)				
Employer Contributions	$12,094,355	$8,938,488	$3,155,867	35.31%
Employee Contributions	7,354,890	7,172,358	182,532	2.54%
Net Investment Income *	118,017,947	(223,122,575)	341,140,522	152.89%
Total Additions (Declines)	$137,467,192	$(207,011,729)	$344,478,921	166.41%
Deductions				
Retiree Benefit Payroll	$46,327,487	$43,177,071	$3,150,416	7.30%
PRSB	3,311,087	338,145	2,972,942	879.19%
Refunds of Contributions	917,610	3,847,601	(2,929,991)	(76.15%)
Administrative Expenses	992,655	952,104	40,551	4.26%
Total Deductions	$51,548,839	$48,314,921	$3,233,918	6.69%
Increase (Decrease) in Plan Net Assets	85,918,353	(255,326,650)	341,245,003	133.65%
Beginning Plan Net Assets	832,727,773	1,088,054,423	(255,326,650)	(23.47%)
Ending Plan Net Assets	$918,646,126	$832,727,773	$85,918,353	10.32%

* Net of investment expense of $5,365,352 and $6,090,615 for June 30, 2010 and 2009, respectively.

SYSTEM'S FIDUCIARY RESPONSIBILITIES

The System's Board and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the assets 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

November 28, 2011

STATEMENT OF PLAN NET ASSETS AVAILABLE FOR BENEFITS
AS OF JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash (Note 5)	$1,317,503	$941,087
Collateral Held for Securities Lent (Note 7)	173,363,344	161,862,198
Receivables		
Receivables for Investments Sold	11,096,805	18,230,157
Interest and Dividends	3,757,293	3,796,789
Other Receivables	4,550,765	1,686,162
Total Receivables	**19,404,863**	**23,713,108**
Prepaid Expenses	102,840	103,540
Total Current Assets	**194,188,550**	**186,619,933**
Investments at Fair Value (Note 5)		
Domestic Equity	400,477,491	248,437,447
International Equity	221,750,417	230,832,905
Government Bonds	175,695,061	169,359,346
Corporate Bonds	136,784,237	126,276,366
Real Estate	105,837,124	84,463,534
Emerging Market Equity	48,997,718	43,644,354
Short Term Investments	29,404,478	27,270,361
Total Investments	**1,118,946,526**	**930,284,313**
Capital Assets Net of Accumulated Depreciation (Note 10)	50,633	55,268
Total Assets	**1,313,185,709**	**1,116,959,514**
LIABILITIES		
Collateral Held for Securities Lent (Note 7)	173,363,344	161,862,198
Payable for Investments Purchased	24,833,866	33,777,694
Other Liabilities	1,233,603	1,046,679
Payable for Foreign Currency Purchased	4,543,320	1,626,817
Total Liabilities	**203,974,133**	**198,313,388**
Net Assets Held In Trust for Benefits	**$1,109,211,576**	**$918,646,126**

THE NOTES TO THE FINANCIAL STATEMENTS ON PAGE 14 TO 28 ARE AN INTEGRAL PART OF THIS STATEMENT.

STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS		
Contributions (Note 3):		
Employer	$19,397,178	$12,094,355
System Members	7,304,036	7,354,890
Total Contributions	**26,701,214**	**19,449,245**
Investment Income:		
Net Appreciation in Value of Investments	194,349,041	95,985,514
Interest	13,911,170	14,716,608
Dividends	12,758,726	12,151,201
Other Investment Related	48,344	38,933
Total Investment Income	221,067,281	122,892,256
Less: Investment Expense	(5,621,785)	(5,312,622)
Total Net Investment Income	**215,445,496**	**117,579,634**
Securities Lending Income		
Securities Lending Earnings (Note 7)	561,097	491,043
Less: Securities Lending Expense	(12,577)	(52,730)
Net Securities Lending Income	**548,520**	**438,313**
Total Additions	**242,695,230**	**137,467,192**
DEDUCTIONS		
Benefit Payments	48,894,173	46,327,487
Post Retirement Supplemental Benefits (Note 9)	1,662,077	3,311,087
Refunds of Contributions	493,579	917,610
Administrative Expenses	1,079,951	992,655
Total Deductions	**52,129,780**	**51,548,839**
Net Increase	**190,565,450**	**85,918,353**
NET ASSETS HELD IN TRUST FOR BENEFITS		
Beginning of the Year	**918,646,126**	**832,727,773**
End of the Year	**$1,109,211,576**	**$918,646,126**

THE NOTES TO THE FINANCIAL STATEMENTS ON PAGE 14 TO 28 ARE AN INTEGRAL PART OF THIS STATEMENT.

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF THE 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 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 public employee retirement system that includes all full time sworn fire, police and airport safety personnel. Effective August 27, 1990, 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).

Total participants of the System were comprised of the following, as of June 30, 2011 and 2010:

	2011	2010
Active Members:		
Vested	884	880
Non-vested	194	255
	1,078	1,135
Retirees and Beneficiaries of Deceased		
Retirees, Currently Receiving Benefits	938	902
Inactive Vested Members	47	52
	985	954
Total	2,063	2,089

Pension benefits are based upon a combination of age, years of service, monthly salary and the option selected by the participant. Death and disability benefits are additionally based upon whether the 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.

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.

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

The System uses the accrual basis of accounting. Investment income is recognized when it is earned, and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plan and per Section 3-322 and 3-324 of the Municipal Code.

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Valuation of Investments

System investments are reported at fair value, calculated as cost plus unrealized gain or loss. 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.

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.

Date of Management's Review

Subsequent Events were evaluated through November 28, 2011, which is the date the finacial statements were available to be issued.

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.

Funding Status & Method

The funding ratio as of June 30, 2010 was 110.8% using the Entry Age Normal Cost method. The System's actuary uses a five year smoothing of market gains and losses to derive the actuarial value of assets. As of the fiscal year ended June 30, 2010, the actuarial value of assets was $1.12 billion.

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

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

The progress being made towards meeting the System's funding objective through June 30, 2010 is illustrated in the Schedule of Funding Progress shown below and in the Required Supplemental Schedule on page 31.

3 - CONTRIBUTIONS CONTINUED

SCHEDULE OF FUNDING PROGRESS
FOR THE THREE YEARS ENDING JUNE 30, 2011

(DOLLARS IN MILLIONS)

Actuarial Valuation Date Year Ending June 30	(1) 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)
2008	$1,066.78	830.0	128.5%	$(236.70)	98.9	(239.3%)
2009	$1,045.77	874.3	119.6%	$(171.42)	102.3	(167.5%)
2010	$1,018.61	919.3	110.8%	$(99.31)	102.7	(96.7%)

The valuation interest rate is 8.00%; total salary scale increases of 3.50% (3.50% for inflation) plus 0.50% across the board salary increase; plus merit and promotion increases based on completed years of service were based on the June 30, 2009 Experience Analysis and the June 30, 2010 Economic Assumptions Report.

These actuarial assumptions were adopted by the Retirement Board on December 8, 2010 for implementation as of July 1, 2011.

LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	15 Year Open (subject to change) non-declining period for all Prefunded Actuarial Accrued Liability; no UAAL currently exists.
Asset Valuation Method	Actuarial Value, 5 year Smoothed Market Value recognizing differences between the total market value and the expected investment return
Actuarial Assumptions	
Investment Rate of Return	8.00%
Projected Salary Increases	4.00% Plus Merit and Promotion increases (Service and Age)
Attributed to Inflation	3.50%
Cost of Living Adjustments	4.00% Tier I
	3.00% Tier II

Actuarial valuations of an ongoing plan involve estimates of the 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.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

3 - CONTRIBUTIONS 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 entry age normal funding method. This method produces an employer contribution rate consisting of amounts for (a) normal cost and (b) amortization of any unfunded liability.

These contributions are recognized currently in the statement of changes in net assets available for benefits. Employees' contributions are funded and recognized currently through payroll deductions in amounts recommended by the actuary. Total contributions to the System for fiscal year 2011 totaled $26,701,214. Employees (both tiers) contributed $7,304,036 and the City contribution of $19,397,178.

First Tier

Contributions aggregating $3,684,570 ($3,457,053 net employer and $227,517 employee) were made in fiscal year 2011, based on an actuarial valuation determined as of June 30, 2009, which became effective for the year ended June 30, 2011. For fiscal year 2011, the employer contribution rate was set at 26.43%; however, only a cash contribution of $3,457,053 was required from the City due to the use of the prefunded actuarial liability of the System. Employer and employee contributions represented 20.05 percent and 4.87 percent, respectively, of the fiscal year 2011 covered payroll.

Contributions aggregating $2,856,690 ($2,531,543 net employer and $325,147 employee) were made in fiscal year 2010, based on an actuarial valuation determined as of June 30, 2008, which became effective for the year ended June 30, 2010. For fiscal year 2010, the employer contribution rate was set at 26.38%; however, only a cash contribution of $2,531,543 was required from the City due to the use of the prefunded actuarial liability of the System. Employer and employee contributions represented 12.54 percent and 4.89 percent, respectively, of the fiscal year 2010 covered payroll.

Second Tier

Contributions aggregating $23,016,644 ($15,940,125 net employer and $7,076,519 employee) were made in fiscal year 2011, based on an actuarial valuation determined as of June 30, 2009, which became effective for the year ended June 30, 2011. The employer contribution rate was set at 18.60 percent; however, due to a contribution shortfall from the prior year an additional $1,149,917 was required from the City. Employer and employee contributions represented 20.04 percent and 9.00 percent, respectively, of the fiscal year 2011 covered payroll.

Contributions aggregating $16,592,555 ($9,562,812 net employer and $7,029,743 employee) were made in fiscal year 2010, based on an actuarial valuation determined as of June 30, 2008, which became effective for the year ended June 30, 2010. The employer contribution rate was set at 18.49%; however, only $9,562,812 was required from the City due to the use of prepaid contributions and the prefunded actuarial liability of the System. Employer and employee contributions represented 12.11 percent and 9.00 percent, respectively, of the fiscal year 2010 covered payroll.

Contributions are made by the members and the employer at rates recommended by the System's independent actuary and adopted by the Board. 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. 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 City's normal contributions to the Fire and Police Retirement System for 2011 were estimated in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 2009, as follows:

	Actuarial Rates as a Percentage of Pensionable Payroll	
	Effective FY 11	Effective FY 10
Employer Normal (First Tier)	26.43%	26.38%
Employer Normal (Second Tier)	18.60%	18.49%

3 - CONTRIBUTIONS CONTINUED

At June 30, 2010, actuarial valuation, the actuarial accrued liability of the Fire and Police Retirement System was $919,285,576. The actuarial value of the assets was $1,018,605,310 for a funding ratio of 110.8 percent.

	FY2011		
	Tier 1	Tier 2	Total
Member Contributions	$227,517	$7,076,519	$7,304,036
Employer Contribution Rate	26.43%	18.60%	
Employer Contributions	$4,556,650	$14,790,208	$19,346,858
Less: Prefunded Actuarial Accrued Liability	(1,099,597)	1,149,917	50,320
Net Employer Contributions	$3,457,053	$15,940,125	$19,397,178
Pensionable Payroll	$17,240,447	$79,517,245	$96,757,692

	FY2010		
	Tier 1	Tier 2	Total
Member Contributions	$325,147	$7,029,743	$7,354,890
Employer Contribution Rate	26.38%	18.49%	
Employer Contributions	$5,324,377	$14,604,378	$19,928,755
Less: Prefunded Actuarial Accrued Liability	(2,792,834)	(5,041,566)	(7,834,400)
Net Employer Contributions	$2,531,543	$9,562,812	$12,094,355
Pensionable Payroll	$20,182,969	$78,983,033	$99,166,002

4- NET ASSETS AVAILABLE FOR BENEFITS

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

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

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

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

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

4- NET ASSETS AVAILABLE FOR BENEFITS CONTINUED

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.

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 year ended June 30, 2011 and 2010, consisted of the following (in thousands):

	2011	2010
Employer Advance/Retired Reserves	$909,591	$728,989
DROP Reserves	103,184	99,664
Active Member Reserves	99,261	91,414
PRSB Reserves	269	2,022
City Surplus Reserves	(3,093)	(3,443)
Net Assets Held in Trust for Benefits	**$1,109,212**	**$918,646**

5 - 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 fourteen external investment managers, managing eighteen individual portfolios.

Investments at June 30, 2011 and 2010 consist of the following (in thousands):

	2011	2010
Investments at Fair Value		
Domestic Equity	$400,477	$248,438
International Equity	221,750	230,833
Government Bonds	175,695	169,359
Corporate Bonds	136,784	126,276
Real Estate	105,837	84,464
Emerging Market Equity	48,998	43,644
Short Term Investments	29,405	27,270
Total Investments at Fair Value	**$1,118,946**	**$930,284**

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	Maximum
Large Cap Equities	18.5%	22.5%	26.5%
Small Capital Equities	4.5%	7.5%	10.5%
International Equities	18.0%	22.8%	29.0%
Emerging Market Equities	2.0%	7.2%	9.0%
Real Estate	8.0%	10.0%	12.0%
Domestic Fixed Income	20.0%	25.0%	30.0%
High Yield Bonds	0.0%	5.0%	8.0%
Cash	0.0%	0.0%	2.0%
		100%	

5 - DEPOSITS AND INVESTMENTS 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 assets 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 investment securities are not exposed to custodial credit risk since all securities are registered in the Systems’ name and held by the Systems’ custodial bank.

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 $57,784 and $148,610 at June 30, 2011 and 2010, 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, 2011.

Credit and Interest Rate Risk

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

	2011			2010		
Type of Investment	Fair Value	Credit Quality	Duration	Fair Value	Credit Quality	Duration
Asset Backed Securities	$ 1,819,390	BBB-	1.89	$ 1,729,074	BBB+	1.81
Commercial Mortgage-Backed	6,659,117	AA+	3.29	8,563,571	AA+	3.82
Corporate Bonds	114,664,970	BBB-	5.05	102,626,108	BBB-	5.56
Corporate Convertible Bonds	3,320,723	B-	6.21	3,747,877	B-	3.17
Guaranteed Fixed Income	621,425	AA+	1.11	1,910,449	AAA	1.58
Non-Government backed C.M.O.s	6,099,594	B+	3.19	6,550,241	B	2.17
Convertible Equity	1,185,017	B+	5.96	927,191	B	8.11
Other Fixed Income	6,363	NR	13.00	42,520	NR	0.00
Common Stock	1,274,617	NR	13.00	-	NR	0.00
Preferred Stock	1,133,021	BB-	4.67	179,335	CC	7.72
Government Agencies	8,554,664	AAA	3.67	10,964,940	AAA	4.32
Government Bonds	59,357,720	AAA	4.18	62,577,663	AAA	4.46
Government Mortgage Backed Securities	98,935,515	AAA	2.29	90,987,248	AAA	2.77
Index Linked Government Bonds	11,535	CC	1.32	149,482	BB-	1.00
Municipal/Provincial Bonds	8,835,627	A-	10.01	4,680,013	A	9.57
Total Credit Risk Fixed Income	$ 312,479,298			$ 295,635,712		

5 - DEPOSITS AND INVESTMENTS CONTINUED

Per section 5.4(6) of the System's Investment Policy Statement, no more than 5 percent of an investment manager's fixed income portfolio may be invested in below investment grade rated securities (BB or B rated bonds). 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 5.4(7) of the Systems' Investment Policy Statement, shall maintain an average credit quality rating of at least B1/B+ at all times. No more than 20 percent of a high yield manager's portfolio may be invested in bonds rated Caa1/CCC+ or lower with non-rated bonds limited to 5 percent of the portfolio with both limits subject to maintaining the average portfolio credit quality requirement of B1/B+. No more than 25 percent of a high yield manager's portfolio may be invested in foreign securities; and within this limit up to 15 percent of the portfolio may be invested in non-US dollar denominated securities.

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, 2011 and 2010 contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5 percent or more of the total investment portfolio.

Foreign Currency Risk

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

5 - DEPOSITS AND INVESTMENTS CONTINUED

The following positions represent the System's exposure to foreign currency risk as of June 30, 2011.

2011 Base Currency		Country	Equities / Fixed Income	Foreign Currency Contracts	Rights & Warrants	Cash & Cash Equivalents	Total
AUD	Australian Dollar	Australia	$15,274,798	$(1,181)	$-	$22,991	$15,296,608
BRL	Brazilian Real	Brazil	5,172,271	-	-	502,342	5,674,613
CAD	Canadian Dollar	Canada	7,596,333	-	-		7,596,333
CHF	Swiss Franc	Switzerland	14,358,784	1,261	-	51,119	14,411,164
CLP	Chilean Peso	Chile	(139,285)	(806)	-		(140,091)
COP	Colombian Peso	Colombia	142,906	-	-		142,906
CZK	Czech Koruna	Czech Repbulic	241,226	-	-		241,226
DKK	Danish Krone	Denmark	5,549,608	(2,194)	-		5,547,414
EGP	Egyptian Pound	Egypt	29,820	-	-		29,820
EUR	Euro	Europe	54,963,140	(4,732)	-	5,724	54,964,132
GBP	British Pound Sterling	United Kingdom	42,390,813	29	-		42,390,842
HKD	Hong Kong Dollar	Hong Kong	16,744,483	(2)	-	30,660	16,775,141
HUF	Hungarian Forint	Hungary	648,883	-	-	4,092	652,975
IDR	Indonesian Rupiah	Indonesia	2,351,982	-	-	78,937	2,430,919
ILS	New Israeli Shekel	Israel	183,994	-	-		183,994
INR	Indian Rupee	India	2,497,733	-	-	3,411	2,501,144
JPY	Japanese Yen	Japan	35,688,424	37	-		35,688,461
KRW	South Korean Won	South Korea	10,489,200	-	-	3,129	10,492,329
MXN	Mexican Peso	Mexico	1,582,928	-	-	51,204	1,634,132
MYR	Malaysian Ringgit	Malaysia	1,089,318	-	-		1,089,318
NOK	Norwegian Krone	Norway	4,952,262	-	-		4,952,262
PHP	Philippine Peso	Phillipines	139,888	-	-		139,888
PLN	Polish Zloty	Poland	654,702	(12)	-		654,690
SEK	Swedish Krona	Sweden	8,871,123	-	-		8,871,123
SGD	Singapore Dollar	Singapore	5,030,396	-	-	18,112	5,048,508
THB	Thai Baht	Thailand	932,344	-	-	2	932,346
TRY	Turkish Lira	Turkey	1,627,270	-	-		1,627,270
TWD	New Taiwan Dollar	Taiwan	3,767,337	-	-		3,767,337
USD	United States Dollar	United States		3,822	6,363		10,185
ZAR	South African Rand	South Africa	5,376,837	(1,237)	-	54,033	5,429,633
Total Equities (In USD)			248,209,518	(5,015)	6,363	825,756	249,036,622
Total Non-USD Equities (In USD)			$248,209,518	$(8,837)	$-	$825,756	$249,026,437

5 - DEPOSITS AND INVESTMENTS CONTINUED

2010

Base Currency		Country	Equities / Fixed Income	Foreign Currency Contracts	Rights & Warrants	Cash & Cash Equivalents	Total
AUD	Australian Dollar	Australia	$13,730,419	$-	$-	$464	$13,730,883
BRL	Brazilian Real	Brazil	4,886,741			39,067	4,925,808
CAD	Canadian Dollar	Canada	5,057,951			4,500	5,062,451
CHF	Swiss Franc	Switzerland	13,727,254			90,176	13,817,430
COP	Colombian Peso	Colombia	363,320			-	363,320
DKK	Danish Krone	Denmark	4,385,979			22,101	4,408,080
EGP	Egyptian Pound	Egypt	636,985			-	636,985
EUR	Euro	Europe	55,628,488	(307)		98,691	55,726,872
GBP	British Pound Sterling	United Kingdom	38,531,638	851		16,618	38,549,107
HKD	Hong Kong Dollar	Hong Kong	17,535,991		1,534	289,828	17,827,353
HUF	Hungarian Forint	Hungary	145,319	24,897		-	170,216
IDR	Indonesian Rupiah	Indonesia	2,274,177			19,243	2,293,420
ILS	New Israeli Shekel	Israel	581,233			-	581,233
INR	Indian Rupee	India	3,284,245			5,056	3,289,301
JPY	Japanese Yen	Japan	45,312,355	(84)		119,309	45,431,580
KRW	South Korean Won	South Korea	6,469,874			-	6,469,874
MXN	Mexican Peso	Mexico	2,005,886			-	2,005,886
MYR	Malaysian Ringgit	Malaysia	424,260			-	424,260
NOK	Norwegian Krone	Norway	3,295,986			26,404	3,322,390
NZD	New Zealand Dollar	New Zealand	205,774			9,502	215,276
PHP	Philippine Peso	Phillipines	141,995			-	141,995
PLN	Polish Zloty	Poland	435,282	(23)		-	435,259
SEK	Swedish Krona	Sweden	6,695,577			2,667	6,698,244
SGD	Singapore Dollar	Singapore	7,057,924		2,563	28,908	7,089,395
THB	Thai Baht	Thailand	1,156,871			-	1,156,871
TRY	Turkish Lira	Turkey	2,566,559	1,520		-	2,568,079
TWD	New Taiwan Dollar	Taiwan	4,120,692			42,329	4,163,021
USD	United State Dollar	United States		367		-	367
ZAR	South African Rand	South Africa	4,745,336	(2,222)		3,329	4,746,443
Total Equities (In USD)			245,404,111	24,999	4,097	818,192	246,251,399
Total Non-USD Equities (In USD)			$245,404,111	$24,632	$4,097	$818,192	$246,251,032

5 - DEPOSITS AND INVESTMENTS CONTINUED

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

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

6- DERIVATIVES

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

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

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

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

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

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

Market Risk

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

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 value, and the counterparty to such contract fails to perform under the terms of the instrument.

6 - DERIVATIVES CONTINUED

Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchange's 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, 2011 and 2010, the Fire and Police Retirement System held a total value of $3,157,853 and $1,831,282, 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, and S&P 500 E Mini Index Futures, S&P MidCap 400 E Mini Futures and a variety of ACWIexUS index related futures as components of the System's investments in BlackRock S&P 500 Equity Index, Russell 1000, and ACWIexUS Index Funds. 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 2011		FY 2010	
	Notional Amount	Fair Value	Fair Value	FY 2011 - FY 2010 Change in Fair Value
Rights/Warrants	499*	6,363	4,097	2,266
Foreign Currency Forward	$ (5,015)	(5,015)	24,999	(30,014)
Future Contracts - Domestic Equity Index	-	2,665,993	1,802,186	863,807
Future Contracts - International Equity Index	-	490,512	-	490,512
Total		3,157,853	1,831,282	

Derivative Type:	FY 2010		FY 2009	
	Notional Amount	Fair Value	Fair Value	FY 2010 - FY 2009 Change in Fair Value
Rights/Warrants	242,407*	$ 4,097	$ 274,587	$ (270,490)
Foreign Currency Forward	$ 24,999	24,999	25,675	(676)
Future Contracts - Domestic Equity Index	-	1,802,186	486,201	1,315,985
Swaps	-	-	21,974	(21,974)
Total		1,831,282	808,437	

* Shares

7 - SECURITIES LENDING

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

As designated by the Board, cash collateral is invested in Northern Trust's Core U.S.A. Collateral Section (short-term investment pool), which, as of June 30, 2011, had a weighted average duration of 21 days, average maturity is 102 days and an average monthly yield of 0.29 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, 2011, the CORE USA Cash Collateral Fund had 0.15 percent 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 88 days as of June 30, 2011.

The securities lending income is as follows:

SECURITIES LENDING INCOME
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Gross Income	$561,097	$491,043
Expenses		
Borrower Rebates	(124,419)	(50,234)
Bank Fees	136,996	102,964
Total Expenses	12,577	52,730
Net Income from Securities Lending	$548,520	$438,313

7 - SECURITIES LENDING CONTINUED

FAIR VALUE OF LOANED SECURITIES
AS OF JUNE 30, 2011 AND 2010

	FY 2011			FY 2010		
Collateralized by	Cash	Securities	Totals	Cash	Securities	Total
U.S. Government & Agency	$48,180,351	$654,603	$48,834,954	$50,803,752	$-	$50,803,752
Domestic Equities	85,919,074	9,939	85,929,013	60,736,195	127,933	60,864,128
Domestic Fixed	16,754,412	-	16,754,412	15,139,062	-	15,139,062
International Equities	17,899,982	141,448	18,041,430	30,010,123	34,999	30,045,122
Total	$168,753,819	$805,990	$169,559,809	$156,689,132	$162,932	$156,852,064

FAIR VALUE OF COLLATERAL RECEIVED FOR LOANED SECURITIES
AS OF JUNE 30, 2011 AND 2010

	FY 2011			FY 2010		
Collateralized by	Cash	Securities	Totals	Cash	Securities	Total
U.S. Government & Agency	$49,189,798	$668,525	$49,858,323	$51,867,939	$-	$51,867,939
Domestic Equities	87,538,123	10,121	87,548,244	62,616,337	131,680	62,748,017
Domestic Fixed	17,080,262	-	17,080,262	15,562,215	-	15,562,215
International Equities	18,730,834	145,681	18,876,515	31,647,060	36,967	31,684,027
Total	$172,539,017	$824,327	$173,363,344	$161,693,551	$168,647	$161,862,198

8 - 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.

9- POST RETIREMENT SUPPLEMENTAL BENEFIT PROGRAM (PRSB)

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, 2011 the System distributed PRSB benefits in the total amount of $1,936,537 to eligible recipients (including $1,662,077 to retirees and $274,460 to DROP participants) and offset required City pension contributions by $440,134. As of June 30, 2011, the City Surplus Reserve balance was $(3,092,969) and the PRSB Reserve balance was $269,117.

The City Surplus Reserve balance as of June 30, 2011 represents a City contribution shortfall for fiscal year 2011. This contribution shortfall is a result of the difference between the actual and projected June 30, 2010 surplus which was allocated to the City in the June 30, 2009 actuarial valuation used for setting the City's contribution rate for fiscal year 2011. The City's normal contribution rate for fiscal year 2012 has factored in the contribution shortfall to recover the shortfall reflected in the City Surplus Reserve balance.

10 - CAPITAL ASSETS

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

11- 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.

12 - RELATED PARTY TRANSACTIONS

The Retirement System is involved in various business transactions with the City of Fresno, the primary plan sponsor. These include reimbursement to the City for the salary and benefits of Retirement Staff members paid through the City, reimbursement to the City 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 11 for a description of this arrangement.

Required Supplemental Schedules

REQUIRED SUPPLEMENTAL SCHEDULES

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

The information presented in the supplemental schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information, as of the most recent actuarial valuation date, June 30, 2010, is as follows:

Actuarial Cost Method: Entry Age Normal Cost Method

Asset Valuation Method: The Actuarial Value of Assets is determined by phasing in any difference between actual and expected return on market value of assets over five years. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.

Amortization Method: Level percent of payroll for total Unfunded Actuarial Accrued Liability or Prefunded Actuarial Accrued Liability.

The employer contribution is designed to remain as a level percentage of future active member payroll (including payroll of new members as they enter the System) assuming a constant number of active members. To remain as a level percentage of payroll, contribution rates are scheduled to increase by the assumed annual inflation rate plus the assumed across-the-board salary increase percent. If the funding level is above 100%, the annual contribution rate is reduced by that portion of the contribution required which is paid from a Prefunded Actuarial Accrued Liability. If the funding level falls below 100%, then the Unfunded Actuarial Accrued Liability amortization period would accumulate an additional contribution need to fully fund the Actuarial Accrued Liability.

Amortization Approach: 15 years open (non-declining) for all Prefunded Actuarial Accrued Liability.

Amortization of Actuarial Gains and Losses: Any new actuarial gains and losses will be combined with all prior unamortized gains and losses and amortized over the amortization period of 15 years.

Cost-of-Living Adjustments: The maximum annual increase in retirement allowance is 5.00 percent per year for Tier 1 retirees who have retired with the final “three-year” average method of determining final average salary; and there is no annual COLA limit for Tier 1 retirees who have retired with the “career” average method. For Tier 2 members the maximum annual increase in retirement allowance is 3.00 percent.

Actuarial Assumed Interest Rate: 8.00% per annum
Assumed Salary Increases: 4% to 10%
Assumed Inflation Rate: 3.50% per annum
Assumed Across-the-Board Salary Increase: 0.50% per annum

1. SCHEDULE OF FUNDING PROGRESS

Historical trend information, restated in accordance with GASB Statement No. 25 and designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due, is as follows:

(DOLLARS IN MILLIONS)

Actuarial Valuation Date Year Ending June 30	(1) 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)
2010	1,018.6	919.3	110.8%	(99.3)	102.7	(96.7%)
2009	1,045.8	874.3	119.6%	(171.4)	102.4	(167.5%)
2008	1,066.8	830.0	128.5%	(236.7)	98.9	(239.3%)
2007	1,000.9	773.2	129.5%	(227.7)	89.5	(254.4%)
2006	906.2	722.7	125.4%	(183.5)	82.5	(222.4%)
2005	846.7	670.1	126.4%	(176.6)	73.4	(240.6%)
2004	793.1	642.2	123.5%	(150.9)	68.5	(220.3%)
2003	749.5	617.9	121.3%	(131.6)	65.2	(201.7%)
2002	814.7	590.9	137.9%	(223.8)	64.9	(344.7%)
2001	859.1	562.1	152.8%	(296.9)	60.9	(487.0%)

2. SCHEDULE OF EMPLOYER CONTRIBUTIONS

(DOLLARS IN THOUSANDS)

Year Ended June 30	Actuarially Required Contribution (ARC)		Contributions as a % of ARC
2011	$	19,397	100%
2010	$	12,094	100%
2009	$	8,938	100%
2008	$	9,363	100%
2007	$	10,807	100%
2006	$	8,886	100%
2005	$	8,806	100%
2004	$	728	100%
2003	$	0	100%
2002	$	0	100%

NOTES TO REQUIRED SUPPLEMENTAL SCHEDULES

JUNE 30, 2011 AND 2010

ACTUARIAL ASSUMPTIONS

The Segal Company, the System's actuary, performed an annual actuarial valuation as of June 30, 2010. The actuarial assumptions used to compute the contribution requirements and to determine funding status are as follows:

Annual inflation is assumed at 3.50% per year plus 0.50% real-across-the-board salary increase.

Annual investment return is assumed to be 8.00%.

The fiscal year 2011 City contribution rate for the Fire and Police System is set at 26.43% for the First Tier and 18.60% for the Second Tier. The aggregate City contribution rate for the two tiers is 20.28%. A contribution shortfall from the prior fiscal year of 4.29% is added to the normal cost, which is then decreased by a portion of the prefunded actuarial accrued liability, for a net normal City contribution rate of 19.85 percent.

For the Fire and Police First Tier, employee contribution rates depend upon entry age with rates for ages 25, 35 and 45 being 4.88%, 6.29% and 6.67%, respectively. Employee contribution rates for the Second Tier are set at 9% by the Fresno Municipal Code.

Accrued benefits and costs are calculated using the entry age normal cost method.

Withdrawal, disability, and salary increase assumptions are based on actual System experience.

Post retirement mortality assumptions are based on the Society of Actuaries' RP-2000 Combined Healthy Mortality Tables, male/female, set back three years. Set forward one year for disabled and set back three years weighted 10% male and 90% female for beneficiaries.

Actuarial valuation of assets is based upon a five-year smoothed recognition of realized and unrealized capital gains and losses which are more or less than the actuarial assumed return of 8.00%.

Average annual salary increases were assumed to be 5.25% for the first 5 years of service. Graded increases ranging from 5.70% at age 25 to 4.15% at age 50 and over, plus merit and longevity increases based on completed years of service.

The System's actuarial surplus is being amortized on a level percentage of projected payroll over a fixed 15-year open period.

These actuarial assumptions were adopted by the Retirement Board on December 8, 2010, for implementation as of July 1, 2011.

Supplemental Schedules

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Personnel Services		
Staff Salaries	$320,176	$319,078
Fringe Benefits	99,717	64,979
Total Personnel Services	$419,893	$384,057
Professional Services		
Actuarial	$112,351	$108,944
Legal Counsel	98,163	78,949
Information Systems Services	32,832	30,838
Specialized Services	121,446	81,144
Total Professional Services	$364,792	$299,875
Communication		
Printing	$33,891	$32,398
Telephone	4,564	6,511
Postage	2,336	2,137
Total Communication	$40,791	$41,046
Rentals		
Office Rent	$64,241	$64,241
Common Area Maintenance (CAM) Charges	20,144	24,639
Total Office Rent	$84,385	$88,880
Other		
Insurance	$96,153	$103,651
Education and Conference	36,353	41,408
Reimbursement to City for Services	18,489	18,625
Office Supplies	6,025	4,776
Depreciation	5,276	5,264
Equipment Lease	725	-
Miscellaneous	4,254	2,858
Membership & Dues	2,713	1,924
Subscriptions & Publications	102	291
Total Other	$170,090	$178,797
Total Administrative Expenses	$1,079,951	$992,655

Schedule of Investment Management Fees and Other Investment Expenses

for the years ended June 30, 2011 and 2010

	2011	2010
Investment Manager Fees		
Equity		
Domestic	$1,172,684	$1,259,671
International	2,043,895	1,588,882
Fixed Income		
Domestic	568,663	620,195
Real Estate	647,016	750,827
Total Investment Manager Fees	4,432,258	4,219,575
Other Investment Expenses		
Foreign Income Taxes	1,011,100	919,689
Investment Consultant	118,457	114,026
Investment Legal Counsel	4,633	2,204
Custodial Services	48,952	50,770
Analytical Database Services	6,385	6,358
Total Other Investment Expenses	1,189,527	1,093,047
Total Fees & Other Investment Expenses	5,621,785	5,312,622
Securities Lending Expenses		
Borrowers Rebates	(124,419)	(50,234)
Agent Fees	136,996	102,964
Total Securities Lending Expenses	12,577	52,730
Total Investment Expenses	$5,634,362	$5,365,352

Schedule of Payments to Consultants

for the years ended June 30, 2011 and 2010

	2011	2010
Actuarial Services	$112,351	$108,944
Legal Services	98,163	78,949
Medical Consultant	40,507	37,268
City Information Services	32,832	30,838
Miscellaneous	80,939	43,876
Total Payments to Consultants	$364,792	$299,875

INVESTMENT SECTION

INVESTMENTS WILL BE MANAGED TO BALANCE THE NEED FOR SECURITY WITH SUPERIOR PERFORMANCE. WE EXPECT EXCELLENCE IN ALL ACTIVITIES. WE WILL ALSO BE ACCOUNTABLE AND ACT IN ACCORDANCE WITH THE LAW.

Investment Report from the Retirement Administrator

ANALYSIS OF ISSUES AFFECTING OUR PORTFOLIO IN FY 2011

U.S. public pension funds in 2011 continued the momentum of the recovery from the Great Recession. As reflected by the numbers below, the Fire and Police Retirement System participated fully in the recovery which began in fiscal year 2010 and continued vigorously through fiscal year 2011.

While it is rousing to contemplate further recovery and increases to the System's assets, nearly four years after the downturn of the Great Recession began, the economies of the United States and the countries of Europe continue to struggle and markets are mixed by fears of new setbacks, defaults and the possibility of a double-dip recession. Behind the turmoil lay many factors, including the stubbornly high unemployment rate in America, the sovereign debt crisis in Europe, the partisan fight in Washington over the U.S. federal debt ceiling and the decision by Standard & Poor's to downgrade the government's AAA rating in its aftermath.

In spite of the overwhelming challenges of the global economy, the continued prudent leadership of the Fire and 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. To that end, the Board is scheduled to review its asset liability structure during the current fiscal year to evaluate the appropriateness of the portfolio's assumptions and asset mix.

During the fiscal year 2011, the Board, jointly with the Employees Retirement System Board continued to focus its attention on risk budgeting and determined some changes were warranted in domestic small cap growth equity and large cap (core) equity and conducted manager searches for replacements. The Boards terminated Kalmar (small cap growth); Capital Guardian (large cap core) and Alliance Bernstein (large cap core) portfolios and retained Eagle and TCW to manage small cap growth equity portfolios and JP Morgan to manage a large cap core equity portfolio.

Based upon further review of the risk budget, the Board's Investment Committee recommended a realignment of risk associated the with Systems' international (non-U.S.) equity portfolios. EAFE (Europe, Australia, Far East) represent large and mid cap stocks of developed non-US countries excluding emerging markets; while ACWI ex-US (All Country World Index ex-US) includes large and mid cap stocks in EAFE and EM (emerging markets) with developed and emerging market splits of the ACWI ex-US index fluctuating with changes in market weights. Therefore, to fully replicate the overall ACWI ex-US (developed and emerging) markets over time the Investment Committee concluded that a specific allocation to ACWI ex-US would realign the Systems' overall international equity portfolios. The Boards' approved the realignment of international (non-US) equity markets in line with the ACW ex-US index weightings, terminated Acadian an EAFE portfolio due to organizational issues and inception-to-date under performance and retained BlackRock to transition the Acadian EAFE portfolio into the BlackRock ACWI ex-US Super Fund effective February 28, 2011.

Given the current economic environment, the Board's Investment Committee evaluated fixed income portfolio options to identify potential options for increasing the excess return for the overall fixed income portion of the Systems' portfolio. Based upon discussions with the Boards' fixed income managers (Dodge & Cox, Prudential and Loomis-Sayles), a recommendation was proposed and approved by the Boards to modify the Boards' policies for Domestic Fixed Income and High Yield Fixed Income Portfolios, expanding the guidelines to incorporate some of the current managers' standard guidelines. The Investment Committee plans to resume its evaluation of real estate opportunities given the current market conditions and expects to resume these efforts following a review of its current Asset Allocation Plan during Fiscal Year 2012.

During the latter half of fiscal year 2011, the Investment Committee conducted specific ongoing educational sessions with its Investment Consultant to gain further information and knowledge about real assets, the Asset Allocation Study process and procedures including an in-depth review of the key assumptions for both asset allocation of core investments and liability analysis for actuarial valuation reports.

In general, the System's portfolio correlates fairly well with the performance of the U.S. stock market. During the fiscal years ended June 30, 2011 and 2010, market sentiment as well as performance were fragile and severely affected by general concerns about inflation and global economic and market developments shaped in part by the continuation of faltering consumer confidence due to the ongoing debt crisis in Europe, popular rebellions in the Middle East, volatility in commodities prices and low job growth and persistent elevated levels of unemployment.

Despite the continuation of these overwhelming challenges of the global economy, the System is well funded at or near a fully funded status on a market value 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.

INVESTMENT PERFORMANCE

Highlighted Investment Performance of the City of Fresno Fire and Police Retirement System Investment Portfolio for FY 2011:

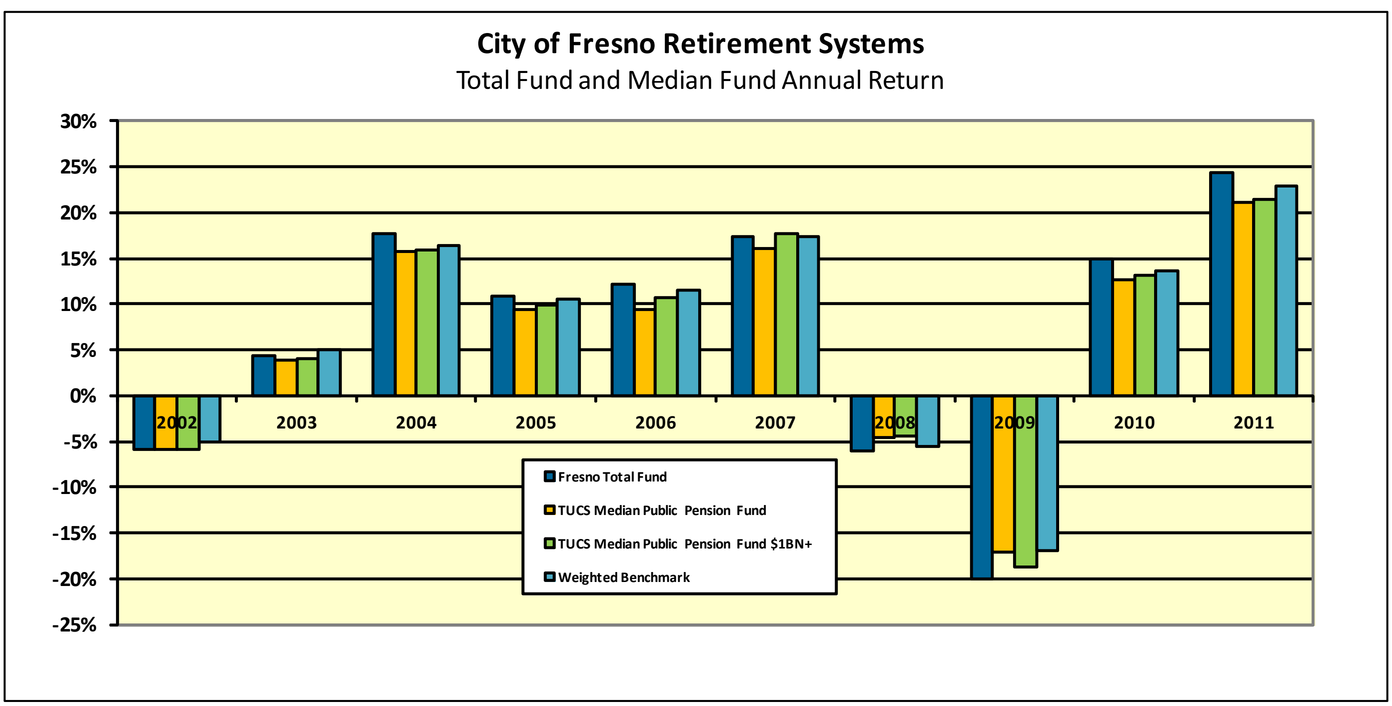
	Return
Total Fund	24.26%
Domestic Equity	35.87%
International Equity	31.84%
Fixed Income	6.99%
Real Estate	25.37%
Fiscal Year End Fund Value:	$964,376,504

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 Wilshire Associates Public Pension Funds (Gross of Fee) Returns for the Period Ended June 30, 2011, ranked the System in the top decile (10th percentile) of our Investment Consultant's universe of public funds. Over the past ten years, the Systems' investment returns have remained sound and outperformed its policy benchmark in six of the ten year and the median fund returns as shown in the following chart seven out of ten years.



SUMMARY OF PORTFOLIO RESULTS

The fiscal year, ended June 30, 2011, marked another extraordinarily volatile year which ended with a significant rebound in performance for the City of Fresno Fire and Police Retirement System. The System experienced a total investment gain from this market rebound of 24.26 percent for the fiscal year ended June 30, 2011, outperforming the System's actuarial interest rate assumption of 8.00 percent by 16.26 percent and outperforming the System's policy benchmark (a weighted average of the Fund's asset classes and their respective benchmarks) return of 22.82 percent by 1.42 percent. Over the longer term, our investment results remain sound with annualized returns 7.74 percent over the past fifteen years. The System's ten-year annualized returns averaged 6.11 percent underperforming its policy benchmarks return of 6.28 percent for the period by 0.17 percent. After paying all benefits and expenses of the System, the year-end value of the System reached $964.4 million.

After four consecutive quarters of gains, the U.S. stock market suffered a significant correction during the second quarter of 2011. For the quarter ended June 30, 2011, the System's positive return of 1.43 percent significantly outperformed the S&P 500 return of 0.10 percent and the Wilshire 5000 return of (0.08) percent.

GENERAL INFORMATION

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

SUMMARY OF GENERAL INVESTMENT GUIDELINES, POLICIES AND PROCEDURES

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

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

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

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

SUMMARY OF PROXY VOTING GUIDELINES AND PROCEDURES

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

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

SPECIFIC INVESTMENT RESULTS BY ASSET CLASSIFICATION

As of June 30, 2011, the Retirement System's portfolio was a little over-weight in total equities, with 61.8 percent in total equities versus the target of 60.0 percent. Domestic equities were slightly over-weight with 30.9 percent versus the target of 30.0 percent, and international equity with 26.3 percent developed and 4.6 percent emerging markets was slightly over-weight total international equity with 30.8 percent versus the target of 30.0 percent. Fixed income with 28.7 percent was 1.3 percent under its target of 30.0 percent and real estate at 9.4 percent was 0.6 percent under-weight its target of 10.0 percent.

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

	Actual	Target
Asset Classification		
Domestic Equities:		
Large-Cap Equities	20.3%	22.5%
Small-Cap Equities	8.5%	7.5%
International Equities:		
Developed Equities	24.3%	22.8%
Emerging Market Equities	4.9%	7.2%
Fixed Income:		
Domestic Fixed Income	27.5%	25.0%
High Yield Fixed Income	5.4%	5.0%
Real Estate:		
Private Real Estate	5.5%	6.0%
Public (REITs)	3.5%	4.0%
Cash:	0.1%	0.0%
Total	100.0%	100.0%

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

Respectfully submitted,

Stanley L. McDivitt
Retirement Administrator

November 28, 2011

Investment Consultant's Report

Wilshire

October 10, 2011

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

Introduction and Overview

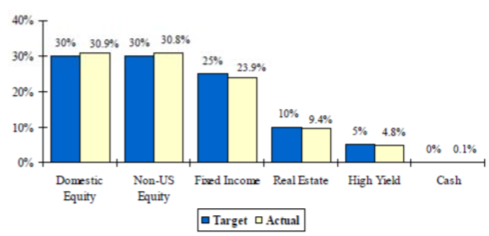
Wilshire independently calculated the Funds' fiscal year performance results using the individual portfolio market valuations and cash flows provided by the Funds' custodian bank, the Northern Trust Company. The investment information is presented in conformance with the Global Investment Performance Standards of the Chartered Financial Analyst Institute (CFAI, formerly AIMR). For the fiscal year ended June 30, 2011, the combined systems experienced a total gain of 24.30% gross of fees[1]. Over the last year, the fund outperformed its weighted benchmark[2] return of 22.90% by 1.40% (gross of fees). The combined systems continue to maintain a healthy funding level despite the turbulent investment environment of the past four fiscal years and ended the fiscal year with $2.07 billion in assets.

For the year ending June 30, 2011, the Systems' gross of fee performance of +24.30% ranked in the top decile (10th percentile) of all public pension funds gross of fee performance in Wilshire's database.

The Systems' total return over the past five years has been an annualized average of +4.73% gross of fees versus the policy weighted benchmark return of +5.16% and the 8.00% actuarial interest rate assumption. Over the past five years, the Systems have underperformed the benchmark by 0.43% gross of fees. During the past ten years, the combined Systems achieved a total annualized return of +6.13% gross of fees versus a return of +6.31% for the composite policy weighted benchmark return. Over this time period, the Systems underperformed the policy weighted benchmark return by 0.18% per year.

The Systems' portfolios are managed in accordance with the guidelines established in the Boards' Investment Objectives and Policy Statement. This investment policy statement is reviewed periodically and revised regularly.

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



[1] Based on Wilshire's independent calculation of performance results which are within a reasonable tolerance of the actual returns reported by the Systems' custodian, the Northern Trust.

Wilshire Associates
1299 Ocean Avenue, Suite 700 Santa Monica, CA 90401 TEL 310.451.3051 FAX 310.458.0520 www.wilshire.com

Performance Comparison

The following table compares the total return for the Systems to all other public pension funds in the TUCS universe and the Systems' benchmark. The table illustrates that the Systems' performance during fiscal 2011 and 2010 was above that of the median public pension fund after lagging behind in 2008 and 2009. From 2002 to 2011, the Systems ranked above the median in eight out of ten years, and outperformed the weighted benchmark in six out of ten years.

	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
Fresno Total Fund	-5.81%	4.30%	17.69%	10.92%	12.13%	17.43%	-6.00%	-20.08%	14.92%	24.30%
TUCS Median Public Pension Fund	-5.82%	3.94%	15.75%	9.36%	9.44%	16.08%	-4.51%	-17.06%	12.70%	21.11%
TUCS Median Public Pension Fund $1BN+	-5.82%	4.02%	15.88%	9.95%	10.72%	17.69%	-4.36%	-18.76%	13.09%	21.46%
Weighted Benchmark	-5.00%	5.09%	16.40%	10.60%	11.57%	17.34%	-5.61%	-16.97%	13.62%	22.90%

For the one-year period ending June 30, 2011:

- The Systems' domestic equity composite return of 35.91% gross of fees outperformed both the domestic equity policy weighted benchmark return and the TUCS median peer return of 32.38% and 32.79% respectively.
- The Systems' international equity composite return of 31.48% gross of fees also outperformed both the international equity policy weighted benchmark return of 30.76% and the TUCS median peer return of 30.40%. This was driven by the outperformance of the Systems' developed market managers which offset the underperformance of the active emerging market managers.
- The Systems' total fixed income composite return of 6.99% outperformed the fixed income policy weighted benchmark return of 5.81% and 5.09% for the TUCS median peer. The Systems' core fixed income composite return of 4.58% gross of fees outperformed the Barclays Aggregate policy index return of 3.90% due to higher exposure to corporate credit markets versus the index. The Systems' high yield fixed income composite return of 19.82% gross of fees beat the Barclays High Yield policy index return of 15.63%.
- The Systems' real estate composite returned 25.12% gross of fees which was above both the real estate policy weighted benchmark return of 23.92% and the TUCS median peer return of 22.10%. This was primarily driven by a rebound in private real estate valuations during the year.

As the Systems' investment consultant, Wilshire Associates provides investment advice, asset and liability studies, manager investment due diligence and monitoring, and detailed quarterly performance reports. Wilshire is privileged to work together with the Boards and Staff in evaluating additional opportunities to enhance both the Systems asset allocation and the existing manager lineup. Wilshire remains confident in the longer-term outlook for the plan as the Systems continue to meet participant needs through timely benefit payments and a high level of service.

Sincerely,

Wilshire Associates
1299 Ocean Avenue, Suite 700 Santa Monica, CA 90401 TEL 310.451.3051 FAX 310.458.0520 www.wilshire.com

Thomas Toth, CFA
Managing Director

City of Fresno Policy Weighted Index Benchmarks[2]

Index Benchmarks: Policy Weighted	9/13/1995 - 2/28/1997	3/1/1997 - 3/31/2001	4/1/2001 - 6/30/2002	7/1/2002 - 6/30/2003	7/1/2003 - 6/30/2004	7/1/2004 - 1/31/2005	2/1/2005 - 6/30/2005	7/1/2005 - 9/30/2008	10/1/2008 - 2/28/2011	3/1/2011 - Present
SP 500 Index	40.0%	32.0%	29.0%	30.0%	31.45%	30.0%	30.0%	30.0%	22.5%	22.5%
Russell 2000 Growth Index	3.5%	5.0%	6.0%	6.0%	5.275%	5.0%	5.0%	5.0%	3.75%	3.75%
Russell 2000 Value Index	3.5%	5.0%	6.0%	6.0%	5.275%	5.0%	5.0%	5.0%	3.75%	3.75%
Russell Mid-Cap Growth	4.0%	4.0%	4.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Domestic Equity	*51.0%*	*46.0%*	*45.0%*	*45.0%*	*42.0%*	*40.0%*	*40.0%*	*40.0%*	*30.0%*	*30.0%*
MSCI EAFE Index	7.0%	10.0%	9.0%	9.0%	15.0%	17.0%	17.0%	17.0%	19.5%	13.0%
MSCI ACWI ex-US Index	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.5%	13.0%
MSCI EMF Index	0.0%	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%
Total International Equity	*7.0%*	*12.0%*	*11.0%*	*11.0%*	*18.0%*	*20.0%*	*20.0%*	*20.0%*	*30.0%*	*30.0%*
Barclays Aggregate	37.0%	25.0%	28.0%	28.0%	28.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Barclays High Yield	0.0%	0.0%	2.0%	2.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Barclays Gov/Credit/LB	0.0%	5.0%	7.0%	7.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
JPMorgan Non US Govt Bond	4.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Fixed Income	41.0%	38.0%	37.0%	37.0%	32.0%	30.0%	30.0%	30.0%	30.0%	30.0%
NCREIF actual (not lagged)	1.0%	4.0%	7.0%	7.0%	8.0%	10.0%	7.5%	6.0%	6.0%	6.0%
Wilshire Real Estate Securities Index	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	4.0%	4.0%	4.0%
Total Real Estate	*1.0%*	*4.0%*	*7.0%*	*7.0%*	*8.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*
Total Fund	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

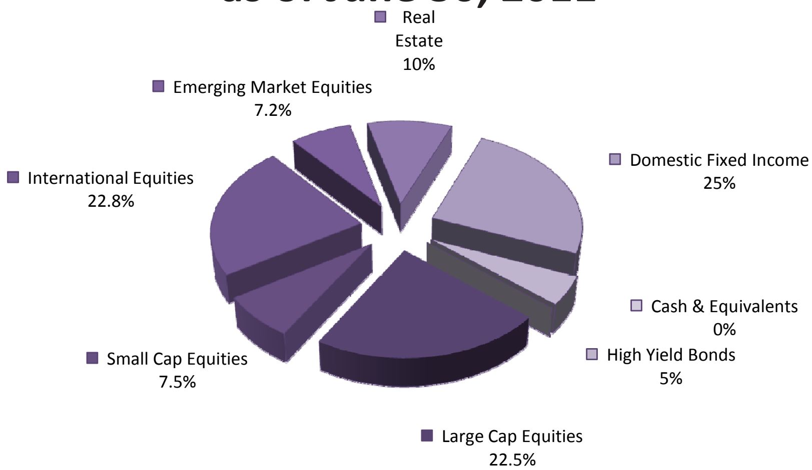
Wilshire Associates
1299 Ocean Avenue, Suite 700 Santa Monica, CA 90401 TEL 310.451.3051 FAX 310.458.0520 www.wilshire.com

Investment Results

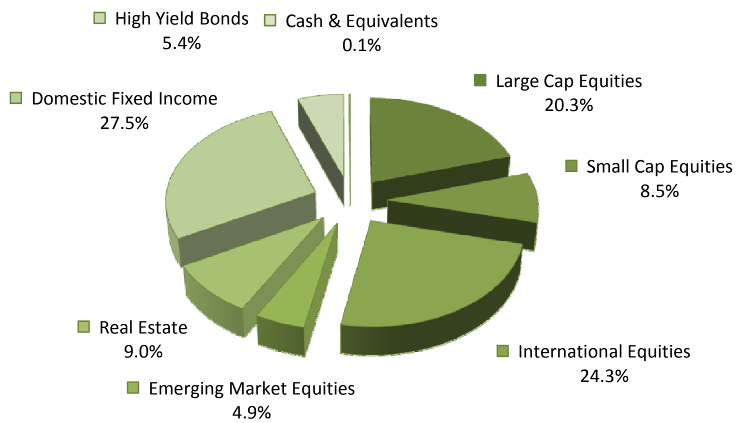
	Annualized - As of June 30, 2011				
	1 year	3 years	5 years	10 years	15 years
Total Fund	24.26	4.50	4.70	6.11	7.74
Median TUCS Public Fund	21.11	4.59	4.91	5.59	7.31
Median TUCS Public Fund $1BN+	21.46	4.26	5.05	5.93	7.47
Benchmark: Weighted Indexes	22.82	4.97	5.12	6.28	7.50
Domestic Equity Large Cap	34.74	3.38	2.63	2.77	6.44
Median Large Cap Equity	31.38	3.87	3.96	4.28	9.63
Benchmark: S&P 500	30.69	3.34	2.94	2.72	6.50
Domestic Equity Small Cap	38.57	11.08	6.22	6.22	6.78
Median Small Cap Equity	40.22	9.17	6.06	8.67	12.37
Benchmark: Russell 2000	37.41	7.77	4.08	6.27	7.37
Total Domestic Equity	35.87	5.35	3.55	3.61	7.03
Median Total Domestic Equity	34.90	5.80	5.00	6.18	10.45
Benchmark: SP500/Russell 2000	32.38	4.54	3.30	3.64	6.96
International Equity (EAFE)	34.14	-3.58	0.79	5.05	--
Median International Equity (EAFE)	32.81	0.59	3.30	7.93	--
Benchmark: MSCI EAFE ($g)	30.93	-1.30	1.96	6.12	--
International Equity (ACWI ex-US)	30.36	--	--	--	--
Median International Equity (ACWI ex-US)	32.01	--	--	--	--
Benchmark: MSCI ACWI ex-US ($g)	30.27	--	--	--	--
Emerging Market Equity	24.72	4.56	10.85	17.36	--
Median Emerging Market Equity	28.00	5.10	11.83	17.22	--
Benchmark: MSCI EMF ($g)	28.17	4.53	11.75	16.54	--
Total International Equity	31.84	-1.37	2.85	7.47	7.46
Median International (Dev/EM) Equity	31.13	2.14	4.93	8.44	9.31
Benchmark: MSCI ACWI ex-US ($g)	30.76	-0.03	3.67	7.92	5.75
Total Fixed Income	6.99	7.69	6.93	6.46	6.56
Median Fixed Income	4.85	6.69	6.75	5.90	6.38
Benchmark: Barclays Aggregate Bond Index	5.84	7.69	7.12	6.38	6.33
Total Real Estate	25.37	-1.69	2.09	7.30	9.30
Median Real Estate	19.30	-7.33	-0.45	5.56	8.57
Benchmark: Weighted Indexes	23.92	1.98	4.42	9.94	10.79

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

Target Allocation
as of June 30, 2011



Actual Asset Allocation
as of June 30, 2011



Asset Class	Current Target	Allocation Range	Actual
Large Cap Equities	22.5%	18.5% - 26.5%	20.3%
Small Cap Equities	7.5%	4.5% - 10.50%	8.5%
International Equities	22.8%	18% - 29%	24.3%
Emerging Market Equities	7.2%	2% - 9%	4.9%
Real Estate	10.0%	8% - 12%	9.0%
Domestic Fixed Income *	25.0%	20% - 30%	27.5%
High Yield Bonds	5.0%	0% - 8%	5.4%
Cash & Equivalents	0.0%	0% - 2%	0.10%

* 2% High Yield Bonds Managed Within Domestic Fixed Income

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

Largest Stock Holding (by Market Value)
as of June 30, 2011

	Shares	Stock Holding	Market Value
1)	94,906	NESTLE SA CHF0.10(REGD)	$5,889,381
2)	68,090	BRITISH AMERICAN TOBACCO ORD GBP0.25	2,985,415
3)	3,747	SAMSUNG ELECTRONIC KRW5000	2,899,043
4)	114,082	BG GROUP ORD GBP0.10	2,589,794
5)	14,919	ROCHE HLDGS AG GENUSSCHEINE NPV	2,493,021
6)	7,245	APPLE INC COM STK	2,431,951
7)	70,236	ADR PETROLEO BRASILEIRO SA PETROBRAS SPONSORED ADR	2,378,193
8)	869,264	VODAFONE GROUP ORD USD0.11428571	2,306,862
9)	96,457	ATLAS COPCO AB SER'B'NPV	2,276,113
10)	78,153	ADR VALE S A ADR REPSTG PFD PREF ADR	2,263,310
Total Largest Stock Holdings			$28,513,083

Largest Bond Holdings (by Market Value)
as of June 30, 2011

	Share/Par Value	Bond Holding	Coupon Rate	Maturity Date	Market Value
1)	7,221,528	UNITED STATES TREAS NTS	0.750%	31 Mar 2013	$7,263,846
2)	5,569,209	FEDERAL HOME LN MTG CORP POOL #G02988	6.000%	01 May 2037	6,129,973
3)	4,225,931	UNITED STATES TREAS NTS DTD 00273	0.875%	31 Jan 2012	4,244,420
4)	3,762,458	FEDERAL NATL MTG ASSN GTD MTG POOL #AL0278	5.500%	01 Jan 2025	4,080,649
5)	3,324,578	UNITED STATES TREAS NTS DTD 00277	1.375%	15 Feb 2013	3,377,432
6)	2,894,693	FNMA POOL #725162	6.000%	01 Feb 2034	3,211,036
7)	2,926,056	US TREAS BDS	4.750%	15 Feb 2041	3,110,307
8)	3,105,257	UTD STATES TREAS	0.500%	31 May 2013	3,108,533
9)	2,638,281	FNMA POOL #889552	6.000%	1 May 2038	2,900,209
10)	2,720,109	UNITED STATES TREAS NTS DTD 01/31/2010	3.125%	31 Jan 2017	2,884,164
Total Largest Bond Holdings					$40,310,569

A complete list of portfolio holdings is available upon request.

The System participates in a commission recapture program offered by Northern Trust Securities Inc. (NTSI). Investment Managers are instructed to seek best execution and to seek to minimize omission and market impact costs when trading securities. Consistent with the pursuit of best execution, equity manager's participating in the Brokerage Commission Recapture Program are to give consideration to executing a portion of the trades for their account through brokerage firms identified by NTSI as eligible Broker Dealer firms. The System receives a rebate in the amount of 70% of the total commissions directed through the NTSI Network. For fiscal year 2011, the net income from Brokerage Commission Recapture was $41,258. During this period, the overall participating rate by the System's equity managers was 11.59%. 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, 2011

Brokerage Firm		Total Commissions	Number of Shares		Commission Cost/Share
CSFB NEW YORK DTC 355	$	61,603	12,674,304	$	0.0049
CREDIT SUISSE FIRST BOSTON CORPORATION		49,420	99,713,665		0.0005
DEUTSCHE BANK SECURITIES INC		42,025	32,185,079		0.0013
INSTINET		41,498	1,093,945		0.0379
UBS WARBURG LLC		35,282	138,581,047		0.0003
UBS AG, (LONDON EQUITIES)		26,307	2,231,139		0.0118
CSFB LONDON		20,140	1,067,996		0.0189
MERRILL LYNCH INTL LTD EQUITIES		19,383	1,308,781		0.0148
JP MORGAN SECURITIES LIMITED LONDON		17,735	2,763,069,864		0.0000
CITIGROUP GLOBAL MARKETS INC		16,903	232,845,999		0.0001
	$	330,296	3,284,771,819	$	0.0001
All Other Brokerage Firms		601,446	12,239,055,749		0.0000
TOTAL	$	931,742	15,523,827,568	$	0.0001

INVESTMENT SUMMARY

		Investment Value as of June 30, 2011	Percent of Fund
Equity			
Domestic	$	400,477,491	35.8%
International		221,750,417	19.8%
Emerging Market Equity		48,997,718	4.4%
Fixed Income			
Domestic		312,479,298	27.9%
Real Estate		105,837,124	9.5%
Short Term Investments		29,404,478	2.6%
Total	$	1,118,946,526	100.0%

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Section 4 Actuarial

To improve the level of benefits and delivery of services provided to members and employees.

ACTUARIAL CERTIFICATION LETTER

SEGAL

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

VIA E-MAIL AND USPS

October 18, 2011

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, 2010 Actuarial Valuation**

Dear Members of the Board:

The Segal Company prepared the June 30, 2010 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. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the June 30, 2010 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data provided by the Plan's administrative staff for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the System's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period.

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

Board of Retirement
City of Fresno Fire and Police Retirement System
October 18, 2011
Page 2

The PAAL is amortized as a level percentage of payroll over a 15-year period. The progress being made towards meeting the funding objective through June 30, 2010 is illustrated in the Schedule of Funding Progress.

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

1. Summary of Actuarial Assumptions and Methods;
2. Solvency Test;
3. Actuarial Analysis of Financial Experience; and
4. Schedule of Funding Progress.[1]

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

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2009 Experience Analysis and the June 30, 2010 Economic Assumptions Report. It is our opinion that the assumptions used in the June 30, 2010 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, 2012. 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, 2010 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 119.6% to 110.8%. The employer's contribution rate has increased from 19.85% of payroll to 23.94% of payroll, while the employee's contribution rate has increased from 8.71% of payroll to 8.74% of payroll.

As a result of using the actuarial value of assets in the actuarial valuation, there were $198.2 million in unrecognized deferred investment losses as of June 30, 2010, which represented 21.6% of the market value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 110.8% to 89.2%, and the employer's rate would increase from 23.94% of payroll to 29.81% of payroll, based on a 30-year period for amortizing the Plan's Unfunded Actuarial Accrued Liability. The projected contribution rate impact under different possible market return scenarios is provided in our letter dated March 4, 2011.

Board of Retirement
City of Fresno Fire and Police Retirement System
October 18, 2011
Page 3

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

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA	Andy Yeung, ASA, MAAA, FCA, EA
Senior Vice President & Actuary	Vice President & Associate Actuary

ST/kek
Enclosures

5144104v3/09328.001

SUMMARY OF ASSUMPTIONS AND FUNDING METHOD

These actuarial assumptions and methods based on June 30, 2010, data were adopted by the Fire and Police Retirement Board on December 8, 2010, and were effective for July 1, 2011.

Assumptions

Valuation Interest Rate	8.00%
Inflation:	4.00%

Post Retirement Mortality

(a) Service

RP-2000 Combined Healthy Mortality Table set back three years (separate tables for males and females).

Beneficiary - RP-2000 Combined Healthy Mortality Table set back three years weighted 10% male and 90% female.

(b) Disability

Member: RP-2000 Combined Healthy Mortality Table, set forward one year (separate tables for males and females). Beneficiary: RP-2000 Combined Healthy Mortality Table set back three years weighted 10% male and 90% female.

Pre-Retirement Mortality
Based upon the 6/30/2010 Experience Analysis

Withdrawal Rates
Based upon the 6/30/2010 Experience Analysis

Disability Rates
Based upon the 6/30/2010 Experience Analysis

Service Retirement Rates
Based upon the 6/30/2010 Experience Analysis

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 amortized as a level percentage of payroll. There is no UAAL as of June 30, 2010.

COLA Assumptions

The annual cost-of-living adjustment is 3.00% for Tier 2 members and 4.00% 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%	50%
Following year	0%	25%
Next following year	0%	10%
Thereafter	0%	0%

Members are assumed to remain in DROP for 7 years.

Ultimate Salary Scales

5.95% for the first five years of service. Graded increases thereafter ranging from 1.60% at age 25 to 0.30% at ages 50 and over. Of the total salary increases assumed, 3.50% is for inflation; plus 0.50% real across-the-board salary increase.

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

	Rate (%)	
	Mortality	
	Tier 1 & Tier 2	
Age	Male	Female
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.09	0.06
45	0.12	0.09
50	0.17	0.13
55	0.27	0.20
60	0.47	0.35
65	0.88	0.67

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

	Rate (%)			
	Disability			
	Tier 1		Tier 2	
Age	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

All disabilities are assumed to be non-service connected.

	Rate (%)	
	Vested Termination (Deferred Vested Benefit)	
Age	Tier 1	Tier 2
20	0.70	1.60
25	0.70	1.35
30	0.70	1.10
35	0.70	0.88
40	0.70	0.68
45	0.60	0.42
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Active/DROP	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
June 30, 2010	Active Members	992	$ 89,718,011	$ 90,442	3.0%
	DROP Participants	143	12,968,418	90,688	2.3%
	Totals	1135	$ 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	1164	$ 102,354,645	$ 87,934	
June 30, 2008	Active Members	1017	$ 84,977,945	$ 83,557	6.4%
	DROP Participants	165	13,934,644	84,452	1.6%
	Totals	1182	$ 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	1130	$ 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	1097	$ 82,492,908	$ 75,199	
June 30, 2005	Active Members	894	$ 61,123,230	$ 68,371	3.0%
	DROP Participants	171	12,299,275	71,926	0.0%
	Totals	1065	$ 73,422,505	$ 68,941	
June 30, 2004	Active Members	842	$ 55,895,431	$ 66,384	4.3%
	DROP Participants	175	12,588,060	71,932	0.8%
	Totals	1017	$ 68,483,491	$ 67,339	
June 30, 2003	Active Members	814	$ 53,592,702	$ 65,839	(1.1%)
	DROP Participants	166	11,654,388	70,207	(10.0%)
	Totals	980	$ 65,247,090	$ 66,579	
June 30, 2002	Active Members	781	$ 51,992,000	$ 66,571	3.1%
	DROP Participants	166	12,945,000	77,982	10.3%
	Totals	947	$ 64,937,000	$ 68,571	
June 30, 2001	Active Members	768	$ 49,611,000	$ 64,598	3.9%
	DROP Participants	164	11,374,000	69,354	(1.9%)
	Totals	932	$ 60,985,000	$ 65,435	

SCHEDULE OF BENEFICIARIES ADDED OR REMOVED FROM ROLLS

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Year Ended	Number	Annual Allowance*	Number	Annual Allowance*	Number	Annual Allowance	Average Annual Allowance	% Increase in Retiree Allowance
June 30, 2011	61	$1,895,852	(25)	$(691,254)	938	$50,556,250	$53,898	(2.06)
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)
June 30, 2005	40	$1,167,252	(17)	$(329,007)	784	$36,443,224	$46,484	0.20
June 30, 2004	50	$549,865	(23)	$(592,613)	761	$35,304,472	$46,392	0.93
June 30, 2003	61	$1,936,470	(13)	$(312,042)	734	$33,736,675	$45,963	1.24
June 30, 2002	43	$1,080,350	(20)	$(563,907)	686	$31,144,834	$45,401	5.36

* Annual allowance data not available prior to 2001.

SOLVENCY TEST (IN THOUSANDS)

	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Asset		
Valuation Date	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)	Actuarial Value of Assets	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members
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%
6/30/2005	53,011	508,568	108,522	846,718	100%	100%	100%
6/30/2004	47,981	492,227	101,986	793,059	100%	100%	100%
6/30/2003	46,881	461,688	109,310	749,505	100%	100%	100%
6/30/2002	44,161	443,037	103,657	814,680	100%	100%	100%
6/30/2000	39,133	381,062	102,603	852,444	100%	100%	100%

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

	Plan Years									
(Amounts in Thousands)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Prior Valuation Actuarial Accrued Liability	$874	$830	$773	$723	$670	$642	$618	$591	$562	$523
Salary Increase Greater/ (Less) than Expected	(6)	-	8	4	(6)	(8)	5	(12)	(3)	(3)
Asset Return (Greater)/ Less than Expected	-	-	-	-	-	(14)	(38)	29	26	30
COLA Increase Greater/(Less) than Expected	(29)	-	-	-	-	-	-	-	-	-
Other Experience	(8)	(7)	(7)	4	(4)	47	43	-	-	(1)
Economic Assumption Changes	36	-	8	(2)	-	-	5	-	-	18
Non-economic Assumption Changes	-	-	-	-	-	3	9	10	6	(5)
Normal Cost	28	28	25	22	21	-	-	-	-	-
	71	67	63	59	54	-	-	-	-	-
Payments	(47)	(44)	(40)	(37)	(35)	-	-	-	-	-
Change in Valuation Programs and Methods	0	0	-	-	23	-	-	-	-	-
Ending Actuarial Accrued Liability	$919	$874	$830	$773	$723	$670	$642	$618	$591	$562

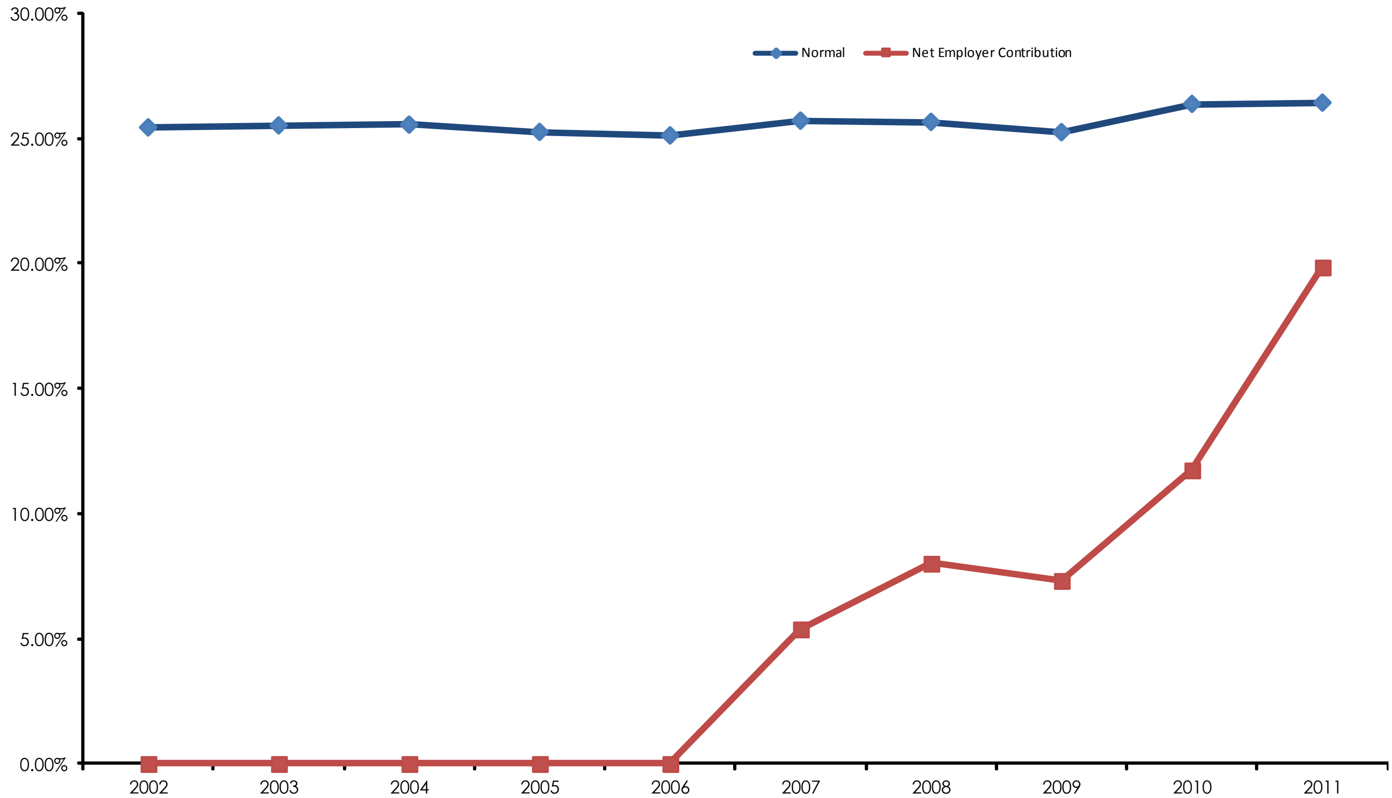
MAJOR PROVISIONS OF THE RETIREMENT PLAN

	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)	A. Three-year final average salary; or B. Salary attached to rank average-service weighted compensation for each rank held.	A. Highest three consecutive year average.
Service Retirement	Requirement: Age 50 and 10 years of Service, or age 60. Benefit: (1) and (2) 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 Maximum Benefit: 75% of FAS	Requirement: Age 50 and 5 years of service. Benefit: 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 Maximum Benefit: 75% of FAS
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 retire-ment distribution. Retirement amount is calculated and monthly deposits are made to the employee's DROP account while 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 retire-ment distribution. Retirement amount is calculated and monthly deposits are made to the employee's DROP account while employee continues to work for a maximum of 10 years.
Disability Retirement	a. Requirements: 1. Service-Connected: None 2. Non-Service Connected: 10 years of service. b. Benefit: 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. Benefit reduced to the extent that income earned while on disabilityand the amount of the disabiilty retirement benefits exceeds the current salary attached to the last rank held.	a. Requirements: 1. Service-Connected: None 2. Non-Service Connected: 10 years of service. b. Benefit: 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. Benefit reduced to the extent that income earned while on disabilityand the amount of the disabiilty retirement benefits exceeds the current salary attached to the last rank held.

MAJOR PROVISIONS OF THE RETIREMENT PLAN

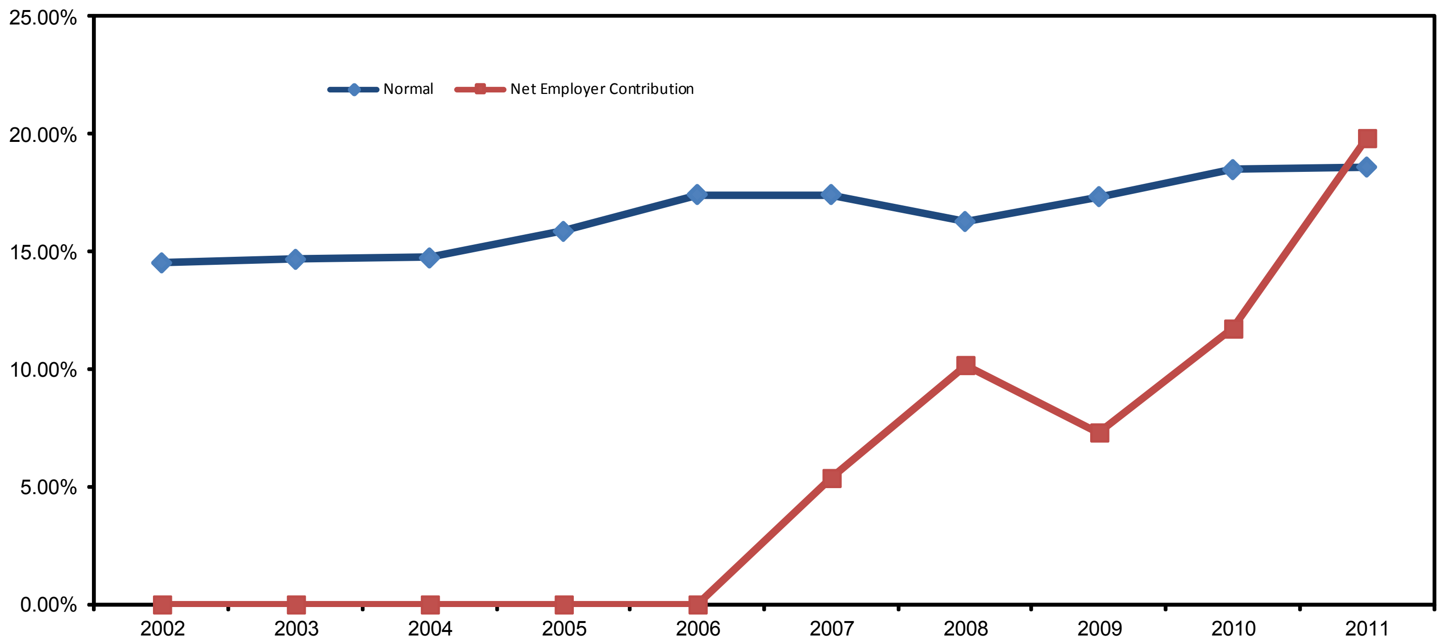
	Fire & Police First Tier	Fire and Police Second Tier
Death Before Retirement	a. Before eligible to retire for disability (less than 5 years). 1. One month's salary for each year of service, not-to-exceed 6 months. 2. Return of contributions with interest. a. While eligible to retire (after 10 years): 2/3 of Service or Non-Service-connected Disability Retirement Benefit. b. Service-Connected Death: 55% of FAS	a. Before eligible to retire (less than 5 years). 1. One month's salary for each year of service, not-to-exceed 6 months. 2. Return of contributions with interest. 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	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.	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)	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 Board, PRSB benefit payments will be calculated for eligible recipients and payments for the following calendar year will begin in January.	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 Board, PRSB benefit payments will be calculated for eligible recipients and payments for the following calendar year will begin in January.
Cost of Living Benefits	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.	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 Contribution Rates (Tier I)



Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Normal	25.44%	25.52%	25.55%	25.26%	25.12%	25.71%	25.66%	25.25%	26.38%	26.43%
Prefunded Liability/Prepaid Contributions	25.44%	25.52%	25.55%	25.26%	25.12%	20.33%	17.65%	17.93%	14.64%	6.58%
Net Employer Contribution	0.00%	0.00%	0.00%	0.00%	0.00%	5.38%	8.01%	7.32%	11.74%	19.85%

History Of Employer Contribution Rates (Tier II)



Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Normal	14.52%	14.67%	14.73%	15.86%	17.43%	17.43%	16.28%	17.34%	18.49%	18.60%
Prefunded Liability/Prepaid Contributions	14.52%	14.67%	14.73%	15.86%	17.43%	12.05%	6.09%	10.02%	6.75%	-1.25%
Net Employer Contribution	0.00%	0.00%	0.00%	0.00%	0.00%	5.38%	10.19%	7.32%	11.74%	19.85%

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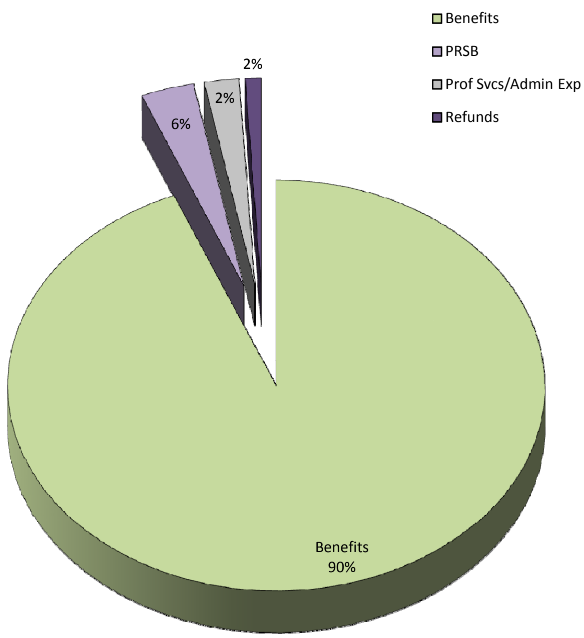
Section 5 Statistical

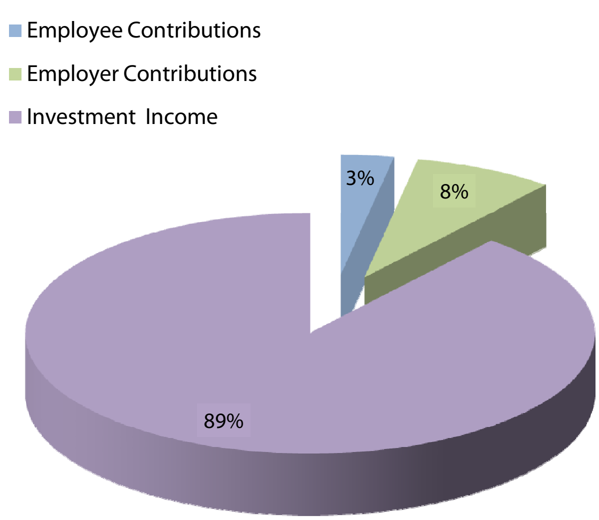
TO PROVIDE BENEFITS AND SERVICES WHILE TREATING ALL PERSONS FAIRLY AND WITH COURTESY AND RESPECT.

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

FY 2011 EXPENSES BY TYPE



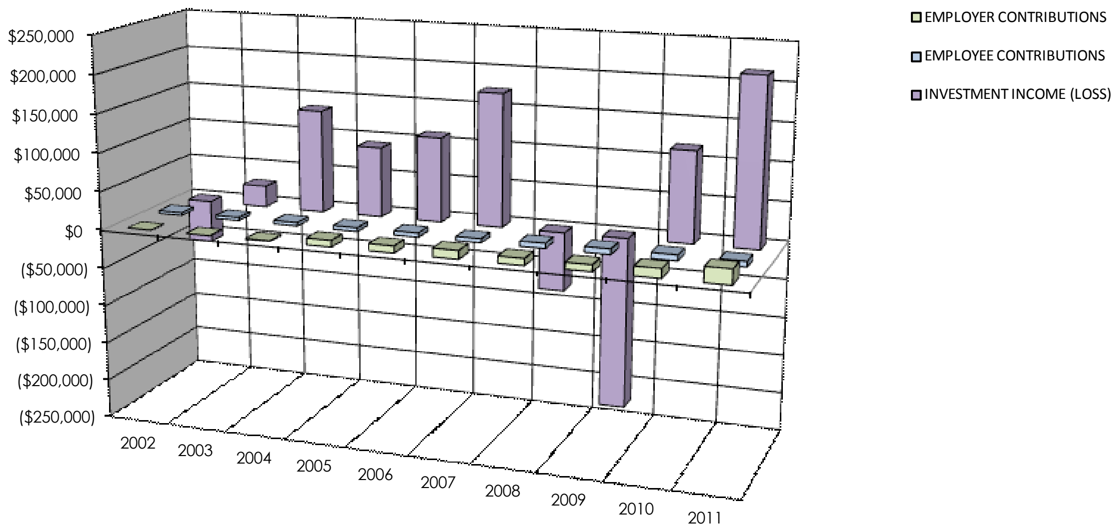
FY 2011 REVENUES BY SOURCE



CHANGES IN PLAN NET ASSETS LAST TEN FISCAL YEARS
(DOLLARS IN MILLIONS)

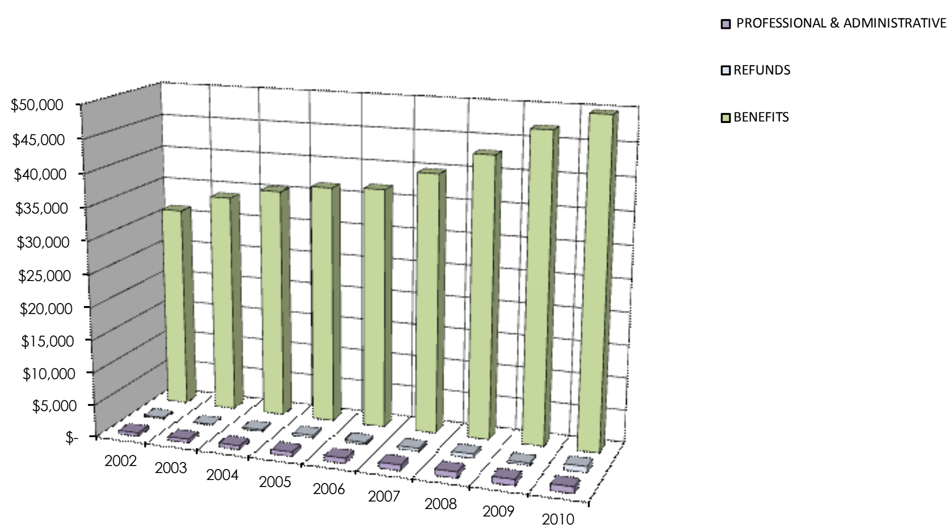
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Employer Contributions	$-	$-	$0.7	$8.8	$8.9	$10.8	$8.8	$8.9	$12.1	$19.4
Member Contributions	3.8	4.1	4.4	4.9	5.3	5.4	6.8	7.2	7.4	7.3
Net Investment Income (Loss)	(55.2)	27.8	134.3	91.8	110.4	173.5	(76.4)	(223.1)	117.9	215.9
Total Revenues	$(51.4)	$31.9	$139.4	$105.5	$124.6	$189.7	$(60.8)	$(207.0)	$137.4	$242.6
Expenses										
Benefit Expenses	$25.3	$28.6	$30.1	$32.6	$34.2	$36.8	$39.5	$43.2	$46.3	$48.9
Post Retirement Supplement Benefit	5.8	5.1	5.2	3.9	2.5	2.9	3.5	3.8	3.3	1.7
Refunds	0.2	0.1	0.2	0.4	0.4	0.5	0.6	0.3	0.9	0.5
Administrative Expense	0.5	0.6	0.6	0.7	0.8	0.9	0.9	1.0	1.0	1.0
Total Expenses	31.8	34.4	36.1	37.6	37.9	41.1	44.5	48.3	51.5	52.1
Change in Plan Net Assets	$(83.2)	$(2.5)	$103.3	$67.9	$86.7	$148.6	$(105.3)	$(255.3)	$85.9	$190.5

REVENUES BY SOURCE
(IN THOUSANDS)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EMPLOYER CONTRIBUTIONS	$ -	$ -	$ 728	$ 8,806	$ 8,886	$ 10,807	$ 8,766	$ 8,938	$ 12,094	$ 19,397
EMPLOYEE CONTRIBUTIONS	3,848	4,081	4,409	4,963	5,336	5,394	6,788	7,172	7,355	7,304
INVESTMENT INCOME (LOSS)	(55,177)	27,759	134,287	91,761	110,413	173,484	(76,357)	(223,122)	118,018	215,994
TOTAL	$(51,329)	$31,840	$139,424	$105,530	$124,635	$189,685	$(60,803)	$(207,012)	$137,467	$242,695

EXPENSES BY TYPE
(IN THOUSANDS)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BENEFITS	$ 31,145	$ 33,737	$ 35,304	$36,443	$ 36,778	$ 39,683	$ 42,950	$ 47,025	$ 49,638	$ 50,556
REFUNDS	178	79	229	378	303	454	646	338	918	494
PROFESSIONAL & ADMINISTRATIVE	512	571	604	688	803	887	945	952	993	1,080
TOTAL	$31,835	$34,387	$36,137	$37,509	$37,884	$41,024	$44,541	$48,315	$51,549	$52,130

SCHEDULE OF AVERAGE BENEFITS PAYMENTS

	Years of Credited Service						Fiscal Year Average/New Retirants
Retirement Effective Dates	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**	
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
Period 7/1/04 to 6/30/05							
Average Monthly Pension Benefits	$3,077	$1,783	$2,897	$3,081	$6,481	$7,388	$4,118
Number of New Retired Members	2	2	1	3	7	12	27
Period 7/1/03 to 6/30/04							
Average Monthly Pension Benefits	$3,246	$2,808	$3,412	$4,961	$5,616	$8,174	$4,703
Number of New Retired Members	11	2	3	2	8	15	41

RETIRED MEMBERS BY TYPE OF BENEFIT
(AS OF JUNE 30, 2011)

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*		
		1	2	3
$1 - $1,000	50	4	3	43
$1,001 - $2,000	64	14	4	46
$2,001 - $3,000	149	40	21	88
$3,001 - $4,000	269	74	156	39
$4,001 - $5,000	129	76	44	9
$5,001 - $6,000	70	41	24	5
$6,001 - $7,000	61	38	21	2
$7,001 - $8,000	56	24	31	1
$8,000 - $9,000	31	15	16	0
> $9,000	59	38	20	1
Total	938	364	340	234

*Type of Retirement

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

Amount of Monthly Benefit	Number of Retired Members	Option Selected**			
		Unmodified	Option 1	Option 2	Option 3
$1 - $1,000	50	46	3	1	0
$1,001 - $2,000	64	52	5	7	0
$2,001 - $3,000	149	85	47	12	5
$3,001 - $4,000	269	180	67	15	7
$4,001 - $5,000	129	95	26	6	2
$5,001 - $6,000	70	51	5	12	2
$6,001 - $7,000	61	35	11	12	3
$7,001 - $8,000	56	37	3	15	1
$8,001 - $9,000	31	24	1	6	0
> $9,000	59	47	0	12	0
Total	938	652	168	98	20

**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.

BENEFIT EXPENSES BY TYPE
(DOLLARS IN MILLIONS)

(In Million Dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Service Retiree Benefits	$ 21.7	$ 22.6	$ 22.7	$ 23.9	$ 22.3	$ 23.8	$ 26.4	$ 28.9	$ 28.0	$ 30.4
Disability Retiree Benefits	9.5	11.1	12.6	12.6	14.5	15.8	16.6	18.1	21.6	20.2
Separation	0.2	0.1	0.2	0.3	0.3	0.4	0.6	0.3	0.9	0.5
Death Benefit	0.0	0.0	0.0	0.1	0.0	0.1	0.0	-	-	-
Misc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	-	-
Total Benefit Expenses	$ 31.4	$ 33.8	$ 35.5	$ 36.9	$ 37.1	$ 40.1	$ 43.6	$ 47.4	$ 50.5	$ 51.1

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

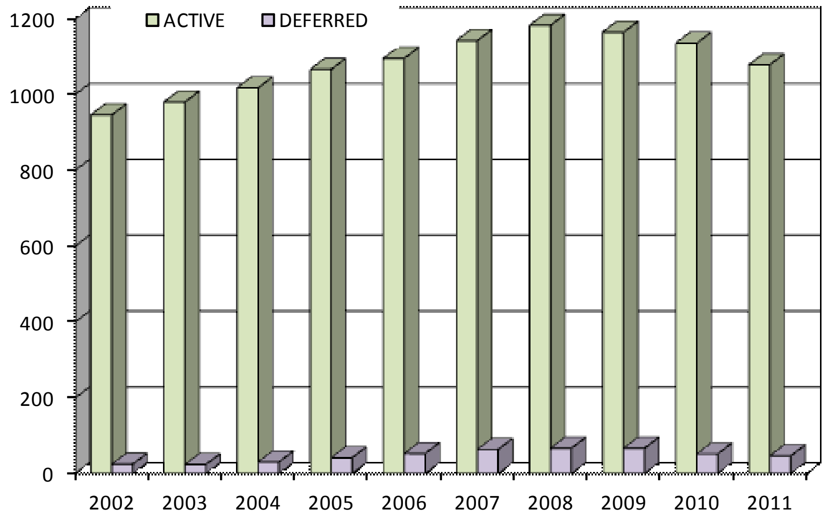
ACTIVE/DEFERRED MEMBER

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Active Vested	698	717	759	763	765	782	783	851	880	884
Active Non Vested	248	263	258	303	330	360	399	313	255	194
Deferred	25	24	31	42	53	64	67	67	52	47
Total	971	1,004	1,048	1,108	1,148	1,206	1,249	1,231	1,187	1,125

RETIRED MEMBERS

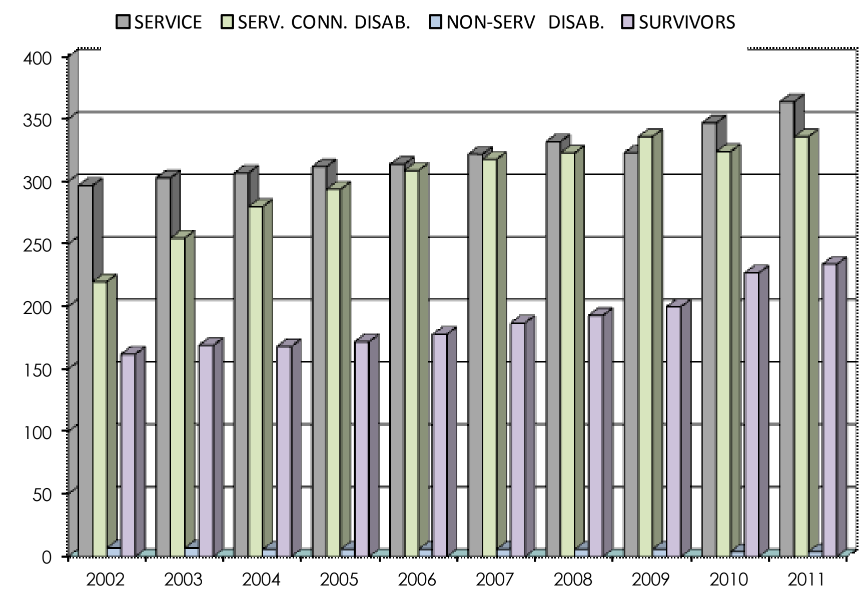
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Service	297	303	307	312	314	322	332	323	347	379
Service Connected Disability	220	255	280	294	309	318	323	336	324	342
Non Service Disability	7	7	6	6	6	6	6	6	4	4
Survivors	162	169	168	172	178	187	193	200	227	240
TOTAL	686	734	761	784	807	833	854	865	902	965

MEMBERSHIP HISTORY (ACTIVE AND DEFERRED



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ACTIVE	946	980	1,017	1,066	1,095	1,142	1,182	1,164	1,135	1,078
DEFERRED	25	24	31	42	53	64	67	67	52	47
TOTAL	971	1,004	1,048	1,108	1,148	1,206	1,249	1,231	1,187	1,125

RETIRED MEMBERS BY TYPE OF BENEFIT



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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Service Connected Disability	220	255	280	294	309	318	323	336	324	342
Non Service Disability	7	7	6	6	6	6	6	6	4	4
Survivors	162	169	168	172	178	187	193	200	227	240
TOTAL	686	734	761	784	807	833	854	865	902	965

SUMMARY OF ACTIVE PARTICIPANTS

YEAR	NUMBER OF MEMBERS	PENSIONABLE PAYROLL	ANNUAL AVERAGE SALARY	NET CHANGE IN AVERAGE SALARY
2011	1078	$ 101,061,188	$ 93,749	7.30%
2010	1135	$ 99,166,002	$ 87,371	2.39%
2009	1164	$ 99,327,134	$ 85,333	1.80%
2008	1182	$ 99,076,279	$ 83,821	12.87%
2007	1142	$ 84,811,083	$ 74,265	5.30%
2006	1095	$ 77,230,825	$ 70,530	3.26%
2005	1066	$ 72,812,722	$ 68,305	3.84%
2004	1017	$ 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 RETIRED MEMBERSHIP

YEAR	NUMBER OF MEMBERS	ANNUAL BENEFITS TO PARTICIPANTS	ANNUAL AVERAGE ALLOWANCE (INDIVIDUAL)	NET CHANGE IN BENEFITS TO PARTICIPANTS
2011	938	$ 50,556,250	$ 53,898	(2.06%)
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%

CONTRIBUTION RATES

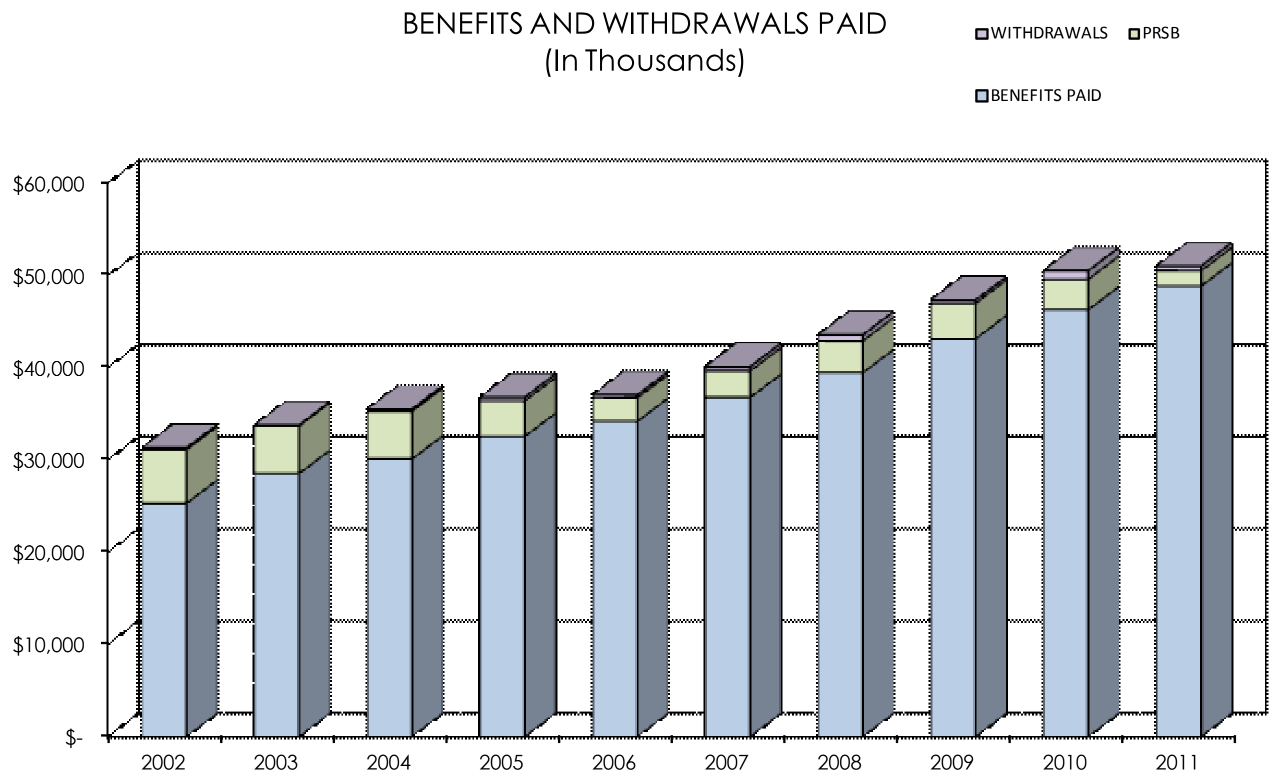
Fiscal Year		Valuation Date	Member Rates			City Contribution Rates		
			Basic at Entry Age			Total City Rate	Less Prefunded Actuarial Accrued Liability (PAAL)	Net City Contribution Rate
			20	30	40			
June 30, 2011	Tier I	June 30, 2009	3.76	6.65	5.94	26.43	-6.58	19.85
	Tier II		9.00	9.00	9.00	18.60	1.25	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

(1) Combined rates for Group A and Group B members and retirees.

ECONOMIC ASSUMPTIONS AND FUNDING METHOD

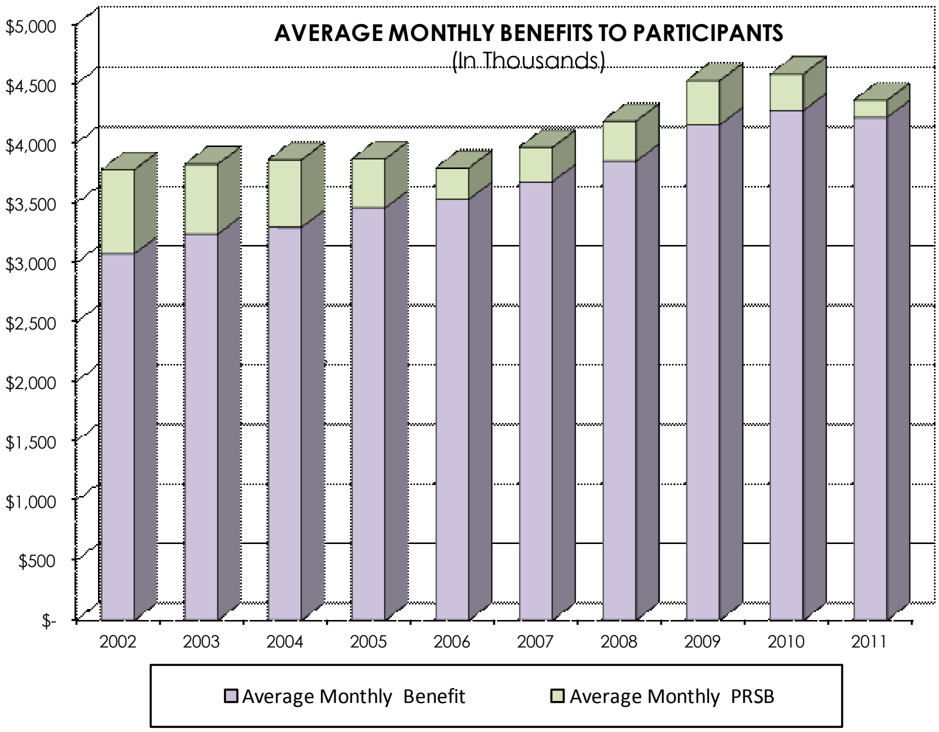
Valuation Date	Interest	Salary Scale	Cost of Living	Inflation Component	Funding Method
June 30, 2010	8.00%	5.5% Avg	3.00 - 4.00%	3.50%	Entry Age Normal
June 30, 2009	8.25%	5.5% Avg	3.00 - 4.00%	3.75%	Entry Age Normal
June 30, 2008	8.25%	5.5% Avg	3.00 - 4.00%	3.75%	Entry Age Normal
June 30, 2007	8.25%	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

BENEFITS AND WITHDRAWALS PAID (IN THOUSANDS)

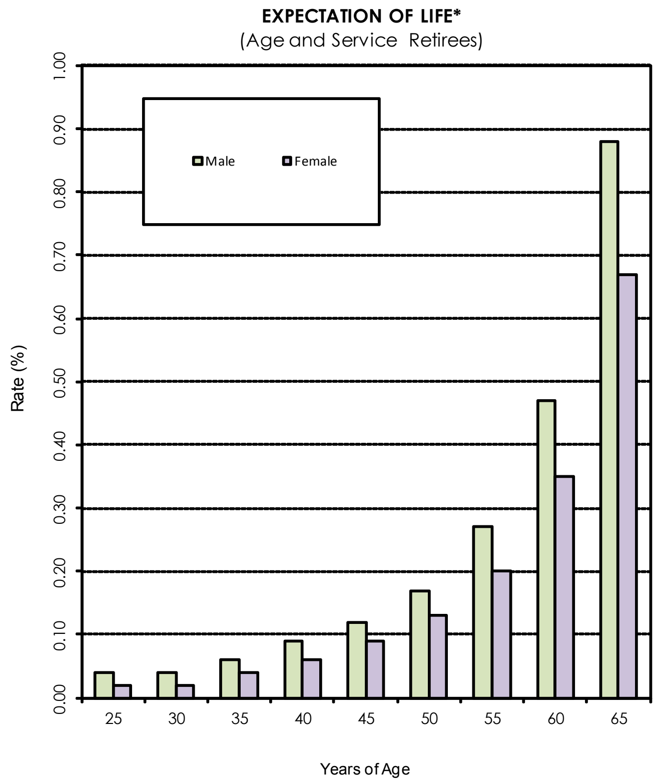


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BENEFITS PAID	$ 25,332	$ 28,572	$ 30,135	$ 32,583	$ 34,230	$ 36,811	$ 39,494	$ 43,177	$ 46,327	$ 48,894
PRSB	5,813	5,165	5,169	3,860	2,548	2,872	3,456	3,848	3,311	1,662
WITHDRAWALS	178	79	229	378	303	454	646	338	918	494

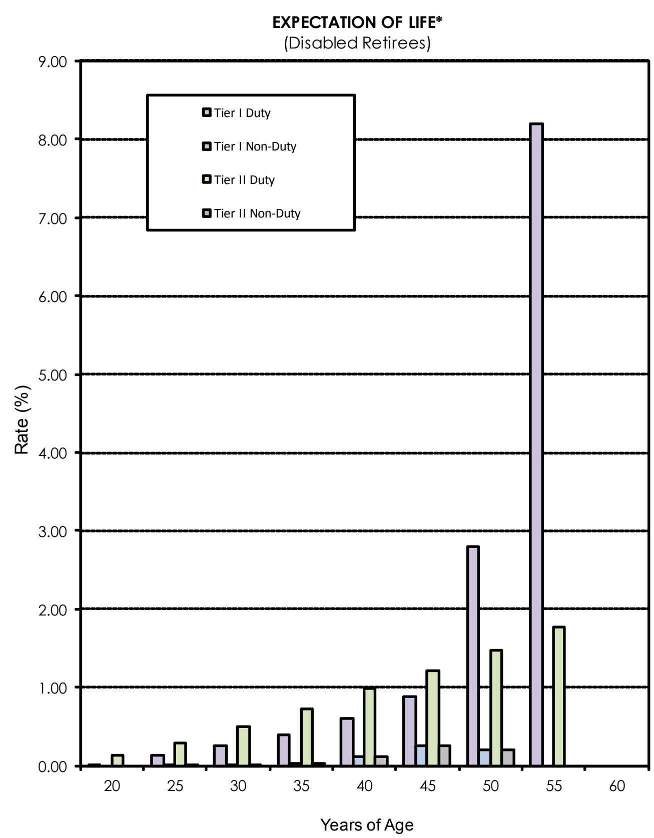
AVERAGE MONTLY BENEFITS TO PARTICIPANTS (IN THOUSANDS)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Average Monthly Benefit	$3,077	$3,244	$3,300	$3,463	$3,535	$3,683	$3,854	$4,160	$4,280	$4,222
Average Monthly PRSB	706	586	566	410	263	287	337	371	306	144
Average Monthly Benefit Total	$3,783	$3,830	$3,866	$3,873	$3,798	$3,970	$4,191	$4,531	$4,586	$4,366



EXPECTATION OF LIFE Age and Service Retirees RP-2000 Combined Healthy Mortality Table Male (x-3), Female (x-3)		
	Tier I & II	
Age	Male	Female
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.09	0.06
45	0.12	0.09
50	0.17	0.13
55	0.27	0.20
60	0.47	0.35
65	0.88	0.67



EXPECTATION OF LIFE Disabled Retirees RP-2000 Combined Healthy Morality Table (x+1)				
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

DATA SOURCE: ANNUAL ACTUARIAL VALUATION REPORTS

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Section 6 Compliance

INDEPENDENT AUDITOR'S INTERNAL CONTROL LETTER

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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 the financial statements of the City of Fresno Fire and Police Retirement System, as of and for the year ended June 30, 2011, which collectively comprise the City of Fresno Fire and Police Retirement System's basic financial statements and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

We noted one matter that we reported to management of the City of Fresno Fire and Police Retirement System in a separate letter dated November 28, 2011.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
November 28, 2011

4

Actuarial

To improve the level of benefits and delivery of services provided to members and employees.

5

Statistical

To provide benefits and services while treating all persons fairly and with courtesy and respect.

6

Compliance

To provide System Members and the Employer with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.