

# POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2019 and 2018

# 2019

## CITY OF FRESNO FIRE & POLICE RETIREMENT SYSTEM

### A MESSAGE TO MEMBERS

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

### RETIREMENT BOARD

Jonathan Lusk, Chair  
John Jensen, Vice Chair  
Theodore Semonious  
Lynn Bennink  
Donald Gross



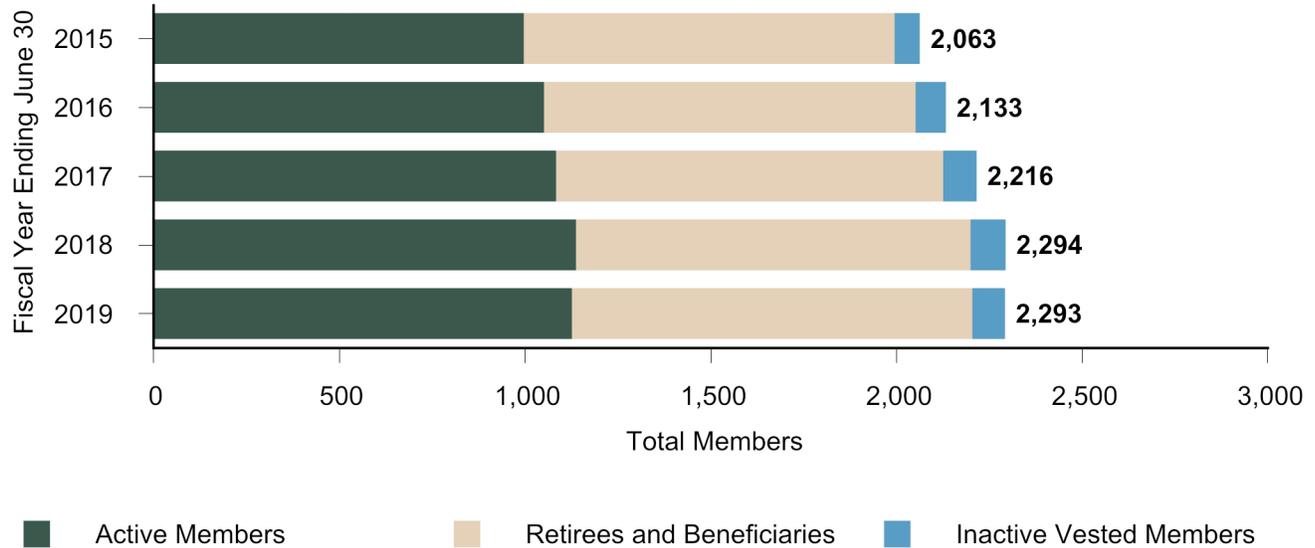
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# Membership and Funded Status

## Membership Highlights 2019-2018

Total overall membership in the System decreased by 0.04% to 2,293. The total number of active members decreased by 1.05% to 1,126. Retired membership increased by 1.60% to 1,079. Inactive Vested membership decreased by 6.38% to 88.

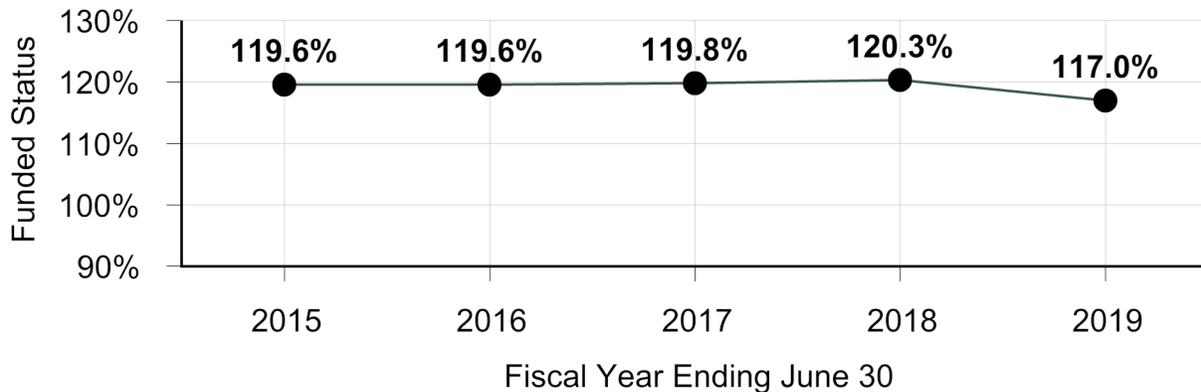
### Membership History



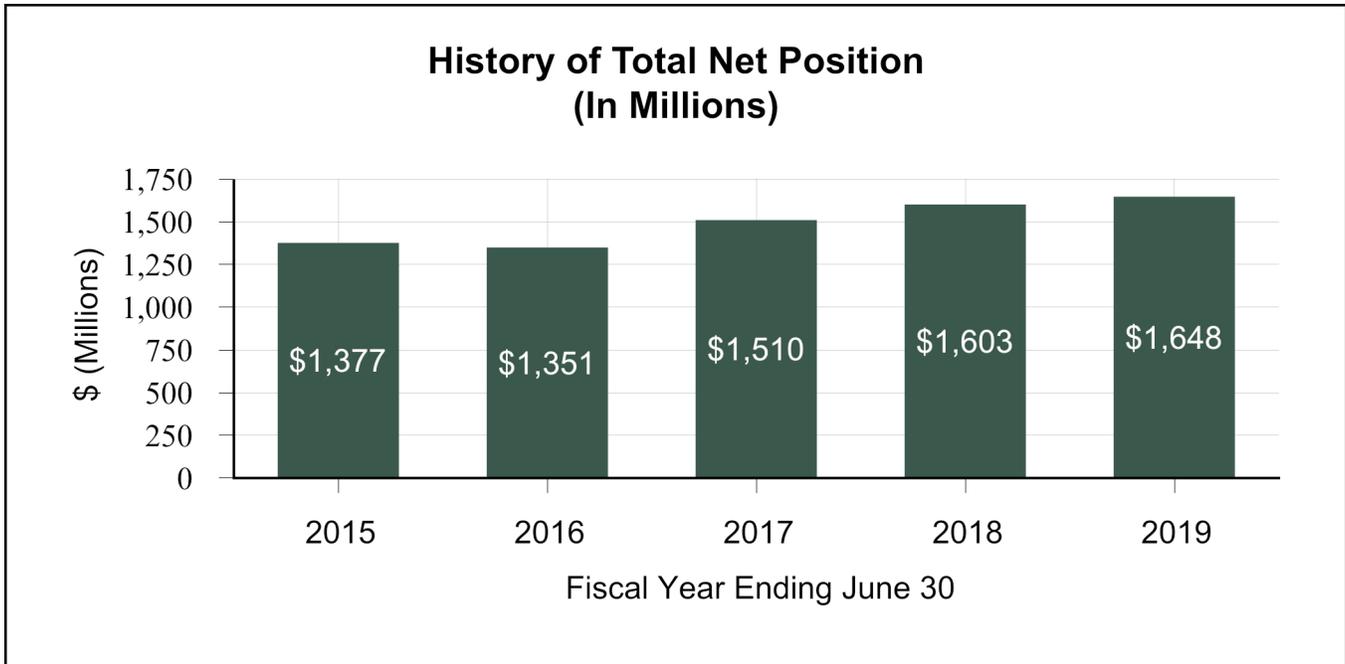
## Funded Status

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2019, the date of the last actuarial valuation, the funded ratio for the System was 117.0 percent reflecting that the System has a valuation value of assets which is in excess of the actuarial accrued liability. In general, this indicates that for every dollar of benefits due, we have approximately \$1.17 of assets available for payment as of that date. As of June 30, 2018, the date of the previous annual actuarial valuation, the funded ratio for the System was 120.3 percent; and as of June 30, 2017, the funded ratio for the System was 119.8 percent.

### Historical Funded Status



# Total Net Position



At June 30, 2019, the City of Fresno Fire and Police Retirement System had total assets of \$1,762 million, less total liabilities of \$114 million, for a total net position restricted for pension benefits of \$1,648 million compared to \$1,603 million at June 30, 2018. “Net Position Restricted for Pension Benefits” represents funds available to pay benefits. It is a point in time or a snapshot of account balances as of the fiscal year-end (i.e., June 30). It indicates the assets available for future payments to retirees and any current liabilities. Increases and decreases in Net Position Restricted for Pension Benefits, when analyzed over time, may serve as an indicator of whether the System’s financial position is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the System’s overall health.

|   | <b>FY 2015</b>          | <b>FY 2016</b>          | <b>FY 2017</b>          | <b>FY 2018</b>          | <b>FY 2019</b>          |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Current and Other Assets                            | \$ 208,651,133          | \$ 161,852,305          | \$ 126,535,268          | \$ 108,904,110          | \$ 147,619,240          |
| Investments at Fair Value                           | 1,373,810,809           | 1,384,326,620           | 1,510,940,012           | 1,600,674,190           | 1,614,051,932           |
| <b>Total Assets</b>                                 | <b>\$ 1,582,461,942</b> | <b>\$ 1,546,178,925</b> | <b>\$ 1,637,475,280</b> | <b>\$ 1,709,578,300</b> | <b>\$ 1,761,671,172</b> |
| <b>Total Liabilities</b>                            | <b>205,744,279</b>      | <b>194,890,285</b>      | <b>127,932,492</b>      | <b>106,992,706</b>      | <b>113,871,570</b>      |
| <b>Net Position Restricted for Pension Benefits</b> | <b>\$ 1,376,717,663</b> | <b>\$ 1,351,288,640</b> | <b>\$ 1,509,542,788</b> | <b>\$ 1,602,585,594</b> | <b>\$ 1,647,799,602</b> |

# Fund Revenues

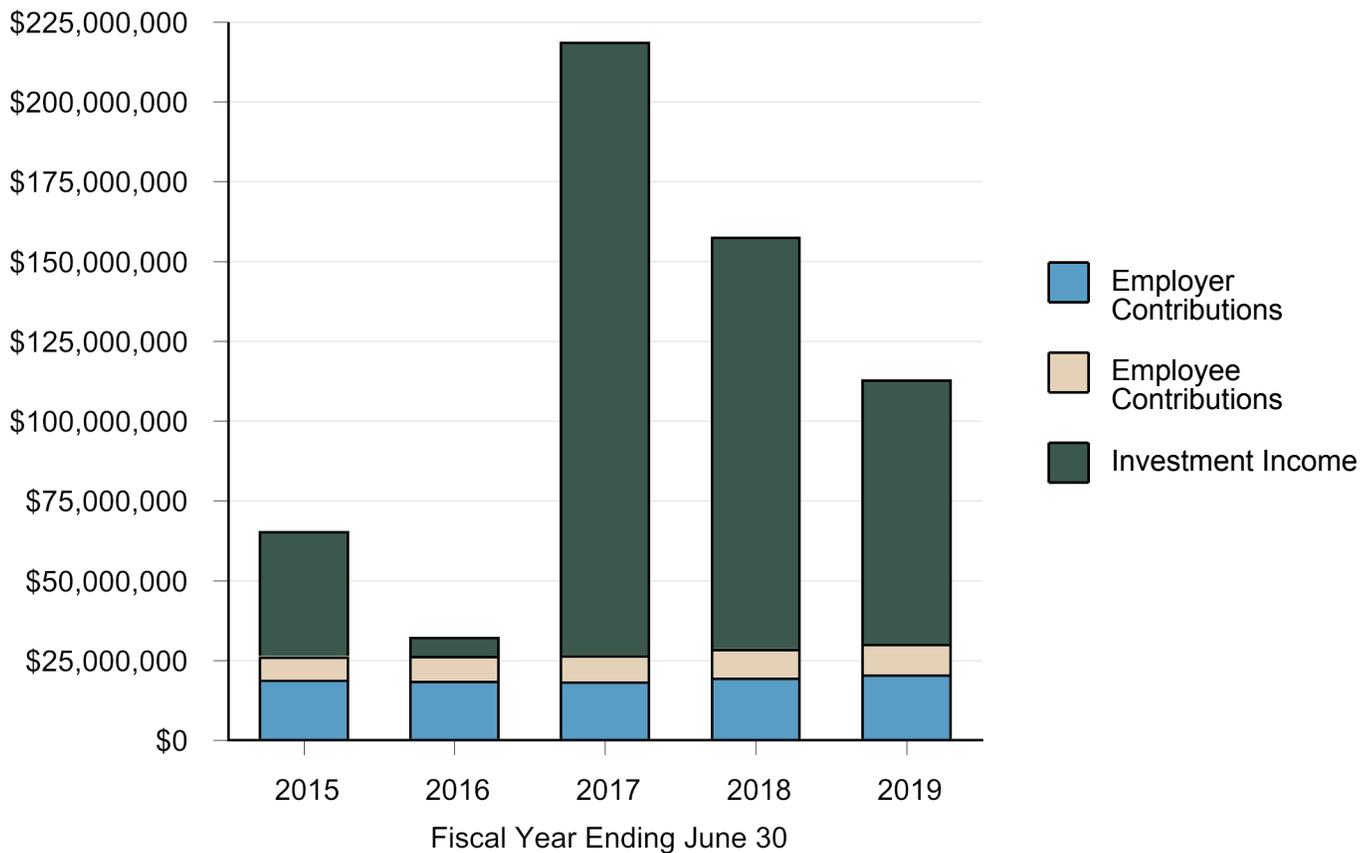
Fund revenues for the fiscal year 2019 decreased \$44,750,028 or 28.35 percent over the prior year from \$157,823,418 to \$113,073,390, which includes employee contributions of \$9,597,068, employer contributions of \$20,604,377, a net investment income gain of \$82,431,446 and net securities lending income of \$440,499.

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

## Schedule and Graph of Fund Revenues By Source

For Fiscal Years Ended June 30, 2015 to 2019

|                        | 2015                 | 2016                 | 2017                  | 2018                  | 2019                  |
|------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| Employer Contributions | \$ 18,966,930        | \$ 18,737,948        | \$ 18,543,308         | \$ 19,696,957         | \$ 20,604,377         |
| Employee Contributions | 7,385,169            | 7,747,808            | 8,169,019             | 8,963,672             | 9,597,068             |
| Investment Income      | 39,163,617           | 6,063,102            | 192,317,658           | 129,162,789           | 82,871,945            |
| <b>TOTAL</b>           | <b>\$ 65,515,716</b> | <b>\$ 32,548,858</b> | <b>\$ 219,029,985</b> | <b>\$ 157,823,418</b> | <b>\$ 113,073,390</b> |



# Fund Expenditures

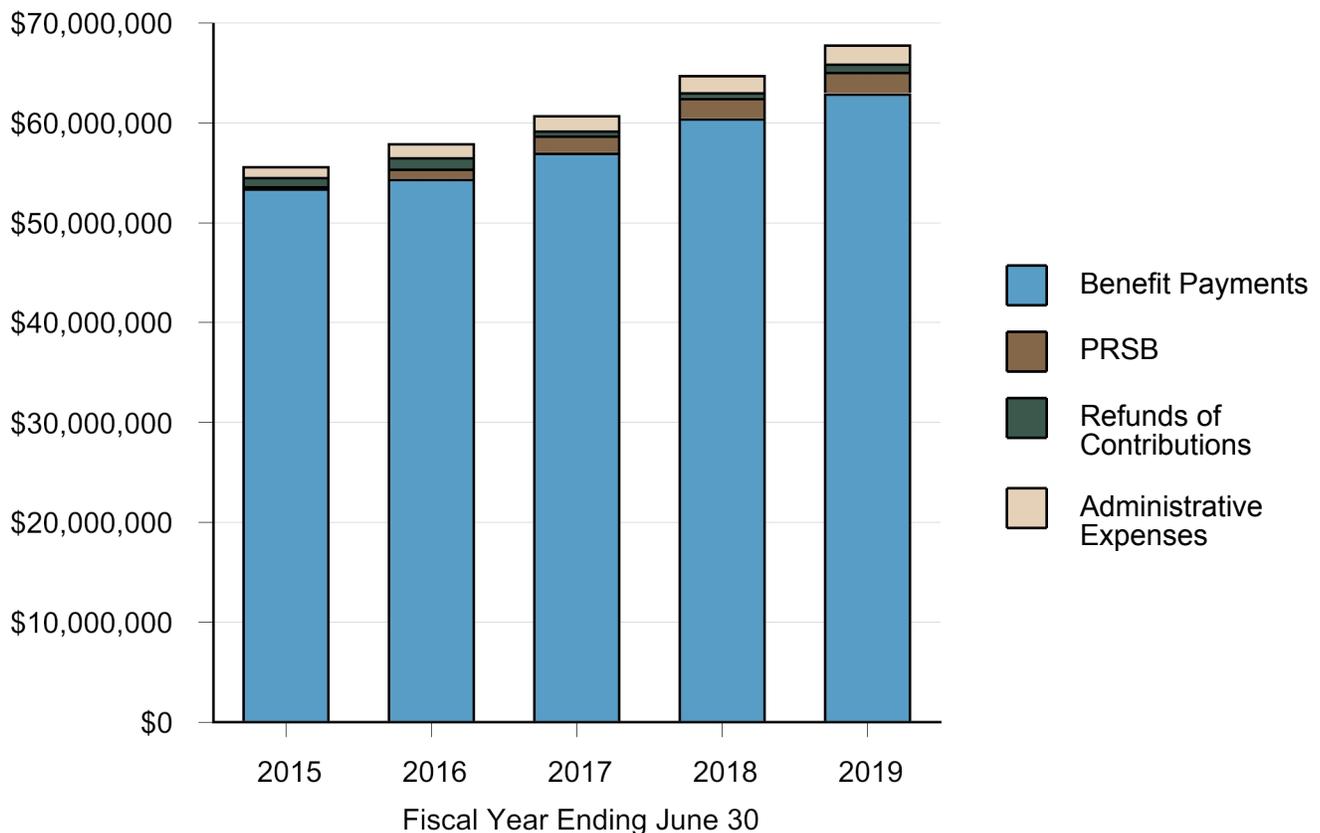
Fund Expenditures for the fiscal year 2019 increased \$3,078,770 or 4.75 percent over the prior fiscal year from \$64,780,612 to \$67,859,382, which includes benefit payments of \$62,990,700, Post Retirement Supplemental Benefit payments of \$2,122,442, refunds of contributions of \$848,993 and administrative expenses of \$1,897,247.

The current year increase in benefits paid resulted primarily from a modest increase in PRSB payments for calendar year 2019 and the normal increase in the number of new retirees receiving benefits.

## Schedule and Graph of Fund Expenditures By Type

For Fiscal Years Ended June 30, 2015 to 2019

|                          | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 |
|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Benefit Payments         | \$ 53,470,508        | \$ 54,428,128        | \$ 57,028,861        | \$ 60,491,661        | \$ 62,990,700        |
| PRSB                     | 240,653              | 980,037              | 1,719,441            | 2,019,167            | 2,122,442            |
| Refunds of Contributions | 900,850              | 1,172,648            | 524,636              | 560,170              | 848,993              |
| Administrative Expenses  | 1,107,741            | 1,397,068            | 1,502,899            | 1,709,614            | 1,897,247            |
| <b>TOTAL</b>             | <b>\$ 55,719,752</b> | <b>\$ 57,977,881</b> | <b>\$ 60,775,837</b> | <b>\$ 64,780,612</b> | <b>\$ 67,859,382</b> |



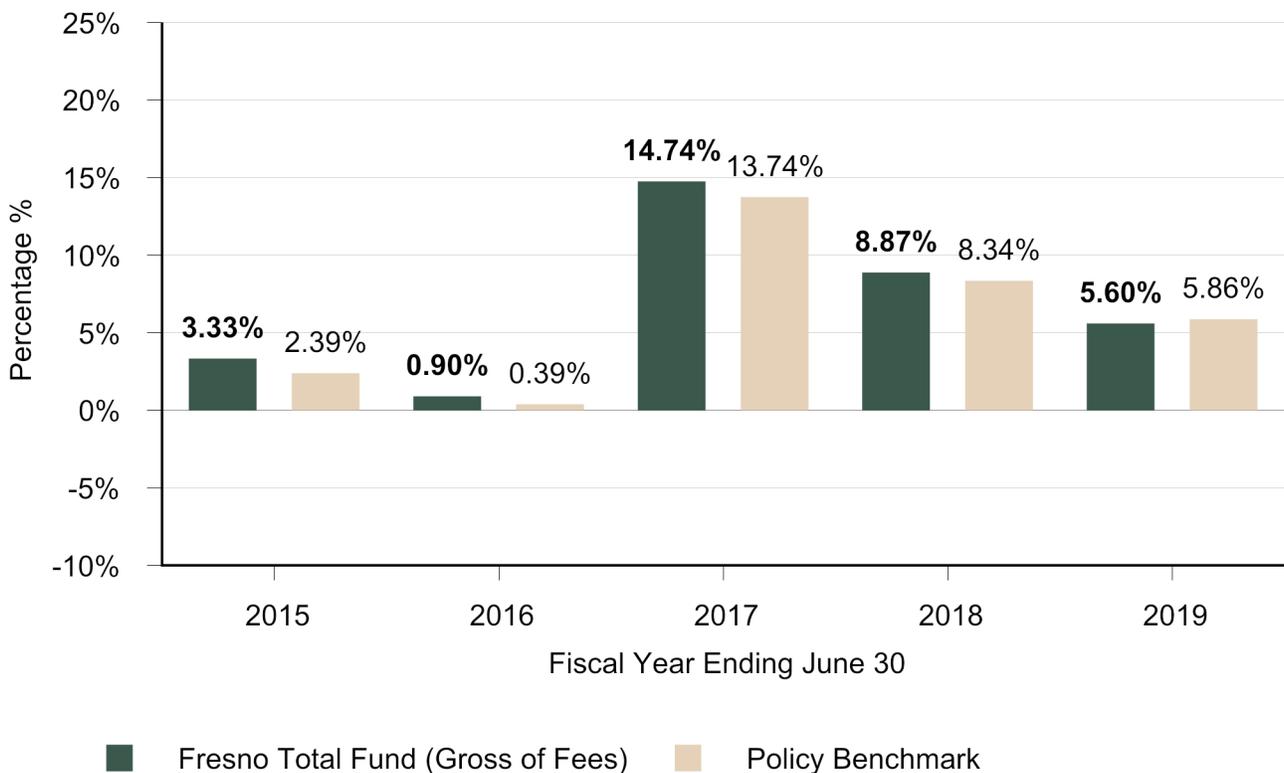
# Investment Results, Actual and Target Allocations

The System generated a total investment gain of 5.60 percent, gross of fees, as reported by the System's custodian, Northern Trust, for the fiscal year ended June 30, 2019. The fiscal year return was 1.65 percent less than the System's actuarial interest rate assumption of 7.25 percent and 0.26 percent less than its policy-weighted benchmark of 5.86 percent, while outperforming its actual weighted benchmark of 5.10 percent by 0.50 percent. The System's ten-year annualized returns averaged 10.10 percent, outperforming its policy benchmarks return of 9.48 percent for the period by 0.62 percent. Over the longer term, our investment results remain sound with annualized returns of 7.28 percent and 8.66 percent, respectively, over the past fifteen and twenty-five years. After paying all benefits and expenses of the System, the year-end value of the System reached \$1.648 billion.

Highlighted below is the Investment Performance of the System's Investment Portfolio gross of fees provided by its custodian for Fiscal Year 2019:

|                      | FY 2019      |
|----------------------|--------------|
| Domestic Equity      | 6.35%        |
| International Equity | 2.38%        |
| Fixed Income         | 7.90%        |
| Real Estate          | 8.84%        |
| Alternatives         | 6.12%        |
| <b>Total Fund</b>    | <b>5.60%</b> |

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



# Investment Results, Actual and Target Allocations Continued

## Target and Actual Asset Allocation As of June 30, 2019

| Asset Class                 | FY 2019     | Allocation Range |
|-----------------------------|-------------|------------------|
| Domestic Equities           |             |                  |
| Large-Cap                   | 12.7%       | 13.0% - 27.0%    |
| Small-Cap                   | 8.3%        | 2.0% - 9.0%      |
| International Equities      |             |                  |
| Developed Markets           | 23.4%       | 13.0% - 27.0%    |
| Emerging Markets            | 8.4%        | 0.0% - 10.0%     |
| Fixed Income                |             |                  |
| Core Fixed Income           | 15.4%       | 4.0% - 19.0%     |
| High Yield Bonds            | 5.9%        | 3.0% - 12.0%     |
| Real Estate                 |             |                  |
| Core Real Estate            | 8.5%        | 5.0% - 20.0%     |
| Value Add Real Estate/REITs | 7.3%        | 1.0% - 9.0%      |
| Alternatives                |             |                  |
| Infrastructure              | 4.0%        | 0.0% - 10.0%     |
| Midstream Energy (MLP's)    | 0.0%        | 0.0% - 10.0%     |
| Private Equity              | 0.6%        | 0.0% - 10.0%     |
| Private Debt                | 5.5%        | 0.0% - 10.0%     |
| Short-Term Investments      | 0.0%        | 0.0%             |
|                             | <b>100%</b> |                  |

## Actual Asset Allocation As of June 30, 2019

